Improving the Performance of Islamic Banking through Technological Innovation and Human Resource Management

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Abstract
This study base on few islamic banks those aplicate syariah law in runing their business. And the question is what the reason the principal of syaria would be executed? Which human resources those will be prepared to for running syariah bank activities? How the application of technology in assistance of bank syariah performance? The results of study are those; many syaria bank run its system not much different from commercial banks. Just change many terms in arabic language. This happen cause the commercial bank system easier and safer than syariah system. To run the syaria system, so be required better quality resources in running of businesss more than comercial banks. So, it need some analysis experts and business supervisors those more professional, to reduce the level of loses. Beside that, with the assistance of technology can help in coordination and communication with other people, especiallly between shohibul mal. Mudharib and partnership

Keywords *: Mudharabah/Musyarokah; Syariah Bank; Technology.*

INTRODUCTION

So far, there are rarely any financial institutions that really enforce the principle of mudharabah or the principle of musyarokah in the true sense. That is in accordance with Islamic law which prohibits usury. Riba means the growth of money. The money grows on its own, without having to experience the risk of loss. Another characteristic of this money riba is that there is an agreement where the borrower will return the excess value, from the nominal amount he lent. (Ahmad & Zabri, 2023) Unlike the principle of musyarokah or mudharabah, if you suffer a loss, you will be jointly covered.

Based on a review of many Islamic banks that do not actually implement sharia principles. They offer financing, with an upfront agreement, that their customers will return a nominal amount of money if added up. For example, in financing housing, if the price of the house is 200 million, then they can finance by providing non-cash for 10 years, with installments of 22 million per year, for 10 years. So that the number becomes 220 million. This is certainly not allowed according to sharia, even if it is by replacing the term interest with 'profit-sharing fee'.

As a form of business, all types of financial institutions are *profit-oriented*, that is, they aim to make profits. With these profits, business performance will be maintained and to finance operational costs, which of course must generate a certain amount of money. This cannot be done if an institution only provides loans, without any increase at all. So most people practice flowering, which according to most scholars is riba. Therefore, it is necessary to find a system breakthrough, which allows to carry out value addition, without having to use this system.

Financial institutions will change the work system, between conventional banking work and Islamic banking work. Of course, the two are different, the system is completely different, so the Human Resources needed are also different. The second thing to be raised in this article is what resources already exist, which must be owned by Islamic banking, so that it can 'guard' Islamic sharia values that are free from the element of usury. In conventional banking, they usually offer lending services, with certain conditions, such as returning with a certain nominal, based on the interest rate offered (Kurnialis et al., 2022). While in the sharia system, the system is very different, namely they must offer *Shariah* (business cooperation), where the first party plays the role of *mudharib*, while others act as shahibul maal, and when the business loses, they will be exposed to the same risk of loss (Saleh & Lubis, 2023). The mudharib party loses between time, opportunity and energy, while the *Sahibul Mal*, have to bear the loss of the business capital that they have spent (Harahap & Siregar, 2022). As well as how the performance system and business management are carried out. Meanwhile, in the musyarokah model, there are other parties who make capital outside of shohibul maal (Harahap & Siregar, 2022). For example, a chicken farmer who owns land and chicken coops, who submits a musyarokah proposal 'cooperation in the field of chicken farming business'. So land and cages are counted as capital in the cooperation contract (musyarokah).

The third problem that I want to raise in this article is, how with the development of technology that already exists today, it can be used to handle the non-riba (sharia) system that it does. These three problems are important to study and will be an academic breakthrough, if it becomes an idea that can support financial organizations, so that we can run a sharia financial system that is completely clean from the element of usury, using existing technological means.

This research aims to analyze the application of sharia principles in banking, identify the necessary human resources, and examine the use of technology in the operations of Islamic banks. The significance of this research lies in the effort to provide a comprehensive overview of the challenges and solutions in the implementation of the true Islamic banking system.

