

ANALYSIS OF DIGITAL-BASED BANKING SERVICES TOWARDS COMPETITIVE ADVANTAGE IN INDONESIAN SYARIAH BANK

Ade Irna Wati

University of Labuhanbatu, Indonesia

Jl. SM. Raja Aek Tapa No.126 A KM 3.5, Bakaran Batu, Kec. Rantau Sel., Kab.
Labuhanbatu, Sumatera Utara 21418

adeirna2107@gmail.com

ABSTRACT

Some of the advantages of Indonesian Sharia banks in running their businesses have prioritized application technology as the spearhead of service and marketing to potential customers. In addition, the use of application technology, or banking services have technically implemented digitalization. In addition, Indonesian Sharia Bank has various funding products that can be used by the public among the profit sharing systems which are superior products of Islamic banking. This research has been conducted to prove how the influence of digital-based Islamic banking innovation variables and customer trust on the competitive advantage of Islamic banking. For the population in this study, the researchers determined the Indonesian Sharia Bank Labuhanbatu Regency which was registered and registered in December 2022 which amounted to around 1,203 customers. For how the sampling works in this study, the researcher determines the minimum sample size in PLS-SEM, which is around 30-100 samples. Therefore, the authors in this study targeted 100 people to be sampled. This research produces information data that shows that digital-based Islamic banking innovation is not an important thing in achieving competitive advantage in Islamic banking but an important concept in Islamic business, namely the main trust of customers in Islamic banking. Trust is the most important thing to achieve competitive advantage in Islamic banking in facing competition with conventional banks.

Keywords: Islamic Banking Innovation, Trust, Competitive Advantage.

INTRODUCTION

Bank Syariah Indonesia is officially a state-owned enterprise (SOE) because most of its shares are owned by the government through three major banking mergers in Indonesia. Bank Syariah Indonesia was established from the merger of several state-owned Islamic banks (BUMN), namely BRI Syariah, Mandiri Syariah, and BNI Syariah. This merger is a government strategy to strengthen and optimize the role of Islamic banking in Indonesia. Law number 21 of 2008 concerning Islamic banking explains that Islamic banking is a bank that carries out all its activities based on Islamic principles and based on type consists of Islamic Commercial Banks and Islamic People's Financing Banks. The shareholder composition of Bank Syariah Indonesia (BSI) consists of PT Bank Mandiri Syariah (Persero) Tbk which has a share of 50.83%, followed by PT Bank Negara Indonesia Syariah (Persero) Tbk with a share of 24.85%, and PT Bank Rakyat Indonesia Syariah (Persero) Tbk which has a share of 17.25%. The remaining shares in Bank Syariah Indonesia (BSI) are held by other shareholders, each below 5%. The merger of the three Islamic banks integrates their respective advantages, resulting in more comprehensive services, wider reach, and better capital capacity. With the support of synergy between the companies and the commitment of the government through the

Ministry of State-Owned Enterprises, Bank Syariah Indonesia is expected to compete in the global arena. Bank Syariah Indonesia has characteristics that apply throughout all branch companies in Indonesia, including branch companies in the Labuhanbatu area, North Sumatra where researchers conducted this research. The characteristics include:

1. Bank Syariah Indonesia in carrying out its operational system applies the main values of "AKHLAK" (Trustworthy, Competent, Harmonious, Loyal, Adaptive, and Collaborative) as a guideline and character of every BSI person.
2. Bank Syariah Indonesia has a cultural theme consisting of three building blocks, namely Agile, Digital mindset, and Global outlook.
3. The operational system of transactions that occur in Bank Syariah Indonesia is based on the principles of sharia and terakad. If there is a dispute between the bank and the customer, it can be resolved through the National Sharia Arbitration Board, the Indonesian National Arbitration Board, the District Court, or the Religious Court.
4. Bank Syariah Indonesia's Sharia Securities Savings has the advantages of free monthly administration fees, no minimum deposit, and no minimum balance.
5. Bank Syariah Indonesia uses a profit sharing system using the profit sharing and margin method.
6. In Bank Syariah Indonesia, the object of channeling funds is in the form of financing and must meet the principles of halalness and not violate sharia principles in Indonesia.
7. Bank Syariah Indonesia establishes relationships with customers in the form of partnerships.
8. In Bank Syariah Indonesia, data management and investment are carried out based on Islamic law.

The role of Islamic banking in the lives of people in Indonesia has a role, especially in areas where economic conditions are still lagging behind. Because this role is needed to support and assist the sustainability of business actors and the independence of society in carrying out economic activities. Indonesian Islamic banking is needed to be able to implement efficient strategies to be able to expand the spectrum in the domestic and international markets (Gunawan, Mukoffi, and Handayanto, 2017). In addition, innovation also needs to be made to increase funds with low costs and liquidity levels. The Islamic banking sector can make a major contribution to economic transformation through productive economic activities, adding value and abundance. The superiority of the role of Islamic banking has been strongly tested during the 1998 crisis and is the only bank in Indonesia that can withstand the storm of the current crisis (Supriani et al., 2024). Other than the high customer demand for various Islamic banking products as a place of investment and financing, Indonesian Islamic banking is also the main choice of banking to collect and distribute funds for customers based on the theory of justice, honesty, and unity in accordance with the concept of sharia. (Hamoudi, 2014).

The leader of the success of Islamic banking in business operations and business activities must be prepared by the management of Bank Syariah Indonesia, this can be seen from the perspective of the history of the merger of several Islamic banks including T Bank BRI Syariah Tbk, PT Bank Syariah Mandiri and PT Bank BNI Syariah in 2021 so that from this Bank Syariah Indonesia has had good and strong management including marketing strategies in facing business competition. This condition encourages the attention of the author of this article to examine factually and reveal the advantages possessed by Bank Syariah Indonesia because Islamic banks occupy a very strategic position in monitoring the urgency of net capital used to finance daily activities and real sector investment among fund owners in Indonesia.

Some of the advantages of Bank Syariah Indonesia in managing its business place technology applications as the peak of service and marketing for potential customers. In addition, the use of application technology, or banking services have technically

implemented digitalization. In addition, Bank Syariah Indonesia has various financing products that can be used by the public among the profit exchange systems which are appropriate products of Sharia banking. According to research (Engkur, 2018) the large breadth of the Islamic banking market can be a provocation for Islamic banking in provoking the interest of the Muslim community to become its customers. And according to research (Alfathimi, 2024) the results of his research show that financial technology that already exists in Indonesia uses Sharia P2P (Peer to Peer) lending.

