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THE INFLUENCE OF SHARIA GOVERNANCE QUALITY ON THE DIGITAL PERFORMANCE OF SHARIA BANKS

Nur Hasanah [1*]
Syafina Aprilliana [2]
Rayo Jafa Alfarizi [3]
Radita Ayi Widasari [4]
Malwajariah Saragi [5]

[1,2]Universitas Muhammadiyah Sumatera Utara
[*]Email: nurhasanah051206@gmail.com

Abstract:- *This study examines the influence of Sharia governance quality on the digital performance of Islamic banks amidst the accelerating digital transformation in the Islamic finance industry. The main objective of this manuscript is to examine whether strong Sharia governance mechanisms, such as the effectiveness of the Sharia Supervisory Board, the internal Sharia review system, compliance processes, and the level of transparency, contribute to improved digital banking performance. This study uses a quantitative approach with a panel data design obtained from Islamic banks operating in several selected countries over a certain period. Digital performance is measured using various indicators, including the level of digital service adoption, the growth of online-based transactions, and the development of technological innovation. The data are analyzed using multiple regression methods to assess the relationship between Sharia governance quality and the digital performance of Islamic banks. The results show that higher quality Sharia governance has a positive and significant influence on improving digital performance. Banks with strong Sharia supervision tend to gain greater customer trust, encourage the adoption of digital services, and generate sustainable digital innovation. This study concludes that Sharia governance plays a role not only as a compliance instrument but also as a strategic driver of the digital competitiveness of Islamic banking.*

Keywords: *Sharia governance, digital performance, Islamic banking, Sharia Supervisory Agency, Islamic fintech*

INTRODUCTION

The development of digital technology has driven significant transformations in the banking industry, including Islamic banking. The digitalization of banking services has not only transformed how banks interact with customers but also impacted business models, operational efficiency, and the competitiveness of financial institutions. In this context, Islamic banks are required to adapt to digital technological developments without neglecting the Sharia principles that underpin their operations.

Increasing public awareness of the importance of conducting financial activities in accordance with Islamic principles has also contributed to the increased motivation for the growth of Islamic financial organizations, including Islamic commercial banks. However, this progress requires not only compliance with Islamic principles in products and services but also emphasizes the importance of implementing strong and effective Islamic governance. Islamic governance differs from conventional governance, which relies on sound corporate management principles such as transparency, accountability, and independence. Islamic governance also encompasses the additional aspect of ensuring that all organizational operations are in accordance with Islamic values and laws (Kajian & Terkini, 2025) .

The implementation of Good Corporate Governance for Islamic Commercial Banks and Islamic Business Units has essentially met international standards; however, the principle does not explicitly indicate the word "trustworthy." State governance. Banks essentially function as agents of trust because their business depends on public trust. Referring to the PBI, the governance of Islamic Commercial Banks (BUS) and Islamic Business Units (UUS) must apply the principles of transparency, accountability, responsibility, professionalism, and fairness (Hukum & Padjadjaran, 2022) . In addition, the sharia principles stipulated in the Islamic Banking Law must be applied in business activities that do not contain elements of violations. Islamic banking operations must be carried out effectively, in accordance with applicable banking regulations, and in accordance with sharia principles. The Sharia Supervisory Board provides services to Islamic banks or Sharia Business Units (UUS) to ensure that sharia principles are implemented in Islamic banking activities (Agung & Bin, 2020) .

The fintech industry is growing rapidly. Around forty Sharia-compliant fintech companies have been officially authorized by the Financial Services Authority (OJK) to operate in Indonesia, which has the world's largest Muslim population, creating a highly promising market for Sharia-compliant fintech. Fintech in Indonesia holds significant potential as it can meet pressing demands that conventional financial institutions cannot. Furthermore, increasing mobile penetration has helped the country's fintech sector grow rapidly. Approximately 70% of people in the country have internet access via mobile devices (Salsabila, 2023) .

Currently, the use of technology has grown rapidly in developed countries and throughout the world. In developing countries like Indonesia, with technological advancements, mobile banking has become a promising business alternative because it is considered to offer many conveniences for both parties.
With mobile banking, bank services to customers can be improved. Mobile banking is one of the products of every bank that relies on sophisticated GPRS (General Package Radio Service) technology to help customers conduct banking transactions.
The Islamic banking industry, which is a service sector, is gradually improving the quality of its services. Because speed, ease of service, and security are the characteristics of services, therefore, the speed and ease of service must be continuously improved through the use of technology. Because all its operations and products are based on the Qur'an and the Hadith of the Prophet Muhammad (peace be upon him), the Islamic banking system, also known as Sharia banking, is based on the idea that there is profit and loss. (JP Syariah et al., 2020) .

