



## Development Strategy and Innovation of Non-Bank Islamic Financial Institutions: A Study on BMT, KSPPS, and Islamic Fintech in Indonesia

### *Strategi Pengembangan dan Inovasi Lembaga Keuangan Syariah Non-Bank: Studi pada BMT, KSPPS, dan Fintech Syariah di Indonesia*

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#### Abstrak

Penelitian ini mengkaji strategi pengembangan dan inovasi lembaga keuangan syariah nonbank (LKNBS) di Indonesia, dengan fokus pada Baitul Maal wa Tamwil (BMT), Koperasi Simpan Pinjam Syariah (KSPPS), dan fintech syariah. Lembaga-lembaga ini sangat penting untuk mendorong inklusi keuangan dan mendukung perekonomian masyarakat muslim, terutama di daerah-daerah yang kurang terlayani. Namun, mereka menghadapi tantangan seperti keterbatasan akses terhadap teknologi, rendahnya literasi keuangan, dan persaingan dari lembaga keuangan konvensional. Penelitian ini menerapkan Strategi Blue Ocean dan Model Inovasi Schumpeter untuk mengatasi tantangan tersebut. Strategi Blue Ocean berfokus pada penciptaan ruang pasar yang belum dimanfaatkan dan mengurangi persaingan dengan menawarkan produk dan layanan yang unik, sementara model Schumpeter menekankan pentingnya inovasi berkelanjutan untuk mendorong pertumbuhan dan daya saing. Penelitian ini menemukan bahwa lembaga keuangan syariah nonbank dapat memanfaatkan strategi ini untuk mengembangkan produk keuangan inovatif yang sesuai dengan Syariah dan memanfaatkan platform digital seperti aplikasi seluler untuk pembiayaan mikro, pembayaran digital, dan crowdfunding. Inovasi-inovasi ini dapat meningkatkan efisiensi operasional, memperluas akses pasar, dan melayani masyarakat yang kurang terlayani, khususnya di daerah pedesaan dan di kalangan usaha mikro, kecil, dan menengah (UMKM). Studi ini diakhiri dengan rekomendasi untuk mengadopsi teknologi canggih, mendukung kerangka regulasi, dan meningkatkan penetrasi pasar untuk mendorong pertumbuhan dan keberlanjutan. Dengan mengadopsi strategi-strategi ini, LKNBS dapat memperkuat daya saing mereka dan berkontribusi pada pembangunan ekonomi Indonesia.

**Kata Kunci:** *Lembaga Keuangan Islam Non-bank, Strategi Blue Ocean, Model Inovasi Schumpete*

#### Abstract

This study examines the development strategies and innovations of non-bank Islamic financial institutions (LKNBS) in Indonesia, focusing on Baitul Maal wa Tamwil (BMT), Sharia Cooperatives for Savings and Financing (KSPPS), and Islamic fintech. These institutions are crucial for promoting financial inclusion and supporting the Muslim community's economy, especially in underserved areas. However, they face challenges such as limited access to technology, low financial literacy, and competition from conventional financial institutions. The study applies Blue Ocean Strategy and Schumpeter's Innovation Model to address these challenges. Blue Ocean Strategy focuses on creating untapped market spaces and reducing competition by offering unique products and services, while Schumpeter's model emphasizes the importance of continuous innovation for driving growth and competitiveness. The study finds that non-bank Islamic



financial institutions can leverage these strategies to develop innovative Sharia-compliant financial products and utilize digital platforms like mobile apps for microfinancing, digital payments, and crowdfunding. These innovations can enhance operational efficiency, broaden market access, and cater to underserved communities, particularly in rural areas and among micro, small, and medium enterprises (MSMEs). The study concludes with recommendations for adopting advanced technologies, supporting regulatory frameworks, and increasing market penetration to foster growth and sustainability. By adopting these strategies, LKNBS can strengthen their competitiveness and contribute to Indonesia's economic development.

