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Prof. Wimboh Santoso, Ph.D.

Chairman of the Board of Commissioners of the Financial Services Authority
Islamic finance must provide value added for the society. Indonesian Financial Services Authority (OJK) is developing the Islamic economy and finance ecosystem in synergy to facilitate halal industry development. In addition, OJK strives to create competitive and efficient Islamic financial institutions through technology adoption and by increasing business scale.

(Annual Gathering of Financial Services Industry, Financial Services Authority, 2020)
Praise to God Almighty for His grace and guidance, the Financial Services Authority (OJK) has continuously developed the national Islamic banking industry, which is now entering its third decade since inception in 1992. Through various strategic plans included in the Indonesia Islamic Banking Roadmap ended in 2019, the Financial Services Authority (OJK) has achieved several noteworthy accomplishments with a tangible contribution to national Islamic banking development. However, numerous endeavours and initiatives are still required to further promote Islamic banking in Indonesia. To that end, the Financial Services Authority (OJK) has compiled the Indonesia Islamic Banking Development Roadmap 2020-2025.

The Roadmap was compiled as a catalyst to accelerate Islamic banking development in Indonesia based on three directions: (i) strengthening Islamic banking identity; (ii) encouraging synergy within Islamic economy ecosystem; and (iii) strengthening licensing, regulation and supervision. As part of Indonesian Banking Development Roadmap, this roadmap is a strategic measure by the Financial Services Authority to harmonise and align the direction of Islamic economic development in Indonesia, particularly targeting the Islamic financial services industry in the Islamic banking sector.

“The Islamic banking industry must play a greater role in developing the national Islamic economy ecosystem.”
Extraordinary global conditions have forced us into a New Normal era due to the Covid-19 pandemic, which has changed the socio-economic system of society, demanding greater vigilance in terms of social distancing. On the other hand, however, concern for helping each other has increased, particularly regarding the economic issues. This is a challenge and an opportunity for the Islamic banking industry in terms of offering digital-based services and meeting societal needs by contributing to post-pandemic economic development.

We have reached a crucial moment for the Islamic banking industry, to strengthen its identity within the banking industry by promoting a resilient and competitive image of Islamic banking, while providing a tangible socio-economic contribution. The development role of Islamic banks in terms of a national Islamic economic ecosystem must be improved to contribute to national socio-economic development. The Islamic banking industry is a key driver connecting the real sector, commercial finance, social finance as well as religious sector within an ecosystem, hence building synergy for the Islamic economy ecosystem. Therefore, I urge all parties to synergise and develop the Islamic economy by optimising the role of Islamic banks.

In closing, allow me to express utmost appreciation to all parties who provided inputs and recommendations when compiling this roadmap. The Indonesia Islamic Banking Development Roadmap 2020-2025 is a living document, which will be refined and honed as necessary based on dynamic changes in the Islamic finance industry that require a relevant and timely policy response. May God Almighty bless us and provide guidance in our efforts to develop a resilient and competitive national Islamic banking industry with a tangible contribution to the national economy and social development in Indonesia.

Heru Kristiyana
Executive Head of Banking Supervision
The Islamic banking industry in Indonesia has continued to expand despite several existing strategic issues and challenges. Based on the Islamic Banking Transformation Study performed in 2018, several strategic issues are impeding faster growth of the Islamic banking business, including a lack of business model differentiation, suboptimal human resources in terms of quality and quantity, as well as low levels of literacy and inclusion.

In addition, extraordinary global conditions have forced us into a New Normal era due to the Covid-19 pandemic, which has changed the social and economic behaviour, demanding greater vigilance in terms of social distancing. On the other hand, however, concern for helping each other has increased, particularly regarding economic issues. This can be considered as a challenge as well as an opportunity for the Islamic banking industry in terms of offering digital-based services and meeting societal needs by contributing to post-pandemic economic development.

The direction of Islamic banking development was previously stated in the Indonesia Islamic Banking Development Roadmap 2015-2019. Continuing effort for Islamic banking development, also considering various strategic issues, opportunities and challenges, OJK has compiled the Indonesia Islamic Banking Executive Summary with a vision to create a resilient and competitive Islamic banking industry that provides a significant contribution to the national economy and social development.

The direction of Islamic banking development aligns with various policies, including external policies at the national level, such as the...
Medium-Term National Development Plan (RPJMN) 2020-2024 and the Indonesia Islamic Economy and Finance Masterplan 2019-2024, as well as internal policies at OJK, namely the Indonesia Financial Services Sector Masterplan (MPSJKI) and Indonesia Banking Development Roadmap (RP2I). As an integral part of RP2I, this roadmap is a strategic measure by OJK to harmonise the direction of Islamic economic development in Indonesia, particularly the financial services industry in the Islamic banking sector.

The Roadmap has an overarching Vision to be achieved based on three pillars and the strategic initiatives contained therein as follows:

**Pillar 1: Strengthening Islamic Banking Identity**

As the underlying and fundamental identity of Islamic banks, end-to-end Islamic values must be applied to all aspects of Islamic banking, namely from the operational side to human resources.

The comprehensive application of sharia values will establish an image of integrity, professional as well as disciplined Islamic banks in the eyes of the public. Regarding product development, Islamic banks will be encouraged to differentiate its business models to conventional banks by creating unique sharia-based products. Innovative and creative product development is prerequisite for industry players and regulators to create unique products that attract public attention. In addition, underlying factors to strengthen capital and efficiency must be improved continually to boost competitiveness and resilience amidst post-pandemic economic uncertainty.

Finally, the rapid development and proliferation of technology demands appropriate technology-based infrastructure development by Islamic banks to serve customers faster and more conveniently. To that end, rapid yet relevant digitalisation is required as value added for the customer when interacting with the Islamic banking industry.

**Pillar 2: Encouraging Synergy within Islamic Economy Ecosystem**

The halal industry, Islamic financial services, Islamic social finance and the religious sector are the four major sectors of the Islamic economic ecosystem, which serves as a network facilitating those four sectors by connecting economic activity with financial transactions within the ecosystem. Synergy
Vision:

Creating a resilient and competitive Islamic banking industry with a significant contribution to the national economy and social development and integration within the ecosystem are critical to ensure all financial activities utilise Islamic financial services. Islamic banks are required to provide competitive Islamic financial products and services that meet the specific needs of the ecosystem. Therefore, OJK issued OJK Regulation (POJK) No. 28/POJK.03/2019 concerning Banking Synergy under Sole Ownership for Islamic Banking Development, which allows Islamic banks to improve product and service quality via platform sharing, where Islamic banks can cooperate in synergy with other banks under sole ownership to provide various supports, including human resources, information technology, office network and other infrastructure.

