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GLOBAL PARADIGM DOMESTIC STRATEGY: STAKEHOLDERS' PERSPECTIVES

Suprianto[1], Muhammad Luthfi Zuhdi[2], Nurul Huda[3], Basir S[4]

[1]Research Scholar, School of Strategic and Global Studies, University of Indonesia, Indonesia
[2]Professor, School of Strategic and Global Studies, University of Indonesia, Indonesia
[3]Professor, Universitas Yarsi, Jakarta, Indonesia
[4]Research Scholar, School of Strategic and Global Studies, University of Indonesia, Indonesia

Corresponding Author: suprianto.mm@gmail.com[1]
muhammad.luthfi@ui.ac.id[2]
nurul.huda@yarsi.ac.id[3]
basir@ui.ac.id[4]

Abstract— As a global movement, the promotion of the Sustainable Development Goals (SDGs) persists despite ongoing economic challenges, ranging from the aftermath of COVID-19 to rising geopolitical tensions. In this context, various sectors, including the Sharia-compliant banking industry, have been mobilized to support these goals. Sharia banking has emerged as a significant contributor to national development, acting not only as a financial intermediary but also as a catalyst for advancing the SDGs. Therefore, research focused on identifying effective strategies is essential to localize and operationalize global development agendas within national frameworks. Grounded in sustainable finance theory, which connects financial systems to sustainable development, this preliminary study aims to explore potential strategic approaches that influence Sharia banks in promoting the SDGs. A qualitative approach was employed, using a questionnaire as the primary data collection tool, supported by the TOWS and the Interpretive Structural Modeling (ISM) method to analyze expert perspectives. The TOWS identifies and structures key strategies within Sharia-compliant banking that contribute to sustainable development, focusing on their characteristics and interrelations. The ISM framework enables hierarchical mapping of strategic priorities, highlighting interdependencies among them. Taken together, the results of this study provide significant insight by clearly illustrating the strategic priorities needed to align Sharia-compliant banking practices with global sustainable development objectives at the domestic strategy level.

Keywords— Strategy, Globalization, Sustainable Development, Banking**.**

I. INTRODUCTION

The Globalization of Sustainable Development

Globalization is an undeniable reality that affects every nation, offering opportunities such as access to new markets, increased investment, and accelerated economic growth. However, it also poses challenges, including inequality, job displacement, and vulnerability to global economic shocks. To maximize its benefits, countries must adopt strategic policies that balance these advantages with effective risk management. A stable financial system, particularly in the banking sector, is crucial for optimizing globalization's benefits and ensuring sustainable growth. Sustainable development is a global initiative aimed at eradicating poverty, reducing inequalities, and protecting the environment (Central Bureau of Statistics., 2016). It should be viewed as a holistic approach that integrates economic, social, and environmental factors into decision-making. Global goals are adapted to each country's unique context, with governments responsible for aligning them with national policies. Achieving the 2030 Agenda requires understanding the connections between sustainability and actions across all sectors (United Nations., 2015).

The 2030 Agenda for Sustainable Development addresses a wide range of issues, with a strong focus on human development, sustainability, and the recognition of emerging global challenges. The agenda aims to bridge knowledge gaps, enhance governance, and ensure accountability, applying universally while considering national differences (Alisjahbana, A. S., & Murniningtyas, E., 2018). A key aspect of this vision is the circular economy, which promotes ecological balance and resource conservation, aligns with Sharia principles, and contributes to the SDGs. Islamic finance has evolved from supporting the linear economic model of the Millennium Development Goals to playing a crucial role in the circular economy through ethical investment, risk-sharing, and social responsibility (Obaidullah, M., 2018). Local aspirations, national priorities, and global targets are the core pillars of economic policy within this framework (Majeed, M. T., 2021). However, the financing gap for sustainable development has widened and been worsened by the impact of the COVID-19 pandemic on government revenues and foreign direct investment (Organisation for Economic Co-operation and Development., 2022).

Exploring the role of Islamic economic principles in achieving the SDGs highlights alternative models that emphasize economic growth alongside social equity and environmental sustainability (Kader, H., 2021). Grounded in principles of equity, fairness, and justice, Islamic finance not only supports economic development but also promotes ecological preservation through ethical financial practices. This approach aligns with the broader objectives of sustainable development, particularly at the regional governance level, where integrating Islamic finance into policy frameworks can enhance both economic and environmental outcomes (Solarin, S. A., 2019).