In based on the Financial Services Authority (OJK), the development of the sharia banking system in Indonesia, especially in Labuhanbatu Regency, characteristically operates based on the principle of sharing profits and providing alternative banking services that are beneficial to both parties and prioritize aspects of justice, ethics, shared values and productive brothers. Through this service system, it will bring a positive view from customers that Bank Syariah Indonesia has become a bank that is ready to digitally compete with good governance so that it is very natural that Bank Syariah Indonesia's financial transactions in 2023 will reach 170.7 million transactions reaching a value of 220.5 trillion IDR. Meanwhile, the growth of the sharia economy in the province of North Sumatra is in 7th position out of all provinces in Indonesia

The growth of Islamic Finance in Indonesia has driving factors that are generally inseparable from the higher public acceptance of the existence of Indonesian Sharia banks as expressed in the study (Santi, 2019), namely the awareness of the Muslim population regarding the existence and role of Islamic Finance supported by the total Muslim population. Another driving factor is that Islamic banks have been innovating products, improving services, and expanding networks. This shows that there are examples of popular innovations that are positive from years can be used as a strategy to win the competition.

Digitalization has become the key to the success of many companies, including the banking world. In the context of Bank Syariah Indonesia (BSI), digitalization contributes significantly to their competitive advantage. The specifications of how digitalization helps Bank Syariah Indonesia in gaining competitive advantage with its competitors include:

1. Improving operational efficiency by automating processes such as account opening, fund transfers, and bill payments to improve speed, service accuracy, and reduce operational costs. Better data management enables Bank Syariah Indonesia to collect and analyze customer data more effectively to identify trends, customer needs, and new business opportunities.
2. Develop innovative products and services to provide convenience and comfort for customers in managing finances relevant to their individual needs.
3. Improving customer experience by:
 - 1) 24-hour accessibility that enables customers to access banking services anytime and anywhere through their digital devices.
 - 2) More communication channels that can help Bank Syariah Indonesia communicate with customers through various digital channels such as email, sms, and social media.
 - 3) Faster and more efficient problem solving.
4. Strengthening the brand image with a modern and innovative perception in accordance with the needs of the younger generation, increasing interaction with customers and building a strong community.
5. Developing digital ecosystem by:
 - 1) Strategic partnerships: bsi can establish partnerships with various technology companies to develop a broader digital ecosystem.
 - 2) Integration with other services: integration with payment services, e-commerce, and other services can increase added value for customers.

The competitive advantages that Indonesian Islamic banks gain from digitalization are:

1. digitalization allows Indonesian Islamic banks to reach a wider market segment, including the younger generation and people living in remote areas.
2. Innovative digital products and services can become a distinctive feature that distinguishes Indonesian Islamic banks from other competitors.
3. Automation and digitization can serve to help Indonesian Islamic banks reduce operational costs incurred in banking.
4. Better customer experience can increase customer loyalty and reduce churn.
5. Better adaptability so that Indonesian Islamic banks can more quickly adapt to changes in technology and market trends than other competitors.

The purpose of this study is of course to determine the competitive advantage of Bank Syariah Indonesia in Labuhanbatu Regency, apart from the level of public awareness, the author found that there are digitalization factors that influence competitive advantage, service innovation factors also influence the competitive advantage of Bank Syariah Indonesia. The results of the study (Pristiyono et al., 2022) confirm that the integration of digital-based banking services, namely the provision of services using information technology and big data with trained human resources. According to (Rustamaji et al., 2018) In the digitalization era, the development of information technology can optimize the usefulness and effectiveness of public services, which means that the service process of Bank Syariah Indonesia (BSI) must be included in collaboration in the digitalization era, so as to facilitate customers in interacting and have a positive impact on customer convenience.

LITERATURE REVIEW

Islamic Banking Innovation

Currently, Islamic banking products continue to grow, offering a variety of banking products and services with various financial schemes. So that the Islamic banking sector can take advantage of the available opportunities to grow into a valid and contributive Islamic banking sector, both domestically and abroad so that it has the potential to make Islamic banking a proven banking system that can be accepted by all Indonesian Indonesians. This can be done by preparing the latest developments in products for the purpose of providing and creating various choices and expanding the grip of the community. This is used as innovation in Islamic banking. Because the creation of new products in the field of Islamic banking is the most important part of the progress of this Islamic banking industry (Himatansi, 2009). It is said (Kian, 2016) that the development of product innovation in Islamic banking must be internationally conventional and refer to the formulation of development strategies in Islamic banking. This consistency is most important to be applied in the design section of the product tools being developed. In addition, product innovation must be adjusted to product quality, human resource conditions, and the organizational environment of the office in Islamic banking. For example, the theory of innovation in Islamic banking can be understood by going through the various kinds of innovations available and how the classification of innovations in Islamic banking can be distinguished according to the object of innovation. According to (Kogabayev & Maziliauskas, 2017) innovation is the creation and implementation of new processes, services, and delivery methods that result in significant improvements in results, efficiency, effectiveness, and quality.

The indicators of banking innovation in this study are the development of new ideas, implementation of new products, new services, and net profit creation. According to the authors in this study, these indicators of Islamic banking innovation have certain aspects that are important to assess how Islamic banks adapt and develop in a competitive financial landscape while adhering to Islamic principles. In Islamic banking, the

development of new ideas demands the creation of concepts that are in line with the principles of Shariah (Islamic law). This includes innovative financial solutions that avoid the practices of usury (interest), excessive uncertainty (gharar) and unethical investments. The goal of the new idea development process is to generate ideas that not only meet market demands but also comply with Islamic ethical standards. This process may involve revisiting traditional banking practices to create Shariah-compliant alternatives, such as profit-sharing models or asset-based financing. After developing new ideas, Islamic banking must implement these concepts into concrete products that can be offered to customers. This may involve launching new types of financing products, such as Murabaha (cost-plus financing), Ijara (leasing), or Sukuk (Islamic bonds). The implementation process requires careful consideration of Shariah compliance, market needs, and operational feasibility. Successful product implementation also involves educating customers on the benefits and features of these Shariah-compliant products. In addition to products, Islamic banks can innovate by introducing new services that enhance the customer experience while adhering to Islamic principles. These may include digital banking services that facilitate transactions in a Shariah-compliant manner, personalized financial advisory services that are in line with Islamic values, or community-focused initiatives that promote social responsibility. The aim is to provide services that not only meet customer needs but also reflect the ethical and moral dimensions of Islamic finance. Ultimately, the effectiveness of innovation in Islamic banking is measured by its impact on the bank's financial performance. Net profit creation indicates that the innovation has successfully generated financial returns while remaining compliant with Islamic principles. This could include increased revenue from new Shariah-compliant products and services, improved operational efficiency, or increased customer loyalty leading to higher retention rates. Profitability is critical to the sustainability of Islamic banks, as it allows them to continue serving the community and fulfill their social responsibilities.