Three Pillars of Development:

- **Pillar 1:** Strengthening Islamic Banking Identity
- **Pillar 2:** Encouraging Synergy within Islamic Economy Ecosystem
- **Pillar 3:** Strengthening Licensing, Regulation and Supervision

**Pillar 3: Strengthening Licensing, Regulation and Supervision**

Expediting the licensing process is critical to accelerate Islamic banking industry development. This could be achieved by evaluating HR capacity and developing IT systems to support a faster licensing process. In addition, existing regulations must safeguard Islamic banking development in line with industry best practices, current technology and the latest economic developments. Islamic banking regulations...
are constantly harmonised and aligned with international standards, including those issued by the Islamic Financial Services Board (IFSB) as well as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), to increase regulatory credibility in Indonesia. Finally, the development of supervisory tools, along with organisational evaluations, HR adequate levels and higher supervisory capacity through capacity building will strengthen Islamic banking supervision.

Based on the Vision, this roadmap lays the developmental foundation for a resilient and competitive national Islamic banking industry that provides a tangible socio-economic contribution in Indonesia. The Islamic banking industry is expected to drive the economy by linking the real sector, commercial finance, social finance and religious sector within an Islamic economic ecosystem, thus building synergy and a communal (jama‘ah) spirit. In addition, Islamic banking is expected to become the foremost banking industry in terms of its contribution to the Sustainable Development Goals (SDGs) and applying the principles of Creating Shared Value (CSV) as the very essence of maqāsid al-shari‘a in the Islamic economy.
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Background of the Indonesia Islamic Banking Development Roadmap 2020-2025

State of Islamic Banking

Core Principles of Islamic Banking

Islamic Banking Transformation

**Islamic Banking Development Roadmap**

01 Strengthening Islamic Banking Identity

02 Encouraging Synergy Within Islamic Economy Ecosystem

03 Strengthening Licensing, Regulation and Supervision
INTRODUCTION
Indonesia Islamic Banking Roadmap 2015-2019: Milestones and Achievements

2nd August 2016
Establishment of National Islamic Finance Committee (KNKS)

19th September 2016
Conversion of PT Bank Aceh into PT Bank Aceh Syariah

8-9th May 2018
BTPN Syariah and BRI Syariah launched Initial Public Offerings (IPO)
The Indonesia Islamic Banking Roadmap 2015-2019 contained seven policy directions, with various notable accomplishments achieved by the end of 2019. The first policy direction, strengthening policy synergy between the authorities, government and other stakeholders, was achieved through formation of the National Islamic Finance Committee (KNKS) based on a Presidential Regulation in 2016, with the KNKS Executive Management inaugurated in 2019.

Other policy direction, regarding strengthening capital and business scale as well as improving efficiency were achieved through IPOs launched by BTPN Syariah and BRI Syariah in 2018. In addition, the establishment of municipally owned (BUMD) Islamic banks was realised through PT Bank Aceh Syariah in 2016 and PT Bank NTB Syariah in 2018. At the end of 2019, OJK also issued a banking synergy regulation to implement business process leveraging.

Achievement Milestones of Islamic Banking in Indonesia

13th September 2018
Conversion of PT Bank NTB into PT Bank NTB Syariah

3rd January 2019
Inauguration of National Islamic Finance Committee (KNKS) Executive Management

9th December 2019
Issuance of OJK Regulation (POJK) No. 28/POJK.03/2019 concerning Banking Synergy under Sole Ownership for Islamic Banking Development
Preparing the Indonesia Islamic Banking Development Roadmap 2020-2025

The roadmap was prepared in stages, from scientific studies to extensive discussions with various stakeholders.

**July 2018**

**Preliminary Studies**
Preparations for the Islamic banking transformation strategy began by looking at the opportunities and challenges faced.

**Aug-Sep 2018**

**Data collection through IDI and FGD**
In-depth interviews (IDI) and focus group discussions (FGD) were held with Islamic bankers, customers, academics, regulators and businesses.

**Jan 2020**

**Formulating the Indonesia Islamic Banking Development Roadmap 2020-2025**

**Nov 2019**

**Finalisation of the Indonesia Islamic Banking Development Roadmap 2020-2025**
Finalisation of the action plan in conjunction with the Indonesia Islamic Banking Transformation Team and various relevant work units at OJK.
Preparing the Indonesia Islamic Banking Development Roadmap 2020-2025

The roadmap was prepared in stages, from scientific studies to extensive discussions with various stakeholders. In-depth interviews (IDI) and focus group discussions (FGD) were held with Islamic bankers, customers, academics, regulators and businesses.

**Aug-Sep 2018**
Data collection through IDI and FGD

**Preparations for the Islamic banking transformation strategy** began by looking at the opportunities and challenges faced.

**July 2018**
Preliminary Studies

**Aug 2019**
Establishment of Indonesia Islamic Banking Transformation Team

**Jun-Jul 2019**
Finalisation of the Indonesia Islamic Banking Development Roadmap 2020-2025

**Jan 2020**
Formulating the Indonesia Islamic Banking Development Roadmap 2020-2025

The internal Indonesia Islamic Banking Transformation Team was tasked with formulating a measured strategy and action plan.

**Oct-Nov 2018**
Online & Offline Surveys
Offline surveys were performed in three cities, namely Aceh, Palangkaraya and Kupang. Online surveys covered the Jabodetabek metropolitan area.

**Des 2018**
Islamic Banking Year-end Seminar
This seminar to disseminate research or policy review results by OJK was attended by Islamic bankers (Islamic banks, Islamic windows and Islamic rural banks), government ministries and agencies, as well as university representatives.

**Sep-Oct 2019**
Islamic Banking Transformation FGD (Stage 2)
Various government ministries, institutions and associations related to Islamic finance participated in the FGDs.