Indonesia's Approach to Sustainable Development

The SDGs are grounded in inclusion, fostering collaboration among all stakeholders, including governments, the private sector, social institutions, academia, and the public (Ministry of National Development Planning (Bappenas)., 2019). In emerging economies, where financial system stability is critical, challenges are more complex due to their interconnected and urgent nature (Mazzucato, M., 2018). A stable financial system is vital for supporting economic activity and preventing crises (Caprio, G. (Ed.)., 2012). However, real-world obstacles such as entrenched interests and bureaucratic resistance often hinder progress. Therefore, strategic thinking to manage stakeholder relationships effectively is essential (Freeman, R. E., Harrison, J. S., & Zyglidopoulos, S., 2018). In Indonesia, the SDGs were officially adopted in 2015 alongside the Paris Agreement, marking a commitment to climate action and sustainable development. Currently ranked 75th globally with a score of 70.2 (Sachs, J. D., et al., 2022), Indonesia's integration of sustainable development into national strategies requires a coherent approach involving strong regulatory frameworks, innovative financing, robust data systems, and multi-stakeholder coordination.

The advancement of responsible and Sharia-compliant banking goes beyond regulatory compliance, encompassing stakeholder interests and institutional power dynamics, and is further complicated by technological innovation and globalization (Milanovic, B., 2016). In Indonesia, Sharia-compliant banking plays a key role in national development, acting not only as a financial intermediary but also as a catalyst for the SDGs. Grounded in ethical, inclusive, and socially responsible principles, it has the potential to foster sustainable economic, social, and environmental outcomes (Junaidi., 2024). These challenges reflect broader dynamics within the Islamic economic ecosystem, emphasizing the need for cross-sectoral collaboration and active stakeholder participation (Ismal, R., 2013). As Indonesia pursues sustainable economic growth, particularly within its Sharia banking sector, a comprehensive mapping of the sector is crucial to address its challenges and opportunities. This ensures that the SDGs are central to policy design and implementation, aligning economic, social, and environmental goals.

II. LITERATURE REVIEW

Understanding the Essence of Sustainability from a Global Perspective

Globalization is theoretically driven by the exchange of ideas, knowledge, information, and services (Giddens, A., 1990). The literature identifies three core pillars of the Sustainable

Development Goals (SDGs): economic growth, social inclusion, and environmental protection. Islamic finance supports two of these pillars: social inclusion, through microfinance institutions such as Baitul Maal wat Tamwil, and economic growth, through asset-backed, speculation-free financing that promotes financial stability and resilience (Beck, T., Demirgüç-Kunt, A., & Merrouche, O., 2013; Fan, Y., John, K., Liu, F., & Tamanni, L., 2019; Hidayat, S. E., Izharivan, Y., & Sari, C. A., 2021; Sadiq, R., & Mushtaq, A., 2015).

In recent years, scholarly discussions on sustainable development have increasingly emphasized the importance of incorporating diverse perspectives (Sinakou, E., et al., 2018). Sustainability extends beyond economics, requiring the integration of economic, social, and ecological dimensions in decision-making. The World Commission on Environment and Development defines sustainable development as meeting the needs of the present without compromising the ability of future generations to meet their own needs. Similarly, an international non-governmental organization focused on conservation and environmental restoration describes it as improving the quality of life within the capacity of ecosystem support. Furthermore, it is stated that economic growth is not an end in itself but a means to advance human rights and development (Sen, A., 2014).

In this regard, the growing global influence of Sharia-compliant banking and finance has been widely acknowledged (Kabir Hassan, M., Shaikh, S. A. R., & Kayhan, S., 2020). In the context of green and Sharia-compliant banking, research highlights the need for clear definitions, regulatory frameworks, and transparency to support the development of a sustainable financial system at both national and global levels. Good governance, ESG (Environmental, Social, and Governance) indicators, and robust sustainability reporting are essential for ensuring accountability toward environmental and social objectives (GIZ., 2014; Global Reporting Initiative., 2016). Macroeconomic analyses show that the growth of Islamic finance, particularly Sharia-compliant banking, can directly impact national energy consumption. To align this influence with sustainability goals, more selective and strategic policy design is required.