Several previous studies have discussed related aspects, such as the Nadhifah study (2022) which examines the concept and implementation of profit-sharing in Islamic banking (Nadhifah & Anwar, 2022), as well as the Kurnialis (2022) research on Islamic banking in Indonesia (Kurnialis et al., 2022). However, further studies are still needed that integrate human resources and technology aspects in the context of Islamic banking.

The conceptual framework of this research is based on the theory of Islamic banking put forward by (Syafii, 2001) as well as the concept of SDI management described by In terms of technology, this study refers to the concept of financial technology in the context of sharia discussed by (Abubakar & Handayani, 2018).

LITERATURE REVIEW

Islamic Banking

Islamic banking operates on principles derived from Sharia law, particularly emphasizing justice, transparency, and the prohibition of *riba* (interest) (Harahap & Siregar, 2022). This fundamental difference sets Islamic banks apart from conventional financial institutions, where profit is typically derived from interest-based transactions. Instead, Islamic banking employs profit-sharing models such as *mudharabah* (profit-sharing) and *musyarakah* (joint ventures), which encourage risk-sharing between the bank and its customers(Saleh & Lubis, 2023). These systems align with Islamic values, promoting equitable distribution of wealth and preventing exploitation.

The historical roots of Islamic banking can be traced back to the time of Prophet Muhammad, who engaged in *mudharabah* contracts. Early Islamic financial transactions were based on these principles, wherein business risks were shared by both parties involved, reflecting a partnership-based model (Saleh & Lubis, 2023). Contemporary Islamic banking seeks to modernize these age-old practices while maintaining adherence to Sharia law. However, modern challenges persist, such as maintaining competitive business models in a global financial system dominated by conventional banking practices.

The global Islamic banking industry has grown significantly, with regions such as the Middle East, Southeast Asia, and parts of Europe witnessing rapid adoption(Nadhifah & Anwar, 2022). Countries like Malaysia and the UAE are at the forefront, with Islamic banks being key players in the financial sector. Despite this growth, Islamic banking still faces several challenges.

One of the most significant issues is the lack of standardization in Sharia interpretation, which leads to variations in banking practices across different regions(Supriatna et al., 2020). Moreover, the practical implementation of profit-sharing models often meets operational hurdles, as some Islamic banks tend to emulate conventional banking structures, merely replacing terms like "interest" with "profit-sharing" (Shauma et al., 2022). This trend has been criticized for diluting the ethical and risk-sharing essence of Islamic finance.

Further complicating matters is the difficulty Islamic banks face in sourcing Sharia-compliant investments. In regions with fewer Islamic businesses or sectors, Islamic banks often struggle to find viable investment opportunities that adhere strictly to Islamic values (Aziz, 2015) To overcome these challenges, the industry has called for greater innovation, particularly in creating financial products that can compete with conventional offerings while maintaining compliance with Islamic principles.

Islamic Banking Performance

The performance of Islamic banking is often evaluated in terms of financial stability, profitability, and adherence to Sharia principles. Several studies highlight that Islamic banks demonstrate resilience, particularly during global financial crises, due to their asset-backed nature and prohibition of speculative transactions (*gharar*) (Andriani & Putri, 2022). Unlike conventional banks, which rely heavily on interest-based products, Islamic banks focus on ethical investments, making them less vulnerable to financial shocks that typically affect interest-rate-dependent institutions. However, this same asset-backed model can also be a limitation, as it requires a robust legal and financial infrastructure to enforce profit-sharing agreements in a transparent and efficient manner (Raj et al., 2020).

In terms of profitability, Islamic banks face unique challenges. Since *mudharabah* and *musyarakah* contracts involve risk-sharing, Islamic banks are more exposed to potential losses compared to their conventional counterparts, where risks are often transferred to borrowers (Harahap & Siregar, 2022). Additionally, the operational costs of Islamic banks tend to be higher due to the need for Sharia compliance oversight, including regular audits by Sharia boards and stricter regulatory requirements (Supriatna et al., 2020). Despite these challenges, some Islamic banks have managed to maintain profitability by diversifying their portfolios, investing in real assets, and engaging in long-term partnerships with ethical businesses.

