

ANALYSIS OF SHARIA INNOVATION STRATEGIC AND EFFICIENCY TOWARD SUSTAINABLE ABILITY SHARIAH MANDIRI BANKS IN LAMPUNG

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ABSTRACT

This study aims to reveal the influence of factors that influence the ability of 'sustainable banks' in facing threats from the internal and external environment, especially financial technology. The novelty of this article lies in the discovery of research results that provide a complex development model in the strategy of Islamic financial institutions in maintaining sustainable capability. Quantitative research methods with Islamic economics approach are chosen to answer the research hypotheses. The 30 sample respondents consisting of Branch Managers and Senior Employees from branch offices and sub-branch offices of the Bank Syariah Mandiri (BSM) Lampung Province are potential primary data used. The results revealed that there was a positive and significant effect of 80.6% between sharia innovation and efficiency on the sustainability of Bank Syariah Mandiri in Lampung Province. While the remaining 18.4% is influenced by other variables not examined in the study. In creating innovations and efficiencies, BSM Lampung Province must always be in the corridors of Islamic principles as *rahmatan lil alamin*.

INTRODUCTION

The growth of the world economy at this time is still classified as very fragile where unstable conditions make the government, companies, and industries in Indonesia must be extra hard to try to maintain sustainable growth facing various forms of business competition, especially with digitalization technology. "*Bank Indonesia* believes that technology will be the driving force of the economy, but the digital transformation has not been evenly distributed, especially in the banking sector of Indonesia and even far behind fintech." (Wareza, 2019).

Financial technology makes Bank Indonesia experience a disruption performance, changes in consumer behavior, and has a huge impact on the sustainability of company employees. Throughout 2019, banks in the world are doing layoffs large enough to reduce costs and maintain profitability (Fiscal Policy Agency, 2019). In Indonesia, layoffs in the banking industry have since 2016 more than 50,000 employees have been 'laid off'. This is unfortunate, considering that in *pasal 151 ayat 1 UU No.13* of 2003 concerning Manpower stated that employers, workers/laborers, trade unions/labor unions, and the government, with all efforts must strive to avoid termination of employment (*Pemutusan Hubungan Kerja/PHK*). Pricewaterhouse Coopers Indonesia (PwC Indonesia) released the 2018 Indonesia Banking Survey stating that, "The development of Financial Technology becomes one of the risks for national banking in the next five years."

Issued digitalization turmoil and competition in handling financial technology requires planning, planning, and environmental development to overcome potential changes and obtain additional information that can be used to replace internal and external. Based on the 2018 Indonesia Banking Survey released by Pricewaterhouse Coopers (PwC) Indonesia, "The development of fintech will become one of the national banking industries for the next 5 years." With the issuance of Bank Indonesia Regulation (PBI) 18/40/PBI/2016 concerning Implementation of Payment Transaction Calls and OJK Regulation No.77/POJK. 01/2016 concerning Loan Services and Lending based on Information Technology is expected to be able to support the growth and development of the banking industry sustainably.

Bank Syariah Mandiri (BSM) seems to have begun looking for innovations to face competition. Sharia innovation strategic steps and efficiency are needed to support the ability to survive in the face of competition and threats due to the fact that in some developing countries, private banks in accelerating sharia innovation and efficiency are still not optimal (Ongera & Ndede, 2019; Puteh et al., 2018). Various financing and investment products by utilizing digital technology. For the Lampung region itself, the distribution of BUS office networks has ten Operational Headquarters/Branch Offices, 31 Supporting Branch Offices/UUS, two Cash Offices. And UUS only consists of one. Very far growth from other regions (Financial Services Authority, 2019).

As one of the sharia banks, Bank Mandiri Syariah (BSM) with a total of 765 branches throughout Indonesia succeeded in carrying out the latest innovations to strengthen competitiveness through increasing company excellence (Mandiri Syariah, 2018a). Among them, Mandiri Syariah received the 2019 Financial Award for excellence in building brands among the millennials of Indonesia by the category: Millennial Admirable Brand Book III and became the Best Supporting Monetary Control Bank with placements at Bank Indonesia reaching 6.49 trillion rupiahs (Mandiri Syariah, 2019). As of October 2019, Mandiri Syariah has collected third party funds of 92.29

trillion rupiahs, growing by around 11.42% from the previous year's period of 82.83 trillion rupiahs. For more details can be seen in the following table;

Table 1
Mandiri Syariah achievements in 2018

Information	2017 (in million rupiah (Rp))	2018 (in million rupiah (Rp))	Percentage (%)
Asset	87.915	98.341	11.86
Financing	60.584	67.753	11.83
Income as Mudharib	7,29	7,69	5.4
Third-Party Funds	77.903	87.472	12.28
Equity	7.314	8.039	9.91
Operating Profit	470.206	839.990	78.64
Net Profit	365.166	605.213	65.74

Source: (Mandiri Syariah, 2018b)

Based on this value, Mandiri Syariah's assets reached Rp 104.58 trillion as of October 2019. Even to open an account now it can be done easily and quickly via online (Mandiri Syariah, 2018b). For the future, Mandiri Syariah seeks to increase its productivity and prepare to rise to BOOK IV. However, it turns out that Mandiri Syariah until now has not become a company that listed its shares on the stock exchange. Though the development of shares in the capital market is quite promising. The more development and complexity of the facilities and operationalization implemented by Islamic banks, the more diverse and complex the technology adoption of banks. It is therefore important for Bank Syariah Mandiri (BSM) to continue to innovate and adapt to dynamic business needs where Information Technology (IT) takes a strategic role in the banking industry.

