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The Role of Business Strategy Using Information Technology on Branch Offices in Indonesian Sharia Banking

Asep Ghofir Ali[1*], Ucu Supriatna[2]
[1]STIE Ekuitas, Bandung City, 40124, West Java, Indonesia
[2]International Women University, Bandung City, 40173, West Java, Indonesia
*Corresponding Email: ghofir67@gmail.com

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ABSTRACT

The development of information technology (IT) in the banking sector has transformed service delivery, including in Sharia banking in Indonesia. Digital banking has become a crucial strategy to meet customer needs and enhance competitiveness, especially considering the limited number of Sharia bank office networks compared to conventional banks. This study aims to examine the influence of IT and office networks on the implementation of IT-based business strategies in Indonesian Sharia banking. Using a descriptive-verificative approach, the research applies an explanatory survey method by distributing questionnaires to gather data from selected respondents. The results show that IT has a significant positive effect on the implementation of IT-based business strategies (coefficient = 0.628; T = 2.766; p = 0.006), while the office network does not show a significant direct influence (coefficient = 0.269; T = 1.443; p = 0.150). However, when combined, IT and office networks have a significant simultaneous effect on technology-based business strategies. This implies that although physical office networks remain important, digital infrastructure plays a more dominant role in driving strategic business initiatives in Sharia banking. Strengthening IT systems should be prioritized to enhance service delivery and achieve long-term business goals.

Keywords: Business Strategy; Digital Banking; Information Technology; Office Network; Sharia Banking

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INTRODUCTION

Multidivisional business firms have three levels of strategy: (1) corporate, (2) business, and (3) functional. Corporate strategies generally fit into three main categories: stability, growth, and retrenchment. Business strategy typically occurs at the business unit or product level, and it emphasizes improving the competitive position of products and services. Functional strategy is the approach taken by functional areas to achieve goals that provide a competitive advantage for the firm (Wheelen et al., 2018).

In line with the development of information technology (IT), the services provided by banks have evolved towards digital banking services. These services are more oriented towards fulfilling customer needs by fully utilizing technology through devices and software as delivery channels. The aim is to improve the efficiency of operational activities and the quality of Bank services to its customers (Diener & Špaček, 2021; Omarini, 2017). Furthermore, according to Sri Mulyani, the Minister of Finance, technological advancement plays a pivotal role in accelerating the development of the Sharia financial economy. One of the key impacts of this advancement is the promotion of financial inclusion, which is essential in strengthening the Islamic financial ecosystem (Elena, 2020).

Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its goals. Strategic management focuses on integrating management, marketing, finance and accounting, production and operations, research and development, and information systems to achieve organizational success (David & David, 2017).

There are four challenges that must be faced in relation to economic development, especially Sharia financial institutions, namely capital problems, development of Sharia product innovation, inadequate quality of human resources, and limited infrastructure in the development of the Sharia economy (Abdullah et al., 2024).

In this regard, the influence of technology-based strategic orientation in banking, especially Sharia banking, changes customer preferences and demands (Bátiz-Lazo & Wood, 2002; Fernández-Torres et al., 2019; Flatraaker, 2013; Jelassi & Martínez-López, 2020; Liberatore & Breem, 1997; Manfreda & Štemberger, 2019; Pollitt, 1999; Rachmaniar et al., 2021; Sasmoko et al., 2019). The development of system-based IT, especially the internet, has had a major influence on business processes in the banking industry. The rapid development of IT and changes in customer behavior encourage banks to be able to meet their customers' needs.

Table 1. Development of Banking Office Networks and Workforce in Indonesia 2014-2024

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of Conventional Banks	107	106	103	102	101	96	95	95	93	92	91
Number of Banks (SCB + SBU)	119	118	116	115	115	110	106	107	106	105	105
Number of Offices	32,737	32,963	32,720	32,276	31,609	31,127	30,733	52,366	25,377	24,276	23,899
Sharia Commercial Banks (SCB) and Sharia Business Units (SBU)											
Number of Banks (SCB + SBU)	34	34	34	34	34	34	34	33	33	33	33
Number of SCB	12	12	13	13	14	14	14	12	12	12	12
Number of SBU	22	22	21	21	20	20	20	21	21	21	21
Number of Offices	2,483	2,301	2,201	2,169	2,229	2,300	2,426	2,479	2,445	2,380	2,142
Market Share (%)	7,58%	6,98%	6,73%	6,72%	7,05%	7,39%	7,89%	7,66%	9,63%	9,80%	8,96%
Number of ATMs	3,482	3,716	3,259	2,728	2,962	3,003	2,982	4,097	4,597	4,615	7,568
Number of Workers	45,818	55,816	55,957	55,746	54,471	54,840	55,538	56,298	56,298	56,298	56,298

