



Analyzing the Value Chain in Islamic Banking Financing: An Islamic Economic and Global Financial Perspective

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ABSTRACT

This research investigates and critically analyzes the financing value chain within Bank Syariah Indonesia. Employing a case study methodology, the study explores a specific phenomenon in depth through systematic interviews, direct observations, and document analysis to capture the case's contextual and structural intricacies. The selection of informants was carried out purposefully to ensure relevance to the research objectives, as the credibility and validity of qualitative findings largely depend on the suitability of participants. The informants comprised individuals holding strategic roles and possessing substantial insights into the studied context, specifically one leader and one staff member representing each relevant division. The study population encompasses Islamic banking institutions operating in Indonesia. The findings reveal that the problem formulation and data analysis regarding Value Chain Analysis under Sharia principles highlight several key aspects. The implementation of Value Chain Analysis integrated with Sharia-based frameworks aligns with Good Corporate Governance practices, grounded in five core principles essential to achieving sound governance standards.

Keywords: islamic business management, value chain, islamic financing, islamic economics.

INTRODUCTION

The rapid expansion of financial institutions across Indonesia has become increasingly instrumental in driving the nation's economic development, reflecting the country's vast economic potential and support for growth. With the population reaching approximately 277 million in early 2022, financial service providers—particularly in the banking sector—face substantial opportunities to

respond to evolving customer demands, although a growing market share inevitably intensifies competition among these institutions.¹

Indonesia is distinguished as the country with the largest Muslim population globally. According to the 2022 edition of The Muslim 500 by the Royal Islamic Strategic Studies Center (RISSC), roughly 231.06 million Indonesians, or about 86.7 percent of the population, identify as Muslim.² This demographic composition offers considerable potential for the future development of sharia-based financial institutions. Islamic banks in Indonesia perform a vital role by delivering financial solutions that comply with Islamic principles, thereby assisting Muslim communities in steering clear of usury.³

The development of banking in Indonesia is growing rapidly in terms of assets, financing and third party funds which can be seen in the figure containing the growth of banking in Indonesia.

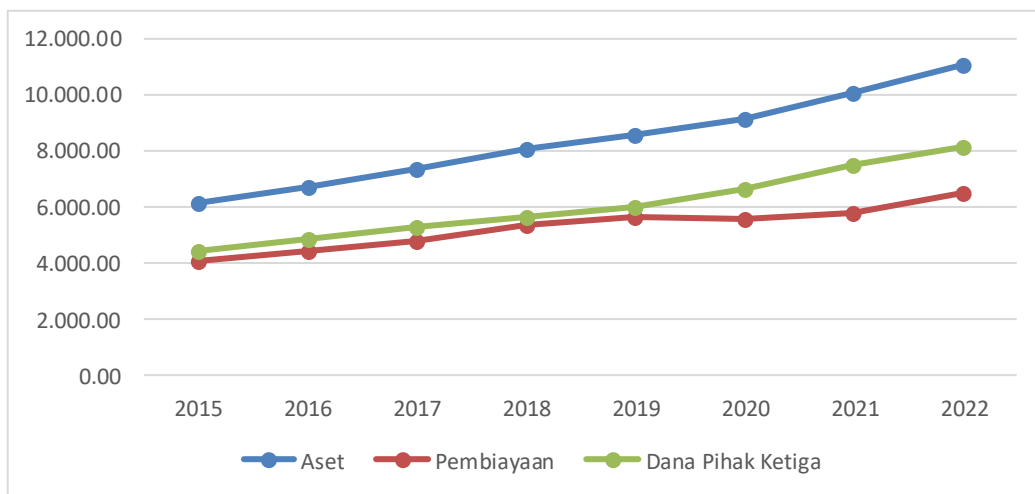


Figure 1. Development of Commercial Banks in Indonesia 2015-2022 (Trillions)

Source: OJK Indonesian Banking Statistics 2015-2022

Indonesia's banking sector has shown consistent expansion across key indicators, including total assets, financing activities, and third-party fund accumulation. The progression of Sharia banking within the country is illustrated in the figure below.