**Keywords : Non-bank Islamic Financial Institutions, Blue Ocean Strategy, Schumpeter's Innovation Model**

## INTRODUCTION

Non-bank Islamic Financial Institutions (LKNBS) in Indonesia, including Baitul Maal wa Tamwil (BMT), Sharia Cooperatives for Savings and Financing (KSPPS), and Islamic fintech, play a crucial role in supporting financial inclusion and empowering the economy of the Muslim community. With Indonesia having the largest Muslim population in the world, the Islamic finance sector has significant potential to grow as a key pillar of the national economy (KNKS, 2023). LKNBS plays a key role in providing more inclusive financial access, particularly to communities that are underserved by conventional banking systems.

However, these institutions face significant challenges, such as limited access to technology, low financial literacy on Islamic finance among the public, and fierce competition from conventional financial institutions and more established fintech companies (Sharia Knowledge Centre, 2024). To address these challenges, the adoption of appropriate strategies and innovations is essential. One relevant strategy is **Blue Ocean Strategy**, which focuses on creating untapped market space, reducing direct competition, and delivering value to customers. This strategy can help Islamic financial institutions identify and develop products and services that meet the needs of underserved markets (Baetisalamah et al., 2025).

In addition, **Schumpeter's Innovation Model** is also crucial, as this model emphasizes the importance of innovation in creating structural changes within the economy. Innovation in products, processes, and business models can enhance efficiency, effectiveness, and the competitiveness of Islamic financial institutions (Schumpeter, 1942). For example, KSPPS BMT UGT Nusantara has successfully adopted a cashless payment system through the Mobile UGT application, used by over 40,000 members. This innovation not only increases transaction efficiency but also broadens financial inclusion in the community (UGT Nusantara, 2024).

Therefore, this study aims to examine the development strategies and innovations implemented by non-bank Islamic financial institutions in Indonesia, to understand how they address challenges and seize opportunities in this digital era.

## METHODOLOGY

This study uses a qualitative descriptive approach to explore the implementation of Blue Ocean Strategy and Schumpeter's innovation model in the development of non-bank Islamic financial institutions. It aims to understand the natural context and complexity of the phenomenon without manipulating variables. The method is well-suited for gathering detailed insights into naturally occurring phenomena within real contexts, emphasizing participants' activities in specific



social and cultural settings. The researcher will collect data through observations and document analysis, analyzing it inductively to identify patterns, themes, and meanings. The study aims to provide actionable recommendations for developing strategies and innovations in non-bank Islamic financial institutions and contribute theoretically to Islamic economics and strategic management.

## RESULT AND DISCUSSION

This section presents the results and discussion on the development strategies and innovations of Non-Bank Islamic Financial Institutions (LKNBS) in Indonesia, focusing on BMT, KSPPS, and Islamic fintech. It explores the application of Blue Ocean Strategy and Schumpeter's Innovation Model in addressing challenges and leveraging opportunities in the digital era, highlighting their contribution to LKNBS development and financial inclusion in Indonesia.

### 1. Development Strategy with Blue Ocean Strategy

The implementation of Blue Ocean Strategy in non-bank Islamic financial institutions (LKNBS) in Indonesia, such as BMT, KSPPS, and Islamic fintech, provides a strategic approach to create new, untapped markets and offer unique value in line with Sharia principles. This strategy is highly relevant in avoiding direct competition with conventional banks, reducing price wars, and focusing on offering innovative solutions that have not yet been introduced.

By applying Blue Ocean Strategy, non-bank Islamic financial institutions can develop innovative products and services that meet the needs of underserved populations that conventional banks often overlook. For instance, they could create digital Sharia-compliant platforms that facilitate easy access to interest-free financing, Sharia-based payment systems, or investment opportunities via mobile applications.