Source: Financial Services Authority (OJK, 2025)

Indonesian banking statistics released by the Financial Services Authority (OJK, 2025) in December 2024 show that banking performance in Indonesia can not only be assessed from the financial side, but can also be seen from the non-financial side. Table 1 shows the development of banking performance from a non-financial perspective, indicating that the number of conventional banks has decreased from 107 in 2014 to 91 in 2024, while Sharia banks have decreased from 34 to 33. For the number of offices, conventional banks and Sharia banks have decreased from 32,737 offices in 2014 to 23,899 offices in 2024, while specifically Sharia banks have decreased from 2,483 offices in 2014 to 2,142 offices in 2024.

This study aims to examine the influence of strategic management and technological adaptation on the performance of Sharia banking in Indonesia, with a specific focus on non-financial indicators such as the number of branches, human resources, Automatic Teller Machines (ATMs), and market share. The objective is to understand how digital transformation and strategic orientation contribute to the structural development and outreach of Islamic financial institutions. This research is significant because it provides a broader perspective on how technological advancements and strategic planning intersect to support inclusive growth within the Sharia banking sector. The study contributes to the existing literature by bridging theoretical insights in strategic management with practical developments in digital banking, especially within the context of Indonesia's expanding Islamic finance industry. The novelty of this research lies in its emphasis on non-financial performance metrics, which are often underrepresented in conventional banking analysis, and in its use of the most recent empirical data, offering timely insights for policymakers, practitioners, and academics in Islamic finance.

LITERATURE REVIEW

Business Strategy Concept

Business strategy focuses on improving the competitive position of a company's products and services in a particular industry or market segment served by the company (Nandya et al., 2024). Business strategy is a way to solve the problem of how companies and their units can compete in business and industry. Porter (1990) offers two "generic" competitive strategies to outperform other companies and others in a particular industry: low cost and differentiation. Low cost is the ability of a company or business unit to design, make, and market a comparable product in a more efficient way than its competitors. Differentiation is the ability to provide unique and superior value to buyers in terms of quality, special features/characteristics, or after-sales service. This strategy is called generic because companies of any type and size, even non-profit organizations, can use it.

Porter (1990) argues that a company's competitive advantage in an industry is determined by its competitive reach, namely the breadth of the business unit's or company's target market. Before using either of these two strategies, the company or business unit must choose the range of product variations to be produced, the distribution channels to be used, the types of buyers to be served, the geographic areas to be covered, and the places where similar industry groups will compete.

IT Concept

IT is a technology used to process data, including processing, obtaining, compiling, storing, and manipulating data in various ways to produce information, which is used for personal, business, and government purposes and is strategic information for decision making. This concept utilizes computers as the main device for processing data into useful information. quality information, namely information that is relevant, accurate, and precise (Abadzi, 2017; Workman & Reader, 2014).

IT has become an integral and inseparable component of modern banking operations due to its essential role in facilitating a wide range of financial services. As the banking industry faces increasingly fierce competition and rapidly evolving customer expectations, financial institutions are continuously striving to enhance their IT capabilities. Recognizing the critical importance of IT, banks have progressively advanced their technological infrastructure and service offerings, resulting in dynamic and ongoing development within the sector. Initially, IT was adopted merely as a support tool to streamline certain internal processes. However, its role has since evolved significantly. Today, IT is no longer just a supportive element. It has become a central pillar of banking operations, enabling the delivery of nearly all core banking services and functions. This transformation reflects banks' strategic focus on leveraging IT to increase efficiency, improve customer experience, and remain competitive in a technology-driven market (Sesa et al., 2025).

In particular, the implementation of IT has given rise to a range of electronic banking services, often referred to as e-banking. These services provide customers with convenient, efficient, and real-time access to their financial transactions through multiple digital delivery channels. Among these channels are Automatic Teller Machines (ATMs), Electronic Data Capture (EDC) terminals, internet banking platforms, Short Messaging Service (SMS) banking, telephone banking, and mobile banking applications. These IT-based services not only reduce the need for physical bank visits but also allow banks to expand their service reach and operate more efficiently, aligning with the expectations of modern, tech-savvy consumers (OJK, 2016).