Furthermore, research shows that Islamic banking's performance can be bolstered through better integration of corporate governance practices. According to Supriatna et al. (2020), strong governance frameworks that align with Sharia principles help enhance transparency and accountability, thereby improving customer trust and operational efficiency. This is especially important as Islamic banking continues to expand globally, attracting non-Muslim customers who seek ethical investment opportunities (Andriani & Putri, 2022).

Recent studies have also noted that Islamic banks can improve their performance by adopting risk management strategies tailored to their unique financial models. Conventional risk management techniques do not always align with the profit-and-loss-sharing model of Islamic banking, necessitating the development of bespoke approaches that account for the ethical and contractual nuances of *mudharabah* and *musyarakah* agreements (Raj et al., 2020). The integration of these tailored risk management strategies can help mitigate the higher operational risks that Islamic banks face and promote long-term stability and growth.

Technological Innovation in Islamic Banking

Technological innovation has become a driving force in enhancing the efficiency and competitiveness of Islamic banking. As the financial industry evolves, Islamic banks have begun adopting financial technology (fintech) solutions to streamline their operations, increase transparency, and provide better services to their customers (Muhammad & Sari, 2020). One of the most promising technological advancements in Islamic banking is the integration of blockchain technology. Blockchain provides a decentralized, secure platform for recording financial transactions, which is particularly useful in ensuring transparency and compliance with Sharia principles (Septiana & Sanjayawati, 2021). For example, blockchain can be used to verify contracts in *mudharabah* or *musyarakah* arrangements, ensuring that all parties adhere to the agreed-upon terms without the need for intermediaries.

Another significant technological innovation is the use of artificial intelligence (AI) in credit risk analysis. AI algorithms can analyze vast amounts of financial data to assess the creditworthiness of potential *mudharabah* or *musyarakah* partners, reducing the risks associated with profit-sharing contracts (Sulistyowati et al., 2023). This is particularly important for Islamic banks, as the success of these contracts depends heavily on the honesty, competence, and financial stability of the parties involved (Harahap & Siregar, 2022). By leveraging AI, Islamic banks can make more informed decisions, minimize losses, and improve their overall financial performance.

In addition to blockchain and AI, Islamic banks are increasingly utilizing mobile banking platforms to reach a wider customer base. With the growth of smartphone usage, many Islamic banks have developed apps that allow customers to conduct Sharia-compliant financial transactions from anywhere, further improving accessibility and customer satisfaction(Endarwati et al., 2022). Mobile banking also provides a convenient way for Islamic banks to offer educational content about Sharia principles, helping customers understand the ethical foundations of their financial products and services (Andriani & Putri, 2022)

Despite these advancements, the adoption of fintech in Islamic banking is not without challenges. Islamic banks must ensure that technological innovations are fully compliant with Sharia principles, which may require additional oversight and regulatory approval (Trimulato et al., 2022). Additionally, the implementation of new technologies often requires significant investment in infrastructure and human capital, which can strain the resources of smaller Islamic banks (Fermay et al., 2018). However, the long-term benefits of technological innovation, such as increased efficiency, improved risk management, and greater customer satisfaction, make these investments worthwhile.

Human Resource Management in Islamic Banking

Human resource management (HRM) plays a pivotal role in the success of Islamic banks. The unique nature of Islamic banking, which requires strict adherence to Sharia principles, demands that employees possess not only financial expertise but also a deep understanding of Islamic law (Illahi, 2019). This dual competency is crucial for ensuring that all banking operations comply with Sharia while maintaining competitive performance in the financial market.

One of the most significant challenges in HRM for Islamic banks is the recruitment and retention of employees with both financial and Sharia expertise (Permatasari & Ratnasari, 2020). While many conventional banks focus solely on financial performance, Islamic banks must also ensure that their employees uphold ethical standards in line with Islamic teachings. This necessitates comprehensive training programs that cover both the technical aspects of banking and the religious principles that govern Islamic finance (Mufaidah, 2022). Continuous professional development is essential for keeping employees up to date with the latest financial technologies and Sharia regulations.