Strategies for Localizing the Global Paradigm

Contextualizing the Sustainable Development Goals (SDGs) at the local level is essential, as demonstrated by the case of Porto. Tailored strategies adapted to the city's specific needs have played a critical role in ensuring successful implementation, fostering active stakeholder participation, and achieving tangible results. This underscores the importance of local ownership and strategic alignment in translating global goals into effective local action (Fonseca, M. J. L., 2024). The achievement of the SDGs depends not only on international frameworks but also on the effective formulation and implementation of localized strategies. Hadad and Maftuchah (2015) explore the role of the financial services industry in promoting sustainable financing in Indonesia and discuss the integration of sustainability principles into financial practices, emphasizing the importance of financial institutions adopting strategies that support long-term environmental, social, and economic goals. Their work covers various aspects of sustainable financing, including policy frameworks, financing mechanisms, and the responsibilities of financial institutions in fostering sustainable development. Furthermore, they highlight the need for collaboration between government, businesses, and financial entities to ensure that investments and financial systems contribute to a more sustainable future.

As mentioned earlier, this study introduces strategies and policies within Indonesia's banking sector, emphasizing the potential of Sharia-compliant banking to contribute significantly to achieving the SDGs. As a leading segment of the Sharia financial industry, Sharia-compliant banking is supported by key regulators, including the Financial Services Authority, the central bank, and the Indonesia Deposit Insurance Corporation, with guidance from the National Sharia Council of the Indonesian Ulema Council (Financial Service Authority, 2024). Despite facing multiple opportunities and challenges related to SDG implementation, these can be addressed through a robust ecosystem and the development of strategic policies (Ministry of National Development Planning (Bappenas)., 2018).

Sharia-compliant banks should formulate strategies that foster innovation in financial products to effectively meet the needs of individual clients, corporate entities, and investors. One approach involves adapting financial models from the Middle East and Malaysia, while tailoring them to Indonesia's unique market needs. By integrating Sharia-compliant banking with Sharia-compliant insurance products, such as bancassurance, can further expand financial access and inclusivity. Other studies highlight the growing importance of corporate strategies that embed sustainability into financial services, emphasizing that green product innovation and sustainable finance practices can enhance competitiveness, meet stakeholder expectations, improve transparency, and strengthen long-term performance and customer loyalty (Bhardwaj, B. R., & Malhotra, A., 2013; Igbudu, N., Garanti, Z., & Popoola, T., 2018; Lalon, R. M., 2015). Finally, research examining Indonesia's roadmaps and master plans for sustainable development identifies strategic linkages between existing initiatives, suggesting that comprehensive analysis of barriers and opportunities can improve access, employment feasibility, and economic inclusion. However, Indonesia must intensify its efforts to fully realize the objectives outlined in the 2030 Sustainable Development Agenda (Suprianto, S., Zuhdi, M. L., Huda, N., & B, S., 2024).

All in all, the intersection of sustainable development and Islamic finance, grounded in Islamic epistemology, provides a unique value-based financial framework for addressing global sustainability challenges. A review of foundational perspectives highlights the potential of Sharia-compliant banking to enhance social inclusion, economic resilience, and environmental stewardship. It is crucial to move beyond theoretical alignment and develop strategic, actionable approaches that enable the effective localization of the SDGs within Sharia-compliant financial institutions. This alignment not only strengthens the ethical foundations of Islamic finance but also meaningfully supports broader national and global development goals.

III. METHODS

This study adopts a qualitative approach to develop a comprehensive strategy tailored to the sustainable development priorities of key stakeholders, including policymakers, industry experts, and practitioners within the Sharia-compliant banking sector. Primary data gathered through structured questionnaires, complemented by the analysis of relevant theoretical frameworks, case studies, and practical examples. The objective is to generate actionable insights that inform government bodies, financial regulators, Sharia-compliant banking institutions, and the wider public. By crafting an effective socio-economic strategy for sustainable development, this research aims to enhance stakeholder engagement, improve the acceptance of sustainability initiatives, and foster a more integrated and coherent approach toward achieving sustainable development goals within Indonesia's financial landscape.

The insights gathered from informants will serve as the primary foundation for analysis, which will be conducted using a combination of two methodological approaches: TOWS, and Interpretative Structural Modelling (ISM). This integrated approach is designed to thoroughly explore existing threats, opportunities, weaknesses, and strengths (through TOWS), identify expert consensus on relevant policy issues, and systematically map the interrelationships between strategic elements (using ISM). As a result, the analysis is expected to offer a comprehensive and structured framework for formulating appropriate and responsive strategic policy directions related to the issues under study.