Office Network Concept

Despite significant technological innovations in the delivery of banking services, the number of bank branches that can provide banking services to customers will now use a variety of electronic platforms to deliver services (Adelowotan & Oshadare, 2017). It is expected that the increase in the number of branch office networks will have a significant effect on bank performance. The costs that will be incurred can be initial costs, research and development costs, staff placement costs to branches, and feasibility costs to determine the feasibility of the branch. Aladwani (2001) stated that the benefits arising from the increase in the number of branch office networks have an impact on the increase in costs that must be incurred, which has an impact on bank profitability. It is still necessary to open more bank branch office networks to help provide fast and effective customer service. The more branches that are opened, the better the bank's performance in increasing bank assets (Harimaya & Kondo, 2016; Ihsan, 2019).

The banking sector has been considered the center of growth and development of any country as it channels funds from surplus to deficit sectors of the economy (Levine, 1997; Thiel, 2001). To help drive service delivery to their customers, banks use a variety of channels that come in the form of branches (physical and e-branches) and other electronic service points. Recent innovations in retail financial service delivery have raised questions about the role of banks and their branches in the delivery of valuable financial services, as this has driven rapid and significant branch expansion programs with significant increases in customer volumes. Transactions in the banking industry for survival and profitability (Way & Johnson, 2005). The advent of internet banking, the proliferation of ATMs, and the increasing reliance on centralized call centers all appear to be challenging the traditional branch method of delivering banking services. The number of full-service branches in Nigeria has been increasing steadily since the early 1990s (1855 in 1989 and 2023 in 1991). It is expected that the increase in branches will have a significant effect on the profitability of banks in Nigeria due to the fact that

branches need to incur a lot of expenses while performing their statutory duties to serve customers.

The costs to be incurred can be initial costs, research and development costs, costs of staffing branches, and feasibility costs to determine the feasibility of the branch. In addition, it is necessary to consider the many political costs required to maintain the function of the branch. Aladwan and Saaydah (2015) argued that regardless of the benefits that accrue from expanding the branch network, there is evidence that many costs must be incurred, which can reduce the daily profitability of banks, as seen in Jordan, despite technological advancements and the ongoing need to open more branches to meet customer demand. Various studies have attempted to find out the factors that affect the profitability and performance of banks without considering the cost of running the bank and its branches. Also, the need to meet the needs of customers spread across the country of the bank's operations will definitely affect the growth of the bank. In all these postulates, the recent growth in the branch network as recorded by the Central Bank of Nigeria (CBN) provides so much to consider when it comes to the issue of bank branch size and the overall performance of banks in Nigeria. This study seeks to examine the growth of Nigerian banks through the growth and spread of their branches over the period 1981 to 2013. This period witnessed an unrealized growth in the branch network that will suffice for this study. The extensive literature to be reviewed and the quantitative analysis to be conducted on the various branches available will pave the way for the dearth of studies and research works on bank size and growth of Nigerian banks (Adelowotan & Oshadare, 2017).

Based on the panel data regression analysis used for the research work, it was found that despite the new e-banking and service platforms, it would be necessary to open more branches to help in fast and effective customer service. It can be concluded that the more branches are opened, the better the performance of these banks in their Assets and other forms of performance measurement.

To help the bank continue to perform well, the branches must be staffed with well-behaved customer service officers and tellers. The branches must also engage in many promos, discounts, and special banking services that can attract customers to patronize the many branches that will be opened (Kee et al., 2024). Despite this, the increase in the branch network means that more branches must be opened in the rural areas of the country because the branch-to-customer ratio in Nigeria is still very small.

Hypotheses Development

This study is grounded in strategic management theory, particularly Porter's (1990) framework of competitive advantage, which explains how organizations can achieve superior performance by leveraging internal capabilities in response to external competition. In the context of digital transformation, this theory is complemented by technology adoption models, which emphasize the importance of aligning technological capabilities with strategic objectives to enhance performance outcomes (Canhoto et al., 2021).

Strategic orientation that incorporates IT enables banks to respond more effectively to dynamic market conditions, deliver more efficient services, and expand customer reach through digital platforms. The ability to integrate IT, such as e-banking, mobile banking, and automation systems, into daily operations is increasingly recognized as a source of sustainable competitive advantage. For Sharia banks, this alignment not only supports efficiency but also helps deliver ethical and inclusive financial services in line with Islamic principles (Jelassi and Martínez-López, 2020; Rachmaniar et al., 2021).

In addition to IT, the office network plays a structural role in shaping performance. Although digitalization reduces the reliance on physical branches, branch offices continue to serve as critical access points for financial services, especially in areas with limited digital infrastructure. The physical presence of banks influences customer trust, service accessibility, and institutional outreach (Kaur et al., 2021). When managed strategically, office networks can complement digital efforts by reinforcing customer engagement and local responsiveness.