Another critical aspect of HRM in Islamic banking is the development of leadership based on Islamic principles. Studies have shown that leadership styles rooted in Islamic values, such as justice, transparency, and mutual respect, lead to higher levels of employee satisfaction and organizational effectiveness (Intia & Azizah, 2021). These leadership principles help foster a positive organizational culture where employees are motivated to uphold Sharia principles while striving for financial success.

In addition to leadership, Islamic banks must also focus on cultivating a robust risk management team. As mentioned earlier, the profit-and-loss-sharing model in Islamic banking introduces higher levels of risk, which requires specialized knowledge and experience to manage effectively (Raj et al., 2020). HRM strategies must therefore prioritize the recruitment and development of employees who can navigate the complexities of Sharia-compliant risk management.

Furthermore, as Islamic banks increasingly adopt fintech solutions, the need for employees who are proficient in both financial technology and Islamic finance is becoming more critical. Training programs must evolve to include fintech competencies, ensuring that employees can effectively utilize new technologies such as blockchain and AI in a Sharia-compliant manner (Hasan, 2012). This will enable Islamic banks to remain competitive in a rapidly changing financial landscape while maintaining their commitment to ethical and religious values.

RESEARCH METHOD

This study employs a literature review methodology to analyze and synthesize data from various credible sources. The research draws on secondary data obtained through a systematic review of books, journal articles, and internet sources. Key databases such as Google Scholar, Scopus, and ResearchGate were utilized to ensure a comprehensive collection of peer-reviewed academic studies. These sources were specifically selected based on their relevance to Islamic banking, technological innovation, and human resource management, which are core themes of the study.

The data for this study was gathered using a systematic literature review. The literature review focuses on identifying the critical factors influencing the performance of Islamic banks through technology and human resource development. To ensure the relevance and reliability of the information, only publications from the last ten years were included, with an emphasis on empirical studies. The inclusion criteria for these studies were based on their focus on Islamic finance, financial technology, and Sharia-compliant business models.

The data sources were selected using the following criteria:

1. Relevance to Islamic banking: All data used must contribute directly to the research questions regarding the role of technology and HR in improving Islamic banking performance.
2. Sharia compliance: Sources that accurately reflect Islamic finance principles, particularly mudharabah and musyarakah contracts, were prioritized.
3. Recency and credibility: Only studies published in reputable journals or platforms, indexed in Scopus, Google Scholar, or recognized databases, were included.

RESULTS AND DISCUSSION

Sharia Principle-Based Banks

Basically, all sharia business products are efforts to avoid things that are forbidden by religion (Nurhasanah & Imaniyati, 2019). For example, sharia tourism businesses are not efforts to exhibit sharia symbols, but efforts to sterilize tourism from things that are contrary to religion, for example prohibiting opening the awrah, serving haram food, providing entertainment in which there are liquor services, or games that smell of gambling, and so on. Likewise, Islamic banking, which is a business in the financial sector that avoids contradictory things (Shauma et al., 2022), such as riba or credit in its allocation to develop a prohibited business (for example: providing capital for pig farming).

Its main illegal foundation *usury* It is clear in various verses in the Qur'anul Karim, coupled with several saheeh hadiths, which state the haram of usury (Bello, 2013). But in the development of credit institutions, it is inseparable from this practice. As is known, credit practices, in general, provide a certain amount of money as a loan. If a financial institution applies 0% interest, then it will experience *collapse*, because they have no income. The only means of income is by developing the money, so that from that activity it produces added value, which can be used to run the institution's operations.

The existence of banking institutions is important because it is a place that provides considerable funds for business development (Manurung & Rudy, 2019). They have business funds that come from collecting funds from the community, which is in the form of savings. Almost all business or development activities are financed by banks. Because not all parties are able to provide large funds to develop businesses or carry out development (for example, schools or campuses).

