

Integration of Digital Communication in Sustainable Sharia Finance : Challenges and Opportunities in the Cyber Media Era

Juliana Kurniawati¹, Fitria Yuliani², Sri Dwi Fajarini³
^{1,2,3}Muhammadiyah University of Bengkulu, Indonesia



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ABSTRACT

Objective: This study aims to examine the challenges and opportunities faced by the Islamic finance sector in utilizing digital communication technology. **Method:** This article uses a qualitative research method based on a literature review, analyzing the integration of digital communication in Islamic banking services and the implementation of digital technology, as well as opportunities and challenges in the cyber media era. **Results:** On the one hand, the use of digital platforms expands access to Islamic financial services, increases transparency, efficiency, and community involvement. However, on the other hand, a number of challenges arise, including low digital literacy, cybersecurity threats, and the need for regulations that are in accordance with sharia principles. **Novelty:** With a deeper understanding, the integration of digital communication can be a strong basis for strengthening inclusive, adaptive, and sustainable sharia finance amidst the changes in the digital era. Utilizing all available resources on the internet for the integration of sharia banking product services, for example creating interesting content on digital media platforms as a means of promotion and education for Indonesian society.

INTRODUCTION

The world's Muslim population will reach 1.91 billion (24% of the global population) in 2022, but it does not guarantee dominance in world civilization or economy. Many Muslim countries face poor social, political, and economic conditions and depend on non-Muslim countries [1]. Meanwhile in Indonesia Islam is the majority with 87.08 percent or 245,973,915 people (data from the population and civil registration office, 2024). Based on the majority of Muslims, there should be a reliable Islamic banking system. However, in reality, Islamic banking is not yet reliable and has not become the main choice for Muslims. Indonesia has ten sharia bank there are Bank Muamalat Indonesia, Bank Syariah Indonesia (BSI), Bank BTPN Syariah, Bank Syariah Bukopin, Bank Jabar Banten Syariah (BJB Syariah), Maybank Syariah Indonesia, CIMB Niaga Syariah, BTN Syariah, PermataBank Syariah, and BRK Syariah.

As of June 2024, Bank Syariah Indonesia (BSI) had 7.12 million BSI mobile customers. Meanwhile, the number of active Muamalat DIN users has reached more than 571,000 as of November 2024. Meanwhile, the number of conventional bank customers in Indonesia as of June 30, 2024 was 13,453,557 accounts. This number is 83.6% of the total conventional Rural Bank (BPR) accounts. According to data from the Financial Services Authority (OJK), as of March 2023, total Islamic banking assets were only IDR 731.2 trillion, while conventional banking assets reached IDR 10,871.9 trillion (<https://www.kompasiana.com/nurul72138/655f9c0d12d50f70707b1e22/bank->

konvensional-lebih-banyak-di-gunakan-di-indonesia-dibandingkan-bank-syariah).

Based on that, the drivers of the sharia economy must be able to maximize all digital resources to integrate all services to customers.

In the digital transformation era, Islamic banking faces significant challenges and opportunities to develop and adapt to the needs of modern society. Digitalization has become a catalyst in changing the way financial institutions, including Islamic banking, operate and interact in providing the best service to customers [2], [3]. One important aspect of digitalization is the integration of digital communication, which includes the use of information technology and cyber media to improve efficiency, accessibility, and financial inclusion.

The integration of digital communication in Islamic banking not only accelerates operational processes but also enables the creation of a more inclusive financial ecosystem. By utilizing digital platforms such as mobile applications, social media, and interactive websites, Islamic banks can reach a wider community, including the younger generation who are more familiar with technology. In addition, digitalization helps Islamic banks improve Islamic financial literacy, promote halal products, and strengthen relationships with customers through more personalized and responsive services [4].

However, the implementation of digital communication in Islamic banking also presents various challenges. Aspects of data security, compliance with Islamic principles, and readiness of technological infrastructure are the main issues that need to be addressed. Cybersecurity threats, such as online fraud and data theft, can damage public trust in Islamic banking services if not handled seriously. In addition, supervision of sharia compliance in the use of digital technology is crucial to ensure that there are no violations of Islamic principles [5].

