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Strategy to Increase the Efficiency of Sharia Banks

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Efficiency is one of the main challenges faced by the Islamic banking industry in Indonesia, especially in the face of competitive pressures, limited business scale, and performance sustainability demands. This study aims to identify and prioritize strategies to improve the efficiency of Islamic banks in Indonesia based on the views of experts. The method used is the Delphi method involving nine expert respondents consisting of academics, practitioners, and Islamic banking regulators. The analysis was carried out using statistical indicators in the form of mean values, standard deviations, and interquartile range (IR) to measure the consensus level. The results of the study showed that of the twelve variables of the strategy to improve the efficiency of Islamic banks, ten variables reached a consensus, while two variables were declared non-convergent. The three main strategies prioritized by experts are increasing revenue, optimizing branch office networks, and increasing organizational effectiveness. These findings provide strategic implications for Islamic bank management and regulators in formulating more targeted and sustainable efficiency improvement policies.

Keywords: Sharia Bank Efficiency; Delphi Method; Business Strategy; Expert Consensus; Indonesia

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INTRODUCTION

Banking efficiency is an important indicator in assessing the performance and competitiveness of financial institutions, including Islamic banks. In the context of Islamic banking, the issue of efficiency is increasingly crucial given the characteristics of profit-sharing-based business models, relatively high cost structures, and the need to maintain compliance with sharia principles (Ascarya, 2017; Hassan & Aliyu, 2018). A number of empirical studies show that the efficiency level of Islamic banks in Indonesia is still relatively lagging behind conventional banks, both in terms of operational costs and the utilization of productive assets (Sufian, 2011; Rusydiana & Marlina, 2019).

Efficiency of Sharia Banks refers to the ability of Islamic banks to optimally utilize their resources (inputs) to generate maximum financial and social outputs while complying with Sharia principles. In the academic and practical context, the efficiency of Sharia banks can be explained through several key dimensions. The extent to which Sharia banks convert inputs—such as labor, capital, and operating costs—into outputs like financing, income, and services without waste. Many studies compare the efficiency of Sharia banks with conventional banks, often finding that while Islamic banks may face higher operational constraints, they demonstrate resilience, stability, and ethical value creation.

Various efforts have been made to improve the efficiency of Islamic banks, ranging from industry consolidation, digitization of services, to improving governance and human resources. However, the strategies implemented are often partial and not entirely based on priorities agreed upon by key stakeholders. Therefore, a systematic approach is needed that is able to capture the collective views of experts in formulating strategies to improve the efficiency of Islamic banks comprehensively.

The Delphi method is one of the widely used approaches to obtain expert consensus in the formulation of policies and strategies in the Islamic financial and economic sectors (Linstone & Turoff, 2002; Hsu & Sandford, 2007). This method is considered effective in conditions of limited quantitative data and high complexity of problems, such as in the Islamic banking industry. This study uses the Delphi method to identify and prioritize strategies to improve the efficiency of Islamic banks in Indonesia based on the views of competent experts in their fields.

LITERATURE REVIEW

Efficiency is one of the key indicators in assessing the performance of banks, including Islamic banking. In general, banking efficiency refers to the ability of banks to maximize output (revenue, financing, and services) with limited input resources, such as labor, assets, and operational costs (Isik & Hassan, 2002). In the context of Islamic banking, the concept of efficiency has an additional dimension because it must be aligned with Islamic principles, such as justice, transparency, and the prohibition of usury (Chapra & Ahmed, 2002).

Various studies show that the efficiency level of Islamic banks in many countries, including Indonesia, is still relatively lower than that of conventional banks. Sufian (2011) and Beck et al. (2013) found that Islamic banks tend to face higher operational costs due to limited business scale, product complexity, and sharia compliance needs. Similar findings were also reported by Rusydiana and Marlina (2019), which showed technical and scale inefficiencies in most Islamic banks in Indonesia.

The literature identifies various factors that affect the efficiency of Islamic banks, both internal and external factors. Internal factors include cost structure, quality of human resources, organizational effectiveness, and business and marketing strategies (Ariss, 2010; Al-Tamimi & Charif, 2011). Meanwhile, external factors include the level of industrial competition, regulations, macroeconomic conditions, and the development of financial technology (Hassan & Aliyu, 2018).

Ascarya and Yumanita (2018) emphasized that improving the efficiency of Islamic banks cannot only be done through a cost cutting approach, but must be accompanied by improving the quality of income and optimizing productive assets. This is in line with the views of Hassan and Lewis (2007) who emphasized the importance of product diversification and value-based service innovation in improving the performance of Islamic banks in a sustainable manner.

In addition, optimizing office networks and streamlining organizational structures are also often cited as important strategies in improving efficiency. An office network that is too large without adequate productivity support can increase the burden of fixed costs and reduce operational efficiency (Ariss, 2010). Therefore, a more selective and regional potential-based approach is becoming increasingly relevant, especially in the era of banking digitalization.

