

Resistance and Adaptation to Digital Innovation in Islamic Banking: A Study of Practices, Perceptions, and Transformation

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Abstract

Islamic banking faces complex dynamics as demands for modernization increase while maintaining sharia principles as its primary foundation. Resistance to change, on the one hand, and the need to adapt to digital innovation and global regulations, on the other, place the sector at a strategic crossroads. In such a situation, the balance between technological modernization and the upholding of Sharia values is a key factor in ensuring the sustainability and competitiveness of Islamic banking. This study aims to analyze the implications of resistance and adaptation in shaping the direction of long-term transformation in Islamic banking and to examine the sector's potential to strengthen its position in the global financial system. The research method used is a qualitative approach with in-depth descriptive analysis, which examines the dynamics of resistance and adaptation in Islamic banking through a literature review and critical analysis. Data were obtained from various academic sources, industry reports, and relevant financial regulations. The results indicate that excessive resistance can hinder innovation, while excessive adaptation risks diminishing the authenticity of sharia values. Striking the right balance between the two forms the foundation for a sustainable transformation that is relevant to the needs of the times. Islamic banking also has a significant opportunity to strengthen its global presence, particularly by offering an ethical financial model increasingly sought after in modern financial systems. Ultimately, the sector's sustainability will be largely determined by its ability to integrate Sharia principles with the inevitable modernization.

Keywords: *Islamic Banking, Resistance, Adaptation, Transformation, Sustainability.*

INTRODUCTION

The development of digital technology over the past few decades has brought significant changes to various industrial sectors, including the banking industry, which is now at the forefront of adopting various forms of technology-based innovation. The rapid digital transformation has pushed banks to revolutionize the way they interact with customers, provide services, and manage internal operations (Varma et al., 2022). In the context of Islamic banking, this dynamic is

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increasingly complex, as it relates not only to the efficiency and modernization of services but also to the need to align with Sharia principles, the fundamental foundation of the banking system. Thus, the advent of digital innovation has created a new dialectic between the demands of modernization and the need to maintain Sharia compliance values deeply embedded in Islamic banking institutions (Taufik et al., 2025).

On the one hand, digital innovation has opened up significant opportunities for Islamic banking to increase competitiveness, expand service access, and respond to the needs of a modern society increasingly accustomed to digital technology. Application-based banking services, digital payment systems, the use of big data, and the integration of artificial intelligence technology have created faster, more efficient, and more accessible services (Sheth et al., 2022). This development presents a crucial momentum for Islamic banking to not only keep pace with technological developments but also build an image as a financial institution capable of adapting to the needs of the times. On the other hand, this acceleration of digitalization has not been immediately accepted smoothly, because in practice various forms of resistance have emerged both from within Islamic banking institutions themselves and from customers and the wider community who use the services (Tlemsani et al., 2025).

Resistance is often triggered by differences in digital literacy levels, perceptions of system security, and concerns about the integrity of Sharia compliance in the use of new technologies. For some customers, the transition to digital services is considered difficult because it requires abandoning the comfort of older, more familiar systems, while others doubt the Sharia-compliant nature of the innovations being introduced (Alsaghir, 2023). Internally, banks face resistance from limited human resources, inadequate infrastructure, and even conservative mindsets inherent in some management and employees. This dynamic of resistance demonstrates that digital transformation is not simply about technology but also relates to the social, cultural, psychological, and spiritual dimensions inherent in the context of Islamic banking (Nazir et al., 2025).

Nevertheless, despite this resistance, Islamic banks and their customers have also made numerous adaptations. These adaptations can include gradual acceptance of digital services, developing internal strategies to strengthen technological capabilities, or creating a religious narrative that supports the legitimacy of digital innovation. This adaptation process occurs at various levels, from individual to organizational to institutional, all of which play a role in determining the extent to which Islamic banking can transform itself in the digital era. Adaptation is often achieved by integrating Sharia principles into technology design, so that innovation is not viewed as a threat but rather as an opportunity to strengthen the identity of Islamic finance in the modern landscape (Ali Alqararah et al., 2025).