Trust

Trust is defined as the willingness of a person to rely on other stakeholders with threats that must be acceptable. The success and stability of Bank Syariah Indonesia (BSI) in its operations depends on its level of success in building and maintaining strong relationships with customers. This includes trust, commitment, customer kinship, banking innovation, competitive advantage and customer loyalty. This is also considered a key factor influencing the success of banks in maintaining market share and creating competitive differences. In addition, rapid technological developments also inspire Bank Syariah Indonesia to build trust and loyalty amidst fierce competition (Wahyuningsih et al, 2020). An aspect of trust in a banking company is an abstract thing that must exist for bank transparency between customers and businesses. According to (Putera, 2020) trust is the main and important principle for all effective financial systems as the integrity of financial institutions. Because customer trust about money must have some of the same things as customer trust in banks which are influenced by convertibility.

Indicators of trust in Islamic banking in this study are confidence, ability, honesty and openness. According to researchers, indicators of trust in Islamic banking in this study such as confidence, ability, honesty, and openness are very important to build trust in Islamic banking. These indicators reflect the values and principles underlying Islamic finance, which emphasize the importance of ethical behavior, transparency, and customer engagement. Since trust is essential for customer loyalty and long-term relationships, it plays a critical role in the overall success and sustainability of Islamic banking institutions. Islamic banks can thus strengthen their relationships with customers and enhance their reputation in the financial markets. Confidence refers to the belief that customers have in the Islamic banking system and its institutions. This includes the assurance that the bank will operate in a manner that is consistent with Islamic principles

and that it will fulfill its commitments to customers. Confidence can be built through consistent performance, transparency in operations, and a strong reputation in the community. When customers feel confident in their bank, they are more likely to engage in long-term relationships, invest their savings, and utilize various banking services. Ability pertains to the competence and capacity of the Islamic bank to deliver on its promises and provide quality services. This includes the bank's financial stability, expertise in Islamic finance, and the effectiveness of its products and services. Customers need to believe that the bank has the necessary skills, resources, and knowledge to manage their funds responsibly and to offer innovative, Shariah-compliant financial solutions. A bank that demonstrates its ability to meet customer needs and navigate challenges effectively will foster greater trust among its clientele. Honesty is a fundamental principle in both Islamic finance and general banking practices. It involves transparency in communication, ethical behavior, and integrity in all dealings. For Islamic banks, honesty means providing clear information about products, fees, and risks, as well as ensuring that all transactions are conducted in a fair and ethical manner. When customers perceive that a bank is honest, they are more likely to trust it with their financial matters. This is particularly important in Islamic banking, where the ethical dimensions of finance play a significant role in customer decision-making. Openness refers to the willingness of the Islamic bank to engage with its customers, listen to their concerns, and provide accessible information about its operations and decision-making processes. This includes being transparent about how products are structured, how profits are generated, and how customer funds are managed. Openness fosters a sense of partnership between the bank and its customers, encouraging dialogue and feedback. When customers feel that they can openly communicate with their bank and that their voices are heard, it enhances their trust in the institution.

Competitive Advantages

Islamic banks are still considered to be losing their competitiveness in competition with conventional banks. Therefore, the right strategy is needed to dominate the competition. Competitive advantages is the right strategy to increase the marketing market share in Islamic banks. This statement is in accordance with research from (L. Apriliani, 2015) which explains that there is a significant influence of the competitive advantages is variable on the sales of commodity marketing products. Competitive advantages is the advantage that a company has in playing a role in providing a value view because it is able to provide more benefits that are in line with consumer or customer expectations. Meanwhile, according to research (Santoso, 2022) competitive advantages is the company's advantage that is adopted based on the company's own performance such as service, innovation, and technology.

Indicators of competitive advantages are human resources, business strategy, service processes, and product development. According to the authors in this study, indicators of competitive advantage in Islamic banking such as human resources, business strategy, service processes, and product development are very important for building competitive advantage in Islamic banking. These indicators reflect the importance of having a skilled workforce, clear strategic direction, efficient service delivery, and innovative product offerings. By focusing on these areas, Islamic banks can differentiate themselves in the market, increase customer satisfaction, and achieve long-term success in a competitive financial environment. Human resources refer to the skills, knowledge, and capabilities of the employees within the Islamic banking institution. In the context of Islamic banking, having a well-trained workforce that understands both Islamic finance principles and conventional banking practices is essential. This includes expertise in Shariah compliance, customer service, risk management, and financial analysis. A strong human resources strategy that focuses on recruitment, training, and employee development can lead to higher employee satisfaction, better customer

service, and ultimately, a stronger competitive position in the market. Additionally, a diverse and skilled workforce can foster innovation and adaptability, which are critical in a rapidly changing financial environment. Business strategy encompasses the overall plan and direction that an Islamic bank takes to achieve its goals and objectives. This includes decisions related to market positioning, target customer segments, pricing strategies, and competitive positioning. A well-defined business strategy that aligns with the principles of Islamic finance can help a bank differentiate itself from competitors. For example, an Islamic bank may choose to focus on ethical investment opportunities, community development, or social responsibility, which can resonate with customers who prioritize these values. A clear and effective business strategy enables the bank to navigate challenges, seize opportunities, and maintain a sustainable competitive advantage. Service processes refer to the methods and systems used to deliver banking services to customers. In Islamic banking, efficient and customer-centric service processes are vital for enhancing customer satisfaction and loyalty. This includes the design of service delivery channels (e.g., online banking, mobile apps, branch services), the speed and efficiency of transactions, and the quality of customer support. Streamlining service processes can lead to reduced operational costs, improved customer experiences, and faster response times. By focusing on service excellence and continuous improvement, Islamic banks can create a competitive advantage that attracts and retains customers. Product development involves the creation and enhancement of financial products and services that meet the needs of customers while adhering to Islamic principles. In a competitive market, the ability to innovate and offer unique, Shariah-compliant products can set an Islamic bank apart from its competitors. This could include developing new financing options, investment products, or digital banking solutions that cater to specific customer segments. Effective product development requires a deep understanding of customer preferences, market trends, and regulatory requirements. By continuously innovating and adapting their product offerings, Islamic banks can respond to changing customer needs and maintain a competitive edge.

