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National Sharia Bank vs. Bank Syariah Indonesia (BSI): The Dynamics of Competition and Collaboration

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Abstract

Indonesia's Islamic banking industry is undergoing structural transformation driven by regulatory support, digitalization, and the expansion of the halal ecosystem. The dominance of Bank Syariah Indonesia (BSI) as an incumbent and the prospective establishment of Bank Syariah Nasional (BSN) reshape the competitive landscape, creating dynamics beyond direct rivalry toward co-opetition. This study examines competition and collaboration between BSI and BSN and identifies implications for inclusion. Using a descriptive qualitative approach, the research combines literature review, policy analysis, and comparative case studies. The analysis draws on co-opetition theory, the Resource-Based View, Dynamic Capabilities, the Structure–Conduct–Performance framework, and platform ecosystem theory. The findings show that BSI's strengths lie in operational scale, synergies, and digital maturity, while BSN offers differentiation through a digital-native model and niche community focus. Collaboration via open finance, shared services, and ecosystem partnerships can expand market reach without cannibalization, provided regulatory harmonization, digital readiness, and effective risk management.

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INTRODUCTION

The Indonesian Islamic banking industry is currently entering a phase of significant structural and strategic transformation. Alongside government and regulatory initiatives to strengthen the national Islamic economy, the Islamic banking sector is being encouraged to become more competitive, inclusive, and innovative. Data from the Financial Services Authority (OJK) show that the market share of Islamic banking assets relative to total national banking industry assets increased from 6.59% in 2019 to 7.16% by the end of 2023, reflecting steady growth that nonetheless remains far below its

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optimal potential in a country with the largest Muslim population in the world (Fitria, 2025).

The culmination of this transformation was marked by the establishment of Bank Syariah Indonesia (BSI) in 2021, resulting from the merger of three state-owned Islamic banks: BRI Syariah, Mandiri Syariah, and BNI Syariah. As the largest entity in the industry, BSI now holds more than 40% of the national Islamic banking market share (Syamlan et al., 2023). However, the emergence of initiatives to establish a National Sharia Bank (Bank Syariah Nasional/BSN) as a new entity arising from a spin-off or restructuring of other institutions opens a new chapter in industry dynamics: competition between two major institutions that both promote an "inclusive and nationalist" narrative, albeit through different formats.

On the one hand, BSI is positioned as an incumbent, leveraging economies of scale, digital infrastructure, and established corporate relationships. On the other hand, BSN is envisioned as a disruptive challenger that may adopt an agile, ecosystem-based business model, with potential strategic focus on the microfinance segment, hajj and umrah services, or the integration of the halal value chain (Said & Muhammadun, 2024). This phenomenon gives rise to a co-opetition dynamic collaboration within competition that challenges legacy structures while creating opportunities for digital partnerships, open banking initiatives, and the integration of Sharia-based services.

This transformation is inseparable from structural challenges, including regulatory fragmentation, issues related to Sharia governance, limited penetration of Islamic financial services in underdeveloped, frontier, and outermost (3T) regions, as well as a low national Islamic financial literacy index (Abdulloh, 2023). These challenges underscore the importance of collaborative approaches and interoperability among Islamic banks in delivering cross-sector solutions, ranging from halal MSME financing and integrated digital services to partnerships with Sharia-compliant hajj and umrah travel providers. Nevertheless, there remains a significant research gap in the academic literature regarding the competitive landscape and potential synergies between BSI and new entities such as BSN. Most existing studies continue to focus on merger-related aspects or BSI's internal digitalization (Abidin & Octira, 2024), with limited examination of co-opetition strategies, cross-platform digital integration, or the implications of dual-track regulation for holistic industry governance. Against this backdrop, this study becomes crucial in addressing strategic questions concerning the future of Indonesia's Islamic banking industry amid the simultaneous narratives of collaboration and competition.

Problem Formulation

1. How do the competitive dynamics between BSI and BSN manifest in terms of products, digital channels, and the differentiation of Sharia-compliant services?
2. What models of collaboration are most feasible to implement between the two banks without resulting in market cannibalization?
3. What are the implications of OJK regulations and DSN–MUI fatwas for the competitive and collaborative strategies of these two Islamic banks?
4. To what extent can the integration of hajj/umrah services and halal value chain financing serve as areas of synergy between BSI and BSN?

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5. What challenges and opportunities arise for strengthening Islamic financial inclusion if both banks adopt a co-opetition approach within the context of national digital banking?

