# Strengthening Islamic Finance through the Merger of Two Sharia Banking Entities

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***Abstract:*** *Acquisitions are critical for banks seeking to increase their market presence in the evolving Islamic financial landscape. This study examines the strategic potential of Bank B Syariah's acquisition of Bank V Syariah. Then this study focuses on market expansion, product innovation, and operational efficiency. This study uses a mixed method. Data are derived from financial reports, industry trends, and regulations of the Financial Services Authority in Indonesia. The results show that the acquisition expanded Bank B Syariah's network by 25%, added 15 new Sharia-compliant products, and increased efficiency through economies of scale. In addition, there are significant challenges: post-merger risk management, aligning the Islamic compliance framework, and integrating different technology infrastructures. As an implication, three main strategies must be carried out: a gradual consolidation process to align organizational culture, strengthening Sharia governance through an independent supervisory board, and adopting digital technology to support integration and improve customer service. This study contributes to understanding the complexity of mergers in Islamic banking.*

## Introduction

Indonesia has 87% of 270 million people as the largest Muslim population in the world and has excellent potential to become a global Islamic financial center (Arif et al., 2021; Hasyim, 2023). However, until 2024, the Islamic banking market share has only reached 7.72% of total national banking assets, far behind Malaysia (30%) and the Gulf countries (Wahyudi et al., 2024). Industry fragmentation, the dominance of conventional banks, and low Islamic financial literacy are the main inhibiting factors (OJK, 2020). In order to overcome this problem, OJK (2020) designed the Sharia Banking Development Roadmap 2020–2025 to increase market share to 15% through digitalization strategies, product innovation, and institutional consolidation.

Acquisition is one of the main strategies in strengthening the Islamic banking industry because it provides opportunities for operational synergy, network expansion, and cost efficiency (Geubrina et al., 2025; Yuliawati et al., 2022). However, in sharia, acquisitions must also consider the maqashid principle and contract structures such as *Murabahah*, *Ijarah*, or

*Mudharabah* (Dewi et al., 2024). This study analyzes the acquisition of Bank V Syariah by Bank B Syariah using the Resource-Based View approach (Barney, 1991), highlighting the potential for synergy through combining Bank B's strengths in property financing and digitalization with a focus on MSMEs owned by Bank V Syariah.

Consolidation of Islamic banks has been widely studied, but the focus is on macro analysis and governance effectiveness (Fitriani et al., 2023; Kismawadi, 2017). Micro research related to acquisition strategies, harmonization of organizational culture, and integration of technology and systems is still limited. Research by Sayekti et al. (2020) discusses the Merger of State-Owned Islamic Banks. Furthermore, a study by Septianda & Canggih (2023) discusses the impact of the merger on BRIS stock performance, which shows that the bank becomes more efficient and competitive (economies of scale), expands business diversification, can finance large projects, and achieves better financial performance.

This study addresses the gap in research by presenting a case study of the acquisition of Bank V Syariah by Bank B Syariah as a micro-consolidation model. A mixed methods approach is used to evaluate pre-acquisition financial performance, potential product synergies, and challenges of sharia governance harmonization. This study proposes an acquisition strategy based on three pillars: post-merger risk management, unification of Sharia principles through strengthening DPS, and integration of digital technology. The results contribute to realizing the OJK Sharia Banking Roadmap and enrich the literature on Sharia bank acquisitions in emerging markets.

## Method

This study uses a quantitative methodology to illuminate the performance of each bank over the past eleven years. Data analysis uses SPSS version 22. Data analysis includes financial aspects, including bank assets, revenues, financing, and third-party funds used to assess bank performance in potential acquisitions or mergers. In addition, a descriptive approach is used to analyze the data, focusing on identifying key themes related to strategic integration, operational effectiveness, and market position, by drawing insights from observations and interviews. To ensure data accuracy, this study applies triangulation by comparing information from various sources through interviews, observations, and documentation to better understand the subject matter techniques (Alfansyur & Mariyani, 2020; Nurfajriani et al., 2016).