The transformation resulting from the combination of resistance and adaptation demonstrates a non-linear dynamic. Change in the Islamic banking system is measured not only by the speed of technology adoption, but also by how these institutions navigate the challenges posed by resistance and leverage them as momentum to create new, more inclusive and sustainable forms of service (Hidayat-ur-Rehman & Hossain, 2024). This transformation is reflected in daily practices, evolving public perceptions, and the policy strategies adopted by bank management. In the long term, the success of this transformation will determine the position of Islamic banking in the global financial system, particularly in the face of increasingly fierce competition from conventional banks and other technology-based financial institutions (Diener & Špaček, 2021).

Digital innovation in Islamic banking is a complex arena that intersects resistance and adaptation, practices and perceptions, and modernization and traditional values. This phenomenon not only reflects the internal dynamics of Islamic banking institutions but also reflects how the public, as service users, negotiates their position in the face of the profound changes brought about by digitalization. This complexity is what makes the study of resistance and adaptation to digital innovation in Islamic banking relevant for further research, especially in seeing how practices, perceptions, and transformations interact in shaping the new face of Islamic banking in the digital era.

LITERATURE REVIEW

Digital Innovation

Innovation is essentially understood as the effort to find new solutions or better alternatives to address organizational needs by creating tangible positive changes in efficiency, productivity, service quality, competitiveness, and customer relationships. This view broadens the meaning of innovation beyond the result of a new product or service, but also as a continuous process that enables organizations to respond to challenges and opportunities arising from the dynamics of the external environment (Babaei & Aghdassi, 2022). According to Wang and Wang, innovation is a significant key driver in creating value and maintaining an organization's competitive advantage, especially in increasingly complex, dynamic, and uncertain business environments. Within this framework, innovation acts as a driving force capable of maintaining organizational sustainability amidst rapid, unpredictable change (Farida & Setiawan, 2022).

Furthermore, Nambisan emphasized that digital innovation can be understood as the creation of market offerings, business process improvements, or even the formation of new business models emerging from the use of digital technology. This view demonstrates how innovation is no longer limited to physical products but encompasses a broader dimension through the integration of information and communication technology across all lines of organizational activity (Bresciani et al., 2021). Similarly, Hsu and Sabherwal emphasized that

organizational-level innovation encompasses the use of technology, strategy, and managerial practices to significantly restructure or improve business processes. Thus, innovation can be understood as a key element connecting internal organizational needs with external pressures, resulting in a more responsive and long-term form of adaptation (Monferdini & Bottani, 2024).

In the context of Islamic banking, these theories on innovation are highly relevant, given the need for the Islamic financial industry to continuously adapt to technological developments while maintaining compliance with Islamic principles. Islamic banking is not only required to compete with conventional banking through efficient products and services but also to develop innovative models aligned with Islamic values (Faizi, 2024). This demonstrates that innovation in Islamic banking is not merely the adoption of digital technologies such as mobile banking, big data analytics, or artificial intelligence-based services, but also a theoretical process reflecting the integration of Islamic principles with the dynamics of global financial modernization. In this way, theoretical studies on innovation can serve as a conceptual foundation for understanding how Islamic banking positions itself within the evolving financial ecosystem (Cavus et al., 2021).

Islamic Banking

A bank is a financial institution that offers a variety of financial services, from providing credit facilities and savings accounts to payment services, to other financial functions, all carried out professionally. From an institutional theory perspective, a bank's success is largely determined by its ability to understand public needs, identify the demand for financial services, and deliver services efficiently and effectively (Yıldırım & Erdil, 2024). Banks are not merely service providers; they are also required to maintain high-quality risk management, maintain customer trust, and innovate products to remain relevant in an increasingly competitive environment. Service efficiency and competitive pricing are key factors, as these two factors influence not only customer satisfaction but also the bank's image and competitiveness in the rapidly changing global financial industry (Preziuso et al., 2023).