Along with uncertain economic developments, Lampung's economy in the second quarter of 2019 was still able to grow quite solidly reaching 5.62% (YoY), exceeding the average economic growth in the same period over the past five years. In accordance with the seasonal pattern, economic growth in the reporting period was higher than in the first quarter of 2019 of 5.21%. And the achievement of annual city inflation based on the calculation of annual CPI in the second quarter of 2019 in the cities of Bandar Lampung and Metro was recorded at 2.81% (YoY) and 3.25% (YoY) with a high level of consumer consumption especially during the seasonal period of Ramadan and Hari Raya Idul Fitri. In addition, the operation of the payment system and the management of the rupiah money and amid the decline in cash and non-cash payment transactions, the use of electronic money continued to increase. Until the second quarter of 2019, the amount of electronic money continued to grow and grow well in line with supporting infrastructure. Lampung's economy in the fourth quarter of 2019 is estimated to be in the range of 5.1% -5.6% (YoY). Regarding inflation, although it is projected to be higher than the achievement of 2018, the level is still in line with the national inflation target of $3.5 \pm 1\%$ (Bank Indonesia, 2019). The growth of electronic financial transactions was mainly supported by household and private consumption which was quite high and the use of financing loans made the financial technology mushrooming.

This is the reason why in this study, Islamic Financial Institutions in Lampung namely Bank Syariah Mandiri (BSM) was used as a study among Islamic banks in Indonesia. Seeing that so far, the efficiency of Islamic banks in Indonesia has not been optimal so it needs a better performance to achieve company sustainability (Firdaus & Hosen, 2014). The development of financial technology in Lampung is developing rapidly making the business competition tighter. Islamic banks in Lampung certainly require innovation and effective strategies based on sharia principles that are sufficiently competent in the effort to achieve corporate sustainability as the bank's vision and the mission itself. In addition, Financial technology has made Sharia Banks experience a disruption performance, change in consumer behavior, and have a profound impact on the sustainability of company employees. So far, researchers have not found any previous research to reveal the results in which internal Islamic banks are deeply involved in revealing the strategic importance of Islamic innovation and the effectiveness of Islamic bank's sustainable funding. Previous studies revealed research results based on customer perceptions such as service quality innovation (Lay Hong et al., 2016), sustainable IT innovation (Faisol, 2017; Morea & Poggi, 2016), and innovation and effectiveness strategies based on Islamic bank financial statements (Hidayat, 2018).

Supervision continues to be carried out on the implementation of the company's strategy with various business plans for 2019-2021, financing to parties related to BSM banks, and changes in the organizational structure. While the management of human resources is the most important thing in developing a company in accordance with the BSM corporate plan with training costs of 5% of labor costs. BSM continues to make efforts to improve employee efficiency and productivity, provide appropriate and fast rewards and punishments and make rotations and mutations (Mandiri Syariah, 2018b). So far, it is clear that the outlook on business prospects by conducting business prospect analysis is an important matter for BSM.

LITERATURE REVIEW

Basic Concepts of Islamic Banks Sustainability

In the Islamic economic system, Islamic banks are banks that operate in accordance with Sharia Principles. Implementation of sharia principles is the main differentiator with conventional banks and can create sustainability for Islamic banks. In the world of banking, internalizing sustainability into strategic management, and efficiency is a challenge and must be done through strong action (Etzion et al., 2017). Banks have the ability to support social change by considering the effects of economic turmoil and creating business models through innovation (Yip & Bocken, 2018). As an Islamic bank that is able to get through the global crisis because it is guided by the principles of sharia that it runs. In essence, the principle of sharia refers to Islamic sharia which is guided by the *Qur'an* and the Hadith. Islam as a religion is a concept

that regulates human life comprehensively and universally both in relation to the Creator (*HabluminAllah*) and in fellow human relations (*Hablumminannas*).

There are three main pillars in Islamic teachings. The first is *Aqedah*, a component of Islamic teachings that regulates belief in the existence and power of God so that it must be the faith of a Muslim when carrying out various activities on earth solely to obtain the pleasure of Allah as the caliph who gets the mandate from God. Secondly, Sharia as a component of Islamic teachings governing the life of a Muslim both in the field of worship (*habluminAllah*) and in the field of *muamalah* (*hablumminannas*) which is the actualization of the creed that becomes his belief. While *muamalah* itself covers various fields of life, among others, involving the economy or property and commerce is called *muamalah maliyah*. And the third is Akhlaq, which is the foundation of behavior and personality that will characterize him as a devout Muslim based on sharia and *aqedah* that guides his life so that he is called *akhlaqul karimah* (Chapra, 1993).

Chapra (1993) explains that Islamic banking must always be in the corridors of sharia principles as follows: 1) justice i.e. sharing profits based on real sales according to the contributions and risks of each party; 2) partnership, which means the position of investors (depositors), and users of funds, as well as financial institutions themselves, are aligned as business partners that synergize with one another to gain profit; 3) transparency, sharia financial institutions will provide financial reports openly and continuously so that investor investors can find out the condition of the funds; and 4) universal, which means that it does not distinguish between tribes, religions, races, and groups in society in accordance with Islamic principles as *rahmatan lil alamin*.