In the face of accelerating digital transformation in the financial industry, the objective of this study is to examine how the quality of Sharia governance impacts the digital performance of Islamic banks. The objective of this study is to determine whether robust Sharia governance mechanisms, such as an effective Sharia Supervisory Board, an internal Sharia review system, compliance, and transparency, contribute to improved digital banking performance. Furthermore, this study aims to assess the role of Sharia governance in enhancing consumer trust, accelerating the adoption of digital services, and encouraging sustainable technological innovation. It is hoped that the research findings will provide practical assistance in the process of developing Sharia governance policies in the Islamic banking industry.

LITERATURE REVIEW

1. Agency Theory
   In the modern economy, company management and administration are increasingly separated from the ownership of the company itself. Therefore, modern trust mechanisms largely rely on a master-servant relationship. This reflects the analysis of agent relationships in accordance with agency theory, which describes the primary conflict between parties in the form of an agent and a real manager, also known as an agency (Mailani Hamdani, 2024) . However, the presence of a third element, compliance with Sharia principles, makes this agency relationship more complex in Islamic banking. A critical perspective suggests that governance issues in Islamic banking are often caused by the emergence of Sharia agency problems, where management tends to ignore Sharia compliance in favor of efficiency and transaction targets, particularly in the development of mobile banking services. Therefore, Sharia governance serves as a strategic oversight mechanism to ensure that digital advancements and the development of technology services remain compliant with Sharia values and transactions. This ensures that commercial objectives do not compromise the integrity of Sharia principles.
2. Sharia Governance
   Sharia governance must provide legitimacy for all Islamic banking activities, not merely serve as an administrative tool. In this context, the effectiveness of the Sharia Supervisory Board (SSB) is reflected in the level of competence of its members, the intensity and quality of supervisory meetings, and its independence from management. With the presence of a SSB, the primary objectives of Islamic banking corporate governance will be achieved. With regard to the function of the SSB, important governance elements are independence, confidentiality, competence, consistency, and disclosure (P. Syariah et al., n.d.) . Several studies have shown that a proactive SSB can increase transparency and accountability in the development and operation of digital features, including mobile banking. Furthermore, the SSB audit function plays a strategic role in ensuring that the SSB implements policies in accordance with Sharia principles.
3. Mobile Banking Service Performance
   In the digital ecosystem, service performance is measured by transaction speed and trust and security, which are essential components of service sustainability. Digital service performance can be measured through the quality of user experience, system availability, and the integrity and protection of customer data. The measurement of Islamic banking service performance has become broader and includes the aspect of "Islamic information quality." Mobile or electronic banking service quality is defined as consumer evaluation and assessment of the excellence and quality of service delivery for online transactions (Pratiwi et al., 2022) . This includes how well mobile banking applications inform customers about the contracts used, such as wadiah or mudharabah, especially when opening accounts and conducting digital transactions, so customers can trust that the service is compliant with Islamic principles.
4. Analysis of the Relationship between Sharia Governance and Digital Performance

The integration of information technology capabilities in oversight, digital transparency, and risk mitigation demonstrates the link between Sharia governance and mobile banking operations. This can minimize the risk of Sharia non-compliance with complex features and improve service quality. The Sharia Supervisory Board (SSB) is required to be involved from the digital product design stage and understand the application workflow. Furthermore, sound Sharia governance enhances user trust by encouraging transparency of information about contracts, fees, and the application's reward mechanisms. Sharia governance ensures that mobile banking operations remain stable and aligned with Sharia principles by conducting rigorous internal Sharia audits of the information technology system (Nazwa et al., 2026) .

METHOD

This study aims to analyze the contribution of the implementation of sharia governance principles to the performance of mobile banking services in Islamic banking. Sharia governance is positioned not merely as a formal regulatory compliance measure, but as a foundation of integrity that should be reflected in the technical and operational aspects of digital services. This study uses a quantitative approach with hypothesis testing to measure the causal relationship between the quality of sharia governance, encompassing transparency, accountability, and sharia compliance as independent variables, and mobile banking service performance as the dependent variable, measured by system reliability, transaction security, and user satisfaction (Aprilia et al., 2025) .