¹ Yusita Irliani, Marlya Fatira Ak, and Hubbul Wathan, 'PENGARUH ISLAMIC LIFESTYLE TERHADAP KEPUTUSAN', 2023, 24-30.

² SMBM Baharuddin and others, 'Sharia Bank Information Systems in the Context of Value Chain Financing', ... *Journal of Artificial ...*, 7.1 (2024) <<http://ijair.id/index.php/ijair/article/view/1052>><<http://ijair.id/index.php/ijair/article/download/1052/486>>.

³ Edi Suandi and others, 'Evaluating the Relationship between Entrepreneurial Marketing, Competitive Advantage, and Islamic Banks Performance', *Journal of Financial Services Marketing*, 28 (2022), 1-16 <<https://doi.org/10.1057/s41264-022-00169-6>>.

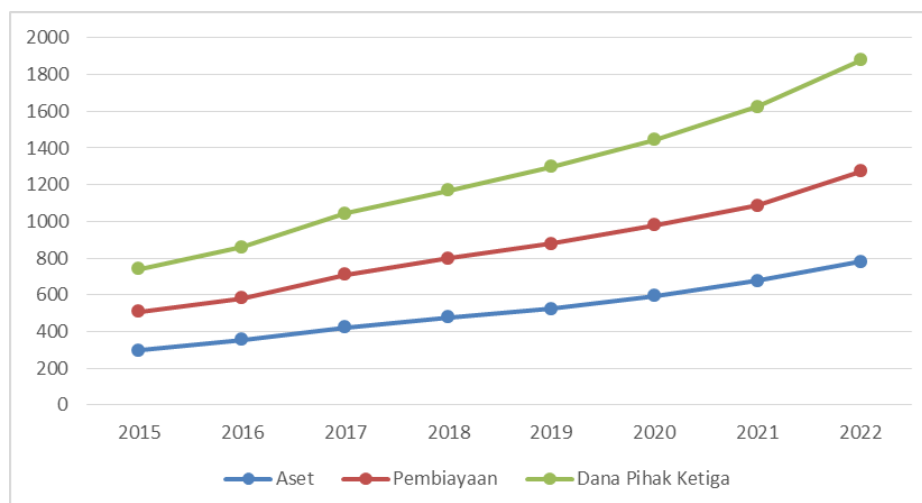


Figure 2, Development of Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) in Indonesia 2015-2022 (Trillion)

Source: OJK Indonesian Banking Statistics 2015-2022

The Sharia banking sector in Indonesia has continued to expand, as reflected in the steady increase of asset values across both Sharia Commercial Banks (BUS) and Sharia Business Units (UUS). According to the 2022 statistics from the Financial Services Authority (OJK), the industry comprised 12 BUS and 21 UUS institutions. Nevertheless, a substantial disparity remains when compared with the conventional banking sector, despite Indonesia being home to the world's largest Muslim population.

Table 1. Development of Market Share of Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) towards Commercial Banks

Year	Market Share		
	Assets	Funding	Third-party funds
2015	4.83%	5.21%	5.24%
2016	5.30%	5.09%	5.78%
2017	5.74%	5.98%	6.33%
2018	5.92%	5.98%	6.60%
2019	6.13%	6.25%	6.94%
2020	6.47%	6.92%	6.99%
2021	6.69%	7.04%	7.18%
2022	7,04%	7,56%	7,43%

Source: www.ojk.go.id

Even though sharia banks have existed since 1991 with PT Bank Muamalat Indonesia being marked as the first purely sharia bank in Indonesia, in 2022, sharia banks as a whole will only control 7.04% of the market share in terms of assets, 7.56% in terms of financing, and 7.43% from third party funds. This is a

challenge for the banking industry, especially sharia banking, in Indonesia, which has the largest Muslim population in the world. The majority of Indonesian people still prefer conventional banking, as can be seen in Figures 1.1 and 1.2. This situation is a problem and challenge for Sharia Commercial Banks (BUS) in seeking customers from conventional banks. Currently, Islamic banks have not succeeded in becoming market leaders or controlling the banking market in Indonesia.