Research Framework

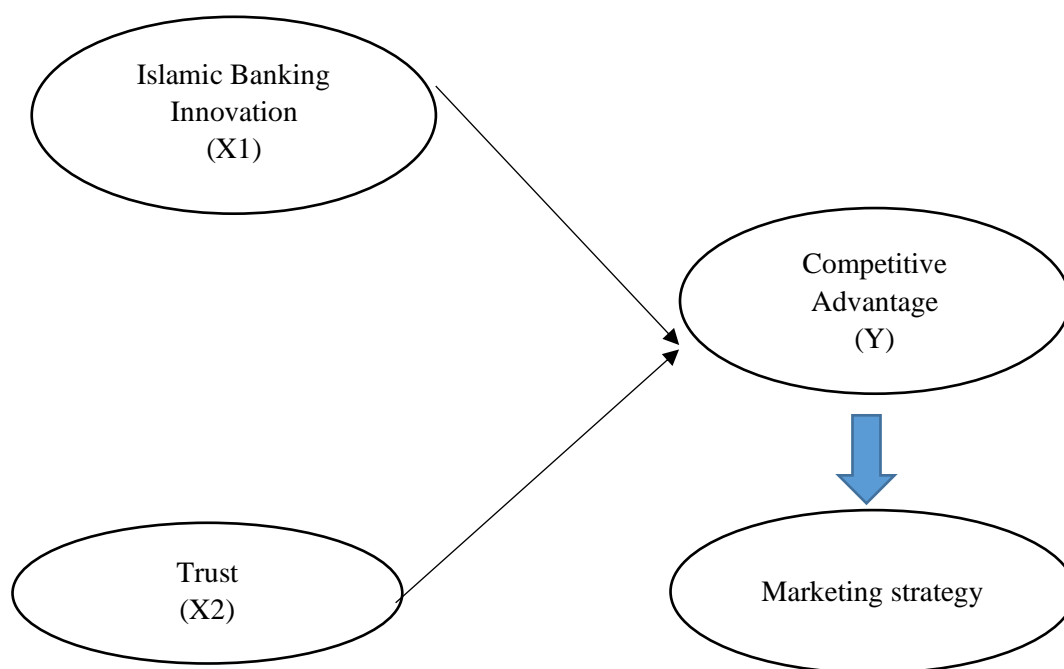
According to research by Widaya and Amirullah (2002), the framework of thought or often referred to as the conceptual framework in research is a hypothetical (conceptual) model of how the theories contained in the research relate to various factors that have been identified as important issues in a study. The framework of thought also explains while the indications are the problems (objects) of the research. The storyline based on previous theories and empirical experience is the basis for compiling a framework of thought that is useful for building hypotheses for a study. Thus it is concluded that the framework of thought is the basis for compiling hypotheses.

Sugiono (2019) also argues that the framework of thinking is an ideal way of how theory is related to various perspectives that have been identified. The research framework is the basic result of speculation from research that is synthesized from facts, observations and literature reviews.

The structure of thought in research produces existing theories and concepts as the basis for research. This structure of thought explains the intermediaries and relationships between variables found in the study. The thinking structure can be presented in the form of a graph that shows how the storyline of the researcher's hypothesis and how the relationship is established between the variables under study.

The structure of thought in this study is the flow of research thought to support the research being carried out. The structure of thought in this study is as follows:

Figure 1. Research Structure



RESEARCH METHODS

Types and Research Designs

The form of strategy in this study uses an associative strategy, which is a research strategy that has the aim of knowing how the ties of variables contained in a study. This research also uses quantitative methods. Quantitative methods can be characterized as research methods based on the principles of empiricism, objectivism, or positivism with the aim of investigating a particular population or sample, data collection using research tools, quantitative or statistical data analysis, with the aim of testing previously established hypotheses.

Population and Sample

Changes in variables in this study include; see the level of influence of Islamic banking innovation (X1), and trust (X2) as influential variables and competitive advantage variables (Y) as dependent variables. The population in this study were customers of Bank Syariah Indonesia in Labuhanbatu Regency who were registered in December 2022 and totaled 1,203 people. The population form in this study is the Labuhanbatu community who are customers of Bank Syariah Indonesia aged 17 years and over. The following are the characteristics of respondents determined by the researchers in this study, including:

- Respondents who are customers of Bank Syariah Indonesia who live in Labuhanbatu
 - Respondents who have the Sharia Banking Mobile Banking application, namely BSI Mobile
 - Respondents who purchased products/goods or used BSI Mobile service features more than once
- Residents who are regular customers or priority customers of Bank Syariah

For how the sampling works in this study, the researcher determines the minimum sample size in PLS-SEM, which is around 30-100 samples. Therefore, the authors in this study targeted 100 people to be sampled. The Partial Least Square (PLS) method was

used in this study to answer all problem formulations and to test the accuracy of the hypotheses formulated in this study.

Data Analysis Techniques

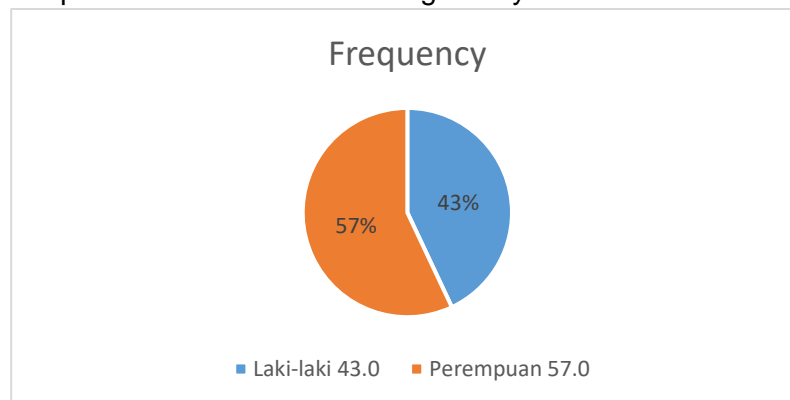
Researchers in this study chose to use sampling techniques using purposive sampling, because the consideration in this study was customers who had been saving for approximately 6 months. Therefore, the sample used in this study is the population living in the Labuhanbatu Regency area who have become customers and often use BSI Mobile banking services at least twice to test how customers respond to innovations provided by Islamic banks and how the innovations provided encourage bank customer trust so as to increase competitive advantage in Islamic banking.

The data collection techniques in this study used by researchers are questionnaire letters (google form), interviews, and primary data. The author's data analysis technique uses SmartPLS 4.0 to hit each partial direct effect between the independent variable and the dependent variable.