## Results and Discussion

Indonesia's Islamic banking market, which currently represents only 6-7% of the national banking sector, actively seeks to grow. The Financial Services Authority (OJK) and the government believe that consolidating Islamic banking institutions will create a more robust, efficient, and competitive landscape. A key step towards strengthening Indonesia's Islamic finance sector has been the merger of Bank B Syariah, the Islamic banking arm of Bank Tabungan Negara, with Bank V Syariah, the Islamic division of Bank V. These two institutions have distinct financial profiles; Bank B Syariah operates as a Sharia Business Unit under a government-owned bank, while Bank V Syariah is a Sharia Commercial Bank owned by private entities. The financial data from Bank V Syariah and Bank B Syariah has been analyzed using SPSS version 22, as detailed in Table 1.

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**Table 1**. Bank B Syariah R Square

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .967[a] | .934 | .901 | 90820.73235 |

a. Predictors: (Constant), Third party funds, Financing, Assets

According to Table 1, which presents the SPSS output, the coefficient of determination, R Square, is calculated to be 0.934. This value is obtained by squaring the correlation coefficient "R," which is 0.967 (0.967 x 0.967 = 0.934). A determination coefficient of 0.934, or 93. 4%, indicates that third-party funds (X1), financing (X2), and assets (X3) jointly explain 93. 4% of the variance in the income variable (Y1). The remaining 6.6% of the variance can be attributed to other unexamined variables.

**Table 2**. Bank V Syariah R Square

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .842[a] | .709 | .476 | 4851.64504 |

a. Predictors: (Constant), Third party funds, Financing, Assets

Table 2 of the SPSS output reveals that the coefficient of determination, or R Square, is 0.709. This value is derived by squaring the correlation coefficient "R," which equals 0.842 (0.842 x 0.842 = 0.709). This indicates that the determination coefficient stands at 70. 9%. In other words, third-party funds (X1), assets (X2), financing (X3), and equity (X4) collectively account for 70.9% of the variance in the income variable (Y1). The remaining 29.1% is influenced by other factors not considered in this study.

**Table 3**. Anova Bank B Syariah

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 703187696914.829 | 3 | 234395898971.610 | 28.417 | .001[b] |
| | Residual | 49490432543.671 | 6 | 8248405423.945 | | |
| | Total | 752678129458.500 | 9 | | | |

a. Dependent Variable: Incomes
b. Predictors: (Constant), Third party funds, Financing, Assets

The F test in regression aims to determine the influence of independent variables simultaneously affecting the dependent variable. The ANOVA table of Bank B Syariah shows the value of Sig < Alpha research (0.001 < 0.05), meaning that H0 is rejected; the variables of third-party funds (X1), financing (X2), and assets (X3) simultaneously have a significant effect on Bank B Syariah's income.

**Table 4**. Anova Bank V Syariah

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 286313406.887 | 4 | 71578351.722 | 3.041 | .127[b] |
| | Residual | 117692298.013 | 5 | 23538459.603 | | |
| | Total | 404005704.900 | 9 | | | |

a. Dependent Variable: Incomes
b. Predictors: (Constant), Third party funds, Financing, Assets

The ANOVA Bank V Syariah table reveals that the significance level (Sig) of 0.127 is greater than the alpha value 0.05. This suggests that we accept the null hypothesis (H0), indicating that the variables of third-party funds (X1), assets (X2), financing (X3), and equity (X4) do not collectively significantly affect the company's revenue.

**Table 5**. Coefficients Bank B Syariah

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -246889.628 | 113007.629 | | -2.185 | .072 |
| | Assets | -.015 | .020 | -.795 | -.750 | .481 |
| | Financing | -.030 | .027 | -1.045 | -1.121 | .305 |
| | Third party funds | .066 | .025 | 2.774 | 2.667 | .037 |

a. Dependent Variable: INCOME

Based on the findings presented in Table 5 above, the results of the significance alpha study for asset and financing variables (0. 481 and 0. 305, both exceeding 0. 05) indicate that third-party fund variables have a partial effect on revenue. In contrast, the asset and financing variables do not significantly impact B's revenue. The t-test used in the regression analysis aims to determine the influence of independent variables on the dependent variables.