Amid these challenges, digital communication also opens up great opportunities for Islamic banking to innovate and grow [6]. The use of advanced technologies such as artificial intelligence, data analytics, and blockchain can help Islamic banks create products and services that are more competitive, sustainable, and in accordance with Islamic values. This integration not only has the potential to increase the competitiveness of Islamic banking but also strengthen its position as an important part of the global financial system. Through this study, the integration of digital communication in Islamic banking will be discussed in depth, with a focus on the challenges faced, opportunities that can be utilized, and its impact on the sustainability and inclusion of sharia finance in the digital era.

RESEARCH METHOD

This article uses a qualitative approach by collecting data from various reliable sources, including literature from various data bases and references in reputable national and international journals. The collected data is then analyzed by topic to identify challenges and opportunities facing the sharia banking and finance industry in Indonesia in this cyber era.

RESULTS AND DISCUSSION

Results

In the integration of sharia banking, digital communication is the use of digital technology to improve banking services to customers [7]. Islamic banking can use this technology to promote their products, increase the accessibility of their services, increase their efficiency, and improve customer understanding of their products. Islamic banking can use various digital banking services, including telephone services, internet banking services, services via Short Message Service, and mobile banking services. Islamic banks can also utilize influencers and social media to promote their products. In the era of digitalization, Islamic banking faces challenges such as potential customer data leaks, potential cyber attacks, potential misuse of technology, and potential personal data protection.

Islamic banking has great opportunities in the digital era to improve its services and customer reach. This opportunity is obtained from the development of digital technology that can be utilized to improve the efficiency and effectiveness of services. Opportunities for Islamic banking in the digital era include: Increasing accessibility of financial services, Developing new products and services, Establishing partnerships with fintech companies, Increasing public awareness of the importance of a fair financial system, Getting support from the government. To face the challenges of the digital era, Islamic banks need to make various preparations, such as: Improving workforce skills, Increasing public financial literacy, Developing competent human resources, overcoming cybersecurity risks, Developing technological innovation.

Fintech began to develop in Indonesia since 2006, but only gained widespread trust since 2015 after the establishment of the Indonesian Fintech Association (AFI). As of 2020, there are 147 fintech companies registered with the Financial Services Authority (OJK), with the majority still conventionally based. Sharia fintech, although new, offers great potential because the majority of Indonesia's population is Muslim [8].

FinTech is becoming an integral part of the digital economy, changing the way financial institutions operate. New trends such as digital banking are challenging traditional business models. Artificial intelligence (AI) is playing a significant role, with particular attention to the ethical application of AI. This technology is also opening up opportunities for financial inclusion, enabling financial services to reach previously neglected populations. The COVID-19 pandemic has further accelerated the digitalization of finance, especially in the GCC region.

Islamic finance, as part of the global financial system, has great potential in the digital era. Digital transformation is enabling Islamic financial institutions to achieve financial inclusion, provide more customer-centric services, and improve operational efficiency. Technologies such as blockchain, smart contracts, and payment platforms are providing new opportunities for Islamic finance, despite challenges such as the shariah understanding of these technologies [9].

The digital economy encompasses four main areas that are the pillars of technological transformation : Mobile Technology enables real-time access to information

and services; Business Analytics Processes big data for more effective decision-making; Cloud Technology Provides efficient data storage and processing solutions; Social Media facilitates interaction and collaboration among users. These technologies have driven the acceleration of innovation in various sectors, including finance [9].

Discussion

Digital communication in the integration of Islamic banking is the use of digital technology to improve banking services to customers. Islamic banking can use digital communication to increase the promotion of Islamic banking products, increase the accessibility of banking services, increase banking efficiency, and increase customer understanding of Islamic banking products [10], [11], [12].

Some digital banking services that can be used by Islamic banking are: Phone banking, Internet banking, SMS banking, Mobile banking. Islamic banking can also utilize social media and influencers to increase the promotion of Islamic banking products. The challenges faced by Islamic banking in the digitalization era are: Risk of customer data leakage, Risk of cyber attacks, Risk of misuse of technology, Risk of personal data protection [13].

Islamic finance is one of the sectors that will benefit the most from digitalization, with major opportunities in the areas of Crowdfunding to Enabling fundraising for large social projects that are not served by traditional banks; Smart Contracts and Blockchain to Increasing transparency and efficiency of Sharia-compliant financial transactions; Cryptocurrency to Although controversial, crypto assets are considered a technological revolution in financial services, although they need to be adjusted to Sharia principles; IoT-based Takaful: Simplifying the process of Sharia-compliant insurance claims, Blockchain for Waqf: Providing a more efficient and transparent waqf management solution [9].