RESULTS

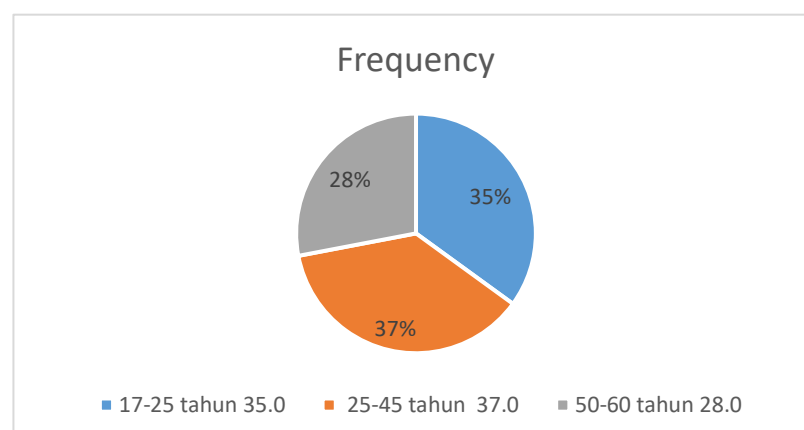
Based on the research results, Bank Syariah Indonesia customers in Labuhanbatu Regency are mostly women, reaching 57%. While men are 43%.

Figure 2. Respondent Characteristics Diagram by Gender

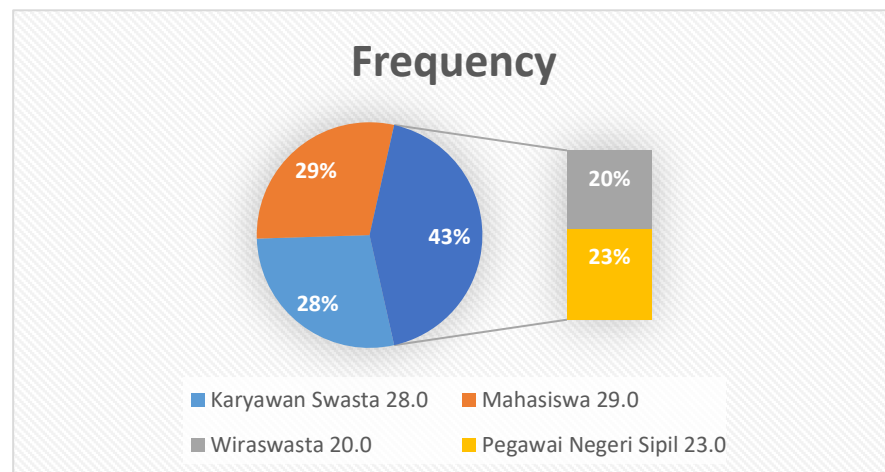


In addition, in the use of BSI Mobile in Labuhanbatu Regency, most customers are aged 17-25 years, with a value of 35%, aged 25-45 years as much as 37%, and aged 50-60 years as much as 28%.

Figure 3. Respondent Character Diagram According to Age



The results of the study also showed that most of the jobs of Bank Syariah Indonesia (BSI) users in this study were private employees as many as 28%, single workers as many as 29%, students as many as 20%, while the rest were civil servants as many as 23%.

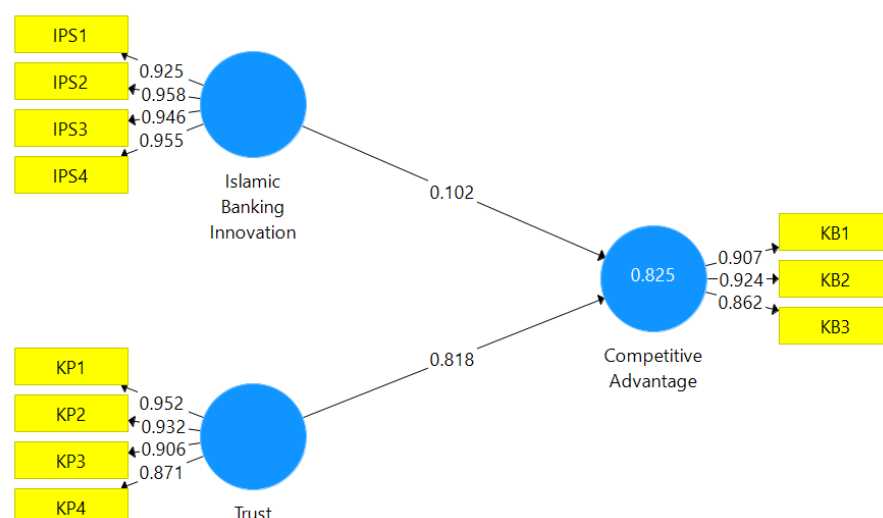


Measurement Model Analysis Results (Outer Model)

The measurement model, also called the External Model, is a measurement model with reflective indicators that are analyzed through compliance and differences in indicators and the reliability of indicator clusters (Chin in Ghazali, 2011). The initial model of this study is as follows:

Islamic banking innovation is measured by 4 reflective indicators, namely the development of new ideas, implementation of new products, new services and the creation of net profits. Trust is measured by 4 reflective indicators, namely trust, ability, honesty and openness. And competitive advantage is measured by 3 reflective indicators, namely human resources, service processes and product development.

Figure 2. Scheme of Validity Results of Partial Least Square Model



Source: SmartPLS 4.0 processed data

Convergent validity

To find out how about the conclusions and provisions of the convergent validity test in a study conducted, we can see from the conventional factor loadings. The standard loading factor explains how big the relationship is between each measurement detail (indicator) and its construct. Specific speculative measures in the convergent validity test are stated as high if they correlate more than 0.70 with the construct to be measured. As for the external loading correlation value of the convergent validity test, it is stated as 0.50-0.60 and can still be stated as acceptable.

Table 1. Convergent Validity Test

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Competitive Advantage	0.880	0.884	0.926	0.806
Islamic Banking Innovation	0.961	0.961	0.971	0.895
Trust	0.935	0.936	0.954	0.839

Source: SmartPLS 4.0 processed data.

Based on the convergent validity test conducted as listed in Table. 1 of this analysis, it can be concluded that all existing variables have met the conglomeration standard well. This is because the value of the convergent validity test results is higher than the recommended number, which is above 0.70. This number is announced to meet the compliance criteria.