Sharia principles that are prohibited in sharia banking operations are activities that contain elements, First, namely the Prohibition of *maisir* by Allah SWT due to the negative effects of *maisir*. When gambling a person is faced with conditions that can profit or lose abnormally. One time when someone is lucky he gets a greater advantage than the business he does. Whereas when unlucky someone can experience a huge loss. Gambling is not in accordance with the principles of justice and balance so it is forbidden in the Islamic financial system (Naqvi, 1997). Second, in economic activities, *gharar* is prohibited because of its association with consuming the property of others in ways that are not justified in Islamic teachings, so it is not merely an element of risk (Ash-Shawi, 2008).

Third, the prohibition of usury against the economic activities of Muslims because it contains elements of exploitation that harm one of the parties making a contract or agreement (Arif, 2015). Business ventures as in Islamic banks are continuously carried out to minimize various obstacles and challenges to the company. Sustainable business is a business model that manages triple bottom online where the company manages five main fulcrums (5P) namely finance (profit), planet, prosperity and peace, partnership and social environmental impact and people's welfare in a different way from conventional means where companies only think in financial terms

without thinking about the effects on the environment and social life (Elkington, 1997; Wibisono, 2007). Several previous studies have linked triple bottom line with corporate sustainability, where the method used is not only safe for the surrounding environment but also has good quality to succeed in competitive international markets (Nayyira, 2018; Uniamikogbo & Amos O., 2016).

In financial institutions, this kind of criteria can also be used to determine whether a company is eligible to receive funding or not. Because as the current development, the threat of environmental damage and the natural habitat of living things due to industry and companies that are not responsible is quite high. In addition to helping environmental sustainability and also the government, sustainable business can give birth to innovations and motivate companies to take action to save the environment either because they want to obtain financing from bank and non-bank financial institutions, the surrounding environment or because of the form of social responsibility from the company itself.

a. Sustainability Financial

Financial sustainability studies the contract design problems faced by organizations/companies in the scope of financial lending by paying attention to the outreach, sustainability, and effect of loans on lending targets. The sacrifice between outreach, sustainability, and financial leverage is formed by the costs of monitoring and delegation in a relationship between borrowers, borrowing staff, equity owners, and outside investors (Conning, 1999).

Sustainable finance as in the financial statements aims to encourage financial service institutions to implement more environmentally friendly financial practices by 'greening' the customer base and prioritizing financial transactions for environmentally friendly business projects. Sustainable finance is not only good for the environment but also good for financial service institutions who have successfully practiced it. "By implementing business ethics, financial service institutions can increase the value of their brand while reducing the risk of potential reputation. Reputational risk and credit risk usually arise from investment projects that threaten environmental sustainability. Prioritizing investments in environmentally friendly business activities can help LJK overcome company risks and ensure company sustainability.

This work is believed to continue to contribute to the long-term development and sustainability of commodity markets (WWF, 2015). The development of a framework for integrating environmental, social, and governance (*Lingkungan, Sosial, dan Tata Kelola* (LST)) aspects into financially sustainable banking, including 1) identification of the level of bank's ongoing financial implementation at present; 2) determine the bank's target in increasing financial integration sustainability; 3) development and determination of a sustainable policy framework at the corporate level; and 4) refinement and determination of sectoral financing policies for the industry (Gunawan & Yudawisata, 2015).

b. Sustainability Reporting

According to Heemskerk et al. (2002), what is meant by 'sustainability report' is' as public reports by companies to provide internal and external stakeholders with a picture of corporate and activities on economic, environmental and social dimensions. In shorts, such reports attempt to describe the company's contribution to sustainable development. The company seeks to describe the company's contribution to sustainable development. The report described contains financial and non-financial reports consisting of information on social and environmental activities that enable the company to grow continuously (Elkington, 1997).

Companies that want long-term sustainability are required to manage and implement these concepts as well as possible. To obtain the benefits of a sustainability report, the company must implement the principles of good reporting, namely:

Table 2
Principles of Company Reports

No	Principles of Financial Statements	Provisions
1	The principle in determining the Report Content which consists of four indicators namely;	identify the contents of the report by considering the activities, impacts, and substantive expectations and interests of the company's stakeholders
2	<i>Stakeholder involvement</i>	Identify stakeholders and explain how the organization responds to expectations and interests appropriately
3	Sustainability Context	Present organizational performance reports in the broader context of sustainability
4	Materiality	The report includes aspects that must reflect the positive impact of various dimensions (economic, social and environmental)
5	Completeness	Filled with material and boundary aspects to enable stakeholders to assess the company's performance in the reporting period
6	Principles Determine Report Quality	Provide directions in the form of alternative choices to ensure that the quality of information is appropriate

Source: (Global Reporting, 2013)

The purpose of the principles of the report is to provide good quality information and to increase transparency in a balanced, accurate and timely manner so that the reports that are later published are also reliable and clear. Thus there will be an increase in investor confidence and company performance (Hirigoyen et al., 2015).

Strategic Islamic Innovation

Innovation is any activity that cannot be generated with one hit, but rather a long and cumulative process, covering many decision-making processes, from the discovery of ideas to their implementation in the market (Urabe et al., 1988). Strategic or also referred to as tactics is a specific approach that is carried out and has a beneficial effect on a particular goal in the long run (Milkovich & Boudreau, 1994). While true innovation is a new way in a company's work arrangements to encourage

and promote competitive advantage from competitors. The point is that the need to improve or change a product, process, or service and encourage business people to think independently and channel their creativity to the company.