In the modern world, this institution has a central role in carrying out economic development in almost all countries (Manurung & Rudy, 2019). So the problem, on the one hand, is that if Muslims reject banking, then they will be left behind (Kurnialis et al., 2022), considering the vital role of banking in economic development. Meanwhile, if it is taken, it falls into haram behavior. So that contemporary scholars, they declare the halalness of conventional banking transactions, but in the sense of 'temporary', that is, as long as there is no Islamic financial institution that really runs its system based on the principle of anti-usury (Aziz, 2015).

The scholars in developing this anti-usury thought are based on the real practice of life in the time of the Prophet. Where the Prophet and his companions, they were also traders, who also ran their businesses. Looking at some literature, several related histories about the mudharabah business are found, as follow(Saleh & Lubis, 2023);

1. The practice *of mudharabah* between the Prophet Muhammad and Siti Khadijah in the pre-prophetic period.
2. The practice of *mudharabah* between the Prophet's uncle, Abbas bin Abdul Muttalib, and several mudharibs, who carried out their business activities.
3. The practice of *mudharabah* during the time of Umar bin Khattab, which allowed the companions to develop money, from the trading business.

The three histories above are used as a benchmark in developing the banking system in Islam. So that the nature of credit in Islam is not the provision of credit to other parties, in the form of consumptive needs, such as for the purchase of motorcycles, cars or for home purchase installment activities. Because these goods are not productive goods. Except with a note, that the goods are for business purposes, such as being used for motorcycle taxi business. So about determining the ratio, based on the contract between the bank and the customer.

Meanwhile, the evidence about musyarokah can be seen from the hadith about Al Barra' bin Azib once shared with Zaid bin Arqam. Both of them asked the Prophet about this, and the Prophet indicated that the goods purchased from debts should be returned immediately (HR Ahmad) (Wafa, 2017). Both the mudharabah contract and the musharakah contract have had provisions since the time of the Prophet.

There are also businesses that need to be financed by Islamic banking, such as providing capital to farmers who want to plant, but do not have capital in farming, such as seeds, fertilizers, pesticides (if needed), and so on. Where the average farmer needs a cost of up to 4 million/hectare in one planting season. So the amount of the ratio is determined by the prospective *mudharib* or prospective partner with the analyst. This is different from conventional banks which are simpler, namely they can provide capital within 1 year, with a certain amount, with a predetermined nominal return. To reduce the risk of credit default, they have implemented a guarantee/collateral system. Because of the ease of taking *profits* , many businesses established in an 'Islamic' manner choose to take the easy way, then apply it in credit transactions at the microfinance level . In contrast to Islamic banks, if they do not apply a fine system for late payments.(Aisyah & Umiyati, 2018)

Recent developments in Islamic banking show that there are increasingly diverse product and service innovations. According to Andriani (2022), Islamic banks in Indonesia continue to strive to improve the quality of services and products in accordance with sharia principles, but still face challenges in terms of public understanding and competition with conventional banks (Andriani & Putri, 2022).

Meanwhile, Supriatna (2020) analyzed that the application of sharia principles in banking is not only limited to products and services, but must also be reflected in corporate governance and risk management(Supriatna et al., 2020). This is in line with the findings of Amelia and Hardini (2023) who emphasized the importance of strict supervision by the Sharia Supervisory Board to ensure compliance with Islamic principles in the operation of Islamic banks .

Furthermore, Septiana et al. (2021) identified the potential for the development of Islamic financial instruments based on blockchain technology to increase transparency and efficiency in Islamic financial transactions (Septiana & Sanjayawati, 2021). This research shows that technological innovation can be a solution to several challenges faced by Islamic banking in applying sharia principles consistently.

Sharia Banking HR Management

Whether it is Sharia or conventional banking, they both provide services to provide capital or financing for parties in need. So, both have almost the same resources. Such as Managers, Accountants, and even the marketing side. In practice, there is only a change of terms, such as the word *credit* or *investment* is replaced by the word financing, the term deposit, replaced with *wadi'ah, the* term agreement is replaced by *the word contract,* bank interest, replaced with profit sharing/*qiradh*, the term interest rate is replaced with *ratio,* and so on. These terms are actually not important in sharia. But the most important thing is the practice, whether it is based on doubling money (riba) or not.