#### a. Identifying Untapped Market Spaces

The first step in applying Blue Ocean Strategy is to identify underexploited market spaces. Many segments in Indonesia, such as rural areas, the agricultural sector, and micro, small, and medium enterprises (MSMEs), lack access to Sharia-compliant financial services. Farmers and fishermen, for instance, often face difficulties in obtaining flexible financing from conventional banks. Non-bank Islamic financial institutions can cater to these needs by offering products like **musyarakah** (partnership) or **mudharabah** (profit-sharing), which align with the irregular income cycles of these groups. Additionally, MSMEs in rural areas struggle to access capital from banks, and non-bank Islamic financial institutions can create products that are more accessible, with lower rates and more flexible terms, while adhering to Sharia principles.

#### b. Product and Service Innovation for Differentiation and Reducing Competition

Non-bank Islamic financial institutions need to innovate their products and services not only to meet market needs but also to create differentiation, reducing direct competition with conventional financial institutions. For example, developing Sharia-compliant mobile applications that provide services like money transfers, bill payments, and Sharia-compliant investments can make financial services more accessible, particularly in regions previously underserved by banks. Sharia-based crowdfunding platforms also offer



innovative alternatives, enabling people to invest in MSMEs in specific sectors like agriculture or handicrafts, following the profit-sharing principle. This helps reduce reliance on conventional banks, which often do not serve these market segments.

c. **Finding Blue Ocean through Deep Understanding of Market Needs**

Non-bank Islamic financial institutions can discover their blue ocean by deeply understanding the unmet needs of markets not yet served by conventional banks. This process begins with comprehensive market research, such as in-depth interviews, surveys, or observational studies, to identify the needs of populations who are excluded from traditional banking services. For example, market research might reveal that farmers require more flexible financing based on their harvest seasons, not fixed interest rates applied by banks. In such cases, Sharia-compliant financing products like **mudharabah** or **musyarakah** would be more suitable for their income cycles. Furthermore, the use of technology is crucial in unlocking blue ocean opportunities. By leveraging mobile apps or other digital platforms, Islamic financial institutions can offer more accessible, faster, and customized services to populations previously excluded from formal banking systems.

Through the application of Blue Ocean Strategy, non-bank Islamic financial institutions in Indonesia can create more inclusive markets tailored to the needs of underserved communities. By innovating products and services and identifying untapped market spaces, these institutions can reduce fierce competition and unlock significant growth opportunities. Understanding market needs deeply is key to finding a blue ocean, enabling these institutions to develop products that not only meet customer needs but also create added value aligned with Sharia principles.

## 2. Innovation Based on Schumpeter's Model

a. **Identifying Product, Process, and Business Model Innovation**

Schumpeter's model identifies innovation across four main dimensions: product, process, market, and organization. Non-bank Islamic financial institutions like BMT, KSPPS, and Islamic fintech can apply innovation in each of these aspects to improve efficiency, competitiveness, and accessibility to Sharia-compliant financial services. Here are examples of innovation application in each dimension:

- 1) **Product Innovation:** Non-bank Islamic financial institutions can create more flexible Sharia-compliant financing products, such as **mudharabah** and **musyarakah** financing, which reduce dependency on interest. For example, BMT and KSPPS can introduce financing products tailored to the agricultural or fishing sectors, with terms aligned with harvest or catch cycles.
- 2) **Process Innovation:** Operational innovations can improve efficiency and reduce costs. Islamic fintech can develop digital payment systems or peer-to-peer (P2P) lending platforms that enable faster, more transparent transactions with low administrative costs. By automating processes, these institutions can speed up verification and fund disbursement without excessive bureaucracy.



- 3) **Business Model Innovation:** Non-bank Islamic financial institutions can adopt more inclusive and technology-driven business models. For instance, by developing Sharia-compliant crowdfunding platforms, they can allow the public to participate in financing MSMEs. This model not only creates access to financing for MSMEs that were previously underserved but also provides an opportunity for small investors to engage in Sharia-compliant investments.