**Aug 2019**
Islamic Banking Transformation FGD (Stage 1)
This series of focus group discussions (FGD) began with internal meetings between relevant work units in OJK, which were later extended to all directors of Islamic banks and division heads of Islamic windows. The final FGD included representatives from Islamic rural banks throughout Indonesia.
The Indonesia Islamic Banking Roadmap 2015-2019 has ended in 2019, with a new chapter in the journey of Islamic banking in Indonesia reaching a high point. As of September 2020, the market share of Islamic banking assets increased to 6.24% compared with 4.87% in 2015. The opportunity for Islamic banking to increase market share is also a corollary of changes in global conditions, macroeconomic conditions, technology, demographics and the microeconomy, which have impacted Indonesia’s financial landscape. Therefore, the new roadmap for 2020-2025 is a catalyst to accelerate Islamic banking development in Indonesia.
The Indonesia Islamic Banking Roadmap 2015-2019 has ended in 2019, with a new chapter in the journey of Islamic banking in Indonesia reaching a high point. As of September 2020, the market share of Islamic banking assets increased to 6.24% compared with 4.87% in 2015. The opportunity for Islamic banking to increase market share is also a corollary of the changes in global conditions, macroeconomic conditions, technology, demographics and the microeconomy, which have impacted Indonesia’s financial landscape. Therefore, the new roadmap for 2020-2025 is a catalyst to accelerate Islamic banking development in Indonesia.

The Government will establish halal industry centres, supported by the largest Islamic financial system globally."

K.H. Ma'ruf Amin,
Vice President of the Republic of Indonesia 2019-2024

The Vice President of the Republic of Indonesia, K.H. Ma'ruf Amin, has publicly stated that the Government will establish halal industry centres, supported by the development of Islamic financial system, seeking to become the largest in the world. The development of national Islamic finance also aligns with global initiatives. According to the Islamic Financial Services Industry Stability Report 2020, Indonesia has the ninth largest Islamic banking industry in the world in terms of total assets. Therefore, the Indonesia Islamic Banking Development Roadmap 2020-2025 represents a strategic measure to align the direction of Islamic economic development in Indonesia, focusing on Islamic financial services in Islamic banking.
Islamic banking in Indonesia, consisting of Islamic banks, Islamic windows and Islamic rural banks, continues to expand. As of September 2020, 14 Islamic banks, 20 Islamic windows and 162 Islamic rural banks contributed to Islamic banking growth in Indonesia, with total assets worth Rp575.85 trillion.

Islamic banking assets grew 14.32% (yoy) last year supported by solid disbursed financing and deposit growth recorded at 8.68% (yoy) and 15.58% (yoy) to reach Rp384.65 trillion and Rp460.51 trillion respectively in September 2020.
Islamic banking in Indonesia, consisting of Islamic banks, Islamic windows and Islamic rural banks, continues to expand. As of September 2020, 14 Islamic banks, 20 Islamic windows and 162 Islamic rural banks contributed to Islamic banking growth in Indonesia, with total assets worth Rp575.85 trillion. Islamic banking assets grew 14.32% (yoy) last year supported by solid disbursed financing and deposit growth recorded at 8.68% (yoy) and 15.58% (yoy) to reach Rp384.65 trillion and Rp460.51 trillion respectively in September 2020.

“On the flipside of the strategic issues currently facing Islamic banks, such as sharia compliance and low competitiveness, there are growing opportunities for Islamic banking development, supported by vast growing halal industry and rapid technological advancement.”

Strategic Issues, Opportunities and Challenges

Based on surveys, in-depth interviews (IDI) and focus group discussions (FGD) performed by OJK, Islamic banking faces several strategic issues impeding growth, including a lack of business model differentiation, a singular focus on business objectives, suboptimal HR quality and information technology, as well as low financial inclusion and literacy.

On the other hand, OJK has also identified several opportunities and challenges concerning Islamic banking development moving forward, with supporting factors such as rapid technological advancement and digitalisation, halal industry growth and greater religious awareness in Indonesia.
Core Principles of Islamic Banking

Philosophy of Islamic Banking

Islamic banking emerged to meet demand for Islamic financial services, while avoiding haram practices, such as riba, maysir and gharar.

Islamic banking also emerged in response to public demand for economic and financial activity in line with Islamic teachings and principles. As the philosophical underpinnings of Islamic banking, the overarching objective of the Islamic economy is Falāḥ, namely spiritual and material salvation in terms of socio-economic aspects and maslahā. The vision of prosperity under the Islamic economy embraces maqāṣid al-sharīʿa (objectives of sharia), with its objective to protect faith and piety (ad Din), progeny (an Nasab), soul (an Nafs), wealth (al Maal) and intellect (al Aql).

Harmony between Islamic Banking and Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a global action plan agreed by the United Nations to end poverty in all its forms everywhere, reduce inequalities and protect the environment, amongst others. The global action began in 2015 as part of the 2030 Agenda for Sustainable Development. There are 17 SDGs with a focus on 5Ps, namely People, Planet, Prosperity, Peace and Partnerships. Long before the SDGs and 5Ps, however, such values permeated all activities under the principles of Islamic banking, as reflected in the five essentials of maqāṣid al-sharīʿa (objectives of sharia), which closely align with the SDGs and 5Ps.

The evolution of socio-economic values has been accompanied by a shift in business community orientation, from setting aside profit for Corporate Social Responsibility (CSR) towards Creating Shared Value (CSV) as a business strategy that emphasises the importance of socio-economic development in the corporate strategic plans.
People
End poverty and hunger in all forms and ensure dignity and equality.

Properity
Ensure prosperous and fulfilling lives in harmony with nature.

Peace
Foster peaceful, just and inclusive societies.

Partnership
Implement the agenda through a solid global partnership.

Planet
Protect our planet’s natural resources and climate for future generations.

Sustainable Development

an Nafs
(soul)

ad Din
(faith and piety)

an Nasab
(progeny)

al Maal
(wealth)

al Aql
(intellect)

Source: United Nations (processed)
Islamic banking must transform into a competitive industry with a tangible socio-economic contribution. Islamic banking in Indonesia is expected to become the foremost banking sector in terms of contributing to the Sustainable Development Goals (SDGs), while applying the principles of Creating Shared Value (CSV) as the fundamental essence of *maqāsid al-sharīa* (objectives of sharia) within the Islamic economy.
Socio-economic Impact

Current Conditions:
- Lack of business model/product differentiation
- Low financial literacy and inclusion indexes
- Singular focus on business objectives
- Suboptimal HR quantity and quality
- Inadequate information technology

New Identity of Islamic Banking
- Unique and competitive business models/products
- Optimized Islamic economic and financial ecosystem
- Integrated commercial and social finance
- High quality human resources
- Sophisticated information technology

Socio-economic Impact
VISION

Creating a resilient and competitive Islamic banking industry that provides a significant contribution to the national economy and social development