Many Islamic banking managers do not know the terms in Islamic banks. So many of them violate sharia principles. In fact, knowledge of the basics of Islamic banking must be possessed, then practiced in their economic transaction activities(Illahi, 2019). So that mastery of fiqh (the knowledge of muamalah sharia law) is absolute for Islamic banking managers. Likewise with the marketing side, because he is in charge of marketing the services that will be carried out. He must be ready if faced with the question'*How does your service differ from conventional bank services?', 'How does your institution take advantage?', , ,* Dst. Therefore, the marketing also needs to master matters related to sharia law in the field of financing.

The analysis party is important in the development of Islamic banking. If in conventional banking the level of ability of prospective customers to return money (based on the financial resources of prospective customers) is measured, such as the analysis of the creditworthiness of prospective customers, but this is not the case with the analysis part in Islamic banking, because the principles carried out by Islamic banking are not *profit sharing,* but *profit and loss sharing,* (sharing profits and losses)(Usanti et al., 2014). But what is analyzed is experience, level of honesty, and so on, which allows candidates to *Mudharib/Mushyrik*, can run their business well. So that the risk level of Islamic banking is higher than the risk level of conventional banking, so it requires more mature resources(Fatoni, 2020).

In Islamic banking, a business section is also needed. Namely in charge of coordinating with businesses that are customers. Whether they require additional business costs or not at all. They can also assist entrepreneurs in providing the necessary information assistance for the benefit of the joint venture. They also carry out supervision, to ensure that mudharib has cooperated with the banking sector properly. This section must provide capable human resources in knowing the business world and its dynamics as well as knowing the prices of business needs.

Recent developments in human resource management in Islamic banking show a focus on developing more comprehensive competencies. According to Hasan (2012), in addition to mastering sharia principles, Islamic banking human resources also need to have the ability to adapt to the development of financial technology (Hasan, 2012). This is in line with the findings of Mufaidah (2022) which emphasizes the importance of continuous training programs to improve the quality of human resources in facing the challenges of industry 4.0(Mufaidah, 2022).

Meanwhile, Raj et al. (2020) identified the need for human resources who have a deep understanding of sharia risk management, especially in the context of increasingly complex financial products(Raj et al., 2020). Furthermore, a study conducted by Permatasari et al. (2020) shows that the implementation of Islamic ethical values in HR management practices can improve employee performance and loyalty in Islamic banks(Permatasari & Ratnasari, 2020).

Another aspect of concern is leadership development in the context of Islamic banking. Research by Intia & Azizah (2021) reveals that a leadership style based on Islamic principles can increase organizational effectiveness and employee job satisfaction in Islamic financial institutions (Intia & Azizah, 2021)

Improving the performance of Islamic banking can be achieved through the integration of technological innovation and comprehensive human resource management. The field of financial technology (fintech) can be a solution to improve efficiency, transparency, and Islamic banking services (Apriyanti, 2018) (Kurnialis et al., 2022). Meanwhile, the development of human resource competencies that include understanding sharia, risk management, and Islamic ethical values is the key to ensuring the consistent implementation of sharia principles (Hidayat & Trisanty, 2020) (Putra, 2021)

In addition, leadership based on Islamic principles can also increase organizational effectiveness and employee loyalty in Islamic banking (Apriyanti, 2018). Thus, the synergy between technological innovation and good human resource management is a key factor for improving the performance of sharia banking in Indonesia.

Utilization of Existing Information Technology

Information technology is developing very quickly after the world entered the era of the turn of the millennium (Handayani et al., 2021). In the 1990s, some people still retained traditional telephone technology. Then in the early 2000s, there was a shift in communication technology from traditional phones to mobile phones. From mobile phones to develop with several features such as music, alarms, game radio, and even television. Then in the middle of the decade, it appeared *blackbarry,* which lasted until the mid-2010s, before being replaced by the expansion of S ownership*martphone* and Android. Access to information is developing rapidly, and the number of people who are able to access the internet has experienced a huge surge, in the period of two decades (2000 to 2020).