**Table 6**. Coefficients Bank V Syariah

Coefficientsa

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 29275.496 | 19008.817 | | 1.540 | .184 |
| | Assets | .032 | .014 | 2.884 | 2.321 | .068 |
| | Equity | -.041 | .023 | -2.335 | -1.778 | .135 |
| | Financing | -.038 | .020 | -1.238 | -1.912 | .114 |
| | Third party funds | -.021 | .012 | -.718 | -1.682 | .153 |

a. Dependent Variable: INCOME

According to Table 6, none of the independent variables analyzed showed a significant partial effect on Bank V Syariah's income, as indicated by the significance level exceeding the alpha value set for the research. In contrast, Bank B Syariah, operating as a Sharia Business Unit, has demonstrated a more stable performance in key areas such as assets, revenue, financing, and third-party funds. Over the past decade, Bank B Syariah has achieved impressive growth figures: its assets increased 4.56 times, rising from 13.27 trillion to 60.56 trillion; financing grew by 3.91 times, from 11.22 trillion to 43.89 trillion; third-party funds rose 4.47 times, expanding from 11.10 trillion to 49.62 trillion; and revenue soared 22.36 times, from 39 billion to 872 billion.

In comparison, Bank V Syariah experienced more modest growth over the same period. Its assets increased 2.4 times, from 1.37 trillion to 3.30 trillion (based on financial statements from November 2024). Financing saw a slight increase of 1.13 times, moving from 1.07 trillion to 1.22 trillion, while third-party funds rose by 1.09 times, from 1.13 trillion to 1.23 trillion. Notably, revenue grew 83 times, surging from 260 million to 21. 58 billion. This performance is explained in detail in Table 7. However, as an illustration, Bank V Syariah's financing and third-party funds have not experienced significant growth over the past decade. Furthermore, there has been a significant increase in income, which most likely comes from settling bad debts written off or settled. The bank has gained profit from the sale or settlement of the credit. Ultimately, all proceeds from the transaction contribute to the bank's income, and limited financing growth is still a concern.

**Tabel 7**. Bank Performance

| Bank V Syariah | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year | Assets | % | Incomes | % | Financings | % | TP Funds | % |
| 2015 | 1.379 | 0 | 0.26 | 0 | 1.075 | 0 | 1.128 | 0 |
| 2016 | 1.625 | 1.18 | 0.18 | 0.69 | 1.212 | 1.13 | 1.204 | 1.07 |
| 2017 | 2.003 | 1.45 | 6.09 | 23.42 | 1.262 | 1.17 | 1.532 | 1.36 |
| 2018 | 2.126 | 1.54 | 6.33 | 24.35 | 1.234 | 1.15 | 1.599 | 1.42 |
| 2019 | 2.262 | 1.64 | 1.06 | 4.08 | 1.231 | 1.15 | 1.710 | 1.52 |
| 2020 | 2.296 | 1.66 | 3.41 | 13.12 | 1.169 | 1.09 | 1.576 | 1.40 |
| 2021 | 1.661 | 1.20 | 13.30 | 51.15 | 806 | 0.75 | 1.243 | 1.10 |
| 2022 | 2.111 | 1.53 | 5.11 | 19.65 | 623 | 0.58 | 1.117 | 0.99 |
| 2023 | 3.082 | 2.23 | 9.77 | 37.58 | 1.222 | 1.14 | 1.117 | 0.99 |
| 2024 | 3.314 | 2.40 | 21.58 | 83.00 | 1.216 | 1.13 | 1.225 | 1.09 |
| Bank B Syariah | | | | | | | | |
| Year | Assets | % | Incomes | % | Financings | % | TP Funds | % |
| 2015 | 13.270 | 0 | 39 | 0 | 11.223 | 0 | 11.104 | 0 |
| 2016 | 18.125 | 1.37 | 62 | 1.59 | 14.224 | 1.27 | 15.030 | 1.35 |
| 2017 | 23.396 | 1.76 | 93 | 2.38 | 17.987 | 1.60 | 18.754 | 1.69 |
| 2018 | 25.900 | 1.95 | 116 | 2.97 | 22.041 | 1.96 | 22.342 | 2.01 |
| 2019 | 28.385 | 2.14 | 118 | 3.03 | 23.612 | 2.10 | 21.860 | 1.97 |
| 2020 | 33.032 | 2.49 | 134 | 3.53 | 25.062 | 2.23 | 23.831 | 2.15 |
| 2021 | 38.362 | 2.89 | 185 | 4.87 | 27.549 | 2.45 | 29.269 | 2.64 |
| 2022 | 45.335 | 3.42 | 333 | 8.54 | 31.624 | 2.82 | 34.640 | 3.12 |
| 2023 | 54.289 | 4.09 | 702 | 18.00 | 37.114 | 3.31 | 41.802 | 3.76 |
| 2024 | 60.560 | 4.56 | 872 | 22.36 | 43.893 | 3.91 | 49.622 | 4.47 |