The strategic approach to improving the efficiency of Islamic banks emphasizes the importance of a balance between revenue enhancement and cost

efficiency. Previous studies have shown that revenue increase strategies through the expansion of productive financing, strengthening the MSME segment, and improving service quality have a more sustainable long-term impact than simply reducing costs (Beck et al., 2013; Rusydiana & Nugroho, 2017).

On the other hand, organizational effectiveness and human resource competence are also crucial factors. Organizations that are adaptive, lean, and supported by competent human resources will be better able to respond to market dynamics and regulatory changes (Chapra & Ahmed, 2002). Thus, the strategy to improve the efficiency of Islamic banks must be seen as a multidimensional process that involves financial, operational, and institutional aspects.

METHOD

This research aims to find a Strategy to Increase the Efficiency of Islamic Banks in Indonesia. The data used are the results of interviews with academics, practitioners and regulators of Islamic banks and Islamic economics in general. The total number of expert respondents was 9 experts. The application *Software* used as a tool is Microsoft Excel. The method used is the Delphi technique which is a qualitative method based on interviews with experts.

The Delphi method is a group process that involves interaction between researchers and a group of experts related to a specific topic, and through the help of questionnaires. This method is used to get a common point about future trends using a structured information collection process. This method is useful when the opinions and judgments of experts and practitioners are needed in solving problems.

This study will use the 3 most widely used statistical indicators in the application of the Delphi method, namely *mean* values, standard deviation values, and *interquartile range* or IR values. The first measure of convergence assessment is when the answers or assessments of all respondents have a standard deviation value of less than 1.5 (<1.5). The formula for standard deviation notation as already known is as follows.

$$s = \sqrt{\frac{\Sigma(x_i - \bar{x}).^2}{n-1}} \quad \text{or} \quad \sqrt{\frac{\Sigma x_i^2 - \frac{(\Sigma x_i)^2}{n}}{n-1}}$$

Where:

x = respondent A's answer to instrument n

$\bar{x}$ = average respondents' answers to instrument n

The next measure is the consensus assessment or convergence where the answers or assessments of all respondents have an *Interquartile Range* value or IR of less than 2.5 (<2.5). The calculation of the IR value is the difference between the upper and lower quartiles (IR = Q3 – Q1), where the quartile value formula is as follows.

$$Q_1 = \frac{x_{(\frac{n-1}{4})} + x_{(\frac{n+3}{4})}}{2}$$

$$Q_2 = x_{(\frac{2(n+1)}{4})}$$

$$Q_3 = \frac{x_{(\frac{3n+1}{4})} + x_{(\frac{3n+5}{4})}}{2}$$

The measurement to express the convergence or consensus level of all variables is when the standard values of the deviation <1.5 and the *value of the interquartile range* <2.5. If one of the indicators does not meet the requirements, then the variable is declared non-convergent or not agreed (divergent). Meanwhile, for variables that have met the requirements, the next step is to rank with the highest average value for each variable that reaches consensus (convergent).

RESULTS AND DISCUSSION

Based on literature studies, there are at least 12 Strategies to Improve the Efficiency of Islamic Banks in Indonesia, namely:

1. Optimize Branch Office Network
2. Migrating Distribution Channel
3. Matching Marketing Resource-Potency
4. Value Enhancement
5. Cost Cutting
6. Increasing Revenue
7. Improvement of Business Process
8. Increased Organizational Effectiveness
9. Downsizing Organizational Structure
10. Improving Personnel Competencies
11. Increased CCP/Non CCP Ratio
12. Introduction of Thrifty Culture

From the 12 elements of the Sharia Bank Efficiency Improvement Strategy above, the following is a complete answer in the form of weights given by the 9 expert respondents.

Table 1. Expert Respondent Answer Results

Improving the Efficiency of Sharia Banks	**R1**	**R2**	**R3**	**R4**	**R5**	**R6**	**R7**	**R8**	**R9**
1Optimize Branch Office Network	9	8	7	5	9	9	9	8	8
2Migrating Distribution Channel	8	9	8	4	8	9	7	8	7
3Matching Marketing Resource-Potency	7	7	9	7	7	7	5	7	7
1Value Enhancement	8	9	9	4	8	8	7	9	8
2Cost Cutting	6	7	8	7	7	7	5	7	7
3Increasing Revenue	9	8	9	8	7	9	9	8	9
1Improvement of the Business Strategy Evaluation Process	8	7	7	5	7	7	5	7	7
2Increased Organizational Effectiveness	9	8	8	9	7	6	8	8	9
3Downsizing Organizational Structure	8	6	7	3	8	5	6	7	8
1Improving Personnel Competencies	9	6	8	9	7	9	7	8	8
2Increased CCP/Non CCP Ratio	9	7	7	7	7	7	5	7	7
3Introduction to Thrifty Culture	8	8	7	5	7	7	4	7	8

In the application of the Delphi method, there are 3 most widely used statistical indicators, namely *mean* values, standard deviation values, and *interquartile range* or IR values. Based on the results of the data processing that has been carried out, the priority calculation of the Strategy to Increase the Efficiency of Islamic Banks in Indonesia is as attached in the following table.