Since 1983, the Indonesian government has initiated policies to develop sharia banking as a response to the growing aspiration among Muslims to conduct financial activities free from usury. The system introduced emphasized profit and loss sharing as the core principle of Islamic financial transactions. Beyond eliminating usurious practices, the sharia banking system was envisioned to promote both material and spiritual well-being within the Muslim community, aligning with Islamic ethical and economic norms. The institutionalization of this system gained momentum in 1990, when the Indonesian Ulema Council (MUI) established a dedicated task force to lay the foundation for sharia-based banking operations across the country.⁴

In this context, assets are defined as the resources or economic wealth owned by an enterprise, either within a specific accounting period or over a particular duration. They are typically categorized into current, fixed, and other asset groups, and further distinguished between tangible and intangible forms. For an item to qualify as a commodity, it must possess measurable economic value that allows it to be exchanged for equivalents in goods or services. Cash, for instance, holds intrinsic value by functioning as a medium of exchange in financial transactions.⁵ Similarly, non-cash resources also carry economic significance due to their convertibility into cash, goods, or services, and their capacity to fulfill production and payment obligations. The following section presents a comparative overview of Islamic banks' financing structures and profitability outcomes.

**Table 2. Comparison of Sharia Bank Financing and Profits in 2022
(In Trillion Units)**

Bank	Assets	Funding	Profit	Profit to Financing Ratio
BMI	Rp61,400	Rp18,821	Rp0,052	0,28%
BSI	Rp305,00	Rp207,70	Rp4,260	2,05%
BTN S	Rp45,000	Rp33,600	Rp0,333	0,99%
BTPN S	Rp21,161	Rp11,463	Rp1,779	15,52%
Maybank S	Rp40,040	Rp26,430	Rp0,856	3,24%

⁴ Ni Devi et al.. *Buku Analisis Laporan Keuangan*, 2023.

⁵ Viktorija Stojkovski and Blagoj Nenovski, 'Digital Services as a Tool For Creating Competitive Advantage in The Banking Sector in North Macedonia', *Journal of Liberty and International Affairs, Institute for Research and European Studies - Bitola*, 7 (2021), 79-93 <<https://doi.org/10.47305/JLIA21170079s>>.

Source: 2022 Sharia Banking Financial Report

In the comparative table, it is evident that Bank Muamalat records a profit-to-financing ratio of 0.28 percent, whereas Bank Syariah Indonesia reaches 2.05 percent, BTN Syariah 0.99 percent, BTPN Syariah 15.52 percent, and Maybank Syariah 3.24 percent. This indicates that Bank Muamalat demonstrates the lowest level of profitability, reflecting minimal returns from its financing activities. Considering that the fundamental function of the banking industry lies in mobilizing funds and channeling them through financing to generate income from profit-sharing schemes, such a low ratio reveals inefficiencies in its core operations.

Value chain analysis was chosen because it is able to provide a comprehensive understanding of the banking financing business process, from upstream to downstream.⁶ By mapping each stage of the process, research can identify added value in each segment, helping Sharia Banks understand the key elements that influence their business performance.⁷ Value chain analysis also allows identifying weak points in business processes, which are likely the cause of poor financial performance and growth stagnation. An in-depth understanding of the distribution of financing and funding products, both physically and digitally, can provide strategic insight to increase the accessibility of sharia banking products. Through this mapping, it is hoped that this research can help Bank Muamalat in developing a holistic strategy that includes process optimization, organizational development, and efforts to attract new customers, as well as creating a competitive advantage in the sharia banking industry.

The disparity between potential and realized added value within the Islamic banking financing value chain may restrict the attainment of optimal financial performance and adherence to sharia principles. Hence, this study seeks to examine and assess the financing value chain of Bank Syariah Indonesia through a case study approach designed to explore the phenomenon in depth.