The above developments have an effect on the flow of information to customers. And the banking sector can improve the quality of service to customers, or in the field of marketing, increasing the number of people who can access internet technology can optimize information technology to improve marketing quality. With information technology, it makes it easier for customers to carry out financial transactions, becoming more effective(Endarwati et al., 2022).

The construction of ATM machines at several points can optimize the function of collecting money from the community. With the existence of this ATM machine, it is possible for a person to take or transfer a certain amount of money more easily than before, which is usually done by check or post. The combination of ATM card ownership and the development of information technology has allowed the emergence of electronic money or called digital money, which in the future, is predicted to experience growth. Some needs services often use online transactions. Such as ordering goods, food, transportation through online motorcycle taxi services, as well as entering and sending money and shopping at minimarkets using cards.

The use of this ATM card service is also developed by Islamic banks in Indonesia, such as BSI (Bank Syariah Indonesia). Their customers also have the same card as conventional banks, and make the same transactions with other banks. There are a number of discounts imposed on consumers, some state-owned banks themselves have so far made a minimum cut of 8 thousand per month. This balance deduction is basically as a 'service' provided to the provider, from the service user. Because when saving in the bank, we can keep money safely. They also spend money and energy to carry out maintenance on ATM machines, and routinely carry out checking money in machine safes, all of which also require costs(Panjaitan, 2021).

The Prophet had also implemented wadiah in his time. Although he was hated by the polytheists of the Quraish, they still entrusted their provisions to the Messenger of Allah, so they believed in the honesty of the Messenger of Allah. Even the storage of the goods was carried out, until the Prophet was about to migrate to the city of Medina. But in Islamic law, the custody of this item is not determined whether a person has the right to collect fees for the goods entrusted or not. In the sharia itself, the cost of the custody of wealth is voluntary. While in the wadiah contract *yad dhomanah*, a person who deposits goods, can make a profit based on the contract(Farida et al., 2022). Because with this contract, it means that it allows the bank to 'run' its business activities by using its savings sources. So, the storage of money carried out with the contract will result in interest receipts to customers, in the banking world this is called current account or deposit, which is a term(Wafa, 2017). But in the custody contract *Yad Amanah,* The balance is reduced, in the banking world it is called savings.

Technological advances have allowed the banking industry to progress(Fermay et al., 2018). With ATM machines, they are able to expand the function of collecting funds from the community. With information technology, they can reach their customers. With communication technology, they can easily interact with customers. With the advancement of documentation, they record transactions on digital and electronic records (such as interconnected computers). They can also develop cards that allow customers to have very easy access to banking services. But in practice, credit must be applied to the business field. This function of technology makes things easier, as well as reduces the level of difficulty. And it is hoped that the level of difficulty in managing sharia businesses can be minimized with the help of technology in today's maa.

Expansion of shariah-based financing allows the use of technological means(Muhammad & Sari, 2020). In the efforts carried out in the *mudharabah* Or *musyarokah*, using various information technologies, such as for marketing, online payments, online bookings, business information searches, and so on. The implementation of the business is a business coordinator in the sharia system, can monitor the business through the use of Online CCTV at the place of business, make relationships or personal contacts with online technology, both *by phone* or *video call*. Here, the function of the business coordinator is very important in the practice of implementing*udharabah* or *musyarokah*, so this part needs to take human resources who are really qualified in their field (business/business), especially in terms of contracts, both contracts *Mudharabah,* or contract in order to build partnerships (*musyarokah*).

The business section is also required to understand how current technology works. He can contact people using technology, can supervise businesses remotely using technology, can hold meetings with technology devices with musyarokah partners or with managers (mudharib). So, in one place, it can connect with several partners and managers, without having a face-to-face meeting, which certainly requires a lot more money.