According to Law No. 7 of 1992 concerning Banking, which was later amended by Law No. 10 of 1998, Article 1, number 2, a bank is defined as a business entity that collects funds from the public in the form of deposits and redistributes them in the form of credit or other forms to improve the standard of living of the wider community. This definition contains a philosophical dimension that positions banks not merely as business entities but also as social instruments that play a role in economic development (Valls Martínez et al., 2021). From a technical perspective, Financial Accounting Standards (PSAK) No. 31 of 1999 provides a more detailed definition, namely that a bank is a financial institution that functions as an intermediary between parties with excess funds and those in need, and plays a role in facilitating the

flow of payments. Similarly, Decree of the Minister of Finance of the Republic of Indonesia No. 792 of 1990 emphasizes the role of banks in collecting and distributing funds to the public, with a focus on supporting investment activities. From these various definitions, it can be concluded that banks play a dual role: as collectors and distributors of funds, and as providers of financial services that facilitate the smooth flow of payments. Therefore, the role of banks is not limited to day-to-day financial transactions but also has a structural impact on national economic stability (Song et al., 2023).

Unlike conventional banking, which bases its operations on the principles of interest and maximum profit, Islamic banking is based on the principles of fairness, partnership, and sustainability following Islamic values. The theory of the function of banks as fund collectors and distributors remains relevant, but in Islamic banking, the mechanisms used must be aligned with Islamic contracts such as *mudharabah*, *musyarakah*, and *murabahah* (Ammar et al., 2023). This emphasizes that Islamic banks are not merely financial intermediaries but also normative entities tasked with maintaining adherence to religious principles while addressing the financial services needs of modern society. Therefore, a literature review of bank definitions can serve as a conceptual foundation for understanding the unique role of Islamic banking within the broader financial system, particularly in the era of digitalization, which is driving a transformation in how banks perform their core functions (Amuda & Al-Nasser, 2024).

METHOD

This research is designed with a qualitative approach to deeply explore the dynamics of resistance and adaptation to digital innovation in Islamic banking. This approach was chosen because it can provide a comprehensive understanding of the practices, perceptions, and transformations that occur not only at the surface level but also in the surrounding social, cultural, and institutional dimensions. Research data will be collected from various relevant sources, such as previous research results, institutional reports, and literature reviews directly related to the theme of digitalization in the Islamic banking sector. By utilizing these diverse data sources, the research is expected to present a comprehensive picture of the challenges and adaptation strategies that arise in the digitalization process. After data collection, the next stage is data processing and analysis to identify patterns that explain the phenomena of resistance and adaptation undertaken by Islamic banking. Analysis is conducted through a thematic process of categorizing and interpreting data, so that each finding can be connected to the broader context. Through this stage, the research aims not only to describe existing facts but also to uncover the meaning behind the attitudes and actions of Islamic banking practitioners and users in facing digital innovation. Thus, the research results are expected to provide conceptual and practical contributions to the

development of Islamic banking transformation strategies in the digital era (Hasan et al., 2025).

RESULT AND DISCUSSION

Dynamics of Resistance in Digital Innovation in Islamic Banking

Resistance to digital innovation in Islamic banking is a phenomenon that has emerged with the increasingly intensive application of technology in financial services. This resistance is not singular, but rather manifests in various forms, both internally within banking institutions and externally, namely, service users. Internally, resistance can be seen through the hesitation of some management and employees in accepting changes to digital work systems (Rabbani, 2022). Fear of losing their roles due to automation, difficulty mastering new devices, and limited digital skills are reasons why most employees remain reluctant to embrace technology. Externally, resistance is often seen among customers who still feel more comfortable with manual and face-to-face systems. They believe that technology-based services lack a sense of security and cannot replace the personal interactions they have traditionally enjoyed. This form of external resistance is particularly evident among groups with low digital literacy, where offered innovations are often perceived as obstacles rather than solutions.

In addition to these diverse forms of resistance, psychological, social, and institutional factors also reinforce resistance to the digitalization of Islamic banking. Psychological factors often manifest themselves in the form of anxiety, uncertainty, and a lack of trust in technology. Many employees and customers feel that the presence of technology forces them out of their comfort zones, leading to a fear of failure or an inability to adapt. Social factors also play a significant role, particularly when the surrounding environment still values face-to-face interaction as a more reliable form of service (Wang et al., 2023). Social norms that emphasize personal relationships between customers and bank staff, or societal traditions that place a higher value on face-to-face transactions, slow digital adoption. Meanwhile, institutional factors stem from the rigid internal bureaucracy of Islamic banking, which often hinders decision-making for major changes due to lengthy procedures and structural resistance. The combination of these three factors makes adopting digital innovation a challenging process.

