



Formulating Strategy For Increasing And Stabilizing Third-Party Funds Performance: Case Study On PT Bank ABC Sharia Branch

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Abstract This study aims to formulate a strategy to increase and stabilize the performance of Third-Party Funds (TPF) at PT Bank ABC Sharia Branch (Sharia Branch). TPF plays a critical role in the bank's operational sustainability and competitiveness, but its growth has been inconsistent due to a combination of internal and external factors. To understand the root causes of this instability, the study uses VRIO, PESTLE and SWOT analysis. VRIO (Value, Rarity, Imitability, Organization), PESTLE (Political, Economic, Social, Technological, Legal, and Environmental), and SWOT (Strengths, Weaknesses, Opportunities, and Threats). The VRIO analysis is employed to assess the internal resources and capabilities of Sharia Branch in order to identify elements that can serve as a sustainable competitive advantage. PESTLE analysis offers a broader understanding of the external environment factors such as regulatory support, economic conditions, technological changes, and the growing interest in Islamic financial services. SWOT analysis then integrates these internal and external insights to comprehensively map the bank's strengths and weaknesses in relation to emerging opportunities and external threats.

The findings of the study indicate that the instability of TPF is primarily caused by weak product differentiation, underdeveloped digital services, limited customer education, and insufficient staff training on sharia-compliant products. Moreover, the lack of effective promotions and outreach activities has led to poor customer engagement. Externally, Sharia Branch is constrained by changing economic conditions and the aggressive expansion of competitors who offer more attractive deposit schemes and seamless digital experiences. The bank also faces negative perceptions about the complexity and limited benefits of Islamic banking products, further affecting public interest and trust. This research contributes to the development of a strategic framework that can be applied to other Islamic banks facing similar challenges.

Keywords: Third-Party Funds (TPF), Islamic Banking, Strategic Management, VRIO Analysis, PESTLE Analysis, SWOT Analysis.

Introduction

Islamic banking is a financial system that adheres to Shariah principles, which strictly prohibit the practice of charging or earning interest (*riba*) and require institutions to avoid sectors deemed unethical, such as alcohol, gambling, and pornography (Ahmed et al., 2022; Mohd Thas Thaker et al., 2018; Raza et al., 2019a, 2019b; Samsudeen et al., 2022). Kasmir (2017) explains that a bank's funds generally come from three main sources: first-party funds, second-party funds, and third-party funds. First-party funds refer to the bank's own capital — this includes money from shareholders, retained earnings, and various reserves. These funds are the bank's internal backbone and reflect its financial strength. Second-party funds, on the other hand, are borrowed funds from other institutions, such as loans from other banks, the central bank, or non-bank financial institutions. These are usually used to support the bank's liquidity needs or short-term obligations. Lastly, third-party funds are the funds collected from the public, like savings accounts, demand deposits, and time deposits. These make up the largest portion of a bank's working capital and are essential for credit distribution. The more the public trusts a bank, the more third-party funds the bank is likely to attract. Like other financial institutions, Islamic banks are responsible for managing and optimizing funds using Shariah-compliant contracts to generate profit, while also ensuring they can meet withdrawal demands without disrupting ongoing business activities (Al-Banna, 2017; Bakis et al., 2016; Ganesan et al., 2020; Hubert, 2018; Ismal, 2011).

In Islamic banks, funds are collected through current accounts, savings, and deposits, all governed by the *Wadiah* and *Mudarabah* principles for managing public funds (Adimarwan A. Karim, 2016; Firda Zulfa, 2015; Kasmir, 2019; Rohmah, 2018). Customer's funds held in *Wadiah* demand deposits, *Wadiah* savings, and *Mudarabah* deposits are considered third-party funds and are primarily used to support financing activities (Tusa'dya & Rahma Wijayanti, 2024). The growth of third-party funds (TPF) is a key indicator of the operational success of Islamic banks. Sharia Branch has shown commendable performance in recent years; however, the growth of TPF has not been consistently stable and has fluctuated throughout the year. These fluctuations and shortfalls may be influenced by various external and internal factors affecting customer trust and behavior.