METHODS

This study adopts a case study design to explore a specific phenomenon within its real-world setting. Through an integrated process involving interviews, observations, and document reviews, the approach seeks to capture the contextual depth and dynamic complexity of the case. The central aim is to achieve a comprehensive understanding of the phenomenon by examining it from multiple perspectives. Such an approach is particularly suitable for

⁶ Emir Gibran Beka and Yanto Ramli, 'Manajemen Strategik & Bisnis', 2024.

⁷ Nurcahyo, Satria Avianda, Raditya Ferdianto, and Diah Ayu Kusumawati. "Religious-Centric Product Strategy dan Sharia Product Knowledge dalam peningkatan Business Performance dengan Competitive Advantage Sebagai Variabel Mediasi." *Jurnal Ekonomi dan Bisnis* 25.2: 173-192.

investigating intricate issues, distinctive contexts, or uncommon situations that demand detailed qualitative insight.⁸

The selected research site should facilitate effective observation, engagement, and participation in the phenomenon under investigation. Data will be gathered over a period extending from May to July 2023. In qualitative inquiry, determining informants constitutes a critical phase, as researchers must thoughtfully select individuals or groups who can serve as credible sources for exploring the phenomenon in depth. Careful selection of informants is essential, since the acquisition of relevant and high-quality data is a crucial determinant of the validity and conclusiveness of research findings.⁹

Careful selection of informants aligned with the research aims is a critical aspect of qualitative research methodology, directly affecting the rigor and credibility of the findings. In this study, informants were identified as individuals or groups possessing relevant roles, insights, or expertise pertaining to the analyzed phenomenon; specifically, one leader and one staff member from each division were engaged to ensure comprehensive and representative perspectives.¹⁰ Based on the understanding of the Inbound Logistics & Operations component in the Value Chain, Mr. Nindya Agung as Human Capital Region Central Java DIY directed us to interview a Product Specialist.

Primary data refer to information obtained firsthand by the researchers themselves, whereas secondary data encompass materials previously collected and compiled by other parties, not directly by the present authors.¹¹ Within this study, interviews with respondents and direct field observations constitute examples of primary data collection, while secondary data were derived from sources such as scientific journals, financial statements, and official company websites.¹² Data gathering involved several methods, including document analysis, in-depth interviews, and participant observation, all of which were supported by explanatory notes. For the subsequent stage, qualitative data were systematically coded with the assistance of specialized software, such as NVivo, to ensure analytical rigor.¹²

Here are some interview themes that can be used for research entitled "The Value Chain in Islamic Banking Financing": (1) Introduction and Background: (a) How do you understand the concept of value chain in Islamic banking financing? (b) What motivates Islamic banks to adopt value chain in financing? (2) Value

⁸ Muhammad Ishtiaq, 'Book Review Creswell, J. W. (2014). *Research Design: Qualitative, Quantitative and Mixed Methods Approaches* (4th Ed.). Thousand Oaks, CA: Sage', *English Language Teaching*, 12 (2024), 40 <<https://doi.org/10.5539/elt.v12n5p40>>.

⁹ Oliver S. Crocco, 'Research Design', *Palgrave Macmillan Asian Business Series*, 2021, pp. 33–44 <https://doi.org/10.1007/978-3-030-79697-6_2>.

¹⁰ Dave Donovan, 'Mental Health Nursing Is Stretched to Breaking Point', *Nursing Standard (Royal College of Nursing (Great Britain))*: 1987, 30.25 (2016), 33 <<https://doi.org/10.7748/ns.30.25.33.s40>>.

¹¹ Blacius Dedi, *Buku Ajar Metodologi Penelitian* (Semarang, 2019).

¹² Arvinda Lalang et al., *Metodologi Penelitian Kuantitatif Dan Kualitatif*, 2022.