So what is meant by sharia innovation strategies are new ways that are specific and are carried out based on sharia principles and have beneficial effects in the long run. Moroni, Arruda, and Araujo (2015) explain how to design and innovate using technology in a competitive organizational environment. The point is to stay innovative to compete by always being strategic. First, new designs to reach ideas and methods that can be used to improve the meaning of overall management efficiency as a basis for improving the quality of processes for the development of new products/services, strategic planning, and managerial team skills.

Second, market dynamics require constant change, therefore it is important to conduct competitive startup management by determining success strategies with principles and practices for building an organizational design culture (Fraser, 2012). Third, interpreters are also needed. Fourth, translators have a role in providing an understanding of how people give meaning, supporting anticipation of trends, collegial relationships, and relationships with consumers or customers. This is a unique way in the midst of advances in digital technology and can direct strategies to support new products/services that give importance to customers. Human resources can be utilized to establish good relationships with customers. Because the relationship in the concept of Islamic economics is human relations with humans and humans with a very sacred environment.

"The innovation process consists of three actions, namely 1) listening, which is carried out between the company and the translator where the greatest opportunity to get new information and greater competitive advantage; 2) inter-person or following up on sources of information and company ideas, technology and resources, and the development of innovative significance for certain products; and 3) broadcast, namely the spread of radical innovations can be done because new levels of innovation may not be ready to accept these innovations, it is necessary to use proactive measures to facilitate assimilation and the adoption of new meanings through advertising and marketing." (Moroni et al., 2015).

The triple bottom line is a concept of disclosure of company money statements that reflects the company's overall performance (Elkington, 1997). Business actors who want sustainability of their businesses must be able to synergize them in company performance. "The triple bottom line consists of people (companies that care about the social and the environment) including prosperity, partnership, and peace (Lopez-Cabrales & Valle-Cabrera, 2019); profit (the company seeks to increase profits for the company) both accounting (Foran et al., 2005), investment, savings, financing, or digital technology; and planet (the company's ability to preserve nature/the earth) or known as Corporate Social Responsibility (CSR) which, according to Elkington (1997),

Slaper (2011), Svensson et al. (2018) is a direct effect on the economic, social, and environmental dimensions."

Efficiency in Islamic Economy

The effectiveness and efficiency of institutions are very necessary to achieve the objectives of the economic benefits of Islam. Efficiency by Islamic banks can reduce the effects of the crisis of global (Novandra, 2014). Conventional economics criticizes the concept of economic efficiency, both allocative efficiency and technical efficiency. One theory of efficiency in contemporary Islamic economics is the theory of allocation efficiency proposed by Adiwarman Karim. When banks are unable to improve efficiency, the banking opportunities for sustainability will be even lower. As the theory put forward by Karim regarding the efficiency of equitable allocation in the operationalization of the economy and finance. The following are theories of efficiency in the view of Islamic economics:

a. Allocation Efficiency

The theory of allocation efficiency according to Adiwarman Karim is basically built from conventional efficiency theory, which was built by Pareto. The difference is in the *infaq* and *sadaqah* values that provide utility values by maximizing production. This theory also considers the value of justice for consumers, whether the endowment is equal or uneven, the most important is that the key is committing wrongdoing (being *zalim*) and wrong (*zalim*) (Karim, 2003). If the market is maximized the input and output will be comparable. Conditions of Efficient distribution, where one can no longer add utility to an item (richer) without making another individual's utility hurt (worse) (Nicholson, 1995). According to Adiwarman Karim, the concept of Pareto Efficiency or Efficiency was first formulated in Islamic economics. This is taken from words

Islamic economics lends economics to increase utility with personal assistance reducing economic utility. Budget Efficiency describes available compilation available resources. Each in the initial market economy unit has an initial capital (endowment) to each other (Karim, 2003).

b. Efficiency and Fairness

The concept of Islamic economics also encourages efforts to increase endowment (increase production possibility frontier) or in this context enlarge the Edgeworth Box. This is because in the concept of Islamic economics: 1) the existence of a fair concept in Islam is "do not wrong (*Dzalim*) and not wronged (being *dzalim*-ed). You can endowment "equally or not equally; and 2) the concept of *zakat*, *infaq* and *sadaqah*. The value of *zakat*, *infaq*, and *sadaqah* is in line with the maximization of Production Frontier Responsibility. To maximize utility by giving *zakat*, *infaq*, and *sadaqah* if it has reached the Production Possibility Frontier. Someone can only issue

zakat, infaq, and sadaqah if they have reached the levels of *Nisab and haul*. If you want to enlarge other people's utilities, then he must enlarge personal utilities by issuing *sadaqah* by maximizing input (Uma & Bougie, 2010).

Distribution and allocation of resources are carried out with maximum profit with the same endowment and uneven endowment. With both conditions, you can achieve equity and efficiency together. This efficient condition is called the optimum Pareto condition. Pareto optimum is a general equilibrium condition that is to be achieved in every economic activity in conventional economic markets. Optimum Pareto describes an efficient balance, wherein a Pareto condition the community as economic actors cannot increase their optimal level of satisfaction without harming the satisfaction level of others. If these conditions have been achieved, then actually welfare has been achieved for the community. The social welfare function is the sum of the utilities of all parties. This is formulated as follows $W(U_1, \dots, U_n) = \sum U_i$ The more individuals, the greater the value of social welfare (Mardiyah, 2016).