IV. RESULTS AND DISCUSSIONS

Expert Selection And Data Collection

Primary data for this qualitative study were collected through fieldwork in a natural setting using questionnaires. This approach enabled the collection of data reflecting both theoretical knowledge and practical experience. The questionnaires were structured based on expert assessments derived from unstructured interviews with individuals directly or indirectly connected to the subject. The use of unstructured interviews facilitated an in-depth exploration of strategic policy options to support sustainable finance. Experts were selected according to criteria including expertise, engagement, availability, and communication skills to ensure the credibility and relevance of the insights (Adler, M., & Ziglio, E., 1996). The identified strategies were subsequently categorized into four key areas: banking (including commitment, understanding, habits, risk, and business strategy); product (covering knowledge, diversity/innovation, and sustainability orientation); market; and supporting infrastructure (encompassing policy evaluation, incentives, mainstreaming, culture, instruments, and financial system stability). These categories provided the foundation for refining key strategies and policies aligned with strategic goals and global standards.

Study procedures were designed to ensure the depth, validity, and ethical integrity of the qualitative data collected (Creswell, J. W., & Creswell, J. D., 2018). The process began with identifying and mapping expert participants based on specific criteria, including competence, experience, credibility, commitment to the research topic, and neutrality of perspective. The focus was on decision-makers involved in strategic and policy-related aspects of sustainable development and Sharia-compliant banking. Additional informants included public policy experts from government institutions, practitioners in Sharia-compliant banking, and academics. A total of nine experts participated, including senior representatives from regulatory bodies such as the Central Bank, Financial Services Authority, and Indonesia Deposit Insurance Corporation; Sharia bank executives; academic scholars in Islamic economics; and professionals from policy and certification institutions. All participants provided informed consent by signing a consent form prior to participation.

TOWS and Interpretative Structural Modeling (ISM) Analysis

The study commenced with the identification of key factors from both external (threats and opportunities) and internal (weaknesses and strengths) perspectives, as articulated by experts, practitioners, and policymakers through a structured questionnaire. This initial identification was followed by a systematic analysis to interpret the strategic significance of the findings. The results from the questionnaire and the factor analysis provided a critical foundation for defining policy positioning and selecting appropriate strategic policy directions.

The identification process employed a TOWS framework to formulate strategic responses based on the interplay between external and internal factors. The Strengths-Opportunities (SO) strategy emphasizes leveraging an organization’s internal strengths to fully capitalize on external opportunities, thus fostering growth and competitive advantages. Conversely, the Strengths-Threats (ST) strategy focuses on utilizing these strengths to mitigate or neutralize potential external threats, enhancing organizational resilience. The Weaknesses-Threats (WT) strategy aims to minimize internal vulnerabilities and avoid or counteract external threats, thereby safeguarding the organization from adverse impacts. Lastly, the Weaknesses-Opportunities (WO) strategy involves addressing and overcoming internal weakness by employing external opportunities, which can serve as catalysts for improvement and innovation. Together, these strategic approaches provide a structured foundation for effective policy formulation and decision making (Párraga, M. M., Gonzalez-Cancelas, N., & Soler-Flores, F., 2014).

In summary, challenges or potential challenges faced by the Islamic banking industry may arise from various dimensions and perspectives. Fundamentally, regardless of the circumstances, the core issue of these challenges in banking ultimately revolves around the application of prudential principles. Analyzing the indications of all factors, namely the state of the economy—both nationally and, more importantly, at the global level—whether directly or indirectly, can have considerable effects and warrant close attention. Internally, the general weaknesses and strengths identified include low public awareness alongside existing regulatory support. Externally, from the perspective of several experts and policymakers, the public's level of awareness regarding the use of Sharia-compliant banking remains insufficient, which may hinder the effective utilization of available opportunities. The consolidated findings derived from the diverse perspectives and analyses are systematically organized and presented in the TOWS matrix table below. This matrix offers a comprehensive framework to guide strategic decision-making and policy formulation by clearly outlining the strengths, weaknesses, opportunities, and threats that influence the operational environment.