¹² Lalang, *Metodologi Penelitian Kuantitatif...*

Chain Activities: (a) How is the financing process in your Islamic bank? (b) What are the main activities in the financing value chain in your Islamic bank. (3) Risk Management: (a) How does your Islamic bank manage risk in financing? (b) What are the challenges in managing risk in the Islamic financing value chain? (4) Technology and Innovation: (a) How is technology used in the financing value chain in your Islamic bank? (b) What innovations have been made to increase the efficiency of the Islamic financing value chain? (5) Sharia Compliance: (a) How does your Islamic bank ensure sharia compliance in financing? (b) What are the challenges in maintaining sharia compliance in the financing value chain? (6) Performance Measurement: (a) How does your Islamic bank measure the performance of the financing value chain? (b) What key performance indicators are used? (7) Opportunities and Challenges: (a) What are the opportunities and challenges faced by Islamic banks in implementing the financing value chain? (b) How does your Islamic bank address these challenges?

The data analysis used follows the qualitative approach developed by Hans-Gerd Ridder,¹³ where data analysis is carried out interactively and continuously during the data collection process.¹⁴ Conducting a thorough analysis serves to ensure that essential contextual elements of the research phenomenon are addressed throughout the data processing stage. The analytical procedure comprises several critical steps, beginning with data collection, followed by the reduction of data to promote clarity and simplicity. Subsequent stages involve selecting effective methods for presenting the findings, both visually and narratively, and culminate in drawing reasoned conclusions grounded in the analytical outcomes. This methodological approach has previously been implemented by prior scholars.¹⁵

In this study, reliability and validity are measured by: (1) Reliability: (a) Internal consistency: Ensuring that the data collected is consistent and coherent in the research context. (b) Dependence on data: Using accurate and reliable data, and ensuring that the data is not influenced by researcher bias. (c) Good documentation: Documenting the research process in detail, including data collection methods, analysis, and interpretation of results. (d) Use of triangulation: Using several data collection methods, such as interviews, observations, and document analysis, to ensure that the data obtained is accurate and reliable. (2) Validity: (a) Construct validity: Ensuring that the concepts and theories used in the research are relevant to the phenomenon being studied. (b) Content validity: Ensuring that the data collected covers all aspects relevant to

¹³ Hans-Gerd Ridder, 'No Title', ed. by Matthew B Miles, A Michael Huberman, and Johnny Saldaña, *Zeitschrift Für Personalforschung / German Journal of Research in Human Resource Management*, 28.4 (2025), 485–87 <<http://www.jstor.org/stable/24332877>>.

¹⁴ David Wicks, 'The Coding Manual for Qualitative Researchers (3rd Edition)The Coding Manual for Qualitative Researchers (3rd Edition) Johnny Saldaña Sage 2015 ISBN-13: 978-1473902497', *Qualitative Research in Organizations and Management: An International Journal*, 12 (2017), 169–70 <<https://doi.org/10.1108/QROM-08-2016-1408>>.

¹⁵ Arif Rachman, Andi Samanlangi, and Hery Purnomo, *METODE PENELITIAN KUANTITATIF, KUALITATIF DAN R&D*, 2024.

the phenomenon being studied. (c) Face validity: Ensuring that the research results are reasonable and acceptable to research participants and the scientific community. (d) Use of member checking: Asking research participants to verify the research results and ensure that the results are accurate and reliable. (e) Use of peer debriefing: Discussing research results with colleagues or experts to ensure that the results are valid and reliable.

RESULT AND DISCUSSION

Value chain analysis is the main approach for this research, because it provides a comprehensive understanding of the banking financing business process from upstream to downstream. Mapping each stage of the process helps identify added value in each segment, understanding the key elements that influence business performance. This analysis also identifies weak points that can lead to poor financial performance, enabling the development of holistic strategies for process optimization, organizational development, attracting new customers, and creating competitive advantage in the Islamic banking industry.¹⁶

Drawing on insights from the Inbound Logistics and Operations segments of the Value Chain, Mr. Nindya Agung, the Human Capital lead for the Central Java and Yogyakarta region, recommended that we engage directly with a Product Specialist. In implementing this directive, we observed that a primary constraint is the inconsistent availability of products and services in the market that comply with Sharia principles. Furthermore, elevated levels of business risk create additional barriers that hinder the capacity to adequately meet market demands.¹⁷ Nevertheless, we remain committed to providing solutions that comply with sharia principles and continue to innovate in managing business risks to better meet market needs.