To overcome this, the bank needs to develop strategies to stabilize institutional deposits while also taking advantage of opportunities in the retail segment. This research aims to help address these issues while ensuring all actions remain in line with Sharia principles. Stable growth of TPF is essential for Sharia Branch to support financial stability and business growth. Fluctuations in TPF and underachievement can disrupt the bank's liquidity and financing capacity, ultimately affecting competitiveness in the Sharia banking industry. Addressing

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these issues will also help the bank meet regulatory standards set by financial authorities and enhance customer trust and satisfaction. Effective strategies for increasing and stabilizing TPF will provide long-term benefits for the bank and contribute to broader economic development.

Methods

This research follows a qualitative case study approach to understand the factors influencing the performance of TPF at Sharia Branch. The methodology is exploratory in nature, aimed at identifying underlying issues and formulating strategic solutions. The study employs three key analytical tools:

1. VRIO Analysis (Internal)
Insights related to internal capabilities are analysed using VRIO framework. Each resource or capability mentioned during interviews is evaluated based on four criteria: Value, Rarity, Imitability, and Organization.
2. PESTLE Analysis (External)
External conditions that affect the bank are analysed using the PESTLE framework. Thematic results from interview data are categorized under Political, Economic, Social, Technological, Legal, and Environmental factors.
3. SWOT Analysis Construction
Findings from both the VRIO and PESTLE analyses are integrated into a SWOT matrix. Internal strengths and weaknesses derived from VRIO are combined with external opportunities and threats identified through PESTLE. This combination provides a comprehensive understanding of the bank's strategic position related to TPF.

Data was collected through semi-structured interviews with key stakeholders at Sharia Branch, including branch managers, deputy managers, staff, and other relevant employees. Additionally, internal financial documents and reports were analyzed to examine trends in TPF growth and composition.

Results and Discussion

VRIO Analysis

To understand the internal drivers and limitations that affect the performance of TPF at BTN Syariah Bandung, this study applies the VRIO framework. VRIO stands for Valuable, Rare, Inimitable, and Organized, and is used to evaluate whether a company's resources can lead to a sustainable competitive advantage.

VRIO Analysis

Internal Resource or Capability	V	R	I	O	Strategic Implication
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Sharia-compliant TPF products	✓	X	X	✓	Temporary competitive parity
Giro PPO (flagship product)	✓	✓	X	✓	Temporary local advantage
Consistent TPF growth performance	✓	X	X	✓	Operational strength, but easily replicable
Spin-off opportunity (2025)	✓	✓	✓	✓	Sustained competitive advantage
Lack of product segmentation	X	X	X	X	Competitive disadvantage
Slow and inefficient branch service	X	X	X	X	Competitive disadvantage
Undertrained staff on Sharia product knowledge	X	X	X	X	Competitive disadvantage
Unoptimized digital platforms and mobile applications	X	X	X	X	Competitive disadvantage
Passive promotional and educational outreach	X	X	X	X	Competitive disadvantage
Weak coordination between branch offices and headquarters	X	X	X	X	Organizational inefficiency
Negative public perception of Sharia banking complexity	X	X	X	X	Reputational weakness

The analysis finds that Sharia Branch's sharia-compliant TPF products are indeed valuable, as they meet the ethical and religious needs of a specific and growing market segment. However, they are neither rare nor difficult to imitate, as many other Islamic banks offer similar products. Therefore, these products only provide temporary competitive parity, rather than a sustainable advantage. Giro PPO, the bank's flagship product, is recognized as a locally strong offering. It is valuable and relatively rare within the local context, and it is supported by adequate operational infrastructure. Still, its lack of uniqueness and the possibility of replication by competitors limit its long-term strategic impact to a temporary local advantage.

This opportunity meets all four VRIO criteria and is considered a future source of sustained competitive advantage. Several internal weaknesses fail to meet any of the VRIO criteria. These include the lack of product segmentation, inefficient service processes, undertrained frontline staff, weak digital platforms,

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and passive promotional efforts. These deficiencies represent real competitive disadvantages that must be addressed for the bank to compete effectively in the long term.