RESEARCH METHODS

This type of research is explanatory research in which the researcher explains the causality relationship through variables with hypothesis testing to answer questions and research objectives (Singarimbun & Effendi, 1989). The approach used in this research is correlational quantitative research. When viewed from the data collection techniques, this study includes survey research. In this case, the researcher did not treat respondents, but the researchers directly measured all the research variables as they were using the research instrument that had been prepared. Data collection methods used in this study were questionnaires. The questionnaire is one of the information gathering techniques that can be analyzed by the attitudes, beliefs, behaviors, and characteristics of some people in the organization who can be affected by the existing system (Siregar, 2010). The questionnaire of factors that affect the ability of 'sustainable financing' refers to factors that have been studied by previous research and GRI G4 in 2013.

The following is an explanation of the data collection methods used: (1) the questionnaire was distributed to respondents directly, and (2) A literature study was conducted to obtain secondary data supporting this research and relevant previous research results.

The location of this study is Bank Syariah Mandiri (BSM) in Lampung Province. This study uses a non-probability sampling technique with convenience sampling method, which is to choose units of analysis in a way that is considered in accordance with the design and research objectives. The research population is the entire research sample of 30 people consisting of Branch Managers, MBM, Pawning staff, Provider units, and staff related to BSM savings and financing products in Lampung Province, both branch offices, sub-branch offices, and cash offices. The time of the study starts from January 2019 until June 2020.

The data in this study use primary data and secondary data. Primary data obtained through filling out the questionnaire to respondents. Meanwhile, secondary data was obtained from supporting data through literature studies, journals, mass media articles, and books related to this research topic. In this study, there are two classifications of variables, namely the independent variable, and the dependent variable. In this study, the independent variables used are innovation (X1), efficiency (X2), and sustainable Islamic banks (Y).

RESULT AND ANALYSIS

Overview of Research Objects

The following is BSM Syariah in Lampung Province, both branch offices, sub-branches, and cash offices.

Table 3
Lampung Syariah Bank Mandiri Office

No	Branch Name
1	BSM Branch Office / <i>Kantor Cabang Pembantu</i> (KCP) Bandarlampung Kedaton, Jl. Teuku Umar, Kedaton, Sidodadi, Kec. Kedaton,
2	BSM Polteks Tanjung Karang Jl. Soekarno Hatta No.1, Rajabasa Raya, Hajimena, Bandar Lampung, Kota Bandar Lampung, Lampung 35142
3	BSM Jl. Panjang Sribhawono, Desa Srimenanti, Kecamatan Bandar Sribhawono, Mataram Baru, Kabupaten Lampung Tim
4	BSM JL. Proklamator Raya, No. 1-3, Bandar Jaya Bar., Bandar Jaya, Kabupaten Lampung Tengah, Lampung 34163 Telephone : (0725) 529826
5	BSM JL. Jend Sudirman, No. 27, Blambangan Umpu, Bandar Lampung, Talang, Telukbetung Selatan, Kota Bandar Lampung, Lampung Telephone : (0726) 529825
6	BSM JL. Teuku Cik Ditiro, Sumber Rejo, Kemiling Bandar Jaya, Sumber Rejo, Kec. Kemiling, Kota Bandar Lampung, Lampung 35155 Telephone : (0721) 271508

Source: (Mandiri Syariah, 2018)

Bank Syariah Mandiri (BSM) Lampung Province has several collection products including: 1) BSM savings, namely sharia savings with a minimum initial deposit of IDR 80,000 with a competitive profit sharing ratio, has e-banking facilities, and BSM card facilities that have functions as ATM and debit; 2) BSM Demand Deposits are means of depositing funds in the form of rupiah currency with a minimum initial deposit of Rp500,000, monthly administrative costs to be borne by customers are Rp15,000, checkbook/giro Rp100,000 expenses, and managed using sharia contract *Wadiah yad dhamanah* ; 3) planned savings, namely term savings that provides a tiered profit sharing ratio with an initial deposit of Rp 100,000, and a minimum fund of Rp1,200,000 to a maximum of Rp200,000 in a period of 1 to 10 years; 4) Investa *Cendikia* savings, namely term savings for the purpose of education funds with a fixed monthly deposit for 1 to 20 years supplemented by insurance protection, and a minimum monthly deposit of Rp100,000 to Rp10,000,000 with a multiple of Rp50,000;

and 5) gold installments, which are facilities provided by BSM to help customers finance the purchase/ownership of gold in the form of a minimum of 10 grams with enough to set aside funds of Rp4,000 per day (Mandiri Syariah, 2018a).

Whereas the financing products owned by BSM as one of the ways to get closer to the community and realize sharia *maqasid* are: 1) BSM Implants are consumer financing in the form of rupiah currency issued by banks to permanent employees of the Company whose submissions can be done in bulk (groups). This financing is intended for purchasing customer goods (*halal*) and purchasing or obtaining service benefits; 2) financing to retirees is financing provided to retirees by providing consumer financing facilities (including multipurpose financing) with installment payments made through direct deduction of pension money received by banks every month (monthly pensioners). The contract used for this financing product is a *murabahah* or *ijarah agreement*; 3) BSM Griya financing is short, medium, or long-term financing to finance the purchase of residential houses, both new and used that are provided to the developer environment with a *murabahah* contract system; 4) Subsidized Griya BSM financing is financing for ownership or purchase of healthy simple houses (healthy hospitals/RSH) built by developers with the support of advance subsidy facilities from the government; 5) Motor Vehicle financing is financing to purchase a vehicle.