**b. Innovation as a Driver of Growth and Competitiveness**

Innovation, according to Schumpeter, is the primary driver of economic growth and competitiveness in any industry. For non-bank Islamic financial institutions, innovation serves as the main force behind:

- 1) **Economic Growth:** The innovative products and processes introduced by these institutions can open up broader market access, particularly for sectors such as MSMEs, agriculture, and fisheries. By providing financial solutions tailored to these sectors, institutions can support local economic growth and enhance productivity.
- 2) **Competitiveness:** By offering innovative products, non-bank Islamic financial institutions can differentiate themselves from conventional financial institutions. For instance, BMT and KSPPS can offer more flexible financing products for micro-businesses that cannot access traditional bank loans. These Sharia-compliant products provide added value to customers seeking financial services that align with Islamic principles.
- 3) **Competitive Advantage through Technological Innovation:** The use of digital technology, such as fintech, strengthens the competitiveness of non-bank Islamic financial institutions. Sharia-compliant mobile fintech platforms provide efficient, low-cost financial services, making them more accessible, especially to market segments previously excluded by traditional banking systems. This technology enables faster transactions, improving customer satisfaction.

**c. Using Digital Technology to Drive Efficiency and Accessibility**

Digital technology plays a crucial role in creating innovations that drive efficiency and improve accessibility to Sharia-compliant financial services. Here are some technology applications that can enhance efficiency and accessibility:

- 1) **Sharia Fintech Platforms:** By leveraging technology, non-bank Islamic financial institutions can develop mobile applications offering a variety of financial services such as Sharia loans, investments, and payment systems. These apps provide easy access to financial services without the need for physical branches, improving operational efficiency.
- 2) **Digital Payment Systems:** Non-bank Islamic financial institutions can develop digital payment systems that enable instant and secure transactions. This is especially important for individuals in remote areas who lack access to conventional banks.
- 3) **Sharia Crowdfunding:** Technology-based crowdfunding platforms can connect investors with MSMEs or other productive sectors. By using technology, non-bank





Islamic financial institutions can provide Sharia-compliant funding platforms with transparent and fair terms, aligned with profit-sharing principles.

Innovation driven by Schumpeter's model plays a vital role in developing more market-relevant products, enhancing operational efficiency, and extending market access to segments previously excluded by conventional banks. Digital technology, such as fintech, is crucial in facilitating efficient innovation and accelerating access to financial services. By creating innovative and Sharia-compliant financial solutions, these institutions can gain a competitive edge, contributing to economic growth and competitiveness in an increasingly competitive market.

### **3. Evaluation of Strategy and Innovation and Comparison Between BMT, KSPPS, and Islamic Fintech**

The evaluation of strategy and innovation within non-bank Islamic financial institutions in Indonesia, particularly BMT (Baitul Maal wat Tamwil), KSPPS (Sharia Savings and Financing Cooperatives), and Islamic fintech, provides insight into how these three models leverage innovative strategies to grow in an increasingly competitive market. Blue Ocean Strategy and Schumpeter's Innovation Model form the theoretical foundation for creating competitive advantages and new market opportunities, focusing on value creation for communities previously underserved by conventional banking systems.

#### **a. Evaluation of Blue Ocean Strategy**

- 1) **BMT and KSPPS:** BMT and KSPPS are microfinance institutions that focus on economic empowerment, particularly in areas with limited access to conventional banks. By applying Blue Ocean Strategy, these institutions have developed flexible profit-sharing products (musyarakah and mudharabah) tailored to the needs of rural communities, such as farmers, fishermen, and MSMEs. These products, which are free of interest, attract communities underserved by conventional banking systems. However, BMT and KSPPS face challenges in technology adoption and innovation in service delivery. While they have successfully created flexible Sharia-compliant products, they need to enhance their technology use to reach a broader market and differentiate themselves more clearly from conventional financial institutions.
- 2) **Islamic Fintech:** Islamic fintech has significant potential to apply Blue Ocean Strategy through product and service innovation based on digital technology. By utilizing Sharia-compliant platforms, fintech can offer services like P2P lending, digital payments, and Sharia crowdfunding that are efficient, fast, and affordable. One of the main strengths of Islamic fintech is its ability to access a larger market with lower costs, speeding up transaction processes without the bureaucratic hurdles common in traditional banks.