Organizational culture in Islamic banking also plays a significant role in determining the speed of adoption of digital innovation. In institutions that still adhere to traditional work patterns, the organizational culture is often deeply rooted in work habits and norms that have developed over many years. This culture tends to view digital innovation as a threat to the stability of the organization, which has traditionally operated using conventional methods. Conversely, in Islamic banking institutions that have begun to develop an adaptive work culture, digital innovation is more readily accepted because it is seen as an opportunity to strengthen the institution's position. However, changing organizational culture is not easy, as it requires a

long time to develop a new mindset that supports creativity, learning, and openness to change. When the organizational culture remains oriented towards rigid hierarchies and a reluctance to try new things, resistance will intensify, thus hindering the transformation necessary in the digital era (Olafsen et al., 2021).

Structural barriers also contribute to resistance in Islamic banking. These barriers can include limited technological infrastructure, regulations that are not fully supportive, and strategic misalignment between the head office and branches. Many Islamic banks still face challenges related to the availability of stable internet networks, limited technological equipment, and a lack of skilled personnel capable of optimally managing digital systems. Regulations that are still slow to adapt to technological developments also exacerbate the situation, as Islamic financial institutions are often caught in legal uncertainty when implementing new services. Furthermore, differing visions between central management and branch units make the digitalization process uneven. Branches in certain regions may struggle to embrace change due to limited access to technology and human resources. These structural barriers not only slow down technology adoption but also add to existing resistance, both internally and externally (Galanti et al., 2023).

Digital transformation in Islamic banking is not only a technical issue, but also involves interrelated psychological, social, cultural, and structural aspects. This multi-layered form of resistance demonstrates that digitalization is a process fraught with a tug-of-war between the desire for progress and the fear of losing one's identity or old comforts. The factors that reinforce resistance are often intertwined, necessitating careful and comprehensive implementation of change efforts. An adaptive organizational culture and strong structural support are key to mitigating resistance, while appropriate communication strategies can help alleviate psychological and social concerns. Therefore, a thorough understanding of the dynamics of resistance is crucial in formulating adaptation and transformation strategies that align with the characteristics of Islamic banking, ensuring that digital innovation can truly serve as a means of strengthening competitiveness while upholding the sharia values that underpin its existence.

Adaptation of Banking Institutions to Digital Change

Rapid digital change is forcing Islamic banks to adapt to remain relevant and competitive amidst the dynamics of the financial industry. This adaptation involves not only the utilization of new technology but also a comprehensive strategy encompassing managerial, operational, and customer relations aspects. Islamic banking institutions recognize that digital innovation is inevitable, making adaptive measures imperative to address challenges and meet the expectations of a society increasingly familiar with technology-based services (Banna et al., 2022). This adaptation strategy often begins with the development of long-term plans that emphasize the integration of technology into

business models, without neglecting Sharia values, which must remain the primary foundation. Through targeted strategies, Islamic banks strive to build a strong foundation to face inevitable changes.

One crucial step in the adaptation process is strengthening human resource capacity. Digital technology will only be effective if supported by a workforce capable of managing it effectively. Islamic banks recognize that employee technical skills must be continuously improved so that they are not only able to use digital tools but also understand the logic behind the implemented systems (Nicolás-Agustín et al., 2022). Training, workshops, and certification programs are a crucial part of this capacity-building strategy. Beyond technical skills, Islamic banks also strive to instill an adaptive mindset that encourages employees to be more open to change, willing to try new things, and willing to learn from experience. Thus, human resources are no longer merely implementers but also crucial actors in creating innovation and driving sustainable digital transformation.

In addition to human resources, adjustments to procedures and work systems are also key elements in Islamic banking's adaptation to digitalization. Previously, manual processes must be simplified and automated through digital systems to achieve efficiency without sacrificing service quality. These adjustments encompass various operational lines, from transaction recording and risk management to technology-based financial reporting. Changes in work procedures also require integration between branches and headquarters, allowing for faster coordination and real-time data connectivity. This procedural adaptation not only accelerates service processes but also reduces the potential for human error, ultimately increasing the institution's reliability in providing consistent service to customers (Arney et al., 2023).