01
STRENGTHENING ISLAMIC BANKING IDENTITY

02
ENCOURAGING SYNERGY WITHIN ISLAMIC ECONOMIC ECOSYSTEM

03
STRENGTHENING LICENSING, REGULATION AND SUPERVISION
STRENGTHENING ISLAMIC BANKING IDENTITY

ENCOURAGING SYNERGY WITHIN ISLAMIC ECONOMY ECOSYSTEM

STRENGTHENING LICENSING, REGULATION AND SUPERVISION
01. Strengthening Sharia Values Implementation

02. Developing Unique and Competitive Sharia-Compliant Products

03. Strengthening Capital and Efficiency

04. Accelerating Islamic Banking Digitalisation

05. Increasing Public Awareness Within the Islamic Economic Ecosystem Framework

01. Synergy with Halal Industry

02. Synergy Amongst Islamic Financial Institutions

03. Synergy with Islamic Social Finance Institutions

04. Synergy with Government Ministries and Agencies

05. Increasing Public Awareness Within the Islamic Economic Ecosystem Framework

01. Accelerating the Licensing Process Through Technology Adoption

02. Developing Credible and Adaptive Regulations

03. Enhancing Supervisory Effectiveness

Enabler

Leadership and Change Management

HR Quality and Quantity

Information Technology Infrastructure

Sectoral/Interdepartmental Collaboration and Cooperation
STRENGTHENING ISLAMIC BANKING IDENTITY
STRENGTHENING ISLAMIC BANKING IDENTITY

01: Strengthening Sharia Values Implementation

02: Developing Unique and Competitive Sharia-Compliant Products

03: Strengthening Capital and Efficiency

04: Accelerating Islamic Banking Digitalisation
As the fundamental identity, sharia values permeate all aspects of Islamic banking, from operating activities to human resources. The inclusive implementation of sharia values creates an image of integrity, professional as well as disciplined Islamic banks in the eyes of the public at a time when religious awareness is growing.

1. **STRENGTHENING SHARIA VALUES IMPLEMENTATION**

**A**

**ESTABLISHING A CODE OF CONDUCT AND COMPETENCY STANDARDS FOR伊斯兰 BANKERS**

**B**

**STRENGTHENING THE COMPLIANCE AND INTERNAL AUDIT FUNCTION**
Beyond the operating activities, sharia values must also be instilled in all human resources as social norms that must be upheld and clearly evident in customer services to ensure customer experience excellence in terms of applying sharia principles in Islamic banking.

One way to instil sharia values in Islamic bankers is to establish a code of conduct that defines the ethical rules, procedures and guidelines at work. In addition, certification is required to increase the competencies and professionalism of Islamic bankers.

Monitoring and periodic evaluation of the code of ethics and competency standards are prerequisite for effective implementation.
Not merely the responsibility of the Supervisory Board, sharia principles implementation must also be upheld by all functions of Islamic banking. The compliance and internal audit function are essential elements for optimal supervision of sharia principles. Sharia non-compliance would not only adversely impact individual banks but also increase the reputational risk of the entire Islamic banking industry. Supervisory policy with a focus on sharia compliance risk would, therefore, help mitigate and contain the reputational risk.
DEVELOPING UNIQUE AND COMPETITIVE SHARIA-COMPLIANT PRODUCTS

OJK encourages the Islamic banking industry to create and develop new sharia-compliant products as a form of business model differentiation from the conventional banking industry. Product uniqueness to Islamic banking is a form of competitive advantage over the conventional banking industry that must be capitalized on. Industry players and regulators must have a paradigm to develop innovative and creative products that are unique and attract public attention to use the products as their prominent choice.

ENCOURAGING PRODUCT DEVELOPMENT THAT CREATES ADDED VALUE FOR THE CUSTOMER

ENCOURAGING PRODUCTS IMPLEMENTATION THAT SUPPORT NATIONAL PRIORITY PROGRAMS

ESTABLISHING A LEGAL BASIS THAT ACCOMMODATES FASTER PRODUCT AND BUSINESS ACTIVITY LICENSING TO INCREASE INNOVATION
Competitive advantage can be achieved through Islamic banking products that give added value for the customer, including functional benefits and spiritual benefits through product bundling with social finance, such as zakat, infaq, sadaqah and waqf (ZISWAF), as well as products that fulfil the universal needs of the customer. By developing comprehensive product features oriented towards customer needs and life cycle, Islamic banking would establish itself as the preeminent customer choice.
Due to its proximity and alignment with the real sector, Islamic banking has a vast potential for national economic contribution. Optimisation and further development of existing products would provide a significant national economic contribution. Furthermore, Islamic banking should optimise its contribution to government-designated priority sector development through product marketing, including istishna financing for public housing or salam financing for sectors related to supply chain, such as agriculture, manufacturing, textiles and other relevant sectors.
Developing unique and competitive sharia-compliant products

Innovation and creativity are vital to achieve Islamic banking differentiation. Industry players are challenged to create unique products that will give added value to the customers while reflecting its uniqueness in accordance with sharia principles. OJK will formulate a regulatory framework conducive to product innovation and creativity that goes beyond reviewing prospective business models, to also include a piloting review of product licensing that allows new product innovation, while evaluating the licensing process and ensuring product feasibility and sustainability.

Establishing a Legal Basis for Faster Product and Business Activity Licensing to Increase Innovation
STRENGTHENING CAPITAL AND EFFICIENCY

A. Strengthening capital on Islamic banks/islamic windows through consolidation, additional capital from parent bank or subsidiary development planning.

B. Strengthening capital and institutional arrangements on Islamic rural banks.

C. Increasing Islamic banking efficiency through banking synergy regulations and Apex/Settlement banks for Islamic rural banks.

Islamic banking competitiveness could be achieved by strengthening capital to increase their capacity in business development as well as to confront their challenges and opportunities, such as digital disruption and vast growing halal industry. Stronger operational efficiency will boost competitiveness and creates room for expansion.
Strengthening Capital on Islamic Banks/Islamic Windows through Consolidation, Additional Capital from Parent Bank or Subsidiary Development Planning

Capital can be strengthened through consolidation to increase minimum core capital at Islamic banks. Investing capital to increase working capital in Islamic windows would strengthen financing capacity and maintain prudential principles. OJK is also encouraging share increase of Islamic banks/Islamic windows against the parent bank by evaluating the parent bank’s commitment for Islamic banking development. Revitalising regulations concerning Islamic banks/Islamic windows will ensure firm commitment towards Islamic banking industry development.
Strengthening Capital and Institutional Arrangements on Islamic Rural Banks

OJK has issued regulations aimed at strengthening capital through mandatory minimum core capital requirements to create a level playing field and bridge the gap between Islamic rural banks in terms of business scale. A stronger capital base is expected to increase capacity at Islamic rural banks in terms of their contribution to regional economic development. Meanwhile, OJK will also review the institutional arrangements of Islamic rural banks to create a more competitive industry, while maintaining sharia and prudential principles.
As concrete support for banking synergy and ecosystem interconnectivity, OJK issued banking synergy regulations to maintain the competitiveness of Islamic banking products and services against the conventional banking industry. The implementation of banking synergy which will allow Islamic banks to utilise the infrastructure of conventional banks under sole ownership, will enhances customer services and expands access, while increases the quality of products and services as well as improves operational efficiency.