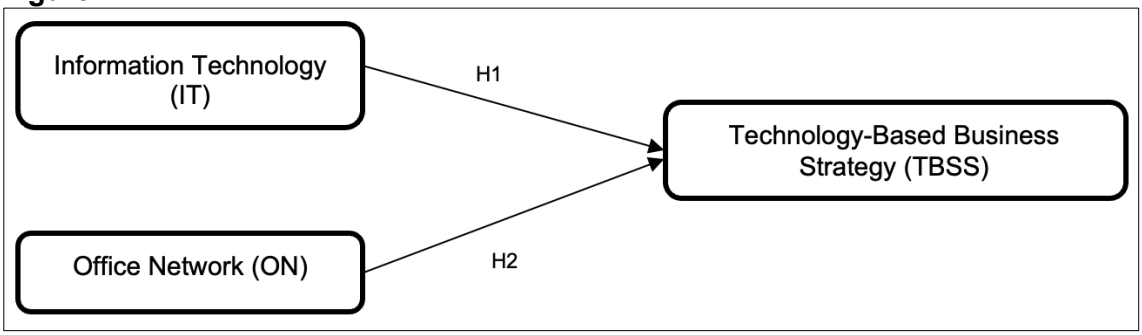
Both IT and office network are considered to influence the bank's technology-based business strategy, which refers to the institution's ability to utilize technology as a central element in achieving strategic objectives. While IT is expected to have a more direct and significant impact, the office network may also contribute by providing physical infrastructure that supports service delivery.

Based on this theoretical foundation, the following hypothesis is proposed:

H1: IT has a significant effect on the technology-based business strategy of Sharia banks in Indonesia.
H2: The office network has a significant effect on the technology-based business strategy of Sharia banks in Indonesia.

Conceptual Framework
The study framework model is depicted in Figure 1.

Figure 1. Research Framework



RESEARCH METHOD

Research Sample
This study was conducted on a total sample of 27 Sharia banking institutions in Indonesia, consisting of Sharia Commercial Banks (*Bank Umum Syariah*) and Sharia Business Units (*Unit Usaha Syariah*). The research findings were used to describe the characteristics of these institutions and to test the influence of IT and office network on technology-based business strategies.

Research Type
Based on the variables studied, the type of research conducted is descriptive and verification research. Descriptive research is conducted to describe something (Malhotra, 2015). Meanwhile, according to Sujarweni (2015), descriptive research is research conducted to determine the value of each variable, whether one or more variables are independent without making a relationship or comparison with other variables. Through descriptive research, a picture will be obtained regarding the respondent's assessment of IT, office network, and strategy orientation for technology-based companies in Sharia banking in Indonesia.

Verification research is research that is carried out to test the truth of existing sciences, in the form of concepts, principles, procedures, postulates, and practices of the science itself (Arifin, 2011). The nature of verification research is basically to test the truth of the research hypothesis, which is carried out through data collection in the field (Arikunto, 2010) regarding the influence of IT-based business strategies on the network of Sharia banking offices in Indonesia.

Research Method

Based on the type of research, namely descriptive and verification research carried out through data collection in the field, the research method used in this study is the explanatory survey method which is carried out through information collection activities using questionnaires with the aim of finding out the opinions of some of the population studied regarding the research.

Data Validity and Reliability

Instrument Validity

In research, data has the highest position as a description of the variables studied and functions as a tool for proving hypotheses. The validity of the data greatly determines the quality of the research results, while the truth of the data is very dependent on the quality of the data collection instrument. Instrument testing usually consists of validity and reliability tests.

This study uses interval data, namely data that shows the distance between one and another and has the same weight, and uses a semantic differential measurement scale. Validity and reliability tests in this study were processed using software Statistical Product for Service Solutions (SPSS) 24.0 for Windows.

Validity is a degree of accuracy/suitability of the instrument used to measure what is to be measured (Arifin, 2012). According to Sukardi (2013), validity is the degree to which a test measures what it is intended to measure. Meanwhile, according to Azwar (2014), validity refers to the extent to which a test or scale is accurate in carrying out its measurement function. The validity of an instrument is calculated using the product-moment correlation formula, which was proposed by Pearson as follows:

$$r_{x_j t_1} = \frac{n\sum_{i=1}^{n} x_{ij} t_{1i} - \sum_{i=1}^{n} x_{ij} \sum_{i=1}^{n} t_{1i}}{\sqrt{\left\{ n\sum_{i=1}^{n} x_{ij}^2 - \left(\sum_{i=1}^{n} x_{ij} \right)^2 \right\} \left\{ n\sum_{i=1}^{n} t_{1i}^2 - \left(\sum_{i=1}^{n} t_{1i} \right)^2 \right\}}}$$

Where:
r = correlation coefficient of j on the variables concerned.
n = sample size used in the study.
x = questionnaire item score to j on the related variable.
t_1 = total score of questionnaire items of the relevant variable.