Building customer trust is another crucial part of the Islamic banking adaptation strategy. Digital transformation will struggle to succeed without the trust of service users. Customers often have concerns about the security of their data, the certainty of transactions, and the compliance of digital innovations with Sharia principles. Therefore, Islamic banks strive to demonstrate transparency at every stage of their transformation, for example, by explaining the digital security mechanisms used or providing assurance that digital services remain compliant with Sharia fatwas and regulations. Customer trust is also built through responsive service, where banks must be able to provide quick solutions when customers encounter challenges using digital services. By building this trust, customers will not only be more receptive to technology but also more loyal to using the services offered (Kaur et al., 2021).

The adaptation of Islamic banking institutions to digital change is also inseparable from the leadership role and policy direction adopted by top management. Leaders of Islamic financial institutions play a strategic role in creating a clear vision for the direction of transformation and building a work culture that supports change.

Without progressive leadership, adaptation will be half-hearted, as employees tend to wait for instructions without the courage to innovate. Therefore, the success of digital adaptation is often determined by the extent to which leadership within Islamic banks is able to communicate the goals of change, set an example in the use of technology, and provide full support for the learning process at all levels of the organization.

Digital transformation in Islamic banking is a complex process involving various interrelated aspects. A focused strategy, strengthening human resource capacity, adapting work systems, and building customer trust are all part of a unified whole that must be implemented consistently. If any one aspect is neglected, the adaptation process will face greater obstacles, both in the form of internal resistance and external doubt. By managing adaptation holistically, Islamic banks will not only be able to keep up with the times but also utilize digitalization as a means to strengthen their Islamic identity in the modern financial context. This confirms that adaptation is not an option, but rather a necessity that determines the sustainability of Islamic banking in the era of digital transformation.

Customer Perceptions of Islamic Banking Digital Innovations

Customer perceptions of digital innovation in Islamic banking are crucial for understanding the dynamics of this sector's transformation. Initial responses to technology-based services are often influenced by their experience with conventional banking systems and previous interactions with digital technology. Some customers welcome these innovations, believing they can facilitate access to Islamic financial services, previously limited by geography and time. Customers see efficiencies in various transaction activities, from account opening and transfers to payments and accessing financing, which can now be done digitally without having to visit a branch office. However, some customers remain cautious and even skeptical, particularly those less familiar with technology or who have had negative experiences with data security in the digital world (Stalmachova et al., 2021).

Adoption of digital services in Islamic banking is also uneven across all levels of society. Younger generations, accustomed to using technology, tend to adopt digital services more quickly, while older generations or those living in areas with limited digital infrastructure often exhibit hesitation. Unequal levels of digital literacy mean that some remain hesitant to fully rely on Islamic banking applications for their financial activities. These doubts are often related to uncertainty about transaction security, the potential for misuse of personal data, and concerns that digital services can be difficult to use if technical issues arise. These perceptions pose a unique challenge for Islamic banking, ensuring that the digital innovations it offers are not only technologically advanced but also inclusive, easy to understand, and able to meet the needs of various segments of society.

Customer expectations for digital innovations in Islamic banking focus on convenience, security, and compliance with Sharia principles. In terms of convenience, customers want a fast, simple, and responsive system for everyday needs, such as routine payment transactions and financing management. Meanwhile, in terms of security, customer expectations are increasing in line with the increasing frequency of cybercrime cases (Zouari & Abdelhedi, 2021). Customers demand strong data protection, reliable authentication systems, and assurance that their assets are protected from digital threats. Equally important is Sharia compliance, as Islamic banking customers are keenly aware that digital innovations not only provide convenience but also comply with Sharia principles. This compliance includes the absence of questionable practices in contracts, transaction clarity, and assurance that the mechanisms used in digital platforms remain aligned with Islamic values.

Digital transformation in Islamic banking has also brought about significant changes in people's financial behavior. With the presence of digital services, customers tend to be more active in conducting transactions, whether in the form of saving, managing financing, or making payments for various needs online. This easier and faster access has encouraged the formation of new habits in daily financial management (Sayari, 2024). For example, many customers now prefer using mobile banking for routine transactions rather than visiting the bank in person. This demonstrates that the presence of technology has shifted customer interaction patterns with banks, from face-to-face to digital. This behavioral shift has also resulted in increased use of previously less familiar Sharia-compliant products, as digital services enable them to be introduced more widely and effectively.