#### **b. Evaluation of Innovation Based on Schumpeter's Model**

- 1) **BMT and KSPPS:** BMT and KSPPS have innovated in product development, focusing on Sharia-compliant financing options like profit-sharing models. These innovations help provide access to finance for underserved populations in agriculture and MSMEs. However, they have been slower to innovate in terms of processes and



business models, often relying on manual processes for fund disbursement and transactions. To improve competitiveness, BMT and KSPPS need to adopt more inclusive and technology-driven business models, such as developing crowdfunding platforms or digital payment systems.

- 2) **Islamic Fintech:** Islamic fintech is a prime example of innovation in the Islamic finance sector, based on Schumpeter's model. Innovations in product and service offerings, such as P2P lending and Sharia-compliant crowdfunding, as well as operational innovations using digital technology, enhance efficiency and reduce transaction costs. Digital technologies enable fintech platforms to speed up processes like verification and fund disbursement, expanding services to areas previously inaccessible to traditional banking systems. By using technology, Islamic fintech has created more inclusive business models that allow individuals to invest in MSMEs and provide fair, Sharia-compliant funding solutions.

### c. Comparison Between BMT, KSPPS, and Islamic Fintech

Table 1. Comparison Between BMT, KSPPS, and Islamic Fintech

Aspect	BMT (Baitul Maal wat Tamwil)	KSPPS (Sharia Savings and Financing Cooperative)	Islamic Fintech
Business Model	Profit-sharing financing (musyarakah, mudharabah)	Sharia financing for MSMEs and micro enterprises	P2P lending, Sharia crowdfunding, digital payment systems
Product Innovation	Flexible financing based on income cycles	Financing for agriculture, fisheries, and MSMEs	Sharia fintech platforms for loans and investments
Operational Process	Manual processes, less efficient	Manual processes with limited tech adoption	Automated processes with digital technology
Technology	Limited use of technology	Limited use of technology	Mobile apps, digital payment systems, crowdfunding platforms
Market Accessibility	Limited to rural areas and specific communities	Limited to MSME, agriculture, and fisheries sectors	Access to a wider market with low costs and high efficiency

Overall, BMT and KSPPS have significant potential to enhance their competitiveness by adopting more technology and innovating products that align with market needs. Meanwhile, Islamic fintech has already become a strong player in redefining access to Sharia-compliant financial services with fast, efficient, and easily accessible technological innovations. Non-bank Islamic financial institutions need to strengthen innovation in processes and business models to compete with conventional banks and fintech. By leveraging Blue Ocean Strategy and Schumpeter's Innovation Model, these institutions can identify untapped market spaces and develop products that meet Sharia principles while addressing the needs of underserved communities.



## CONCLUSION

This study explored the use of Blue Ocean Strategy and Schumpeter's Innovation Model to enhance the competitiveness of non-bank Islamic financial institutions (LKNBS) in Indonesia, such as BMT, KSPPS, and Islamic fintech. The findings highlight the potential of these strategies to help LKNBS tap into underserved markets, create innovative products, and differentiate from conventional institutions. Blue Ocean Strategy helps identify untapped markets and develop Sharia-compliant products, while Schumpeter's model emphasizes continuous innovation for growth and competitiveness.

LKNBS should adopt advanced technologies like mobile apps, digital payments, and online crowdfunding to enhance service delivery and market reach. Policymakers should support the growth of Islamic fintech with favorable regulations, particularly for digital financial services. Additionally, efforts should focus on expanding outreach in rural areas with tailored Sharia-compliant products and educational campaigns to increase adoption.

Future research could explore the role of digital services and blockchain in Islamic finance and assess the long-term impact of these strategies on other sectors like insurance and asset management.

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