Islamic rural banks are expected to improve efficiency and liquidity management through APEX banks in conjunction with Islamic banks/Islamic windows, which also serve as a settlement function to assist with payments transactions.
ACCELERATING ISLAMIC BANKING DIGITALISATION

- Rapid technological advancement and a borderless world demand commensurate Islamic banking infrastructure to ensure faster, better and more convenient customer services. Product and services digitalisation to support operational activities will add value for the customers when interacting with Islamic banks.

**A** ENCOURAGING IT INFRASTRUCTURE PREPARATION TO SUPPORT ISLAMIC BANKING DIGITALISATION THROUGH IMPLEMENTATION OF OJK REGULATION CONCERNING BANKING SYNERGY

**B** PREPARING SUPPORTING POLICIES FOR ISLAMIC BANKING DIGITALISATION TO UTILISE THE LATEST TECHNOLOGIES

**C** ENCOURAGING A COMMON PLATFORM IMPLEMENTATION TO SUPPORT DIGITALISATION OF ISLAMIC RURAL BANKS

**D** ENCOURAGING FUNDING AND FINANCING MODULES DEVELOPMENT BASED ON SHARIA CONTRACTS CHARACTERISTICS
A salient issue affecting Islamic banking information technology is the lack of digitalisation for Islamic banking services compared with parent banks, stemming from lower supporting IT infrastructure capacity and leading to suboptimal digital services. Supported by the OJK regulation on banking synergy, Islamic banks are expected to leverage the infrastructure available from the corresponding parent bank by performing gap analysis of the existing digital banking services and compiling an action plan for the services to be developed.
Islamic banks are expected to increase inclusion through the digitalisation of services. Public access to Islamic banks can be increased by providing online account opening facilities via customer online onboarding and e-forms. In addition, digitalisation also facilitates customer transactions anywhere and anytime through Application Programming Interface and Quick Response Code Indonesia Standard (QRIS) technologies, thus requiring supporting policies to accelerate digitalisation in order to maintain competitiveness in the post-pandemic new normal era.
Islamic banking industry is affected by technological advancement, not only limited to larger banks but also including rural banks. This could possibly lead to cost constraints, especially at smaller Islamic rural banks, thereby necessitating an alternative strategy via use of a common platform for Islamic rural banks to share IT infrastructure and support digitalisation, thus reducing the cost burden.
The different characteristics of financial products based on sharia contracts versus conventional banking products imply different funding and financing modules in terms of the operational processes, such as calculating margins, profit-sharing and other modules specific to Islamic banking. Through discussions between Islamic banks and IT service providers, OJK encourages Islamic banks to develop funding and financing modules specific to the characteristics of sharia contracts to ensure the operational procedures, such as recording, calculating and reporting, are in line with sharia principles.

With the dominance of millennials in the digitalisation era, creative new ideas are required, which must be captured by Islamic banks through hackathon-type competitions and business matching with technology-based start-ups.
STRENGTHENING ISLAMIC BANKING IDENTITY
Output 2025

1. Code of conduct for Islamic bankers
2. Formation of Sharia Compliance Communication Forum
3. Products with social and spiritual benefits
4. Establishment of BUKU 4 Islamic bank
5. Supporting policies for digital banking
## Strengthening Islamic Banking Identity

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| Strengthening Sharia Values Implementation | Establishing a code of conduct and competency standards for Islamic bankers  
Strengthening the compliance and internal audit function |
| Developing Unique and Competitive Sharia-Compliant Products | Encouraging product development that creates added value for the customer  
Encouraging products implementation that support national priority programs  
Establishing a legal basis that accommodates faster product and business activity licensing to increase innovation |
| Strengthening Capital and Efficiency | Strengthening capital on Islamic banks/Islamic windows through consolidation, additional capital from parent bank or subsidiary development planning  
Strengthening capital and institutional arrangements on Islamic rural banks  
Increasing Islamic banking efficiency through banking synergy regulations and apex/settlement banks for Islamic rural banks |
| Accelerating Islamic Banking Digitalisation | Encouraging IT infrastructure preparation to support Islamic banking digitalisation through implementation of OJK regulation concerning implementation on banking synergy  
Preparing supporting policies for Islamic banking digitalisation to utilise the latest technologies  
Encouraging a common platform implementation to support digitalisation of Islamic rural banks  
Encouraging funding and financing modules development based on sharia contracts characteristics |
ENCOURAGING SYNERGY WITHIN ISLAMIC ECONOMY ECOSYSTEM
ENCOURAGING SYNERGY WITHIN ISLAMIC ECONOMY ECOSYSTEM

01 SYNERGY WITH HALAL INDUSTRY

02 SYNERGY AMONGST ISLAMIC FINANCIAL INSTITUTIONS

03 SYNERGY WITH ISLAMIC SOCIAL FINANCE INSTITUTIONS

04 SYNERGY WITH GOVERNMENT MINISTRIES AND AGENCIES

05 INCREASING PUBLIC AWARENESS WITHIN THE ISLAMIC ECONOMIC ECOSYSTEM FRAMEWORK
Islamic Economy Ecosystem

The halal industry, Islamic financial services, Islamic social finance and the religious sector are the four main constituent sectors of the Islamic economy ecosystem.

This ecosystem is a network facilitating those four sectors by connecting economic activity with financial transactions within the ecosystem. Synergy and integration within the ecosystem are critical to ensure all financial activities utilise Islamic financial services.

Islamic banks are required to provide highly competitive Islamic financial products and services that meet the specific needs of the ecosystem. Therefore, OJK issued OJK Regulation (POJK) No. 28/POJK.03/2019 concerning Banking Synergy under Sole Ownership for Islamic Banking Development, which allows Islamic banks to improve product and service quality via platform sharing, where Islamic banks can cooperate in synergy with other banks under sole ownership to provide various supports, including human resources, information technology, office network and other infrastructure.
Conventional financial institution as parent company
Halal industry development is accelerating globally and nationally. Several international publications have highlighted the advanced development of halal sectors in Indonesia, with the Government paying more attention to the halal industry, encompassing the Islamic economy and finance. To that end, Islamic banking must capitalise such momentum and contribute optimally to halal industry development in Indonesia.