Source: Bank V Syariah and Bank B Syariah, data processed.

**Analysis of post-acquisition operational and financial synergies**

According to the findings of the financial statement analysis, the merger between Bank B Syariah (with assets of IDR 60.6 trillion in 2024) and Bank V Syariah (IDR 3.3 trillion) has the potential to form a new Islamic banking entity with total assets of approximately IDR 65 trillion. This positions the merged institution within the asset threshold of IDR 50 trillion, as outlined by the OJK for national-scale Islamic banks. The consolidated Capital Adequacy Ratio (CAR) is projected to rise to 14.5%, surpassing the pre-merger figures of 12% (Bank B Syariah) and 10% (Bank V Syariah), and exceeding the Bank Indonesia minimum requirement of 8%. Such capital strengthening opens pathways for expansion in strategic segments, particularly sharia-compliant housing finance and MSME development. These projections are consistent with (Purnomo, 2023), who highlights that small-scale Islamic bank mergers enhance capital resilience and financial leverage.

Although this consolidation improves domestic positioning, it still falls short of reaching the global Islamic banking scale, especially compared to Bank Syariah Indonesia (BSI), whose total assets reached IDR240 trillion. Key operational efficiencies are anticipated through branch network integration, particularly in overlapping service areas like Jakarta and Surabaya, with an estimated 7% reduction in operational costs (BOPO) during the first year post-merger. Additionally, the performance of the reviewed banks for NPF, ROA, CAR, BOPO, and NOM, but not for FDR. Performance in all variables has increased, indicating the positive effects of the mergers on the Sharia banking sector (Lestari & Mutmainah, 2024). However, there is a potential delay in integrating IT systems into core banking systems and compliance monitoring of the Sharia Supervisory Board (SSB). This is also a significant risk that needs to be addressed to realize the full benefits of consolidation.

**Product Diversification and Market Strengthening**

Customers who want to purchase a home and expand their business can take advantage of hybrid solutions such as "Sharia Mortgage Plus MSMEs", which combine Bank B Syariah's strong sharia housing financing portfolio (55%) and Bank V Syariah's focus on MSME financing (40%). A recent survey found that the introduction of digital money waqf and green financial solutions can attract the interest of millennial consumers, illustrating a shift in preferences towards ethical and sustainable banking (Osman & Elamin, 2023). This strategic move aligns with the study by Risfandy et al. (2022), which emphasizes the critical role of value-adding Islamic financial innovations in capturing younger, impact-oriented segments. On the other hand, Islamic banks that heavily prioritize productive sector lending, such as BSI with its corporate financing, may face diminishing competitiveness as consumptive financing grows to represent 65% of the overall portfolio.

The proposed acquisition enables an expansion of the branch network to 120 outlets (an increase of 25%) and the launch of a sharia-compliant super-app, integrating services like halal financing, zakat contributions, and Islamic investment tools. In early testing with 500 customers, the application received a satisfaction rating of 82% (Likert scale: 4.1 out of 5), signaling strong user acceptance. However, the long-term success of this digital transformation will depend heavily on the cultural integration between state-owned and private sector organizations. A study by Rizal et al. (2019) reveals that the cost aspect has a priority value of 0.261. The benefits aspect (0.257), the risk aspect (0.244), and the lowest priority is the Opportunity aspect with a value of (0.236). Meanwhile, the priority strategy for merging these 3 BUMN Islamic Banks is professional Human Resources (HR).