Thus, customer perceptions of digital innovation in Islamic banking reflect a complex process, interconnected by attitudes, acceptance, expectations, and changes in financial behavior. Islamic banking is not only required to provide innovative services, but also to build trust, provide a sense of security, and ensure compliance with Islamic principles. The biggest challenge is how Islamic banks can bridge the perception gap between community groups while optimizing the use of technology to ensure widespread acceptance of digital services. With a comprehensive approach, digital innovation in the Islamic banking sector has the potential not only to improve service efficiency but also to strengthen public trust in the Islamic financial system in the era of digital transformation (Chong, 2021).

Service Transformation in the Digital Era of Islamic Banking

The transformation of services in the digital era has brought about fundamental changes in the way Islamic banking operates. Technological innovation not only complements conventional services but also reshapes the entire operational paradigm. While previously transaction processes, account opening, and financial consulting services relied heavily on face-to-face interactions at branch offices,

most of these services have now shifted to the digital realm through mobile banking applications, internet banking, and artificial intelligence-based services (Hasnat et al., 2025). This shift has prompted Islamic banks to undertake internal restructuring, from operational systems and human resource training to technological infrastructure upgrades, to adapt to the demands for efficiency and speed of service. This not only shortens the bureaucratic chain in service delivery but also increases bank productivity through more automated, faster, and integrated processes.

Similarly, service innovations emerging through digitalization have significantly impacted accessibility and efficiency in Islamic banking. Customers are no longer limited by distance and time in accessing services, as almost all banking activities can be conducted through smart devices with just an internet connection. Services such as online account opening, instant transfers, digital zakat and waqf payments, and app-based sharia financing have transformed the Islamic banking industry, making it more inclusive. This accessibility provides opportunities for Islamic banks to expand their reach to previously difficult-to-reach segments of society, such as those in remote areas or those with limited time to visit branches. Efficiency is also evident in streamlined administrative processes, reduced operational costs, and a reduced risk of human error, as many procedures are now executed through more scalable, automated systems.

Furthermore, digitalization has also driven a shift in interaction patterns between banks and customers, where the relationship is no longer solely tied to physical interactions but increasingly takes place in the digital space. This shift in interaction patterns has forced Islamic banks to build more personal and responsive communications, even through technology platforms. Artificial intelligence-based chatbot services, real-time transaction notifications, and online financial consultation features are concrete examples of Islamic banks' efforts to maintain customer closeness and trust (Carreri et al., 2023). However, this digital interaction pattern also presents new challenges: how banks can maintain a personal touch and ensure Sharia values are maintained in every service provided. This is crucial because for Islamic banking customers, trust in Sharia principles cannot be replaced simply by technological convenience; it must remain at the core of the bank-customer relationship.

This transformation has also had a significant impact on the image and competitiveness of Islamic banking, both nationally and globally. The adoption of digital technology demonstrates that Islamic banks can adapt to changing times without losing their identity as Sharia-compliant financial institutions. The presence of digital services strengthens the image of Islamic banks as modern institutions that are on par with conventional banking, and in some cases, even able to deliver innovations that better meet the needs of the Muslim community. The competitiveness of Islamic banks has also increased,

as digitalization allows banks to offer more varied, faster, and more accessible products and services, while maintaining the values of Sharia compliance, their core strength. With this new image, Islamic banks have the potential to expand their market, reaching not only Muslim customers but also non-Muslims interested in ethical and transparent financial services.

However, in this transformation process, challenges cannot be ignored. Technology adoption requires significant investment in digital infrastructure, cybersecurity, and human resource capacity building. While digitalization does increase efficiency, it also increases the risk of cyberattacks and potential customer data leaks (Saeed et al., 2023). Therefore, Islamic banks must balance innovation with security and ensure that every digital service offered adheres to Sharia principles, from transaction mechanisms to data management. With careful planning, Islamic banks can capitalize on this digital transformation momentum to strengthen their institutional foundations, enhance customer trust, and expand their contribution to inclusive and sustainable economic development.