Tabel 1. TOWS Matriks Analysis

TOWS Analysis	***S = Strengths***	***W = Weaknesses***
O = Opportunities	**SO Strategies** SO1: Inclusive economy and sustainable finance have been incorporated into regulations (Regulation on Sustainable Finance and Climate Change, Financial Sector Law) SO2: Global trends toward green and sustainable energy transition SO3: Macroeconomic stability and relatively strong performance of the Islamic banking sector	**WO Strategies** WO1: Access to green financing and competition with conventional banks WO2: Product structure: Green Finance, Social Finance, Hybrid Instruments (combining social and green elements), SRIA Instruments, Green Sukuk
T = Threats	**ST Strategies** ST1: Capacity of Islamic banking (human resources, products, systems, and service accessibility). ST2: Policy synergy and coordination through the integration of sustainability principles, promoting funding for sustainable projects, and support for government policies.	**WT Strategies** WT1: Limited awareness and understanding WT2: Lack of standardization, such as a Green Economy Index WT3: Incentives, including reductions in capital adequacy ratio requirements for banks and restrictions on financing provision

Source: Data analysis (2025)

Referring to the identification of critical factors from both internal perspectives—namely strengths and weaknesses—and external dimensions, including opportunities and threats, as systematically presented in the TOWS matrix analysis table encompasses key sectors such as the development of the halal industry also the promotion of sustainable Sharia-compliant banking and finance, a clear strategic position can be formulated. This position serves as a foundation for defining a coherent set of strategic sub-elements that align with the evolving landscape and regulatory framework. By integrating these insights, policymakers and industry stakeholders can better navigate the complexities of the market, optimize resource allocation, and formulate policies that enhance the competitiveness and sustainability of the Sharia-compliant banking sector.

A good strategy identifies key challenges and aligns coherent actions to address them, while a bad strategy lacks focus, clear objectives, and fails to confront critical issues (Rumelt, R. P., 2012). A list of sub-strategy elements was developed through a combination of literature review, expert input, and panel discussions. This list integrates multidimensional insights into Indonesia's Sharia-compliant banking landscape, highlighting its growth potential, challenges, and alignment with national priorities for economic sustainability and financial inclusion.

The elements, serving as a foundation for policy prioritization, were categorized into seven overarching strategic areas (Strategy S1 to Strategy S7):
S1 – Promote a public inclusive literacy environment;
S2 – Accelerate sustainable finance product diversity;
S3 – Enhance funding structure and business scale to expand financing segments;
S4 – Policy alignment and integration;
S5 – Coordination among various stakeholders;
S6 – Adoption of emerging technologies; and
S7 – Performance development of human resources.

The next step in analyzing all questionnaire data involved employing Interpretive Structural Modeling (ISM), a methodology designed to identify relationships among interrelated elements, particularly in complex problem-solving contexts (Attri, R., Dev, N., & Sharma, V., 2013). Introduced by Warfield (Warfield, J. N., 1974).), ISM maps interconnections between elements through computer-assisted analysis, providing a structured understanding of complex systems. This graphic-based modeling technique uses quadrant frameworks and hierarchical levels to support decision-making in complex situations by visually illustrating relationships among variables and the overall system structure (Kim, D., Kim, Y., & Lee, N., 2018). The approach was employed to determine strategic priorities and organize a list of policy strategies for Sharia-compliant sustainable banking in relation to sustainable development in Indonesia. The method constructs a directional, interconnected, and hierarchical structure among strategies. According to Warfield, the identification of sub-strategy elements reflecting expert perspectives formed the basis for constructing questions to determine strategic priorities. The number of questions was calculated using the formula: [$N = n(n-1)/2$], where N is the total number of pairwise comparisons and n is the number of sub-strategy elements. With seven elements, this resulted in 21 questions ($21 = 7 \times [7-1]/2$), which were subsequently incorporated into the research questionnaire.

ISM key stages included identifying relevant elements, followed by the development of the Self-Structured Interaction Matrix (SSIM), which defines the contextual relationships among those elements. This structured process enables the translation of qualitative expert judgments into a visual model, supporting more effective decision-making in complex policy environments.

Effective policymaking extends beyond formal procedures and institutional design to include dynamic engagement with those affected by and accountable for the policy. It encompasses all stages of the policy cycle: problem identification, agenda-setting, formulation, legitimation, adoption, implementation, evaluation, adaptation, succession, and termination. Policymaking is thus a cyclical, problem-solving process that fosters policy learning through continuous analysis and experimentation with different solutions (Dunn, W. N., 2015; Rogge, K. S., & Reichardt, K., 2016). Beyond the formal stages of policy development, stakeholder perspectives are critical in influencing both the success and ethical integrity of policy implementation. Stakeholders' perceptions and approaches shape effective outcomes by translating ethical principles into practical strategies. This is especially important in sectors like banking governance in Indonesia, where stakeholder engagement affects regulatory compliance, public trust, and institutional accountability (Fassin, Y., 2009). Thus, integrating stakeholder perspectives throughout the policy process enhances adaptability, ethical standards, and overall policy effectiveness, particularly in complex fields such as Sharia-compliant banking.