Delays in processing applications from other companies or market segments occasionally pose operational obstacles, particularly since the responsibility of SME Relationship Manager for Central Java is vested solely in one individual. To reinforce customer retention, the affiliated branch team collaborates closely with me to proactively seek out and analyze information relating to clients' evolving requirements. In instances where additional financial support is warranted, various top-up or supplementary loan options are introduced. Nevertheless, it is recognized that not every client expresses a preference for refinancing or debt consolidation, due to considerations such as more competitive financing margins offered by alternative banks or ambitions to settle outstanding obligations without increasing indebtedness. Accordingly, the retention approach is founded on a nuanced understanding of client needs and

¹⁶ Dina Anisya Rufaedah, Muhammad Yazid, and Dan Novi Febriyanti, 'Analisis Kinerja Keuangan Bank Syariah Di Indonesia Berdasarkan Islamic Performance Index', *Jurnal Akuntansi Dan Keuangan Islam*, 12.1 (2024), 85-102.

¹⁷ N Hasanah, M N Sayuti, and ..., 'Optimalisasi Regulasi Perbankan Syariah Oleh Bank Indonesia Dan Otoritas Jasa Keuangan Dalam Akselerasi Transformasi Digital', ... *Terapan Dan Keuangan*, 13.03 (2024), 709-23 <<https://online-journal.unja.ac.id/mankeu/article/view/36621>>.

rests on providing sharia-compliant solutions, cultivating long-term relationships, and ensuring consistent service quality. Despite the complexities stemming from my singular position as SME Relationship Manager in the region, a commitment to delivering optimal value and personalized service for clients remains paramount in Central Java.

For instance, Muamalat Bank's marketing strategy emphasizes engagement with existing clients, selected individual customers, and institutional partners by offering consumer financing and home ownership loans (KPR) structured on sharia principles, which include refinancing options and property-backed consumer credit. Performance expectations align with specific targets, wherein the Senior Relationship Manager for Consumer Banking endeavors to achieve monthly financing disbursements totaling 2.5 billion rupiah, while the Relationship Manager's objective is set at 2 billion rupiah per month.

Digital advertising promotions to improve Hijrah KPR branding and acquire customers online are currently an obstacle due to Bank Muamalat's policy which does not allow digital promotions. Even though this is done by other banks to promote products, attractive promos and other updates.¹⁸ The website already exists but is not updated so it seems old-fashioned and the prices are expensive.¹⁹ Although Bank Muamalat offers a variety of appealing programs and promotional initiatives, these are not always featured on the official website, leading the institution to promote such offerings through offline channels instead. An additional challenge arises because the Hijrah KPR mortgage product currently does not cater to non-fixed-income earners or entrepreneurs, thus presenting difficulties for a significant segment of Central Java's population with fixed monthly incomes below 10–15 million rupiah. As a result, it is challenging for these individuals to secure financing for properties valued above one billion rupiah, and support is effectively limited to houses priced below this threshold.

For existing customers with mortgage facilities at Bank Muamalat, the LEADS KPR program is implemented as a retention strategy, but access to this facility remains selective. Furthermore, the bank's pricing or profit margins are relatively high. Only select customer segments or those involved with partner developers enjoy lower rates, due to limited partnerships and a small customer base. Consequently, most applicants must accept standard rates that are less competitive than those at other banks.

Interviews with the product team revealed that Bank Muamalat's core activities in product innovation are managed by the head office and involve multiple stakeholders. The Bank is currently prioritizing retail financing products, especially KPR and Multipurpose loans. Comprehensive research precedes product development, as demonstrated in the planning of automotive financing solutions, although these are often secured with property collateral an

¹⁸ Taufik Taufik and Esti Handayani, 'KEUNGGULAN BERSAING UKM YANG DIPENGARUHI OLEH ORIENTASI PASAR DAN INOVASI PRODUK', *Jurnal Pengembangan Wiraswasta*, 20 (2018), 193 <<https://doi.org/10.33370/jpw.v20i3.256>>.