Working Capital Financing provided with the following objectives: a) corporate financing (for *musyarakah* contracts, revolving fund financing, *mudharabah* contracts, and warehouse receipt financing); b) commercial financing (financing that is only valid for a maximum of 1 year in the form of rupiah and foreign currencies; and c) small banking financing (short-term financing for the fulfillment of working capital with a limitation limit of > 500 million to 5 billion, using Gross Annual Sales to obtain working capital up to 25 billion rupiahs).

Investment Financing and related investments are divided into corporate, commercial, and small banking under their respective conditions. Heavy Equipment Ownership Financing is a financing facility provided to businesses that have businesses related to heavy equipment investment with a sale and purchase or lease financing scheme with ownership options. Shophouses ownership financing provided to individual customers or business entities for the needs of shophouses investment with *murabahah* contracts. Micro Business Financing is aimed at self-employed customers or traders with a financing platform of Rp 200,000,000. Multipurpose Microfinance and Versatile Alliances aimed at small, medium, and micro-businesses (MSMEs).

And finally, BSM has a service product, as follows: 1) Save Deposit Box or goods storage service, which is a service offered to store valuable objects or documents. Documents will be kept in a special room with security guarantees from the bank; and 2) E-Payroll, which is a service payment of company or agency employee salaries only by providing a list of employees and the nominal salary to be paid through BSM.

Research Hypothesis Test Results

Based on the Coefficient output table we can get the multiple linear regression equation as follows:

Table 4
Output model Summary, Anova table, and Coefficient

Model Summary						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	
1	,898 ^a	,806	,791		2,314	
a. Predictors: (Constant), Efisiensi_X2, Inovasi_X1						
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	598,910	2	299,455	55,931	,000 ^a
	Residual	144,557	27	5,354		
	Total	743,467	29			
a. Predictors: (Constant), Efisiensi_X2, Inovasi_X1						
b. Dependent Variable: Sus_Y						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	10,441	2,778		3,758	,001
	Inovasi_X1	,491	,074	,743	6,667	,000
	Efisiensi_X2	,123	,064	,215	1,928	,004
a. Dependent Variable: Sus_Y						

Sourced: Processed Data, SPSS 19.0, 2020

- a. The regression equation formula in this analysis is $Y = 10.441 + 0.491X_1 + 0.123X_2$. And the coefficient value $F_{count} (55.931) > F_{table} (3.35)$. This means that the regression model that is built is valid as a predictor model.
- b. Multiple Correlation Analysis (R)
Based on the output model summary table, it is explained that the correlation coefficient value is 0.898, which shows that there is a very strong relationship between the two independent variables (sharia innovation and efficiency) on the dependent variable (sharia bank sustainability).
- c. A Determination Analysis (R²)
Based on the model summary table the results of R² (R Square) show a value of 0.806 or 80.6%. This explains that the percentage contribution of the influence of the independent variable on the dependent variable is 80.6%. While the remaining 19.4% is influenced by other variables not included in the research model.

The Role of Sharia Innovation Strategy and Efficiency in Sustainability of Bank Syariah Mandiri

Based on the results of data analysis revealed that there is a positive and significant effect of 80.6% between sharia innovation and sharia efficiency on BSM Lampung's sustainability capabilities. The results of this data analysis are in line with previous research by (Akhisar et al., 2015; Rajapathirana & Hui, 2018), "innovation influences banking performance." Continuous innovation in this study consists of a triple bottom online which is a formula for corporate success on social responsibility, good corporate criteria, and the ability of the company's 'sustainable funding'. The results of this study are also in line with research conducted by Ongera and Ndede which states that the current phenomenon in which Sharia Banks are looking for innovations to face competition, especially as an effort to sustainably stabilize Islamic financial institutions (Ongera & Ndede, 2019).

BSM can take advantage of information and technology (IT) in supporting the development of Islamic bank innovations going forward. For example, by developing new applications that are more sophisticated than Fintech and i-mobile banking applications that exist today. And also uses banking accounting applications with more sophisticated international standards.

The Government supports strategic steps in utilizing information technology in terms of developing the banking industry in a sustainable manner with the issuance of Bank Indonesia Regulation (PBI) 18/40/PBI/2016 concerning Implementation of Payment Transaction Calls and OJK Regulation No.77/PJOK.01/2016 concerning Loan Services and Lending based on Information Technology.

The main reason BSM uses sharia innovation is that sharia values are part of the sharia *maqasid* which is achieving the benefit of the people as BSM's vision and mission. According to Mursid et al. (2019), sharia values have a mediating role in the relationship between innovation and the development of sharia-based products as new products for New Product Development & Introduction (NPDI) and New Product Development (NPD) performance. Therefore, strategic sharia innovation must be carried out by updating products that are in line with the structure between the ideal and the supported (Laldin and Furqani, 2016). In other words, sharia innovations carried out by BSM in developing new products must be adapted to the structure and supported by all stakeholders.

In essence, the values of sharia in innovation refer to Islamic sharia which is guided by the Quran and the Hadith. There are three main pillars in the application of sharia values. The first is *aqeedah*, a component of Islamic teachings that regulates belief in the existence and power of God so that it must be the faith of a Muslim when carrying out various activities on earth solely to obtain the pleasure of Allah as the caliph who gets the mandate from God. Secondly, Sharia as a component of Islamic teachings governing the life of a Muslim both in the field of worship (*hablumminAllah*) and in the field of *muamalah* (*hablumminannas*) which is the actualization of the creed that becomes his belief. While *muamalah* itself covers various fields of life, among others, involving the economy or property and commerce is called *muamalah maliyah*.