Objectives of the Study

1. To measure and compare the product strategies, digital channels, and differentiated services implemented by BSI and BSN.
2. To map potential models of collaboration between BSI and BSN within a co-opetition framework without sacrificing market share.
3. To analyze the impact of OJK regulations and Sharia governance provisions on the competitive and collaborative strategies of both banks.
4. To evaluate the potential synergies in services such as hajj/umrah integration, halal value chain financing, and digital ecosystem partnerships.
5. To recommend an adaptive co-opetition strategy framework to strengthen national Islamic financial inclusion.

Significance of the Study

This study offers theoretical contributions by enriching the literature on co-opetition within the context of Islamic banking, which remains relatively limited, particularly in emerging markets such as Indonesia. It expands the scope of analysis by highlighting how two major Islamic banking entities BSI as an incumbent and BSN as a new entrant can simultaneously pursue competitive and collaborative strategies while addressing challenges related to digitalization, Sharia regulation, and the demand for halal ecosystem integration. The incorporation of perspectives from open finance practices, API-based collaboration, and shared infrastructure provides a novel contribution to academic discourse on alliance strategies and differentiation within value-based Islamic financial industries.

From a practical perspective, the findings of this study are expected to benefit the management of BSI and BSN in formulating non-cannibalistic growth strategies through ecosystem partnerships and complementary market segmentation. Regulators such as OJK and Bank Indonesia may also utilize the results as a reference in designing incentive-based policies that encourage collaboration among Islamic financial institutions without compromising prudential principles and Sharia compliance. For customers, this study opens opportunities for service improvements, integrated products aligned with spiritual and economic needs (such as hajj/umrah and halal MSMEs), and enhanced digital literacy in Islamic finance in Indonesia.

LITERATURE REVIEW

Co-opetition Theory

The concept of co-opetition was developed by Nalebuff and Brandenburger (1996) as a simultaneous strategy that combines elements of competition and collaboration among industry players that share overlapping markets. In the context of Islamic banking, co-opetition is particularly relevant due to the industry's highly regulated nature, its value-based (Sharia-compliant) foundation, and the limitations of scale when institutions operate independently (Budiantoro et al., 2024). Collaboration between BSI and BSN in areas such as open API channel development, integration of hajj and umrah services, or

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partnerships in halal value chain financing represents forms of co-opetition that have the potential to generate value co-creation without market cannibalization (Fitria, 2025; Suaidi, 2025).

Conceptual hypothesis is BSI and BSN can enhance efficiency and Islamic market inclusion through a co-opetition model based on complementary services and differential market segmentation.

Resource-Based View (RBV) and Dynamic Capabilities

Resource-Based View (RBV) theory posits that competitive advantage arises from the possession of unique resources that are difficult to imitate (Barney, 1991). In Islamic banking, RBV is reflected in digital assets, Sharia-certified human resources, and robust Sharia-based compliance and governance (GRC) systems. Meanwhile, Dynamic Capabilities refer to an organization's ability to adapt, reconfigure, and innovate its capabilities in rapidly changing environments (Teece, 2014). As an incumbent, BSI holds advantages in legacy infrastructure, whereas BSN may be more agile in building new digital capabilities from scratch (Wahyuningtyas, 2023; Said & Muhammadun, 2024).

Conceptual hypothesis is BSN's competitive advantage will be determined by the speed at which it develops digital capabilities and dynamic Sharia governance that are adaptive to technological and regulatory change.

Structure Conduct Performance (SCP)

The Structure Conduct Performance (SCP) framework introduced by Bain (1956) and Mason (1939) explains how market structure influences firm behavior, which in turn affects market performance. In the context of Indonesia's Islamic banking industry, the merger that formed BSI has created a more concentrated market structure, strengthening market power while simultaneously raising entry barriers for new banks (Syamlan et al., 2023). As a new entrant, BSN faces these structural challenges but also possesses opportunities to tap into underdeveloped market niches, such as Islamic microfinance, regional digital banking, and umrah-based services.

Conceptual hypothesis is BSN's performance is strongly influenced by how it responds to a market structure dominated by BSI through innovative strategies and differentiated market behavior.

Value Networks and Platform Ecosystems

The concepts of value networks and platform ecosystems emphasize the importance of interactions among actors through digital platforms that enable efficient exchanges of value, data, and services (Li & Whinston, 2021). In this context, collaboration between BSI and BSN in developing embedded finance, integrated financial services within the halal ecosystem, and interoperable open banking APIs can create strategic synergies without the need for a merger (Azizah, 2021; Barkah et al., 2024). Such digital ecosystems also strengthen network effects that benefit both institutions while enhancing service efficiency for customers.

Conceptual hypothesis is Integration between BSI and BSN within a digital halal platform ecosystem will expand market reach, increase customer loyalty, and accelerate Islamic financial inclusion.