Challenges and Opportunities Sharia Finance in the Digital Era

According to the Financial Services Authority Regulation (POJK) number 12/POJK.03/2018 concerning the Provision of Digital Banking Services by Commercial Banks, the definition of digital banking is an electronic banking service developed by optimizing the use of customer data in order to serve customers faster, easier, according to needs (customer experience), and can be carried out completely independently by customers, of course by paying attention to security aspects. Digital banking offers a number of benefits to consumers and business owners. Some of them are easier access because it is not tied to bank opening and closing hours, lower customer operating costs, and increasing levels of security from digital banking products through fingerprints or One Time Password (OTP) codes. So far, there are several digital banking services that can be used by customers to complete various transactions. Among these digital banking services are phone banking, SMS banking, mobile banking, and internet banking.

According to this situation challenges in sharia finance are digital infrastructure gap in remote areas, the complexity of maintaining sharia compliance in digital systems, cybersecurity threats increased by 67%. Meanwhile the opportunities are potential

growth of the sharia digital banking segment by 25% per year until 2025, development of sharia crowdfunding platforms and IoT for asset management [14].

The digital communication integration of Islamic finance faces challenges, including sharia aspect : Ensuring that technologies such as blockchain, smart contracts, or cryptocurrencies are in accordance with Islamic principles. Trust and Transparency: Building trust between parties involved in digital transactions. Regulatory compliance: countries with Islamic finance need to create regulations that support technological innovation. Challenges related to information and communication technology that continue to develop the capabilities of Indonesian society regarding digital media literacy.

The development of sharia banking service institutions in the digital era provides opportunities and challenges for their existence. The digital era leads us to live as intelligent technology users because of increasingly complex challenges. In marketing their products, sharia banking institutions also use digital marketing strategies in the form of continuous uploading of creative content in their social media [15]. Integration of digital communication in Islamic banking can be done by involving all supporting elements such as the role of government, financial institutions, and society in a unified vision and mission.

CONCLUSION

Fundamental Finding : Integration of digital communication in sustainable Islamic finance is a very important step to achieve sustainable and inclusive growth, especially in Indonesia. By understanding the challenges and opportunities that exist, and taking the right steps, the potential of Islamic finance to make a positive contribution to society can be maximized. On the one hand, the development of digital technology allows for faster, wider, and more efficient dissemination of information, thus supporting Islamic financial inclusion to a more diverse society. Digital platforms, such as social media, fintech applications, and Islamic marketplaces, accelerate the transaction process and increase the accessibility of Islamic financial services for individuals and businesses. This supports transparent and sustainable Islamic-based economic growth. However, the main challenges faced are data security, digital literacy of the community, and trust in the implementation of Islamic principles in digital technology. Regulations that have not been fully standardized in various countries are also an obstacle to creating a universal Islamic financial digital ecosystem. Therefore, collaboration between the government, Islamic financial institutions, and technology providers is needed to develop policies, technologies, and digital communication strategies that are inclusive and in accordance with Islamic principles. Thus, the integration of digital communications has great potential to accelerate the growth of Islamic finance globally, provided that existing challenges can be overcome with a strategic and collaborative approach. Utilizing all available resources on the internet for the integration of sharia banking product services, for example creating interesting content on digital media platforms as a means of promotion and education for Indonesian society. **Implication :** The results of this study

have important implications for various parties : Islamic Financial Institutions: Islamic financial institutions can take advantage of opportunities and overcome existing challenges by integrating all existing resources, especially digital media; Policy Makers: policies need to be made to support the development of sustainable Islamic finance in the digital era, especially policies regarding increasing digital literacy for the community, Community: the community can play an active role in supporting the development of sustainable Islamic finance. **Limitation** : This article is'nt perfect due to limited time in writing, there are still many shortcomings in this article. **Future Research** : Investigate Consumer Behavior and Perceptions, Cross-Disciplinary Research and Focus on Specific Challenges.

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***Juliana Kurniawati (Corresponding Author)**

Muhammadiyah University of Bengkulu, Indonesia

Email: juliana@umb.ac.id

Fitria Yuliani

Muhammadiyah University of Bengkulu, Indonesia

Email: fitria@umb.ac.id

Sri Dwi Fajarini

Muhammadiyah University of Bengkulu, Indonesia

Email: sridf@umb.ac.id