In the next method used by researchers in this study for the convergent validity test is for the average variance value taken (AVE) test. The marker in the study can be announced to have a high level of compliance if the average variance test value taken (AVE) in the study is greater than 0.50. The following are the results of the Average Variance Taken (AVE) test in this study:

Table 2. Average Variance Extracted (AVE) Test Results

Variable	Average Variance Extracted (AVE)
Competitive Advantage	0.806
Islamic Banking Innovation	0.895
Trust	0.839

Source: SmartPLS 4.0 processed data.

Based on the test results in table 2, it is shown that the Average Variation Taken (AVE) value in this study for the variables of sharia bank innovation, trust, and competitive advantage is more than 0.50. So it can be summarized that each variable in this analysis has a fairly good convergent validity value.

Discriminative Validity

The discriminative validity test is useful for assessing how significant the difference in validity values is between one variable and another. One method that can be used to assess discriminatory validity in a study is to compare the expected load values that should be higher than other values. With the standard value for each construct must be greater than 0.70. The following are the ceiling load values in table 3, which indicate that the variables in this study have explained their increase variables correctly and indicate that all items are valid. Not only that, the AVE value measured in the discriminative validity output described in Table 4 shows a higher number than the correlation with all other improvement variables, indicating that the discriminative validity can be interpreted as very good.

Table 3. Cross Loading Value Test

Item Code	Competitive Advantage	Islamic Banking Innovation	Trust
IPS1	0.770	0.925	0.840
IPS2	0.794	0.958	0.851
IPS3	0.753	0.946	0.812
IPS4	0.777	0.955	0.811
KB1	0.907	0.750	0.826
KB2	0.924	0.756	0.856
KB3	0.862	0.696	0.757
KP1	0.848	0.861	0.952
KP2	0.808	0.823	0.932
KP3	0.804	0.797	0.906
KP4	0.857	0.727	0.871

Source: SmartPLS 4.0 processed data.

Table 4. Fornell-Larcker Criterion

Variables	Competitive Advantage	Islamic Banking Innovation	Trust
Competitive Advantage	0.898		
Islamic Banking Innovation	0.818	0.946	
Trust	0.907	0.876	0.916

Source: Data processed by SmartPLS 4.0.

Composite Reliability

In table 5. below it can be seen that all variable values contained in the compliance test using both Cronbach's Alpha and combined compliance have values above 0.7, and the results of the compliance test using AVE get values above 0.50. Therefore, it is concluded that the variables in the research and have been tested are transparent as required and factual, and the assessment in the form of a schematic version is carried out.

Table 5. Reliability and Validity Constructs

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Competitive Advantage	0.880	0.884	0.926	0.806
Islamic Banking Innovation	0.961	0.961	0.971	0.895
Trust	0.935	0.936	0.954	0.839

Source: SmartPLS 4.0 processed data

Table 6. Reliability and Validity Constructs

Construct	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Islamic Banking Innovation -> Competitive Advantage	0.102	0.101	0.088	1,154	0.249
Trust -> Competitive Advantage	0.818	0.818	0.086	9,488	0,000

Source: SmartPLS 4.0 processed data

Based on the results of the path coefficient test in Table 6, it shows that the trust item has been processed to be influential for its construct with a t-statistic value of 9.488. However, the Islamic banking innovation construct shows a smaller t-statistic value, which is 1.154. And the p-value is smaller than 0.05. Therefore, it can be stated that the trust indicator is an expression variable that forms the competitive advantage construct, while the p-value of Islamic banking innovation is greater than 0.05, meaning they have no effect.

Structural Model Analysis Results (Deep Model)

Structural models or often called Deep Models are model structures that aim to predict causality (the influence of cause and effect) between hidden variables (Oda, et al., 2014). The following is an analysis of the model using several indicators below:

R-Square (R²)

In this study, R-square value testing was conducted. R-Square is used to explain how certain external latent variables affect internal latent variables. The greater the value of the resulting R², the better the model is in predicting an object in this study. Apabila nilai R-square mencapai 0,67, model tersebut dapat dianggap kuat; sedangkan jika nilai R-square sekitar 0,33, maka model tersebut dianggap moderat. Sementara itu, nilai R-square sebesar 0,19 mengindikasikan model yang lemah. Hal ini disebutkan dalam penelitian Chin et al. (1998) yang dikutip oleh Ghazali dan Latan (2015). From the test

results using SmartPLS 4.0 software, the structural model studied in this study is presented in Table 7.

Table 7. R-Square (R^2) Test

Item	R Square	R Square Adjusted
Competitive Advantage	0.825	0.821

Source: SmartPLS 4.0 processed data

From the R-Suqares test results in Table 7, the R-Suqares value is 0.825. This value produces data, that the trust variable affects the competitive advantage variable by 82.5%. And the rest is influenced by other variables outside the variables in this study.

Hypothesis Testing

Hypothesis testing is done using paired linear regression to test the effect of independent variables on dependent variables using the t-test. Hypothesis testing is accepted or rejected, using the p-value at the level of importance $\alpha = 5\%$ or 0.05. If the p-value < 0.05 then H_0 is rejected which means there is an effect. Conversely, if the p-value > 0.05 then H_0 is accepted which means there is no effect.

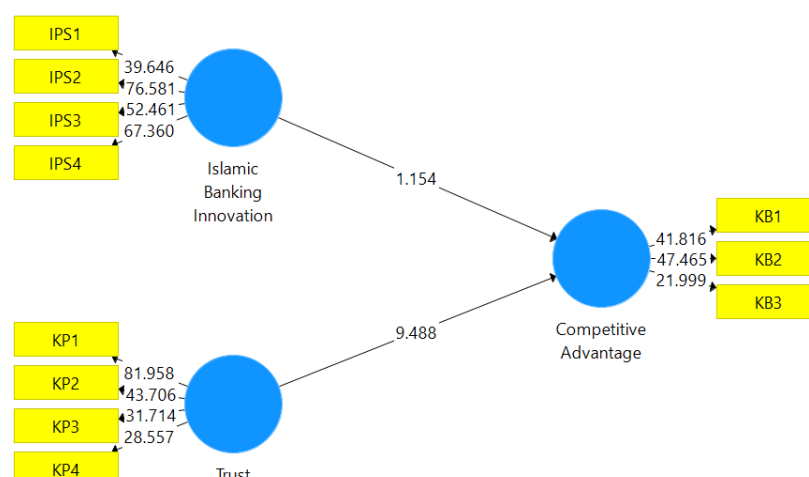
Based on the data collected from the research background, literature review and thought design that have been mentioned in this research starting from Islamic banking innovation, trust to competitive advantage, the researcher determines the following research hypothesis:

H1: Islamic banking innovation has a significant influence on competitive advantage in Islamic banking.