The correlation value obtained from the calculation is then compared with the critical correlation value at a significance level of α = 5% and degrees of freedom (df) equal to n – 2. The significance level criteria used to determine the validity of each questionnaire item are as follows: a questionnaire item or statement is considered valid if the significance level is less than α = 5%, indicating that the item reliably measures what it is intended to measure. Conversely, if the significance level is greater than α = 5%, the questionnaire item or statement is deemed invalid, suggesting that it does not adequately contribute to the construct being measured.

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Instrument Realibility

Reliability is translated from the word reliability, which means something that can be trusted (tested). A test is said to have high reliability if the test provides consistent results even if it is given at different times to the same respondents.

According to Bougie and Sekaran (2019), the reliability test is carried out using the formula Cronbach's Alpha as follows:

$$r_i = \left[\frac{k}{k-1}\right]\left[1 - \frac{\sum \sigma_b^2}{\sigma_t^2}\right]$$

Information:

ri = Instrument reliability
k = Number of questions
$\sum \sigma_b^2$ = Number of item variances
σ_t^2 = Total variance

According to Bougie and Sekaran (2019), the criteria for a measuring instrument to be said to be reliable and can be processed to the next stage are that the coefficient value r ≥ 0.7; if the measuring instrument has a coefficient value r ≤ 0.7, then the measuring instrument is not reliable.

Data Analysis Techniques

Descriptive Data Analysis

Descriptive analysis aims to understand the aspects that explain a topic (what, who, when, and how). The exposure in a very simple descriptive analysis is about the form, size, existence, or distribution of a variable (Cooper & Emory, 1995). The questionnaire used to collect data was designed referring to the factors found in the study data, especially providing information on IT, office networks, and technology-based business strategies.

Verification Analysis

Verification research is research that is carried out to test the truth of existing sciences, in the form of concepts, principles, procedures, postulates and practices of the science itself, so that the aim of verification research in this study is to obtain the truth of a hypothesis that is carried out through data collection in the field (Arifin, 2011). The verification data analysis technique in this study was used to see the influence of IT-based business strategies on the network of Sharia banking offices in Sharia banks in Indonesia. The data analysis technique used to determine the correlative relationship in this study is Partial Least Squares (PLS).

PLS is one of the SEM statistical methods designed to solve multiple regression when specific problems occur in the data, such as small sample size, missing data, and multicollinearity. The test statistics used are:

$$t = \frac{\hat{\beta}_{2i}}{se\left(\hat{\beta}_{2i}\right)}$$

Reject H0 if t count > t table at the significance level α.

RESULTS

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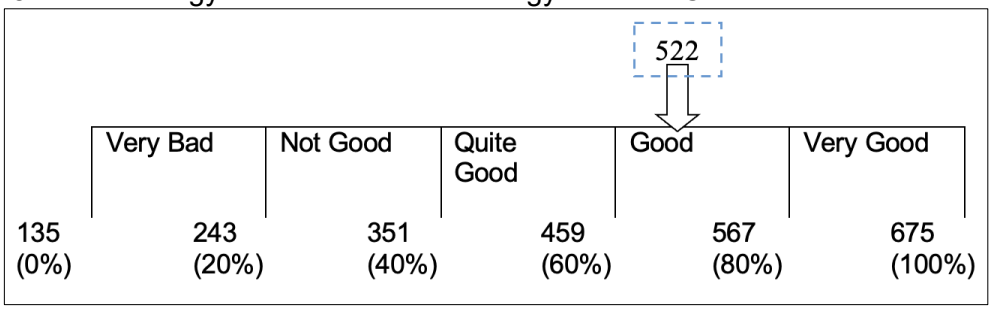
Descriptive Findings

Descriptive Variables of IT-Based Business Strategy

Figure 2. Technology-Based Business Strategy Variable Continuum



Source: Data Processing Results (2024)

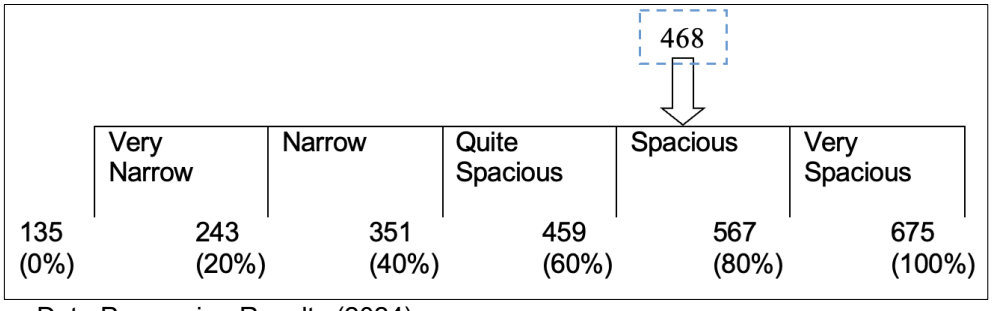
Figure 2 illustrates the positioning of the technology-based business strategy variable along a continuum line. Based on data interpolation between a minimum score of 135 and an ideal score of 675, Sharia banks achieved a total score of 522, which represents 71.67%. This places the strategy implementation within the “good” category.