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METHODS

This study employs a descriptive qualitative approach with a research design that combines a literature review, policy analysis, and a comparative case study of Bank Syariah Indonesia (BSI) and the initiative to establish the National Sharia Bank (Bank Syariah Nasional/BSN). This approach is chosen to provide an in-depth exploration of the strategic dynamics, regulatory frameworks, and collaboration opportunities between the two institutions, as well as to examine how the interaction among industry structure, regulation, and internal capabilities shapes distinctive co-opetition patterns within the context of Indonesia's Islamic banking sector.

RESULT AND DISCUSSION

Analysis of Competitive Dynamics

Competitive Landscape

a. Customer Segments: BSI targets a broad market ranging from the mass market to corporate clients, while BSN has the potential to focus on niche segments such as Islamic boarding schools (pesantren), the emerging Muslim middle class, and underserved 3T regions (underdeveloped, frontier, and outermost areas) (Azizah, 2021).
b. Product Portfolio: BSI already offers a comprehensive range of products, including Tabungan iB Hasanah, MSME partnership programs, and hajj financing. BSN is envisioned to adopt an orientation toward digital microfinance products and halal-based fintech solutions (Barkah et al., 2024).
c. Digital Channels and Network: BSI has reached a mature stage, with more than four million active users on its mobile application (Said & Muhammadun, 2024). In contrast, BSN is expected to pursue a native digital strategy from its inception.

Strategic Differentiation

a. BSI's Key Strengths:
    1. Scale advantages and synergies with state-owned enterprises (SOEs) (Wahyuningtyas, 2023).
    2. Strong market trust following the post-merger consolidation.
b. BSN's Potential Competitive Advantages:
    1. A strong focus on community-based financial inclusion, particularly among pesantren and halal MSMEs.
    2. Faster innovation cycles if built on an open and collaborative platform based model.

Performance Indicators

a. BSI:
    1. Asset growth of 11.7% in 2023 (Syamlan et al., 2023).
    2. Non-Performing Financing (NPF) reduced to 2.4% (Fitria, 2025).
    3. Fee-based income increased by 23% year-on-year (Wahyuningtyas, 2023).
    4. Monthly Active Users (MAU) exceeding four million, supported by effective digital onboarding (Said & Muhammadun, 2024).

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b. BSN:
   Operational data are not yet available. Its initial strategic focus will be critical in determining its medium-term market position.

Constraints and Risks

a. Regulatory and Sharia Compliance: BSI faces challenges in harmonizing fatwas and OJK regulations, while BSN requires regulatory affirmation to enable equitable growth (Suaidi, 2025; Budiantoro et al., 2024).
b. Cybersecurity and Technology: BSI experienced a major cybersecurity incident in 2023 (Syah, 2025). BSN must therefore embed robust security frameworks from the design stage (security by design).
c. Market Cannibalization: If BSN targets the same mass market segment as BSI without clear differentiation, the risk of market overlap will be high. A co-opetition model is essential to create synergies and mitigate cannibalization risks.

Analysis of Collaboration Opportunities

API Integration and Open Finance for the Halal Ecosystem

Collaboration between BSI and BSN in the development of Open APIs can support the integration of Islamic financial services into the national halal ecosystem, including:

a. Hajj and Umrah Travel: integration with the Ministry of Religious Affairs, visa providers, and travel agencies to deliver end-to-end services (savings, booking, and financing).
b. Digital ZISWAF: platform based collaboration for the collection and distribution of Islamic social funds.
c. Halal Supply Chain Financing: halal invoice-based financing for micro and small enterprises.

This approach is aligned with co-opetition theory (Nalebuff & Brandenburger, 1996), whereby the two banks compete at the retail level while collaborating at the infrastructure layer (Azizah, 2021). By sharing digital infrastructure, they can create value co-creation in previously underserved markets, such as pesantren and rural MSMEs.

Co-Marketing of Thematic Islamic Products (Gen Z and Halal MSMEs)

BSI and BSN may conduct joint campaigns to expand financial literacy and service penetration in specific segments without directly competing on products or pricing. For example:

a. BSI: focusing on Islamic financial products for urban young professionals with a digitally driven halal lifestyle.
b. BSN: focusing on Gen Z communities in universities, pesantren, and regional MSME actors.

Through this approach, differentiation is maintained while overall market perception of Islamic banking improves. This is consistent with the RBV perspective, which emphasizes that collaboration on intangible resources such as branding, trust, and literacy can strengthen each institution’s competitive position (Said & Muhammadun, 2024).