Table 2. The Expert Opinion Results

No	i	Strategy	j	Strategy	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	S1	**Promote public inclusive literation environment**	S2	Accelerating sustainable finance product diversity	O	A	V	A	A	V	V	X	V
2			S3	Enhance funding structure and business scale to expand financing segment	X	V	V	X	X	X	V	X	V
3			S4	Policy alignment and integration	V	V	X	O	X	A	X	A	O
4			S5	Coordination among various stakeholders	A	A	A	X	X	A	X	X	X
5			S6	Adoption of emerging technologies	V	X	V	X	X	A	O	X	A
6			S7	Performance development of human resources	X	A	X	O	X	X	X	X	X
7	S2	**Accelerating sustainable finance product diversity**	S3	Enhance funding structure and business scale to expand financing segment	V	V	V	X	X	V	A	A	V
8			S4	Policy alignment and integration	X	A	X	X	X	X	A	A	X
9			S5	Coordination among various stakeholders	X	X	A	X	X	X	X	X	X
10			S6	Adoption of emerging technologies	V	A	V	V	V	A	X	X	A
11			S7	Performance development of human resources	X	V	A	X	X	A	A	X	A
12	S3	**Enhance funding structure and business scale to expand financing segment**	S4	Policy alignment and integration	V	A	X	X	V	O	A	A	X
13			S5	Coordination among various stakeholders	X	V	V	V	V	X	A	X	X
14			S6	Adoption of emerging technologies	V	X	A	X	A	A	X	X	A
15			S7	Performance development of human resources	O	A	V	X	X	A	A	X	A
16	S4	**Policy alignment and integration**	S5	Coordination among various stakeholders	X	V	A	X	X	A	X	V	O
17			S6	Adoption of emerging technologies	X	A	X	O	X	V	V	V	O
18			S7	Performance development of human resources	O	X	V	O	V	V	A	X	O
19	S5	**Coordination among various stakeholders**	S6	Adoption of emerging technologies	X	V	X	A	A	V	V	X	X
20			S7	Performance development of human resources	O	A	A	X	X	V	V	X	X
21	S6	**Adoption of emerging technologies**	S7	Performance development of human resources	X	X	V	X	X	X	X	X	X

Source: Data analysis (2025)

In the initial phase, data were processed utilizing the Interpretive Structural Modeling (ISM) application, which facilitates the development of hierarchical models grounded in expert judgments. The relationships between two distinct elements (i and j), such as factors or barriers, were symbolically denoted using ISM notations: 'V' (element i influences j), 'A' (j influences i), 'X' (i and j influence each other), and 'O' (no direct influence). Experts were anonymized as P1 through P9, and their evaluations are presented within the Structural Self-Interaction Matrix, as detailed in the expert opinion results table. The results of the initial data processing stage produced the Structural Self-Interaction Matrix (SSIM), which indicates the direction of contextual relationships between elements. Subsequently, all rows and columns were analyzed and converted to form the Reachability Matrix (RM), a binary matrix in which relational symbols were replaced with 0s and 1s according to standard ISM conversion rules—where 0 represents no influence and 1 indicates a direct influence between elements. This matrix serves as the foundation for constructing the hierarchical structure of strategic priorities. Additionally, the transitivity principle was applied, assuming that if element A influences element B, and element B influences element C, then element A influences element C. The table below presents a visual representation of the SSIM and RM results.

Table 3. Structural Self-Interaction Matrix (SSIM)

	[,1]	[,2]	[,3]	[,4]	[,5]	[,6]	[,7]
[1,]	NA	"V"	"X"	"X"	"X"	"X"	"X"
[2,]	NA	NA	"V"	"X"	"X"	"V"	"X"
[3,]	NA	NA	NA	"X"	"V"	"X"	"A"
[4,]	NA	NA	NA	NA	"X"	"V"	"V"
[5,]	NA	NA	NA	NA	NA	"X"	"X"
[6,]	NA	NA	NA	NA	NA	NA	"X"
[7,]	NA	NA	NA	NA	NA	NA	NA

Source: Data analysis (2025)

Table 4. Reachability Matrix (RM)