**SYNERGY WITH HALAL INDUSTRY**

**A** Promoting the role of Islamic banking in halal industry financial transactions

**B** Encouraging the contribution of Islamic banking in the Hajj/Umrah value chain

**C** Proposing Islamic banking for SME financing in line with halal industry

**D** Encouraging transactions using Islamic banking products and services within a halal marketplace

Indonesia Islamic Banking Development Roadmap
Promoting the Role of Islamic Banking in Halal Industry Financial Transactions

Infrastructures development in halal industry is a priority project in the Medium-Term National Development Plan (RPJMN) 2020-2024, with the number of industrial zones facilitated as one indicator. Halal industrial zones facilitate economic activity and financial transactions. Islamic banks, with business activity based on sharia principles, should contribute more to financial transactions in the halal industry, thus requiring coordination with relevant industries and authorities to ensure all elements involved with transactions in the halal industry use Islamic banking products and services.
Encouraging the Contribution of Islamic Banking in the Hajj/Umrah Value Chain

Indonesia sends the largest contingent of hajj pilgrims each year, totalling approximately 220,000. In terms of Umrah, Indonesia sends approximately 1.3 million pilgrims each year. Such exceptional figures demonstrate potential opportunities for Islamic banking to facilitate financial transactions relating to hajj and umrah activities, starting with business model development in accordance with the needs of hajj and umrah travel services providers through business matching between Islamic banks and travel associations.
Synergy with halal industry

Proposing Islamic Banking for SME Financing in line with Halal Industry

Small and medium enterprises (SMEs) dominate the business landscape of Indonesia, with most operating in the halal industry. Exceeding 50 million units, SMEs are a substantial target market for financing disbursed by Islamic banks, including sharia-compliant SME financing (Kredit Usaha Rakyat/KUR), which would boost the contribution of Islamic banking to SME development in line with halal industry development. Therefore, several supporting financing schemes must be developed, including sharia-compliant SME financing/KUR, to assist SMEs by providing innovative business models that demonstrate the uniqueness of Islamic banking in line with public needs.
Encouraging Transactions using Islamic Banking Products and Services within a Halal Marketplace

Rapid technological development has caused a paradigm shift in public lifestyle, particularly in terms of consumption habits, as confirmed by the emergence of marketplaces as platforms serving the various needs of the public. Consequently, the existence of conventional brick-and-mortar businesses that only sell products face-to-face has declined in favour of digital marketplaces, including halal marketplaces. Islamic banks must capitalise this momentum to provide appropriate financial services, requiring socialisation efforts to raise awareness amongst halal marketplace players concerning the benefits of using Islamic banking products and services as transactional media.
SYNERGY AMONGST **ISLAMIC FINANCIAL INSTITUTIONS**

Islamic banks are unable to develop Islamic finance in Indonesia unaided, thus requiring synergy with the Islamic capital market, Islamic non-bank financial institutions and FinTech.

This synergy will expand access to Islamic banking services, while ensuring the active participation of Islamic banks in the activities of other Islamic financial institutions.

**A**

**PROMOTING THE USE OF ISLAMIC BANKING SERVICES THROUGH SYNERGY WITH OTHER ISLAMIC FINANCIAL INSTITUTIONS**

**B**

**ENCOURAGING ACTIVE PARTICIPATION OF ISLAMIC BANKS IN ISLAMIC CAPITAL MARKET ACTIVITIES**
Promoting the Use of Islamic Banking Services Through Synergy with Other Islamic Financial Institutions

Rapid information technology development presents an opportunity to expand access to Islamic banking services in synergy with other Islamic financial institutions. Therefore, Islamic non-bank financial services institutions are encouraged to utilise Islamic banking services for operational and investment purposes. As a newly-established non-bank financial services institution, Islamic FinTech offers collaborative opportunities for Islamic banking through peer-to-peer lending by providing lender account services. Meanwhile, other collaborative effort to serve an unbankable segment could also be implemented such as cooperating with micro waqf banks to open their customer accounts.
Encouraging Active Participation of Islamic Banks in Islamic Capital Market Activities

Currently, Islamic capital market assets already exceed half of total assets of the national Islamic bank industry, demonstrating that Islamic capital market products are beginning to dominate Islamic financial markets. As an intermediary institution, Islamic capital market development involves the participation of Islamic banks. Such synergy allows Islamic banks to engage in products and activities based on its core capital classification (Bank Umum Kegiatan Usaha/BUKU) of the parent bank, thus facilitating active participation in Islamic capital market activity as custodian banks and placement banks for corporate sukuk issuances.
SYNERGY WITH ISLAMIC SOCIAL FINANCE INSTITUTIONS

Based on the World Giving Index 2019 published by Charities Aid Foundation, Indonesia placed 10th globally in terms of the highest scoring countries of the world’s most generous country. This represents a great opportunity for Islamic banking to play a deeper role in social development in Indonesia by optimising the social function while paying attention to the commercial side. Zakat, infaq, sadaqah and waqf (ZISWAF) management is one area where the role of Islamic banking could be optimised.

PROMOTING ZISWAF FUNDS OPTIMISATION WHILE INCREASING INTEGRATION OF SOCIAL FUNCTION IN ISLAMIC BANK

ENCOURAGING THE USE OF ISLAMIC BANK ACCOUNTS AT ISLAMIC SOCIAL FINANCE INSTITUTIONS
Synergy with Islamic social finance institutions

**Promoting ZISWAF Funds Optimisation while Increasing Integration with Social Function in Islamic Bank**

Innovative Islamic social finance (ISF) is evolving in terms of disbursement and management, providing an opportunity for Islamic banks to increase engagement, which requires cooperation with *Amil Zakat* Institutions and *nadzir* (waqf fund managers) to integrate ZISWAF fund management and distribution into Islamic banking business models and products. Integration of the commercial and social functions will reinforce a strong identity of Islamic banking in terms of their role in national socio-economic development.
Social generosity in Indonesia influences the number of local social financial institutions. Based on data published by the National Amil Zakat Board (Baznas), more than 60 Amil Zakat Institutions are registered in Indonesia, excluding other unregistered institutions such as donation-based crowdfunding platforms. Not all such institutions, however, use accounts at Islamic banks to deposit funds. Consequently, coordination between BAZNAS and the Indonesia Waqf Board (BWI) is required to assess the corresponding issues and constraints, while improving public socialisation activities to raise awareness concerning the use of Islamic banks’ accounts for social finance transactions.
Islamic banking development within the Islamic economy ecosystem requires synergy amongst government ministries and agencies to ensure the participation of Islamic banks in all strategic work programs and other financial activities. The collaboration between government ministries/agencies and Islamic banking would expand the role of Islamic banking in national economic development and financial inclusion.