PESTLE Analysis

To fully understand the external environment shaping Sharia Branch's operational landscape, a PESTLE analysis is essential. This framework examines the key Political, Economic, Social, Technological, Legal, and Environmental factors that influence the bank's strategic decisions and growth opportunities.

Political

- **Government and Regulatory Support** : Strong backing from the Indonesian government and the Financial Services Authority (OJK) to develop the Islamic finance sector, including initiatives to promote Islamic banking growth.
- **Policy Risks** : Potential shifts in government policies or regulatory priorities may affect banking operations, including interest rate policies and Islamic finance-specific regulations.

Economic

- **Macroeconomic Stability** : Indonesia's steady GDP growth supports banking sector expansion, although global economic uncertainties (e.g., inflation, supply chain disruptions) pose risks.
- **Interest Rate Volatility** : Bank Indonesia's benchmark interest rate movements heavily influence deposit product attractiveness and customer behavior, affecting TPF growth dynamics.
- **Consumer Spending Power** : Rising middle class and increased financial inclusion improve demand for Sharia-compliant financial products.
- **Market Competition** : Economic growth attracts more players to the Islamic finance market, increasing competition in attracting deposits and financing.

Social

- **Growing Sharia-banking Consciousness** : Increasing Muslim population awareness and preference for Sharia-compliant financial services underpin demand growth for Sharia Branch products.
- **Demographic Shifts** : Millennials and Gen Z's growing influence and digital savviness require tailored, tech-enabled product offerings.
- **Financial Literacy Challenges** : Despite growth, general financial literacy, especially on Islamic products, remains low, necessitating targeted education and promotion.
- **Cultural Perceptions** : Prevailing misconceptions about Islamic banking complexity hinder broader market acceptance and slow new customer acquisition.

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Technological

- Digital Banking Trends : Rapid digital transformation in Indonesia's banking sector calls for mobile-friendly, user-centric banking apps and seamless online account opening.
- Infrastructure Gaps : Sharia Branch's current digital platforms and branch-level IT infrastructure are inadequate to meet modern customer expectations.
- Data Analytics Potential : Leveraging customer data for targeted marketing and personalized product offerings remains underdeveloped.

Environmental

- Sustainable Finance Movement : Growing global and national emphasis on environmental, social, and governance (ESG) principles aligns with Sharia values, offering a unique positioning opportunity.
- Corporate Social Responsibility (CSR) : Enhanced CSR initiatives focusing on community development and sustainability can strengthen brand image and customer loyalty.

Legal

- Regulatory Compliance : Compliance with OJK and Bank Indonesia regulations is critical, including adherence to Sharia law standards enforced by DSN-MUI (Dewan Syariah Nasional - Majelis Ulama Indonesia).
- Consumer Protection Laws : Increasingly stringent consumer rights and data protection laws require continuous adaptation in policies and processes.

The PESTLE analysis highlights a complex external environment for Sharia Branch, marked by strong regulatory support and promising economic conditions. Social trends show rising demand for Islamic product but also reveal challenges in financial literacy and public perception. Technological gaps must be addressed to keep pace with digital banking advances and ensure cybersecurity. Environmental and legal factors further push Sharia Branch to innovate responsibly while complying with evolving regulations. Overall, these factors call for a focused and agile strategy to leverage strengths, overcome weaknesses, and seize growth opportunities in Indonesia's dynamic Islamic finance sector.

SWOT Analysis

This SWOT analysis is based on a thorough review of internal company data and qualitative information gathered through interviews with key stakeholders. By integrating these diverse data sources, the analysis provides a well-rounded understanding of the company's current position, strengths, challenges, and potential areas for growth.

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Strengths

- Sharia-compliant Third-Party Funds (TPF) products that provide sharia-compliant assurance, building trust among customers seeking ethical finance.
- The flagship Giro PPO product has solid market tractions.
- Consistent growth in the TPF portfolio over the recent years, indicating stable performance.