Table 2. Delphi Calculation Results

Improving the Sharia Banks Efficiency						Consensus			
	Q1	Q2	Q3	IR	Stdev	IR	Stdev	Mean	Rank
1Optimize branch office network	8	8	9	1	1.333	Convergent	Convergent	8	2
2Migrating Distribution Channel	7	8	8	1	1.509	Convergent	Divergent	7.555	
3Matching Marketing Resource-Potency	7	7	7	0	1	Convergent	Convergent	7	5
1Value Enhancement	8	8	9	1	1.563	Convergent	Divergent	7.777	
2Cost Cutting	7	7	7	0	0.833	Convergent	Convergent	6.777	10
3Increasing Revenue	8	9	9	1	0.726	Convergent	Convergent	8.444	1
1Improvement of the Business Strategy Evaluation Process	7	7	7	0	1	Convergent	Convergent	6.666	9
2Increased Organizational Effectiveness	8	8	9	1	1	Convergent	Convergent	8	3
3Downsizing Organizational Structure	6	7	8	2	1.054	Convergent	Convergent	6.888	7
1Improving Personnel Competencies	7	8	9	2	1.054	Convergent	Convergent	7.888	4
2Increased CCP/Non CCP Ratio	7	7	7	0	1	Convergent	Convergent	7	6
3Introduction to Thrifty Culture	7	7	8	1	1.269	Convergent	Convergent	6.888	8

Based on table 2, in general of the 12 variables of Sharia Bank Efficiency Improvement, 10 variables have been agreed upon by experts and only 2 variables have not been agreed. The two variables that are not agreed upon regarding the Strategy to Improve the Efficiency of Islamic Banks in Indonesia are: Migrating Distribution Channel, and Value enhancement.

Meanwhile, the order of the most important variables of the Strategy to Increase the Efficiency of Islamic Banks in Indonesia are: (1) Increasing Revenue, (2) Optimize branch office network, (3) Increase Organizational Effectiveness, (4) Increase Personnel Competence, (5) Matching Marketing Resource-Potency, (6) Increase in CCP/Non-CCP Ratio, (7) Streamline Organizational Structure, (8) Introduction of Thrifty Culture, (9) Improve the Business Strategy Evaluation Process, and (10) Cost cutting.

The results of data processing using the Delphi method show that the majority of the variables of the strategy to improve the efficiency of Islamic banks have

reached an adequate consensus level. Of the twelve variables identified based on the literature study, ten variables were declared to be convergent with a standard deviation value of < 1.5 and an interquartile range of < 2.5. This shows that there is a relatively strong understanding among experts on the key relevant strategies to improve the efficiency of Islamic banks in Indonesia.

The increasing revenue strategy ranks first with the highest average value. These findings confirm that efficiency improvements are not solely done through reducing costs, but also through optimizing the revenue sources of Islamic banks. Diversification of financing products, strengthening the MSME segment, and improving the quality of value-based services are key factors in increasing revenue sustainably (Hassan & Lewis, 2007; Beck, Demirgüç-, & Merrouche, 2013).

The second rank is occupied by the strategy of optimizing branch office networks, which reflects the importance of managing office networks more efficiently. An office network structure that is too extensive without being balanced with adequate productivity can significantly increase operational costs. Therefore, optimizing the office network, including through remapping the potential of the region and the use of digital channels, is a strategic step in increasing efficiency (Ariss, 2010; Rusydiana & Nugroho, 2017).

Furthermore, the increase in organizational effectiveness ranks third. This strategy is closely related to improving governance, simplifying business processes, and improving coordination between work units. An effective organization is able to reduce internal inefficiencies and accelerate strategic decision-making, thus positively impacting the bank's overall performance (Chapra & Ahmed, 2002; Al-Tamimi & Charif, 2011).

Interestingly, the two variables, migrating distribution channel and value enhancement, did not reach full consensus among experts. This indicates that there is a difference of opinion regarding the urgency and effectiveness of the two strategies in the current context of Indonesian Islamic banking. Differences in the level of technological readiness, the scale of the bank's business, and customer characteristics are suspected to be factors that affect the difference in assessment.

Overall, the results of this study show that the strategy to improve the efficiency of Islamic banks in Indonesia emphasizes more on a balanced approach between increasing revenue, optimizing operational structures, and strengthening internal organizations. These findings are in line with the literature that emphasizes the importance of a holistic approach in improving the efficiency of Islamic financial institutions (Isik & Hassan, 2002; Ascarya & Yumanita, 2018).

CONCLUSION

This study aims to identify and prioritize strategies to improve the efficiency of Islamic banks in Indonesia based on the views of experts. The method used is the Delphi method involving nine expert respondents consisting of academics, practitioners, and Islamic banking regulators. Based on the results of the calculation, in general, of the 12 variables of the Strategy to Improve the Efficiency of Islamic Banks in Indonesia, 10 variables have been agreed upon by experts and only 2 variables have not been agreed. From the results of the calculation using the Delphi method, the 3 main priorities for Improving the Efficiency of Islamic Banks in Indonesia are: (1) Increasing Revenue, (2) Optimizing branch office network, and (3) Increasing Organizational Effectiveness.

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