And the third is *Akhlaq*, which is the foundation of behavior and personality that will characterize him as a devout Muslim based on sharia and *aqeedah* that guides his life so that he is called *akhlaqul karimah* (Chapra, 1993).

Islamic innovation both in terms of governance, strategic management and products are inseparable from the practice of Islamic Economics which regulates the economic life of the people which, among others, outline are as follows: First, do not allow various forms of activities that contain elements of speculation and gambling including activities an economy that is believed to bring harm to society. Islamic economics places the function of money solely as a medium of exchange and not as a commodity, so that it is not feasible to trade let alone contain an element of uncertainty or speculation (*gharar*) so that what exists is not the price of money let alone related to the passage of time but the value of money to exchange with goods.

Second, a property must revolve (initiate) so that it should not only be centered on a handful of people and God does not like people who hoard property so that it is not productive and therefore for those who have unproductive assets will be subject to *zakat* greater than if it were productive. This is also based on the teachings stating that the position of humans on earth as a caliph who accepts the mandate from God as the absolute owner of everything contained in the earth and the task of humans to make it as much as possible prosperity and human welfare.

Third, working and/or earning a living is worship and obligation so that no one without work, which means ready to face risks, can get benefits or benefits (compare with the acquisition of bank interest from deposits that are fixed and almost without risk). Fourth, in various fields of life including economic activities must be carried out transparently and fairly on the basis of like and without coercion from any party. Fifth, there is an obligation to record every transaction, especially those that are not in cash and the existence of reliable witnesses (symmetry with the accounting profession and notary).

The sixth is *zakat* as an instrument to fulfill the obligation to set aside assets which are the right of others who are eligible to receive, as well as a strong suggestion to issue *infaq* and *sadaqah* as a manifestation of the importance of equal distribution of wealth and fighting poverty. The last is the fact that it has become an agreement of scholars, jurists, and Islamic bankers among the Islamic world which states that bank interest is usury and usury is forbidden (Mannan, 1997).

Continuously Developing BSM Sharia Innovation

BSM supports various sharia innovation developments on an ongoing basis. This is evidenced by the emergence of products and the superior financing of BSM Lampung Province, for example, just gold installments and mortgage financing for the middle to lower classes. The practice of sharia innovation is in line with research conducted by Beaver and Christopher who revealed that the banking industry currently pays special attention to innovation because it has funding for the company developing

products and services (Beaver & Prince, 2002). BSM Lampung province understands that sharia innovation cannot be done in just one time or one period. But it must continue to be evaluated and adjusted to the situation and development of the world economy, especially the Indonesian economy. Therefore, BSM Lampung province is very upholding the principle of prudence. This is consistent with research which states that innovation is any activity that cannot be generated with one stroke, but rather a long and cumulative process, covering many decision-making processes, from the discovery of ideas to their implementation in the market (Urabe et al., 1988).

Islamic innovation affects the sustainability of Islamic banks and to achieve it, sustainable finance must continue in a stable condition. Sustainable finance aims to encourage financial services institutions to implement more environmentally friendly financial practices by 'greening' their customer base and prioritizing financial transactions for environmentally friendly business projects. Sustainable finance is not only good for the environment but also good for financial services institutions who have successfully practiced it. Islamic innovation can also be applied to corporate governance. BSM Lampung province is committed to maintaining the quality of customer service and business ethics in financial transactions, especially financing in accordance with sharia principles. "By implementing business ethics, financial services institutions can increase the value of its brand while reducing the risk of potential reputation. Reputational risk and credit risk usually arise from investment projects that threaten environmental sustainability. "Prioritizing investments in environmentally friendly business activities can help financial services institutions overcome company risks and ensure company sustainability. This work is believed to continue to contribute to the long-term development and sustainability of the commodity market." (World Wildlife Fund, n.d.).

BSM Lampung Province in undertaking sharia innovation strategic steps in the development of an integrated framework of environmental, social and governance financial services institutions aspects into financially sustainable banking, including by undertaking: 1) identification of the level of sustainable financial application of banks today; 2) determine the bank's target in increasing financial integration sustainability; 3) development and determination of a sustainable policy framework at the corporate level; and 4) refinement and determination of sectoral financing policies for the industry (Gunawan & Yudawisata, 2015).

Furthermore, to achieve financial sustainability to a certain extent requires certain criteria including 1) being able to develop and maintain stakeholder relations including beneficiaries, financial staff, and investors; 2) obtain various types of funding, including unlimited funds; 3) building financial reserves; 4) assess and manage risks, and 5) strategically manage and finance overland costs.

Relating to service standards aimed at sharia innovation strategies, it requires 1) availability of good facilities and infrastructure; 2) availability of good personnel; 3) responsible to the customer from the beginning of the transaction to completion; 4)

able to serve quickly and precisely; 5) communicating well with customers; 6) guaranteeing the confidentiality of each transaction; 7) has good knowledge and willingness to service; 8) trying to understand customer needs; 9) giving trust to customers (Kasmir, 2004).