The use of this technology will make it easier for a person to carry out the practice of mudharabah or musyarokah to the maximum, rather than the practice of mudharabah/musyarokah in the past. Nowadays a person can control either through video or by phone, many times with the same party. Moreover, Islamic bank mudharabah/musyarokah services have an advantage compared to conventional business loans, where the bank only thinks about its own profits, and ensures that it can make profits without looking at how the business is developed by the customer. In cooperation, for example in the mudharabah contract, a person will not be afraid of experiencing losses, but he is required to take responsibility, if he commits negligence. Meanwhile, in the musharakah contract, participation in management is divided into all business partners(Aisyah & Umiyati, 2018).

Recent developments in the use of information technology in Islamic banking show a significant digital transformation(Kurniawan et al., 2021). According to Andriani et al. (2022), the implementation of blockchain technology in Islamic financial transactions can increase transparency and operational efficiency(Andriani & Putri, 2022). In line with this, Sulistyowati et al. revealed that the use of artificial intelligence (AI) in sharia credit risk analysis can improve decision-making accuracy(Sulistyowati et al., 2023). In addition, the application of cloud computing technology also allows Islamic banks to expand the range of their services with more efficient costs (Muhammad & Sari, 2020)(Efendi, 2022).

Overall, technological innovations applied in the Islamic banking industry can improve the performance and competitiveness of institutions (Muhammad & Sari, 2020) (Efendi, 2022). However, good human resource management is needed to be able to utilize this technology optimally (Andriani & Putri, 2022). Investments in the development of human resource competencies need to be made to ensure the effectiveness of technology implementation in Islamic banking.

Meanwhile, Trimulato et al. (2022) identified opportunities and challenges in the development of Islamic fintech, especially in the context of Islamic financial inclusion(Trimulato et al., 2022). Furthermore, a study conducted by Bouamama et al. (2024) shows that the adoption of cloud computing technology can improve the scalability and efficiency of Islamic banks' operational costs (Bouamama & Belalem, 2014)

The cybersecurity aspect is also a major concern in the digitalization of Islamic banking. The research of Ali et al. (2023) underscores the importance of developing a robust security system to protect customer data and the integrity of Islamic financial transactions(Ali et al., 2023)

Overall, information technology innovation has an important role in encouraging the improvement of Islamic banking performance. However, challenges related to human resource management and information system security need to be overcome so that technology can be used optimally. (Muhammad & Sari, 2020; Apriyanti, 2018).

CONCLUSION

Many financial institutions labeled as sharia, run their business, in a way that is no different from what conventional banks do. They only replace the general terms of banking, with the terms 'Islamic'. For example, the term interest, they replace it with *a ratio,* or profit sharing. Where the nominal has been determined in front. This is contrary to religion, where in *jahiliyah riba,* they lend money to other parties, then will replace what they borrow, with an even larger nominal. This happens because the banking industry is easier to run administratively, with profit taking that has been determined at face value first in advance. Not with joint efforts, which are not necessarily profitable.

Sharia banking if it is run with the correct mudharabah or musyarokah system, then such a thing is more 'complicated'. Because the key is trust, from *shohibul maal* to the mudharib, or trust between partners. The mudharib can also convince the shohibul maal, that he has the competence in running his business, as well as if a person wants to build a partnership with a Sharia Bank in the musyarokah scheme. And the analysis must determine whether the mudharib candidate is feasible or not. On the other hand, the bank needs to prepare a supervisor, whose task is to ensure that the mudharib can run its business correctly, provide additional input on new capital, or share strategies and knowledge with the mudharib. So that the human resources needed are in the form of parties who have the abilities as above. Namely the ability to conduct business and personal analysis, while in the field of supervision, it is necessary to choose people who really have experience and knowledge in the field of business, as well as the ability to carry out technology related to their part.

The use of technology is indispensable in this process. In the matter of supervision, a person can conduct supervision even from a farther place. In the matter of coordination, a person can communicate at any time with minimal cost, either by call or by phone. In the field of marketing, a person can do marketing by maximizing the functions of the internet, such as the use of youtube, twitter, instagram, tiktok, to market products from institutions, as is usually done. The combination of the ability in supervision, coordination, and marketing carried out by human resources who have skills in the field, and supported by the use of the right technology, will greatly strengthen the performance of Islamic banking.

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