A. Encouraging Islamic Banks' Participation in Housing Financing Programs

B. Optimising Islamic Banking Role to Support Government Programs and Financial Activities in State-Owned Enterprises

C. Optimising the Use of Islamic Banking at All Islamic Educational Institutions

D. Cooperating with Islamic Civil Society Organisations
Synergy with government ministries and agencies

**Encouraging Islamic Banks’ Participation in Housing Financing Programs**

Housing development is a key agenda of the Ministry of Public Works and Housing contained in the Medium-Term National Development Plan (RPJMN) 2020-2024, funded by the government and banking industry. Nevertheless, Islamic banking only accounts for less than 20% of housing development financing, representing a challenge and an opportunity for the industry, which requires coordination with the Ministry of Public Works and Housing to increase the share of Islamic banking financing in the housing development program.
All activities conducted by the government and state-owned enterprises require banking products and services. Therefore, Islamic banking must increase its presence in such activities. One example is in terms of salary disbursements, the number of Islamic banks involved is still limited, which must be increased to expand market share.

As the number of projects implemented by state-owned enterprises and projects funded by government sukuk increase, policy recommendations are required to promote the use of Islamic banking products and services that facilitate the financial transactions associated with such projects.
Synergy with government ministries and agencies

Optimising the Use of Islamic Banking at All Islamic Educational Institutions

There is an abundance of Islamic educational institutions located in Indonesia. Based on data published by the Ministry of Religious Affairs, there are currently 82,000 madrasa (primary and secondary educational institutions), 796 universities and 229,000 pesantren (Islamic boarding schools) in Indonesia, implying massive opportunity to use Islamic banking products and services. Therefore, coordination with the Ministry of Religious Affairs is required to optimise the use of Islamic banking products and services across all Islamic educational institutions, including the students and their families, which would have a significant impact on Islamic banking development as well as financial literacy and inclusion.
As the most populous Muslim country, Indonesia is home to diverse Islamic civil society organisations, which rely operationally on financial activities that could be fulfilled by Islamic banking, particularly for the larger organisations, such as Muhammadiyah and Nahdlatul Ulama. To that end, socialisation activities targeting Islamic civil society organisations concerning the use of Islamic banking products and services to meet their financial needs would expand the market share of Islamic banking in Indonesia.
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Public awareness of Islamic banking is prerequisite to expanding the customer base and building public understanding. Furthermore, the financial inclusion and literacy strategy will not be optimal if segmented by each sector, thus requiring the engagement of all Islamic economy and financial ecosystem stakeholders to maximise the impact on financial literacy.

**A** Conducting Joint Educational Campaign in the Islamic Economy and Financial Ecosystem

**B** Raising Public Awareness of the IB Brand

**C** Expanding the Role of Religious Leaders in Campaigning for Islamic Banking

**D** Supporting Implementable Research Development
Increasing public awareness within the Islamic economic ecosystem framework

Conducting Joint Educational Campaign in the Islamic Economy and Financial Ecosystem

The Islamic economy ecosystem must be exploited to increase public literacy on Islamic banking through literacy campaigns in the form of national and international events/expos in conjunction with relevant stakeholders. Stakeholders cooperation could also produce edutainment (audio-visual) content concerning Islamic economy and financial literacy, which can be utilized by all stakeholders in the ecosystem, to increase national financial literacy through social media across the board.
iB (Islamic banking) branding was introduced in 2007 as an identifier of institutions/branch offices offering Islamic banking services which is expected to raise public awareness of Islamic banking services. After more than 10 years in effect as brand identity, OJK in conjunction with the Islamic banking industry will assess the effectiveness of iB branding in raising public awareness of Islamic banking. Furthermore, the assessment is also expected to provide follow-up actions for an optimal, all-encompassing branding campaign.
Increasing public awareness within the Islamic economic ecosystem framework

**Expanding the Role of Religious Leaders in Campaigning for Islamic Banking**

Religious leaders are essential in terms of raising public understanding and awareness concerning Islamic financial transactions. Through training and Friday sermons (*khutbah*) in conjunction with the Indonesia Mosque Council (DMI), religious leaders can discuss the importance of Islamic financial transactions in their Friday sermons. Religious leaders who have a massive congregation base are also an important factor in educating the public on the importance of using Islamic banking in their daily lives.
Supporting Implementable Research Development

The Islamic banking development strategy must be underpinned by implementable research/studies with a focus on unique business models that meet market needs, thus contributing to quality economic growth. Cooperation with universities should be pursued to conduct applicable research with a significant contribution to Islamic banking industry development.

Increasing public awareness within the Islamic economic ecosystem framework
The Islamic banking development strategy must be underpinned by implementable research/studies with a focus on unique business models that meet market needs, thus contributing to quality economic growth. Cooperation with universities should be pursued to conduct aplicable research with a significant contribution to Islamic banking industry development.

Increasing public awareness within the Islamic economic ecosystem framework.
Output 2025

1. Increasing financing/funding exposure in the halal industry
2. Increasing the number of Islamic banks as transactional media for halal marketplaces
3. Increasing the number of Islamic banks as custodian banks
4. Increasing financing/funding exposure in government programs and projects
5. Reviewing business models that integrate the commercial and social finance functions in Islamic banks
## ENCOURAGING SYNERGY WITHIN ISLAMIC ECONOMIC ECOSYSTEM

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02: Encouraging Synergy within Islamic Economy Ecosystem

Indonesia Islamic Banking Development Roadmap
03: Strengthening Licensing, Regulation and Supervision

STRENGTHENING LICENSING, REGULATION AND SUPERVISION
STRENGTHENING LICENSING, REGULATION AND SUPERVISION

01. ACCELERATING THE LICENSING PROCESS THROUGH TECHNOLOGY ADOPTION

02. DEVELOPING CREDIBLE AND ADAPTIVE REGULATIONS

03. ENHANCING SUPERVISORY EFFECTIVENESS
ACCELERATING THE LICENSING PROCESS THROUGH TECHNOLOGY ADOPTION

Islamic banking transformation towards product differentiation, solid capital and good governance requires various changes in the business processes, organisational management and capital along with intensive business model and product innovation to provide value-added and uniqueness for the customer. OJK supports such transformation through a faster and more responsive licensing process, while maintaining good institutional governance.