	A1	A2	A3	A4	A5	A6	A7
A1	1	1	1	1	1	1	1
A2	0	1	1	1	1	1	1
A3	1	0	1	1	1	1	1
A4	1	1	1	1	1	1	1
A5	1	1	0	1	1	1	1
A6	1	0	1	0	1	1	1
A7	1	1	1	0	1	1	1

Source: Data analysis (2025)

Conical Matrix (CM) is the subsequent phase, following the development of the Reachability Matrix—which adheres to the principle of transitivity—involves constructing the Conical Matrix as part of the ISM methodology. This stage ranks the sub-criteria based on their maximum influence values derived from the Reachability Matrix. The procedure, which is inherently tabular, requires populating a structured format and may be facilitated by specialized software that systematically delineates inter-element relationships in both lateral and hierarchical dimensions.

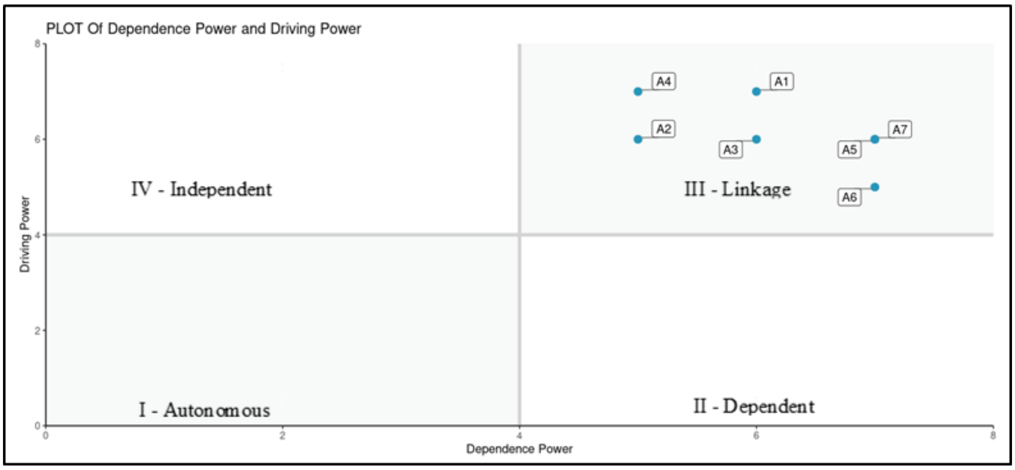
Table 5. Conical Matrix (CM)

	A1	A2	A3	A4	A5	A6	A7	DriverPower	Rank	Dependence	Hirarki
A1	1	1	1	1	1	1	1	7	1	6	2
A2	0	1	1	1	1	1	1	6	2	5	3
A3	1	0	1	1	1	1	1	6	2	6	2
A4	1	1	1	1	1	1	1	7	1	5	3
A5	1	1	0	1	1	1	1	6	2	7	1
A6	1	0	1	0	1	1	1	5	3	7	1
A7	1	1	1	0	1	1	1	6	2	7	1

Source: Data analysis (2025)

Based on the Conical Matrix, the driving power and dependence of each criterion were calculated to assess their relative influence within the system. This analysis categorizes the variables into four distinct quadrants: Quadrant I – Autonomous variables: Characterized by weak driving power and weak dependence; these variables are relatively disconnected from the system and have minimal relationships. Quadrant II – Dependent variables: Characterized by weak driving power but high dependence; changes in these variables are generally not autonomous. Quadrant III – Linkage variables: Characterized by strong driving power and high dependence; any action affecting these factors impacts others, with reciprocal interactions occurring within the elements themselves. Quadrant IV – Independent variables: Characterized by strong driving power but weak dependence.

The visual representation of element interrelationships, derived from the Conical Matrix, is presented in a quadrant format. All variables fall within Quadrant III, the Linkage quadrant, indicating strong driving power and high interdependence. This suggests that any change in one variable will significantly affect the others. For example, strategic variable A4 (policy alignment and integration) directly influences A1 (inclusive public literacy), and A1, in turn, impacts A4, demonstrating a reciprocal relationship. This mutual influence pattern across all variables highlights the overall interconnectedness of the system.