This score objectively reflects the current level of IT-based strategy implementation across Sharia banks in Indonesia. A score in this range suggests the presence of proactive initiatives in developing digital platforms, utilizing IT to streamline operations, and enhancing customer experiences through e-banking services, mobile applications, and internal digitalization. This percentage indicates the extent to which current IT practices are aligned with institutional strategic directions.

However, while this percentage reflects a solid level of implementation, there is still room for improvement to reach the “excellent” category. Some gaps might persist in areas such as cybersecurity resilience, advanced analytics, artificial intelligence adoption, or system integration across departments. These elements are increasingly important in fully realizing a mature technology-based strategy in the financial sector.

Descriptive Variables Against Office Network

Figure 3. Continuum Line of Office Network Variables



Source: Data Processing Results (2024)

Figure 3 displays the continuum of the office network variable. Sharia banks obtained a cumulative score of 468, equivalent to 61.67%, placing this variable in the “spacious” category. This outcome reveals that banks have made deliberate efforts to expand their branch presence geographically.

Such a result suggests that the branch network across Indonesia is sufficiently wide to support access to financial services, particularly in semi-urban and urban areas. The spacious category implies that the number of physical offices remains strategically distributed, contributing to visibility, customer outreach, and transactional support.

Nevertheless, a score in this range might reflect a dual scenario. On the one hand, banks are responding to regulatory and customer demands for physical service points. On the other hand, the expansion is likely constrained by operational costs, the growing shift to digital channels, and efficiency considerations. The 61.67% result could also indicate challenges in achieving uniform service delivery across all branches or optimizing human resources within the network.

To further strengthen this performance, Sharia banks might need to evaluate the productivity of existing branches, invest in hybrid (digital-physical) service models, or develop outreach programs for underserved and rural areas. Continuous branch evaluation in terms of cost-benefit analysis and customer satisfaction could provide insights into improving this indicator.

Hypothesis Testing Findings

This section presents the statistical outcomes of hypothesis testing concerning the influence of IT and office network on the development of technology-based business strategy in Sharia banks. The results are summarized in Table 2.

Table 2. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STERR|)	P Values
IT → TBBS	0.628	0.592	0.227	2.766	0.006
ON → TBBS	0.269	0.332	0.186	1.443	0.150

Note: IT (Information Technology), ON (Office Network), TBSS (Technology-Based Business Strategy)
Source: Processed Data (2024)

The partial hypothesis testing using path analysis in Table 2 reveals that IT has a statistically significant and positive effect on technology-based business strategy. The T-statistic value of 2.766 exceeds the critical value of 1.96, and the p-value of 0.006 is below the standard 5% significance level. The coefficient of 0.628 suggests a moderately strong relationship, confirming that the implementation of IT systems contributes significantly to the development of technology-oriented strategic initiatives within Sharia banking institutions. Accordingly, H1, which proposes that IT significantly influences technology-based business strategy, is accepted.

In contrast, the office network does not exhibit a statistically significant influence on technology-based business strategy. The T-statistic of 1.443 falls below the critical value of 1.96, and the p-value of 0.150 exceeds the 0.05 threshold. Although the coefficient is positive (0.269), the evidence is insufficient to confirm a meaningful impact. Thus, H2, which proposes that the office network has a significant effect on technology-based business strategy, is rejected.

Simultaneous Hypothesis Testing

In addition to partial path testing, a simultaneous (joint) hypothesis test was conducted to evaluate the combined effect of both independent variables (IT and office network) on technology-based business strategy using the F-distribution approach as described by Hair et al. (2003). The F-test is structured using the following formula:

$$F = \frac{(n - k - 1)R^2_{X1,X2,X3,X4}}{k(1 - R^2_{X1,X2,X3,X4})}$$

Information:

n : number of observations (27)
k : number of independent variables (2)
$\mathcal{R}^2$: coefficient of determination (0.482)

By substituting the values into the formula:

$$F = \frac{(27-2-1)0.482}{2(1-0.482)} = \frac{24 \times 0.482}{2 \times 0.518} = \frac{11.568}{1.036} = 11.17$$

The decision to accept or reject the null hypothesis (H0) is based on the comparison between the calculated F-value and the F-table value. At a 5% significance level (α = 0.05) with $df_1 = 2$ and $df_2 = 24$, the critical F-table value is approximately 3.40.