A DEVELOPING IT TO ACCELERATE THE LICENSING PROCESS

B EVALUATING THE NEEDS OF ADEQUATE HUMAN RESOURCES IN LICENSING FUNCTION

C ENHANCING HR CAPACITY OF LICENSING FUNCTION
Developing IT to Accelerate the Licensing Process

Information technology (IT) covers the fundamental tools required to perform all business processes, including licensing process. Licensing process requires rigorous evaluation across each process line to ensure a fast output in line with the Service Level Agreement (SLA), while maintaining process quality. Various assessments, such as Business Process Reengineering, are required to enhance business process efficiency through appropriate and user-friendly IT systems that maintain data confidentiality. OJK will develop an IT-based licensing system to accelerate SLA that is easier to use by OJK and licence applicants.
Accelerating the licensing process through technology adoption

**Evaluating the Needs of Adequate Human Resources in Licensing Function**

Islamic banking continues to evolve as an impetus for industry players to expand through the establishment of new Islamic banks and Islamic windows as well as conversion of conventional banks to Islamic banks. Furthermore, the process to differentiate business models will require product innovation by industry players. Such conditions require a dynamic licensing process that follows the industry rhythm, necessitating the appraisal of adequate human resources to serve the licensing process with a good SLA.
Accelerating the licensing process through technology adoption

Enhancing HR Capacity of Licensing Function

There is growing demand for Islamic banking to increase innovative development of unique products and interact with the real and social sectors within the Islamic economy ecosystem. A fast and dynamic licensing process is required in response to changing economic and technological conditions, involving productive human resources with adequate capacity. Therefore, OJK is enhancing the capacity of human resources engaged in the Islamic banks’ licensing process through ongoing development of best practices to accelerate business innovation and support Islamic economic development based on an efficient licensing process while still maintains good governance.
DEVELOPING CREDIBLE AND ADAPTIVE REGULATIONS

Seeking to accelerate Islamic banking industry growth and provide a significant economic contribution, OJK is responsible for issuing credible and adaptive regulations. Dynamic technological and business development demands an agile Islamic banking industry underpinned by supporting regulations to maintain stability and resilience amidst potential disruptions.

A  FORMULATING OUTCOME-FOCUSED REGULATIONS BASED ON BANK CHARACTERISTICS AND COMPLEXITY

B  HARMONISING REGULATIONS WITH BEST PRACTICES AND/OR INTERNATIONAL STANDARDS

C  ENHANCING HR CAPACITY OF ISLAMIC BANKING REGULATORS
Rapid and dynamic post-pandemic information technology and business development demands an agile and adaptive Islamic banking industry, encompassing innovative products and services, technology adoption and efficient business processes to remain competitive in the market. In support, agile and forward-looking banking regulations are required to anticipate dynamics and disruptions moving forward under a principles-based framework that can adapt to changes in the banking structure and ecosystem, which will provide industry players a room for innovation, while maintaining stability and prudential principles.

OJK will review all ‘extreme’ rules-based regulations that are impeding the resolution of current issues using a principles-based approach to formulate outcomes-focused regulations based on bank characteristics and complexity.
Harmonising Regulations with Best Practices and/or International Standards

Growing total assets of the global Islamic banking industry is capable of causing systemic disruptions, thus requiring standardised regulations on prudential Islamic banking to maintain financial stability. As a member of the Islamic Financial Services Board (IFSB), an international standard setter for Islamic financial industry, OJK constantly strives to harmonise Islamic banking regulations with prevailing best practices and/or international standards in accordance with the interests of the national banking industry and economy.
Enhancing HR Capacity of Islamic Banking Regulators

Islamic banking is unequivocally entering an industrial era that demands high innovation to emphasise industry uniqueness and contribute significantly to the national economy and Islamic economy ecosystem. Dynamic economic and technological conditions require adaptive and agile regulations formulated by knowledgeable, high-capacity human resources. Therefore, OJK is constantly enhancing the HR capacity of Islamic banking regulators in line with prevailing best practices and international standards to accelerate business innovation in the Islamic banking industry and support Islamic economic development through credible and adaptive regulation.
Technology-based supervision, known as supervisory technology or SupTech, is a key agenda of OJK to strengthen banking supervision. This agenda is also consistent with the development of innovative and complex Islamic banking products and services that demand a responsive supervisory program to anticipate potential bank disruptions. Therefore, OJK is leveraging the latest information technology to increase supervisory effectiveness.

**A**
DEVELOPING ISLAMIC BANKING SUPERVISORY TOOLS

**B**
EVALUATING SUPERVISORY HR AND ORGANISATIONAL NEEDS

**C**
ENHANCING CAPACITY OF ISLAMIC BANKING SUPERVISORS
Digital disruption in the financial world has raised the issue of supervisory technology, or SupTech, to assist the supervision process by increasing effectiveness and efficiency through faster and simpler data analysis underlying a responsive decision-making process. Following developments in the digital era, OJK as the Islamic banking supervisor, applies SupTech to the supervision process by optimising technology for Islamic banks' data reporting, amongst others. In addition, OJK also utilises integrated data analytics supported by a data warehouse, big data analytics and artificial intelligence to facilitate comprehensive analysis by supervisors.
A larger and more complex Islamic banking industry requires competent supervisors focused on bank analysis supported by an adequate number of banks’ supervisors and comprehensive organisational structure that facilitates effective supervision. Considering the recent changes in the microeconomic and macroeconomic environment that demand an agile and competitive Islamic banking industry, a further review of sufficient organisational structure for Islamic banks’ supervisors is required in preparation for Islamic banking business dynamics moving forward to maintain stability and prudential principles.
Islamic banking is expected to become more innovative when developing unique products and interacting with the real and social sectors within an Islamic economy ecosystem, leading to more diverse and complex business processes that require knowledgeable and competent supervisors. Therefore, OJK constantly enhances Islamic banking supervisor capacity in line with prevailing best practices and international standards to accelerate business innovation in the Islamic banking industry and support Islamic economic development under an effective supervisory regime.
STRENGTHENING LICENSING, REGULATION AND SUPERVISION
Output 2025

1. IT systems that support the licensing process
2. Holistic and comprehensive regulations through a principles-based approach
3. HR capacity building in licensing, regulation and supervision function
## STRENGTHENING LICENSING, REGULATION AND SUPERVISION

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03: Strengthening Licensing, Regulation and Supervision

Indonesia Islamic Banking Development Roadmap