H2: Trust has a significant influence on competitive advantage in Islamic banking.

To test the hypothesis in this study, the author used a path analysis approach with SmartPLS 4.0, so that the path analysis model can be seen as follows:

Figure 3. Schematic of Hypothesis Results of Partial Least Square Model



Source: SmartPLS 4.0 Processed data

To make a weight or importance assessment of the influence between variables, a bootstrapping procedure is carried out. The technique in the bootstrapping procedure uses all original samples and then re-samples are taken again or what is called resampling again. In the bootstrapping resampling method

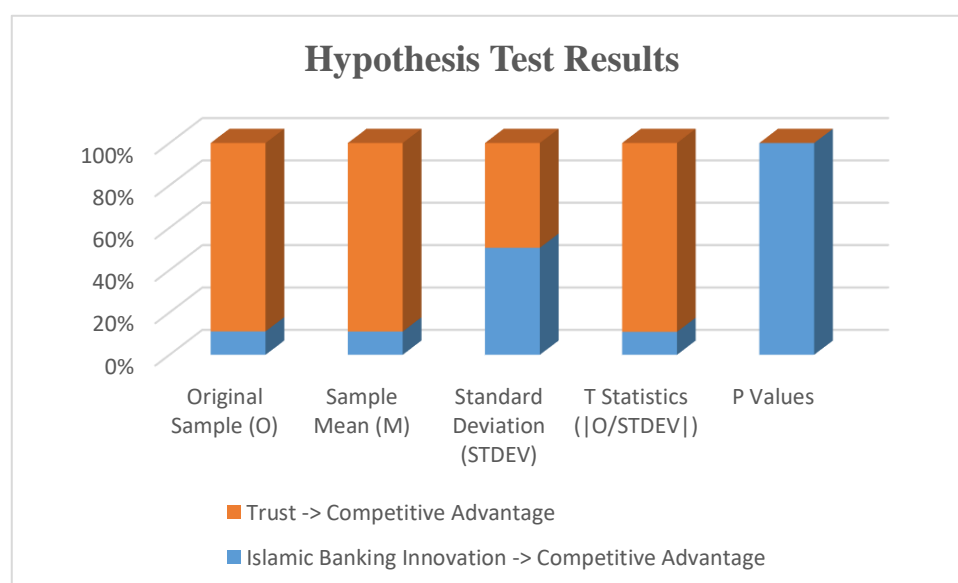
In this study, the significance value used by the researcher (t value) is 9.488. After the path analysis model is obtained, the next step in hypothesis testing is to see the regression weights below:

Table 8. Hypothesis Test Results

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Islamic Banking Innovation -> Competitive Advantage	0.102	0.101	0.088	1,154	0.249
Trust -> Competitive Advantage	0.818	0.818	0.086	9,488	0,000

Source: SmartPLS 4.0.9.6 processed data

Figure 4. Hypothesis Test Results Graph



In the first hypothesis, the t value is 1.154 > t table (1.96) and the p value is 0.249 > 0.05. So the results of the study indicate that Islamic banking innovation does not have a significant effect on competitive advantage in Bank Syariah Indonesia (BSI). So the first hypothesis is rejected.

In the second hypothesis, the t value is 9.488 > t table (1.96) and the p value is 0.000 < 0.05. So the results of the study indicate that customer trust has a significant effect on competitive advantage in Bank Syariah Indonesia (BSI). So the second hypothesis is accepted.

The results of this study are reinforced by the results of previous research conducted by Ahmad Rizky Naufal in 2023, with the title "The Effect Of Trust, Service Quality And Customer Satisfaction On The Loyalty Of Users Of BSI Mobile Banking" shows that from the results of the t test, a significant value is obtained on the trust variable (X1) which has a significant positive effect on the loyalty variable (Y). With the calculation of the value of t count > t table or 2.524 > 1.984 with a sig of 0.01 < 0.05. So it is concluded that

H01 is rejected and Ha1 is accepted, in the sense that the trust variable has no significant effect on BSI customer loyalty.

CONCLUSION

The research results obtained from this study used a sample of 100 respondents and used a calculation method using SmartPLS 4.0. as follows:

1. In this study, researchers use competitive advantage as a variable used as a reducing variable (intermediary variable). And in this study, researchers test the effect of competitive advantage on the marketing market share in Islamic banking.
2. There is an appropriate and meaningful relationship between the level of the trust component and competitive advantage in the Indonesian Islamic banking sector.
3. There is an inappropriate and insignificant bond between the level of trust component and competitive advantage in the Indonesian Islamic banking sector.
4. Trust is the most important thing to improve competitive advantage in Indonesian Islamic banking. Because even though there is the latest innovation in Islamic banking, it cannot ensure the improvement of the quality of competitive advantage if there is no customer trust in it.
5. From the existence of primary consumer trust, innovation in Islamic banking and competitive advantage are appropriate marketing strategies to be used to increase the value of Islamic banking companies in Labuhanbatu Regency and throughout Indonesia.
6. Based on the research results, assessments, and disturbances in research variables, several ideas and suggestions can be made, such as:
 - 1) Suggestions for further research to be better include expanding the research area, namely to parts with a broad level.
 - 2) Further research can use other variables that do not only focus on Islamic banking innovation, trust, and expression.
 - 3) For Indonesian Islamic banking companies, from the results of this study, researchers need to explain that in the future Islamic banking companies must maintain or maximize new customer trust, then increase Islamic banking innovation and other indicators which will later become indicators to improve marketing strategies and competitive advantages between Indonesian Islamic banking and conventional banking.