¹⁹ Parman Komarudin and others, *Bank Dan Lembaga Keuangan Lainnya*, 2024.

approach deemed inflexible. In forming partnerships with housing developers, thorough evaluations are conducted, though limited human resources particularly for initiatives covering the entire Indonesian territory—present ongoing challenges. Accordingly, measures are continuously undertaken to optimize organizational structure and operational efficiency in managing such collaborations. Bank Muamalat remains committed to sharia-compliant product and service development, despite market gaps and the inherent business risks. Nevertheless, the institution actively pursues innovation to address market needs while adhering to sharia principles and responsible risk management.²⁰

Insights from interviews with Bank Muamalat's marketing division indicate that minimal-risk financing initiatives are being prioritized through strategic partnerships with the Muhammadiyah Business Charity, as established by a formal Memorandum of Understanding (MOU). Currently, the bank does not utilize dedicated channels such as websites for promoting its financing products and branding activities. Furthermore, online marketing is restricted by institutional policy, compelling the marketing team and Relationship Managers to employ conventional outreach strategies, such as direct door-to-door engagements.

Therefore, the marketing team and Relationship Managers (RM) carry out traditional promotions, including the door to door method. According to Mr. Nurtanio and Nurokhmad, online promotions are considered to have a positive impact on Bank Muamalat's financing branding by providing product information, promos and other updates. Bank Muamalat is currently unable to accommodate entrepreneurial work in the retail segment, where the average income is not sufficient for Home Ownership Credit (KPR) at prices above 1 billion rupiah. Customer retention efforts are carried out through special programs for selected customers in the retail segment, especially those related to KPR. However, not all customers can access this facility. Bank Muamalat's KPR pricing is relatively expensive compared to other banks. To get cheap pricing, you must be a selected customer or a customer buying a house from a Bank Muamalat partner developer. Even though there are not many Bank Muamalat customers and not many partner developers, they often use regular pricing which tends to be more expensive than other banks.

The value chain in Islamic banking financing has the potential to improve efficiency and service quality, but its implementation is still limited by factors such as lack of technological infrastructure, limited human resources, and lack of standardization of Islamic practices.

The findings of this study strengthen the concept of *maqāṣid al-sharī'ah* which emphasizes justice, welfare, and sharia compliance in Islamic banking financing, and shows that effective implementation of the value chain can

²⁰ Tareq Quporsi, 'The Role of Marketing Creativity and Innovation in Achieving Competitive Advantage for Banks', *International Business Management - Int Bus Manag*, 4 (2010), 53–56 <<https://doi.org/10.3923/ibm.2010.53.56>>.

improve the governance and competitiveness of Islamic banks through increased efficiency, transparency, and service quality.

The results of this research can be compared with existing studies in the field of Islamic economics in several aspects, including: (1) Islamic Bank Financial Performance: Studies on the financial performance of Islamic banks using the Islamicity Performance Index (IPI) approach can be used to assess the performance of Islamic banks in managing funds and financing fairly and efficiently. (2) Fund and Financing Management: Research on fund and financing management in Islamic banks can help understand how Islamic banks manage third-party funds and distribute financing to the community. (3) Halal Value Chain Ecosystem: Studies on the halal value chain ecosystem can help understand how Islamic banks can improve the efficiency and effectiveness of financing by integrating sharia principles. (4) Islamic Finance Country Index (IFCI): Research on the IFCI can help understand how a country's Islamic finance ranking can affect the performance of Islamic banks.

Comparing the theme "The Value Chain in Islamic Banking Financing" with existing studies in the field of Islamic economics can help understand how the value chain concept can be applied in Islamic banking financing to improve the efficiency and effectiveness of financing.