Since:

$$F_{count} = 11.17 > F_{table} = 3.40$$

It can be concluded that the null hypothesis is rejected. This result indicates that, jointly, IT and office network have a statistically significant influence on the development of technology-based business strategy in Sharia banks.

DISCUSSION

This study provides a comprehensive understanding of how IT and office networks contribute to the formulation of technology-based business strategies in Sharia banks in Indonesia. The results not only show the individual impact of each variable but also offer broader implications for the strategic direction of Sharia banks in an increasingly digitalized financial environment.

Descriptive analysis indicates that the implementation level of technology-based business strategy is categorized as “good,” with a score of 71.67%. This suggests that Sharia banks have made substantial progress in utilizing technology to support strategic decision-making and operational transformation. This finding supports the argument by Zahra (1996), who emphasized that strategic orientation toward innovation and technology is a key factor for sustaining competitiveness in dynamic market conditions. Jelassi and Martínez-López (2020) further reinforce that digital transformation is not merely operational but a strategic necessity that fundamentally changes how banks create and deliver value.

Similarly, the office network was scored at 61.67%, categorized as “spacious.” This indicates that Sharia banks continue to maintain a broad physical presence to support accessibility and outreach, particularly in regions with limited digital infrastructure. Kaur et al. (2021) found that strategic branch expansion improves customer proximity and institutional visibility, especially for regional banks. Ihsan (2019) also noted that the availability of physical offices remains relevant for trust-building and customer service. However, these benefits come with high operational costs. Ben et al. (2015) and Hirtle (2007) emphasized that while branch networks support service delivery, their maintenance costs can undermine operational efficiency if not managed within a balanced strategic framework.

The results of hypothesis testing provide further clarity. The effect of IT on technology-based business strategy is found to be statistically significant, with a T-statistic of 2.766 and a p-value of 0.006. More importantly, the path coefficient (original sample) is 0.628, indicating a moderately strong positive relationship. This confirms that IT is not only significant but also influential in shaping how Sharia banks develop and implement

strategic initiatives. These findings are consistent with those of Rahmayati (2021), who concluded that digital tools and IT infrastructure enhance service efficiency and business innovation in Islamic financial institutions. Ononiwu et al. (2024) similarly emphasized that the integration of IT into strategic management supports agility and long-term performance.

In contrast, the relationship between office network and technology-based business strategy is not statistically significant. The T-statistic of 1.443 and a p-value of 0.150 do not meet the required threshold for significance. Although the coefficient is positive at 0.269, its low magnitude and non-significant p-value suggest a limited direct impact. This is in line with the findings of Mogaji (2023), who noted that the increasing adoption of digital channels has diminished the centrality of physical branches in customer interaction and strategic positioning. Diener and Špaček (2021) also observed that traditional branch models are becoming less effective as customers migrate toward mobile and online banking.

Nevertheless, the office network should not be overlooked entirely. While it may not have a direct significant impact on business strategy, it plays a contextual and complementary role. Particularly in underserved regions or among customers who prefer face-to-face interactions, branch offices remain essential. The joint hypothesis testing, assessed through an F-test, supports this view. Although numerical results are not detailed in this section, the combined contribution of IT and office networks still yields a meaningful effect on strategy development. This aligns with the perspective that digital and physical infrastructures are not mutually exclusive but must be harmonized to serve diverse customer segments and operational needs.

These findings provide several strategic implications. Sharia banks should prioritize investments in IT infrastructure, mobile banking platforms, cybersecurity, and digital innovation. These capabilities are proven to significantly influence strategic formulation and delivery. At the same time, maintaining a lean, strategically placed office network remains necessary to reach segments not yet fully captured by digital platforms. This hybrid approach ensures that the benefits of digital transformation are maximized without abandoning the inclusive values central to Islamic finance.

In conclusion, this study demonstrates that IT significantly contributes to the development of technology-based business strategies in Sharia banks in Indonesia. The office network, while still relevant, does not have a statistically significant influence when considered independently. Therefore, a balanced and integrated strategic approach that combines digital capability with selective physical expansion will be essential for Sharia banks to remain competitive, inclusive, and sustainable in today's evolving financial ecosystem.