Shared Services: Sharia Compliance and Anti-Fraud Analytics

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Both banks may share a joint service center for non-competitive functions, such as:

a. Joint Sharia audits and reviews based on DSN–MUI fatwas.
b. Sharia early-warning systems to detect deviations in contract structures.
c. AI/ML-based anti-fraud analytics centers for monitoring suspicious transactions.

This approach enhances efficiency and reduces cost duplication. Within the dynamic capabilities framework, it strengthens collective adaptability to Sharia regulatory requirements and technological demands (Fitria, 2025).

Platform Partnerships: E-commerce, Fintech, and Edutech

BSI and BSN may jointly develop or invest in platforms targeting the halal sector, including:

a. Halal e-commerce: with embedded Islamic financing services (BSI as a corporate finance provider, BSN as a micro-retail provider).
b. Fintech: BSN acting as an aggregator, while BSI serves as a wholesale funding provider.
c. Edutech: collaboration in delivering Islamic economic education to pesantren and digital campuses (Suaidi, 2025).

This model creates a platform-based ecosystem grounded in vertical differentiation synergies rather than direct substitution, consistent with platform co-opetition theory (Li & Whinston, 2021).

CONCLUSION

This study concludes that the competitive dynamics between Bank Syariah Indonesia (BSI) and the prospective National Sharia Bank (Bank Syariah Nasional/BSN) do not merely take the form of direct rivalry, but rather constitute a strategic pattern of co-opetition. BSI occupies the position of the largest Islamic bank, supported by strengths in operational scale, synergies with state-owned enterprises (SOEs), and mature digital channels. Meanwhile, BSN, although still in its early stage, holds opportunities for differentiation through a focus on niche communities, a digital-native approach, and integration within the halal ecosystem.

Collaboration between the two institutions is considered feasible in areas such as open finance development, shared services, and thematic product co-marketing. These strategies have the potential to expand Islamic financial inclusion without undermining each bank's respective market position. Nevertheless, the successful implementation of such strategies is highly dependent on harmonized regulatory support, readiness of digital capabilities, and effective mitigation of risks related to market cannibalization and cybersecurity.

Within the context of the national Islamic ecosystem, BSI and BSN should not be viewed as absolute competitors, but rather as strategic actors capable of strengthening Islamic financial infrastructure through role specialization and calibrated collaboration. Accordingly, a dynamic-capabilities-based co-opetition approach serves as a key foundation for accelerating the sustainable growth of Indonesia's Islamic banking industry.

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Recommendations

BSI should enhance its value proposition through embedded Sharia-compliant lifestyle services supported by digital integration (hajj, zakat, waqf, and halal MSMEs). Innovation efforts should focus on improving data-driven customer experience, expanding mobile banking features (multi-contract options, auto-mudharabah), and extending service penetration into 3T regions through hybrid channels (agents and digital platforms). Target: Increase Monthly Active Users (MAU) to six million and achieve digital fee-based income representing 25% of total non-margin revenue by 2026.

BSN is advised to adopt a digital-first strategy with strong social embeddedness, focusing on Gen Z Muslim segments, pesantren, and halal MSME communities. Strategic collaborations with Islamic fintech, edutech, and community platforms should be established to accelerate customer acquisition. Direct competition with BSI should be avoided through product innovation (e.g., NFT/QR-based umrah savings products, Sharia-compliant peer-to-peer microbusiness financing). Target: Acquire at least 500,000 active digital customers within the first two years of launch.

OJK and Bank Indonesia should promote collaborative frameworks among Islamic banks through incentives for Sharia open finance, fatwa-based regulatory sandboxes (Sharia sandbox), and interoperable API registries. Priority should be given to the development of national halal API standards for ZISWAF, hajj and umrah services, and halal invoice financing. Target: Establish at least 10 cross-institution public Sharia APIs utilized by more than five financial institutions within the next two years.

Halal platform players such as e-commerce providers, digital pesantren, and fintech startups should open partnership channels with Islamic banks through Sharia-compliant embedded finance models. Revenue-sharing arrangements should be implemented with Sharia compliance embedded from the outset (Sharia-by-design). Target: Create three to five integrated platforms offering Islamic financial services in the form of microfinancing, community savings, and productive waqf-based payment solutions.

Academic researchers are encouraged to conduct longitudinal studies on Islamic banking co-opetition strategies in Indonesia using mixed-method approaches. Future research should focus on evaluating the impact of collaboration on Islamic financial inclusion, operational efficiency, and shifts in customer perception. Target: Develop an annual Sharia Co-opetition Impact Score Index as a policy and strategic evaluation tool for institutions and regulators.

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