Some of the principles of Good Corporate Governance (GCG) related to the results of this research are: (1) Transparency: Islamic banks must be transparent in disclosing information about the financing value chain, including processes, risks, and profits. (2) Accountability: Islamic banks must have a clear and effective accountability system in managing the financing value chain, including internal supervision and control. (3) Responsibility: Islamic banks must be responsible for financing value chain activities and ensure that these activities comply with sharia principles and applicable regulations. (4) Independence: Islamic banks must have an independent Sharia Supervisory Board (DPS) with expertise in the field of sharia to ensure that financing value chain activities comply with sharia principles. (5) Fairness: Islamic banks must treat all customers and business partners fairly and non-discriminatory in financing value chain activities. (6) Compliance: Islamic banks must comply with applicable regulations and standards in financing value chain activities, including Bank Indonesia regulations and sharia standards. (7) Supervision: Islamic banks must have an effective supervisory system to monitor and control risks associated with financing value chain activities.

By implementing these GCG principles, Islamic banks can increase customer trust, improve financial performance, and maintain a good reputation.

CONCLUSION

Application of the Value Chain Analysis concept with a sharia principle approach to activities. Good Corporate Governance has 5 principles used to realize good corporate governance including: transparency, responsibility, independence, accountability, fairness and equality. In achieving Good Corporate Governance, we have not fully implemented Good Corporate

Governance well, especially in terms of transparency because companies have important information that cannot be used by the public. These include: financial reports, employee salaries, production processes and business plans that have not been realized.

This research on the value chain in Islamic banking financing can provide significant scientific contributions to the development of Islamic economics, especially in increasing the efficiency and effectiveness of Islamic financing, as well as promoting inclusive and sustainable finance.

Practical implications for Islamic banking strategies related to the value chain in Islamic banking financing: (1) Optimizing the Financing Process: Increasing the efficiency and effectiveness of the financing process by identifying and eliminating non-value-added activities. (2) Innovative Product Development: Developing innovative and value-chain-based Islamic financing products to improve customer satisfaction and increase bank revenue. (3) Better Risk Management: Identifying and managing risks associated with the Islamic financing value chain to reduce losses and improve financial stability. (4) Improving Sharia Compliance: Ensuring that all Islamic financing activities comply with Sharia principles and increasing transparency and accountability. (5) Developing Supportive Technology: Developing technology that supports the Islamic financing value chain to improve the efficiency, speed, and security of transactions. (6) Improving Service Quality: Improving the quality of service to customers by understanding their needs and preferences and providing services that are in accordance with Sharia principles. (7) Collaborating with Business Partners: Building strong collaboration with business partners to improve the efficiency and effectiveness of the Islamic financing value chain.

Suggestions for further research on the value chain in Islamic banking financing: (1) Comparative Analysis: Conducting a comparative analysis between Islamic banking financing value chains in various countries or regions to determine the differences and similarities in their implementation. (2) Case Study: Conducting a case study on a specific Islamic bank to find out in depth how the Islamic financing value chain is implemented in practice. (3) Model Development: Developing a model of the Islamic financing value chain that can be used as a reference for Islamic banks in increasing the efficiency and effectiveness of financing. (4) Impact Analysis: Analyzing the impact of the Islamic financing value chain on economic growth and financial inclusion in society. (5) The Role of Technology: Analyzing the role of technology in increasing the efficiency and effectiveness of the Islamic financing value chain. (6) Challenges and Obstacles: Analyzing the challenges and obstacles faced by Islamic banks in implementing the Islamic financing value chain. (7) Performance Measurement: Developing a method for measuring the performance of the Islamic financing value chain that can be used by Islamic banks to improve performance.

Author's Contribution

Ali Akbar: Contribute to formulating research ideas

Elysa Meida Arif: Contribute to collecting data, processing data, and interpreting data

Vensy Vidya: Contribute to interpreting data and writing systematics

Alfiana: Contribute to research methods.

Dipa Teruna Awaludin: Contributing to the analysis and interpretation

Nirsetyo Wahdi: Contribute to the language proofreading.

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Declaration of Competing Interest

The author declares that there is no conflict of interest.

Ethical Approval

Ethical approval No patient-identifying parts in this paper were used or known to the authors.

Therefore, no ethical approval was requested.

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