Weaknesses

- TPF products currently lack distinctive features and segmentation, making it hard to compete with more innovative conventional and sharia bank.
- Branch-level service and operational efficiency are below optimal, with slow account opening and administrative processes.
- Human resources are undertrained in Sharia product knowledge.
- Digital platforms and mobile applications are not user-friendly and lack essential features for TPF acquisition.
- Promotion and educational activities are limited and passive, reducing public awareness and trust.
- Coordination gaps between branch offices and headquarters slow down problem resolution.
- Persistent public perception that sharia banking products are complex and less accessible compared to conventional options.

Opportunities

- Growing financial literacy in Islamic finance, especially among millennials and younger generations.
- Strong regulatory support from OJK and BI for the development of the Islamic finance sector.
- Significant institutional deposit market potential that can be tapped with targeted relationship management.
- Rising global trends toward ethical, sustainable finance (ESG and green finance), align well with Sharia principles.

Threats

- Fierce competition from conventional and Islamic banks offering more attractive incentives and easier digital experiences.
- Economic uncertainties and fluctuating BI interest rates are impacting customer preferences and fund collection.
- Regulatory changes and tighter compliance requirements may limit operational flexibility.
- Public scepticism and lack of understanding about Sharia Banking are leading to slower customer acquisition.
- Technological gaps and HR limitations hinder rapid digital transformation and market responsiveness.

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Business Solution

To establish realistic and measurable targets for Third-Party Funds (TPF) growth from 2025 to 2029, the Compound Annual Growth Rate (CAGR) method is applied. The historical CAGR from 2020 to 2024 indicates a baseline growth of approximately 17%, which reflects Sharia Branch's natural growth trajectory under existing conditions — including limitations in human resources, digital infrastructure, and product differentiation. However, aiming to elevate performance beyond this business-as-usual trajectory, this paper adopts a more ambitious CAGR target of 20% for the 2025–2029 period. This target is based on the assumption that specific strategic programs and interventions will be implemented, such as digitalization acceleration, targeted marketing efforts, product innovation, and capacity-building initiatives.

Strategic Programs to Support 20% Growth

Program Name	Description	Target Metric	Annual Milestone
Halal Banking Awareness Campaign	Nationwide marketing focused on Sharia-compliant banking products via digital channels and community partnerships.	Reach 2 million digital impressions/month; 25% increase in new saving accounts	Launch in 2025; Expand across all major cities start from Q1 2026
Strategic Partnerships with Halal Ecosystem	Collaborate with Islamic universities, halal MSMEs, and fintechs to co-develop services.	At least 15 new institutional partners	MoUs signed with 3 partners/year
AI-Based Mobile Banking Expansion	Introduce AI features (e.g., chatbot, smart financing calculator) in mobile app.	App rating \geq 4.5 stars; Increase app users by 50%	First release Q2 2026; major update 2027
Digital Platform Revamp	Full redesign of mobile and internet banking focused on UX and speed.	80% user satisfaction; 40% increase in monthly active users	Beta launch in 2025; Full release in 2026

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Customer-Centered Design Program	Implement continuous customer feedback loop for digital services.	90% issue resolution within 72 hours	Quarterly feedback report by 2025
Sharia Talent Development Academy	Mandatory training and certification in Islamic finance and digital banking.	100% branch managers certified; 500 staff trained annually	Launch Q3 2024; Full rollout 2025
Digital Talent Hiring & Retention	Recruit and retain top digital talent via incentive-based program.	<10% annual turnover in IT/digital divisions	Hire 20 specialists by 2026
CRM Development & Integration Program	Build and implement a centralized Customer Relationship Management system to enhance personalization, cross-selling, and customer retention.	CRM system live by 2026; 25% increase in cross-sell ratio	Phase 1: Data integration (2025), Phase 2: Full CRM deployment (2026)

Conclusion

This research has examined the strategic potential of Sharia Branch in achieving sustainable growth through targeted strategic planning. The organizational transformation is expected to unlock greater agility, independent capital allocation, and a more focused strategic agenda—factors that are likely to accelerate long-term TPF growth.

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