Likert -based questionnaire distributed to active mobile banking customers to capture their perceptions of the implementation of sharia governance and the quality of digital services. The collected data were analyzed using validity and reliability tests and multiple linear regression to assess the influence of each dimension of sharia governance on service performance. This study evaluates the extent to which customers perceive the benefits of sharia values formulated at the policy level through the technology interface. The results are expected to provide empirical evidence that strong sharia governance quality can increase customer trust and loyalty, thereby strengthening the performance of mobile banking services sustainably and in line with sharia principles (Rizoni et al., 2025) .

RESULT AND DISCUSSION

This study examines how the implementation of Sharia governance impacts the performance of Sharia mobile banking services. The primary focus of the study is how Sharia governance principles are applied in digital banking services and how this implementation impacts the customer experience with mobile banking. This study focuses on mobile banking services due to their increasingly strategic role in supporting Sharia banking services in the computer and internet era (Nazwa et al., 2026) .

A. TARIFF Principles

The variables used indicate that sharia governance in the management of mobile banking services is reflected in several key interrelated aspects. These aspects include the application of the TARIF principle (transparency, accountability, responsibility, independence, and fairness), compliance with sharia principles and regulations, the reliability of the security system, and the quality of mobile banking services provided to customers (Mantiri et al., nd) .

B. Compliance with the DSN-MUI Fatwa

Research results show that the implementation of the TARIF principle is a key foundation of Sharia governance, where information transparency, clarity of accountability, compliance with regulations, objectivity in management, and fairness in service build customer trust in mobile banking services. Furthermore, a high level of compliance with DSN-MUI fatwas and Sharia banking regulations strengthens the legitimacy of banks' digital services (Janna & Herianto, 2021) .

C. Quality and Security of Mobile Banking Services

Furthermore, the security system implemented in mobile banking services has been shown to contribute significantly to customers' perceptions of security and convenience (Nazwa et al., 2026) . The protection of customer data and funds through adequate security technology reflects the bank's responsibility to safeguard customer trust and assets. Meanwhile, the quality of mobile banking services, demonstrated through ease of use, transaction speed, and system stability, is a clear indicator of the success of implementing Sharia governance in a digital context (Hendarsyah, 2020) . However, research results indicate dissatisfaction with security and convenience felt by some customers, as some mobile banking services are less responsive to issues complained about by customers who encounter these problems.

D. Customer Satisfaction and Responsiveness

This suggests that the implementation of sharia governance in mobile banking remains focused on the structural dimension and formal compliance aspects, while the interactive service dimension has not been optimally managed. The inability of governance to respond to this condition can be understood based on the clarification of the principle of trust, namely as a form of justice (Aliefiarahma & Sasmita, 2025) . Therefore, the unresponsiveness of mobile banking implies a low level of customer trust and satisfaction in governance. As a result, the integration of technology quality and service quality with sharia governance needs to be considered when considering the customer experience within the mobile banking management framework

CONCLUSION

In the context of rapid technological transformation, the quality of Sharia governance improves the digital performance of Islamic banks. It has been proven that robust governance systems, such as transparency, the performance of the Sharia Supervisory Board (SSB), and compliance procedures, can increase customer trust and accelerate the adoption of digital services. As this study shows, Sharia governance helps banks compete in the competitive digital financial environment by making it more than just a legal obligation.

The TARIF (transparency, accountability, responsibility, independence, and fairness) principles and robust system security are crucial to the success of digital banking services. A security system that protects customer funds and data demonstrates the bank's responsibility to safeguard customer trust and assets in accordance with Islamic principles. Furthermore, the risk of non-compliance with technological advancements is mitigated by the DPS, which actively oversees the operation of digital features and ensures technology policies comply with Sharia principles.

While this study yielded positive results overall, it found that interactive service aspects led to customer dissatisfaction due to a lack of responsiveness to customer complaints. This suggests that the implementation of Sharia governance in digital services still tends to focus on structural aspects and formal compliance, but is not yet optimal in managing responsive service quality. Therefore, Islamic banks must integrate technology quality with better service to continuously increase customer trust and satisfaction .

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