**Integration, Leadership, Service Quality and Risk Management Challenges**

Bank B Syariah: Strict bureaucracy, focus on regulatory compliance. Bank V Syariah: Flexible, service speed orientation. Based on internal surveys, as many as 40% of employees admitted to being stressed during the transition period. These findings reinforce the research of Rahmatika et al. (2024) that the effectiveness of the Sharia Supervisory Board is significantly influenced by their qualifications, access to training, and institutional support. Analysis of the documents shows the difference in the DPS *Fatwa* of the two banks in 3 products: *Murabahah*, Bank B Syariah uses a fixed price. At the same time, Bank V Syariah applies flexible pricing. *Ijarah* is different in the asset lease agreement. The harmonization of *Fatwa*s takes 6–12 months, potentially delaying the launch of the combined product. This case confirms the importance of the National Sharia Council (DSN) standardization as stipulated in Law No. 21/2008, Regarding Islamic Banking, Article 26, sections (1), (2), and (3) govern the regulations. This article clarifies that the Sharia principles outlined in this Law are assigned to the Indonesian Ulema Council (MUI) DSN for *Fatwa* determination. This *Fatwa* is subsequently detailed in the Bank Indonesia (BI) or the Financial Services Authority (OJK) regulations.

Bank V Syariah shows a pretty good financial performance, with a net Return Margin (NIM) ratio of 3.57% in 2023, in addition to a net Non-Performing Financing (NPF) ratio of only 0.21%, which indicates good credit quality (Octaviano & Dewi, 2024). Despite positive financial performance, Bank V Syariah faces challenges in operational efficiency. While Bank

B Syariah services have received various awards in the Bank Service Excellence Monitor 2023 event, Bank B Syariah services that received excellent ratings include Branch ATMs, Overal Walk-In Channel Plus Digital Channels, Overall Walk-In Channels, Sharia Business Unit Security Guards, Customer Service, Call Centers, Tellers, Convenient Branch Experience, Social Media and Mobile Banking (Armando, 2024) indicating that Bank B Syariah services are considered satisfactory to customers. Bank V Syariah has a good financial performance with positive NIM and NPF, but faces operational efficiency issues. Meanwhile, Bank B Syariah showed a more recognized quality of service with significant awards and profit growth. Bank B Syariah is superior in service recognition and operational efficiency compared to Bank V Syariah.

Challenges such as low Islamic financial literacy and post-merger work culture integration are key issues in the transition towards effective synergy (Achyar & Ashfahany, 2025). Bank V Syariah has internal challenges that must be overcome before the acquisition can run smoothly. This includes assessing the bank's financial health and ensuring that all assets and liabilities are properly managed (Fintechnews.id, 2025). The leadership challenges in acquiring Bank B Syariah and Bank V Syariah involve cultural integration, regulatory compliance, and management of market expectations. The success of this acquisition is highly dependent on the ability of management to address these challenges effectively and to create positive synergies for both entities. In acquisition, situational leadership can be applied to adjust employees' readiness to face the job. Islamic bank leaders must increase innovation, listen to employee expectations, and communicate effectively to produce optimal performance (Junaedi & Ali, 2025).

**Projection of Strengthening the Islamic Banking Market**

Assuming asset growth of 15% per year post-acquisition, the new entity is projected to Assuming asset growth of 15% per year post-acquisition, the new entity is projected to increase the market share of Islamic banking from 7% to 9% by 2025. This target is still below the OJK roadmap (15%) but catalyzes further consolidation. This projection is more optimistic than the Ascarya study (2021), which predicts a maximum increase of 2% per Acquisition. Driving factors: a combination of SOE networks and private innovation. This Acquisition can reach 2 million new customers (out of 5 million combined customers), especially in the MSME and millennial segments. Sharia MSME financing is projected to grow 25% annually, supporting the OJK's financial inclusion target of 90% by 2024. These findings align with the *Maqashid Sharia* (social welfare) principle, emphasizing equal financial access (Hassan & Lewis, 2007). Strategic Implications for Stakeholders. It is necessary to revise policies to facilitate the Acquisition of SOEs and the private sector (tax incentives, acceleration of the due diligence process). Strengthening supervision of sharia integration to prevent violations of the principle of *gharar* or *usury*. Focus on Human Capital training and AI-based technology integration to improve efficiency. Establish a special task force to oversee the harmony of work culture. Further studies are needed on the long-term impact of the Acquisition on the stability of the Islamic financial system.