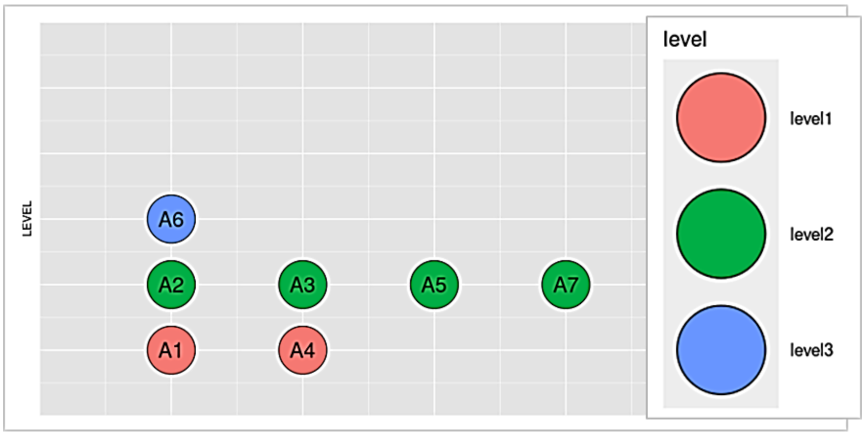
Source: Data analysis (2025)

Figure 1. Driver power - dependence power diagram

ISM Structure Diagram is the final stage in constructing the Interpretive Structural Modeling (ISM) framework is the development of a structured model that illustrates the hierarchical levels of strategic elements. This model systematically organizes the elements according to their respective levels of influence and dependency, providing a clear representation of their interrelationships within the system.

The stage involves constructing a hierarchical model that organizes the strategic elements into structured levels based on their influence and dependency relationships. This step transforms the analytical results previously captured in the Reachability Matrix, Conical Matrix, and quadrant analysis into a visual and logical structure that aids strategic interpretation and decision-making. The hierarchical model identifies elements with high driving power as well as those that are dependent on or influenced by other interactions by stratifying them into ascending levels. Elements at the lower levels serve as foundational drivers, while those at higher levels are more dependent on underlying factors. By mapping the elements in this way, it provides a clear representation of systemic interrelationships and the flow of influence among variables.

The hierarchical structure of elements presents the empirical results derived from the ISM analysis, reflecting expert perspectives on strategic priorities for advancing sustainable development through Sharia-compliant banking. For example, a strategic element with strong driving power and low dependence, such as policy alignment, will appear at the base of the hierarchy, signaling its role as a key enabler. In contrast, more dependent elements, namely the adoption of emerging technologies, will appear at higher levels, indicating their reliance on prior structural interventions. This modeling approach supports the formulation of targeted policy strategies by highlighting which areas require initial focus to trigger positive cascading effects throughout the system. The hierarchical model thereby serves as both a diagnostic and planning tool, guiding stakeholders in prioritizing efforts that align with the broader objectives of sustainable development and Sharia-compliant financial inclusion.



Source: Data analysis (2025)

Figure 2. Elemental Hierarchical Structure

Explanation of each level as follows:

Level 1: A1 (Strategy 1) – Promote public inclusive literation environment and A4 (Strategy 4) – Policy alignment and integration. grammar check: These strategies occupy the highest level in the hierarchy, indicating their foundational role in influencing other strategies within the system;

Level 2: A2 (Strategy 2) accelerating sustainable finance product diversity, A3 (Strategy 3) enhance funding structure and business scale to expand financing segment, A5 (Strategy 5) coordination among various stakeholders, A7 (Strategy 7) performance development of human resources. These strategies function as intermediaries, shaped by foundational elements while also influencing the system's technological components;

Level 3: A6 (Strategy 6) adoption of emerging technologies. Positioned at the base of the hierarchy, this strategy is highly dependent on the preceding levels, particularly on the supportive structures and capacities established by higher-level strategies.

V. CONCLUSIONS

The realization of the Sustainable Development Goals (SDGs) relies not only on global frameworks but also on the effective development and execution of locally tailored strategies. This study underscores the critical role of engaging local stakeholders in transforming global objectives into measurable outcomes, highlighting the necessity for Sharia-compliant banking strategies to align with the SDGs through structured, inclusive, and context-specific planning. Key strategic recommendations for Indonesia include enhancing public financial literacy, ensuring coherent policy alignment, expanding the diversity of financial products, strengthening funding structures, improving stakeholder coordination, and embracing technological advancements. These insights highlight the significant global potential of Sharia-compliant finance as a catalyst for sustainable development. However, the study's limitations —such as a brief data collection period and reliance on qualitative questionnaires— indicate that future research should incorporate macroeconomic variables and quantitative approaches to develop more robust strategies. In summary, while the study offers valuable contributions, it also points to the need for deeper investigation into the complex dynamics that influence sustainable development in localized contexts.

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