REFERENCE

- Alfathimi, Naa (2024). Opportunities and challenges of Islamic financial technology governance in Indonesia: a literature review. *Edusentris: Journal of Education and Teaching Sciences*, 3 (April), 7385.
- Apriyanti HW. Islamic Banking Product Innovation Model in Indonesia. *Econ J Islamic Econ*. 2018; 9 (1): 83104.
- Apriliani, Lydia. 2015. "Factors Affecting Competitive Advantage in Increasing Market Share" in S1 Thesis. Semarang: Diponegoro University.
- Aristyanto E, Nanda AS, Hasan AF. The Influence of the Power of Responsibility and Trust on Customer Satisfaction of Islamic Banks in Surabaya. *Jurnal Perisai Islam Bank Financ*, 2019;3(1):1–18.
- Astuti, YW, Agriyanto, R., & Turmudzi, A. (2020). The Influence of Service Quality, Customer Value, Responsibility Strength, and Satisfaction on Customer Loyalty of Mobile Islamic Banking Services Users. *Indonesian Journal of Marketing Science*, 19 (3), 134–158. <https://doi.org/10.14710/jspi.v19i3.134-158>
- Cahyaningdyah, P., Prasaja, M., & Yusuf, AM (2023). Determinants of Financial

- Performance: Research Results from Indonesian Manufacturing Companies. *International Journal of Business, Science, Education, and Social (IJBHES)*, 5(1), 23-28.
- Charisma, D. (2021). PORTRAIT OF THE PERFORMANCE OF INDONESIAN SHARIA BANK (BSI) IN DEVELOPING THE HALAL INDUSTRY IN INDONESIA. *AdBispreneur: Journal of Thought and Research on Business Administration and Entrepreneurship*, 3(2), 6.
- Engkur. (2018). The effect of service quality on customer satisfaction of Islamic banks in DKI Jakarta. *Journal of Accounting and Management*, 14 (01), 23–35.
- Fungá, Zuzana; Hasan, I. weill; Laurant; (2016). Trust in Banks | Accenture. Elsevier, 1–53. <https://www.accenture.com/gb-en/company-news-release-trust-banks-customer-risk>
- Gunawan, Cakti Indra, Ahmad Mukoffi, and Adrian Junaidar Handayanto. 2017. "Sharia Banking Strategy Model Facing Banking Competition in the Era of the ASEAN Economic Community." *Research Report 0 (0)*: 835–44. <http://research-report.umm.ac.id/index.php/research-report/article/view/1305>.
- Hamoudi, H. A. (2014). William & Mary Business Law Review The Impossible, Highly Desired Islamic Bank. 5(1).
- Himatansi. 2009. "Methods and Pillars of Islamic Bank Product Innovation." 2009. <http://www.himatansi.org/news130-metode-dan-pilar-inovasi-produk-bank-syariah.html>.
- Indriati, Henni. 2011. "Analysis of Factors Influencing Innovation of Islamic Bank Products in Indonesia." Jakarta: University of Indonesia
- Kian, Lia. 2016. "Sharia Compliance for the Development of Islamic Banking Product Innovation in Indonesia." 2016. https://www.researchgate.net/publication/321197350_Shariah_Compliance_For_Islamic_Banking_Product_Innovation.
- Kogabayev, T., and Maziliauskas, A. (2017). Definition and classification of innovation. *HOLISTICA – Journal of Business and Public Administration*, 8 (1), 59–72. <https://doi.org/10.1515/hjbpa-2017-0005>
- Maknuun L, Fadhillah Y, and Lesmana CI. The Influence of Marketing Mix and Customer Relationship Marketing through Competitive Advantage in Increasing Market Share of Islamic Banks. *J Din Ekon Syariah*. 2021;8(1):63–75.
- Muhardi. (2004). ASPECTS OF COMPETITIVE ADVANTAGE OF HIGHER EDUCATION Muhardi **. Bandung Islamic University, 179–193.
- NAUFAL AR. Pengaruh Kepercayaan, Kualitas Layanan Dan Kepuasan Pelanggan Terhadap Loyalitas Pengguna Bsi Mobile Banking. [Internet]. repository UIN Jakarta. UNIVERSITAS ISLAM NEGERI SYARI HIDAYATULLAH JAKARTA; 2023. Available from: https://repository.uinjkt.ac.id/dspace/bitstream/123456789/70249/1/232_skrripsi_ahmad_rizky_naufal.pdf
- Pristiyono, Juliana Y., and Prayoga. (2022). SOLVING BUYER SATISFACTION through DIGITAL. *Journal of Economics, Business and Innovation (JEBIK)*, 11 (2), 214–229.
- Putera, AP (2020). The Principle of Trust as the Main Basis of Banking Activities. *Bonum Commune Business Law Journal*, 3 (1), 128–139. <https://doi.org/10.30996/jhbbc.v3i1.2984>
- Rashin, M.A., & Ghina, A. (2018). Identification of Innovation and Business Performance in Increasing Speed. *Journal of Educational Research*, 18 (2), 213–219. <https://doi.org/10.17509/jpp.v18i2.12963>
- Rustamaji, HC, Perwira, RI, & Hartono, EB (2018). Integration of Public Service Applications Using Queue System Based on Digital Signage. *Telematics*, 15 (2), 109. <https://doi.org/10.31315/telematika.v15i2.3124>
- Santi, M. (2019). DECLARATION OF Eksyar Journal (Journal of Islamic Economics) ISLAMIC ECONOMIC DEVELOPMENT IN INDONESIA. *Eksyar Journal (Journal of*

- Islamic Economics), 07 (01), 47–56.
- Santoso, H. (2022). Analysis of Competitive Deficiencies in the Perspective of Islamic Economics. *I-ECONOMICS: Journal of Research on Islamic Economics*, 8 (2), 152–164.
- Sari, RL (2013). Analysis of the Level of Trust in Clean Money Bank Customers After the Yuliza Raina Linda Sari Century Case. *Journal of Economics and Finance*, 1, 6.
- Setia Budhi Wilardjo. (2005). Understanding, Role, and Development of Islamic Banks in Indonesia. *VALUE ADDED*, 2 (1), 1–10.
- Supriani, I., Bahril, MA, & Pimada, LM (2024). Twenty years of literature on Islamic banking by Indonesian researchers: A Hybrid Review. *10 (1)*, 131–148.
- Ulum, Fahrur. 2014. "Innovation of Islamic Banking Products in Indonesia." *Al Qānūn* 17 (1): 33–59.
- Wahyudi, S. (2019). INNOVATION THEORY: Literature Review. *Valuta* , 5 (2), 93–101.
- Wahyuni, E. (2015). The Influence of Trust and Satisfaction on Sharia Banking Customer Awareness. *Akmenika*, 12 (2), 683–688.
- Wahyuningsih, A., Surwanti, A., & Pribadi, F. (2020). Interest in Using Electronic Banking of Private Banks in Yogyakarta. *Ultima Management: Journal of Management Science*, 11(2), 133–148.
<https://doi.org/https://doi.org/10.31937/manajemen.v11i2.1487>
- Jusuf AM, Wahyuningsih A. Trust, Responsibility, Personality of Relatives and Customer Loyalty in Islamic Banking Relationships: A Case Study of Bank Syariah Indonesia (BSI). *J Ilm Feasible*. 2024;6(1):7–13.