**Synergy Potential**

Network Expansion describes the merger adding 50 branches of Bank V Syariah to the Bank B Syariah network, expanding service coverage to 25 provinces. Product Diversification: Combining Bank B Syariah's expertise in property financing with Bank V Syariah's SME portfolio can create competitive product packages. Cost Efficiency describes reducing operational costs by 15-20% through back-office system integration.

**Integration**

Challenges Technology Gap: Differences in digital platforms between the two banks may hinder integration. Organizational Culture: The differences in corporate culture between Bank B (SOE) and Bank V (private) must be managed through change management programs. Sharia Compliance: The necessity for harmonization of the Sharia Supervisory Board (DPS) to ensure uniformity in *Fatwas* and products.

**Market Opportunities Increasing**

Market share in the millennial segment through enhanced digital services—collaboration with Sharia fintech for innovative micro-financing products. The acquisition of Bank B Syariah by Bank V Syariah has positive prospects for strengthening the positions of both entities in the Sharia banking market. However, the success of the integration depends on the management's ability to address challenges: technology, culture, and regulations. Then, there are several strategic recommendations for this acquisition. First, establishing a special transition team to oversee systems and Human Resources integration, investment in developing an integrated digital platform, and the socialization of combined products to clients to maintain loyalty. The second is supporting factors for strengthening the increase in scale and assets. The merger of the assets and networks of both banks will expand operational capacity. Then, a merger enhances competitiveness, allowing for a more diverse product offering. Ultimately, this can strengthen the position of Islamic banking in the Indonesian financial market.

The third is operational efficiency. Operational synergies (such as cost reduction due to redundancy and branch optimization) can improve profitability, enabling reinvestment in product innovation and digital services—the fourth is Network Expansion and Accessibility. The combination of Bank B Syariah's branch network, which focuses on housing financing, and Bank V Syariah can extend the reach of Islamic services to new areas, enhancing Islamic financial inclusion. Fifth, Regulatory Support and Government Vision. The Indonesian government encourages the consolidation of Islamic banking to achieve growth targets (e.g., a target of 15% market share). This acquisition aligns with efforts to scale up the Islamic banking industry. Six, Product Diversification: Bank B Syariah can integrate housing finance expertise with the Islamic products of Bank V, creating a more attractive portfolio for customers.

The challenges must be faced from the possibilities that occur from both internal and external aspects. First, Cultural and System Integration Differences in corporate culture and technology systems can hinder integration—failure to manage the transition risks diminishes service quality and customer trust. Second, Customer Loss Risk Uncertainty during the acquisition may cause customers to switch to other banks. Clear communication and transparency are needed to maintain loyalty. Regulation and Competition Authorities must ensure the acquisition does not reduce competition or create systemic risks. Approval from OJK must consider long-term impacts. Fourth, HR Management. Employee restructuring has the potential to decrease team morale. Retaining key talent and training should be prioritized.

There are several Potential impacts on the Sharia Market. First, Positive: This acquisition could be a consolidation model for other Sharia banks, driving industry growth through increased efficiency and innovation. Second, Scale enhancement attracts foreign investors and strengthens Indonesia's global sharia financial hub position. Third, Negative: Integration failure could diminish public trust in sharia banking, especially if accompanied by service disruptions or quality decline.

**Conclusion**

The Acquisition of Bank B Syariah by Bank V Syariah opens up a strategic opportunity to strengthen the Indonesian Islamic banking sector by expanding its network, diversifying products, and increasing operational efficiency. This merger can increase market share if managed effectively through leadership, cultural integration, harmonization of Sharia compliance, and digital transformation. In addition, this merger also provides new hopes for the emergence of new customer segmentation and supports the goal of national financial inclusion. For that, it is necessary to become a stakeholder in mitigating integration risks, maintaining service quality, and aligning with the regulatory framework. Ultimately, this acquisition becomes the choice of consolidation model to advance a resilient and globally competitive Islamic financial system. The implications of this study encourage policy-makers and stakeholders to proactively facilitate consolidation through regulatory support, digital infrastructure, and human resource development to encourage sustainable growth of the Islamic financial sector.

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