Continuous BSM Efficiency Development

Based on the results of data analysis revealed that there is a positive influence between the efficiency of Sharia and BSM Lampung Province sustainability. The results of this data analysis are in line with previous research conducted by Clark et al. (2014) revealed that prudent sustainability practices are influenced by efficiency performance so that in the end it shows that responsibility and profitability are not incompatible, but are fully complementary.

With the efficiency carried out by BSM Lampung Province, it is expected that the benefits gained will increase. Efficient company operational performance is good, the profits will be even greater, therefore it is important for managers to pay attention to cost control so that the ratio of BOPO (operating income) in accordance with existing rules and regulations and has been set by the monetary authority (Kuncoro and Suhardjo, 2002). To realize efficiency, BSM Lampung province must pay attention to factors that affect efficiency. There are four factors that affect company efficiency, namely because of economic arbitrage, the accuracy of the basic valuation of assets, able to anticipate risks that arise, and related to the payment mechanism of the company/financial institution (Fry, 1999). Whereas in terms of budget efficiency, Islamic Economics lends economics to increase utility with personal assistance reducing economic utility.

The concept of Islamic economics is known as efficiency and the value of justice which also encourages efforts to raise endowment (increase production possibility frontier) or in this context enlarge the Edgeworth Box. This is because in the concept of Islamic economics: a) the existence of a fair concept in Islam is "not wrong (*zalim*) and not wronged (being *zalim*). It can be endowment equally or endowment is not equal; b) the concept of zakat, *infaq*, and *sadaqah*. The value of zakat, *infaq*, and *sadaqah* is in line with the maximization of Production Frontier Responsibility. To maximize utility by giving zakat, *infaq*, and *sadaqah* if it has reached the Production Possibility Frontier. Someone can only issue zakat, *infaq*, and *sadaqah* if they have reached the levels of *Nisab* and haul. If you want to enlarge other people's utilities, then he must enlarge personal utilities by issuing *sadaqah* by maximizing input (Uma and Bougie, 2010).

Distribution and allocation of resources are carried out with maximum profit with the same endowment and uneven endowment. With both conditions, you can achieve equity and efficiency together. This efficient condition is called the optimum Pareto condition. Pareto optimum is a general equilibrium condition that is to be achieved in every economic activity in conventional economic markets. Optimum

Pareto describes an efficient balance, wherein a Pareto condition the community as economic actors cannot increase their optimal level of satisfaction without harming the satisfaction level of others. If these conditions have been achieved, then actually welfare has been achieved for the community. The social welfare function is the sum of the utilities of all parties. This is formulated as follows $W(U_1, \dots, U_n) = \sum U_i$ The more individuals, the greater the value of social welfare (Mardiyah, 2016).

Efficiency in the field of human resource utilization in the midst of competition is very much needed. BSM Lampung Province also conducts human resource efficiency due to the impact of the world economy. They are required to be familiar with relevant trends, have suggestions, and embrace all stakeholders to become one unit by fostering trust in various projects/business ventures with attention to efficiency. In other words, human resource management is one of the factors that influence the company's sustainability, when it can be empowered as efficiently as possible.

The basis of planning that takes into account good efficiency, BSM Lampung Province must meet the following five elements, namely; 1) forecasting, assumptions about what happened, 2) the use of scenarios by determining alternative future scenarios or events that might occur so that the company will be more flexible; 3) benchmarking, namely better evaluating a performance flow and determining the possible actions to be taken; 4) stakeholder participation and involvement; and 5) the use of planning staff in directing and coordinating the overall planning system (Griffin, 2003).

In creating innovations and efficiency, Islamic banking must always be in the corridors of the following principles: 1) justice, i.e. sharing profits based on real sales according to the contribution and risk of each party; 2) partnership, which means the position of investors (depositors) customers, and users of funds, as well as financial institutions themselves, are aligned as business partners that synergize with one another for profit; 3) transparency, Islamic financial institutions will provide financial reports openly and continuously so that investor investors can find out the condition of their funds; 4) universal, which means that it does not distinguish between tribes, religions, races, and groups in society in accordance with Islamic principles as *rahmatan lil alamin* (Chapra, 2001).

CONCLUSION

From the results of data analysis, it is known that the sharia innovation variable significantly influences the BSM sustainability in Lampung Province. The positive value coefficient means that there is a positive relationship between sharia innovation and sharia bank sustainability, the more sharia innovation increases, the sharia bank sustainability will also increase. From the results of data analysis explains that the value of efficiency variables significantly influence the sustainability of Islamic banks. The positive value coefficient occurs a positive relationship between efficiency and the

sustainability of Islamic banks, meaning that the more efficiency increases, the more sustainable Islamic banks will be.

The results of the analysis of multiple linear regression data revealed that there was a positive and significant effect of 80.6% between sharia innovation and efficiency on the sustainability of Bank Syariah Mandiri in Lampung Province. While the remaining 18.4% is influenced by other variables not examined in the study. In creating innovations and efficiencies, BSM Lampung Province must always be in the corridors of the following principles: 1) justice, i.e. sharing profits based on real sales according to the contributions and risks of each party; 2) partnership, which means the position of investors (depositors) customers, and users of funds, as well as financial institutions themselves, are aligned as business partners that synergize with one another for profit; 3) transparency, Islamic financial institutions will provide financial reports openly and continuously so that investor investors can find out the condition of their funds; 4) universal, which means that it does not distinguish between tribes, religions, races, and groups in society in accordance with Islamic principles as *rahmatan lil alamin*.

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