CONCLUSION

This study aimed to examine the influence of IT and office networks on the implementation of technology-based business strategies in Sharia banking institutions across Indonesia. Drawing on data from 27 institutions, including Sharia Commercial Banks and Sharia Business Units, the research sought to describe the current strategic orientation within the sector and verify the impact of digital infrastructure and branch networks on the effectiveness of business strategies.

The findings indicate that the implementation of IT-based business strategies in Sharia banks is progressing well. Sharia banks have shown strong efforts in utilizing IT to support decision-making, enhance operational efficiency, and improve customer

experience. This reflects a growing strategic awareness of the role of digital transformation in responding to shifting market demands and sustaining competitive advantage. The most prominent aspect observed was the banks' responsiveness in aligning technology with business objectives, demonstrating agility and innovation in strategic planning.

Meanwhile, the office network was found to be adequately established, supporting service delivery particularly in urban and semi-urban areas. However, it still lags behind the extensive reach of conventional banking networks. While not a significant direct factor in shaping technology-based strategies, the physical presence of branches continues to play a complementary role in enhancing visibility and accessibility, especially in areas where digital adoption may still be limited. The continued relevance of branch networks suggests a need for strategic evaluation and optimization rather than mere expansion.

The hypothesis testing confirms that IT significantly influences the adoption and development of technology-based business strategies. In contrast, the office network does not show a statistically significant direct effect, though it remains strategically relevant when considered in conjunction with IT. This implies that digital infrastructure holds a more dominant role in driving innovation and service improvements in Sharia banking, while physical networks function as a supporting element within a broader strategic framework.

Given these insights, it is recommended that Sharia banks further strengthen their investment in IT infrastructure. Enhancing digital capacity through integrated systems, advanced analytics, and improved cybersecurity will be essential in meeting customer expectations and improving institutional efficiency. At the same time, physical branch networks should be strategically managed to ensure they complement digital initiatives, perhaps through hybrid models that integrate online and offline services or by forming partnerships to extend outreach in underserved areas.

Ultimately, the integration of digital solutions with physical service networks will enable Sharia banks to provide more comprehensive, accessible, and customer-oriented services. The future of Sharia banking in Indonesia lies in its ability to embrace technological advancement while maintaining service inclusivity, thereby ensuring resilience and long-term sustainable growth in a rapidly evolving financial landscape.

LIMITATION

This study, while offering valuable insights into the influence of IT and office network on technology-based business strategy in Sharia banks, is not without limitations. The relatively small sample size of 27 institutions, all drawn from the Indonesian context, limits the generalizability of the findings to broader settings, including conventional or non-Indonesian Islamic banks operating under different regulatory, technological, and market conditions. The cross-sectional nature of the study further constrains the ability to capture dynamic changes over time, as it only reflects a snapshot rather than longitudinal developments in strategic practices. Additionally, the research focused solely on two independent variables, potentially overlooking other relevant factors such as leadership style, employee competence, regulatory environment, and organizational culture, which may also shape strategic outcomes. The categorization of implementation levels based on interpolated quantitative scores may involve some degree of interpretation and may not fully encapsulate qualitative aspects of strategic readiness or maturity. Moreover, given the rapid evolution of digital financial services and emerging technologies such as fintech, artificial intelligence, and blockchain, the findings may be time-bound and require future validation in response to technological and market shifts.

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ABOUT THE AUTHOR

1st Author
Asep Ghofir Ali is a faculty member in the Department of Finance and Banking, School of Economics (*Sekolah Tinggi Ilmu Ekonomi*) Ekuitas, Indonesia. He holds a Doctorate in Economics from Universitas Pendidikan Indonesia (2023), a Master's degree in Islamic Studies from Universitas Islam Negeri Sunan Gunung Djati (2004), and two Bachelor's degrees in Economics from Universitas Pendidikan Indonesia (2000) and Universitas Sangga Buana (1991). Currently, he serves as a Permanent Lecturer (*Dosen Tetap*) with the academic rank of Assistant Professor at STIE Ekuitas. His areas of interest include Islamic banking, financial management, and economic development. Email: ghofir67@gmail.com

2nd Author
Ucu Supriatna is a faculty member in the Business Administration Program at Universitas Wanita Internasional, Indonesia. He holds a Doctorate in Education from Universitas Pendidikan Indonesia (2023), a Master's degree in Law from Universitas Pasundan (2015), and a Bachelor's degree in Economics from Universitas Padjadjaran (2000). Currently, he serves as a Permanent Lecturer (*Dosen Tetap*) with the academic rank of Assistant Professor (*Lektor*) at Universitas Wanita Internasional. His academic interests include business administration, legal aspects of business, and organizational development.
ORCID ID: https://orcid.org/0009-0007-8592-9108