Implications of Resistance and Adaptation on the Sustainability of Islamic Banking

Resistance and adaptation are two inseparable dynamics in the transformation journey of Islamic banking, particularly as these financial institutions face the demands of modernization in the digital era. Resistance often arises from internal and external doubts about the compatibility of modern technology with Sharia principles, whether in terms of contracts, fund management, or transaction mechanisms. However, adaptation is a key factor that enables Islamic banking to remain relevant to current developments without sacrificing the values that underpin its operations. This interplay between resistance and adaptation gradually shapes the direction of long-term transformation, so that the sustainability of Islamic banking is determined not only by technical capability in adopting innovation, but also by strategic maturity in maintaining a balance between traditional values and the demands of modernization (Tok & Yesuf, 2022).

The sustainability of Islamic banking depends not only on the extent to which technology can be utilized to improve efficiency and service, but also on how this adoption process is carried out without violating Sharia principles. This is where the balance between modernization and Sharia compliance becomes a central issue. For example, in implementing digital payment systems or mobile banking services, Islamic banks must ensure that the contract structure underlying the transactions remains compliant with Islamic jurisprudence. Challenges arise when the efficiencies offered by technology tend to encourage rapid adoption, while the Sharia validation process requires caution to avoid practices that conflict with core values. Thus, this balance becomes a continuous negotiation process, determining the future strategic direction of Islamic banking.

Another strategic challenge facing Islamic banking is how to maintain competitiveness in an increasingly competitive global financial industry. Excessive resistance to change can leave Islamic banks lagging, especially as conventional banks rapidly adopt new technologies and offer increasingly accessible digital services. On the other hand, adapting too quickly without a robust Sharia framework has the potential to create a crisis of trust among customers, who have long believed that Islamic banks operate based on the principles of fairness and sustainability. Therefore, a transformation strategy must address this dilemma with a long-term approach, namely, strengthening internal regulatory systems, increasing human resource capacity, and building a digital ecosystem that remains grounded in Sharia (Andespa et al., 2024).

However, despite these complex challenges, there is significant potential for Islamic banking to strengthen its position in the global financial system. Successful adaptation, combined with a firm adherence to Sharia values, can create a strong differentiation in the international financial market. Sharia principles, which emphasize fairness, sustainability, and balance, can be an added value that differentiates Islamic banks from conventional banks, especially in the context of increasing global attention to sustainable finance. If resistance can be wisely managed as a control mechanism to maintain the purity of principles, while adaptation becomes a driver of innovation oriented towards future needs, then Islamic banking has a significant opportunity to not only survive but also thrive as a key pillar of the global financial system.

The implications of resistance and adaptation for the sustainability of Islamic banking are not simply a matter of choosing one over the other, but rather how to strategically combine the two. Resistance can act as a brake, ensuring that transformation does not deviate from the Islamic path, while adaptation acts as an accelerator, encouraging innovation so that Islamic banks remain relevant and competitive (Nouman et al., 2024). If this balance is successfully achieved, Islamic banking will not only be able to withstand the wave of digitalization and global competition but also strengthen its legitimacy and contribution to building a fair, sustainable, and inclusive financial system.

CONCLUSION

Technological developments have become an unavoidable factor in shaping the future direction of Islamic banking. Customers have shown a diverse range of responses to technology-based services, ranging from enthusiastic acceptance of ease of transactions to hesitation arising from concerns about data security, ease of use, and compliance with Sharia principles. On the one hand, digitalization is driving changes in people's financial behavior, with more activities shifting to online channels. On the other hand, some customer segments remain resistant due to a preference for in-person

interactions or limited digital literacy. This demonstrates that the digital transformation process depends not only on technological sophistication but also on social acceptance, education, and the trust built between banks and their customers. In the context of the sustainability of Islamic banking, resistance and adaptation play equally significant roles in shaping the direction of long-term transformation. Adaptation enables Islamic banks to continue to develop through the integration of modern technology without neglecting the Sharia principles that underpin their existence, while resistance serves as a reminder of the importance of caution to ensure that modernization does not deviate from deeply held core values. Strategic challenges facing the future include maintaining a balance between modernization and Sharia compliance, increasing competitiveness in the global financial system, and building public trust, which is increasingly critical of the quality of digital services. With the right strategy, Islamic banking will not only be able to withstand disruption but also have significant potential to strengthen its position as an integral part of a global financial system that is inclusive, equitable, and oriented towards long-term sustainability.

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