



Modeling Conversion Strategies for Regional Banks to Islamic Banks Using the Analytic Network Process (ANP) Approach

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Abstract

Background: Islamic banking in Indonesia has grown for over two decades; however, its market share remains below 8%, and the spin-off scheme of Islamic Business Units has demonstrated limited effectiveness. Converting *Regional Development Banks (BPD)* into *Islamic Commercial Banks* offers a strategic alternative, yet an integrated conversion model combining technical, organizational, and *sharia* dimensions is still lacking, using *Regional Development Banks (BPD)* in Indonesia as the research object.

Objective: This study formulates a holistic conversion model by identifying priority problems, solutions, and strategies for converting *BPD* into *Islamic Commercial Banks*.

Methods: This study employed the *Analytic Network Process (ANP)* combined with the *Tawhid String Relation (TSR)* framework. Internal factors were mapped using the *McKinsey 7S* framework, while external factors covered legality, regulation, and customer aspects. Data were collected through in-depth interviews and pairwise-comparison questionnaires distributed to seven purposively selected experts, comprising regulators, *sharia* banking practitioners, and academics with direct conversion experience. *ANP* analysis was performed using *SuperDecisions v.3.2* software, with a consistency ratio (CR) ≤ 0.10 .

Results: *Strategy* emerged as the most dominant internal problem (gomean = 0.40), driven by the absence of an integrated *sharia* transformation strategy. The priority solution is strengthening strategy through business and market-potential studies. The top recommended strategy is forming a dedicated *sharia* licensing team, supported by legal consultants and benchmarking with previously converted banks.

Conclusion: Successful conversion of *BPD* into *Islamic Commercial Banks* is largely determined by strategic readiness as the foundation for sustainable, *sharia*-aligned transformation, supported by a roadmap integrating *maqashid sharia* into corporate governance.

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INTRODUCTION

The banking industry is one of the main pillars of a country's financial system. The primary role of banking is as an intermediary institution that collects funds from the public in the form of deposits and redistributes them as credit or financing. In addition, banks provide a wide range of financial services, including payments, investments, and risk management, which support overall economic growth.

The contribution of the banking industry to the economy is significant, particularly in supporting the real sector and encouraging investment (Irawan, et al., 2021). Banks provide working capital for businesses of all sizes—small, medium, and large-scale. A robust banking system helps maintain economic stability, control inflation, and increase the purchasing power of the public.

However, during the COVID-19 pandemic, based on data from the Financial Services Authority (OJK), the contribution of the banking sector changed significantly. Notable changes included an increase in credit and financing risk, as many debtors experienced financial difficulties, leading to a higher ratio of non-performing loans (NPL) and declining credit growth in certain sectors. Additionally, weakened public purchasing power reduced banking activities in both fund-raising and credit distribution. Nevertheless, Indonesia's banking industry demonstrated strong resilience through various stimulus policies and regulatory relaxation from the government and OJK, enabling recovery post-pandemic.

Focusing on Islamic banking, one of the contributors to Indonesia's banking sector, the market has experienced significant development over the past decade. The national Islamic banking industry continues to grow, with growth rates varying according to economic conditions and other influential factors, dating back more than two decades, precisely since 1992.

Research on conventional banks converting into Islamic banks has been conducted in several countries. Asif (2021) found that conversions in Pakistan face challenges regarding sharia compliance and unmet demand for sharia services. Ahmed (2018) reported that the conversion of Punjab banks encountered human-resource challenges, addressed through Islamic-banking training programmes. Hasan (2016) studied bank conversions in Bangladesh and found that conversion can improve financial performance. Al-Harbi (2017) noted that conversions in Gulf countries require recruiting dedicated Islamic-banking experts.

The method of establishing a new Islamic commercial bank through conversion, as carried out by three BPD banks, represents a strategic corporate action. This is a substantial initiative, as in financial management theory, actions that transform business activities into a new form produce internal and external effects on the company and can increase its value (DePamphilis, 2021).

Conversion theory in banking explains the complex, multidimensional process of organizational change from conventional to Islamic banking systems—covering institutional, product, and operational transformations subject to sharia provisions, which differ from conventional practices. Strategies and solutions for establishing new Islamic banks are essential, encompassing holistic transformations to achieve *maqasid* while maintaining the company's competitive position.

In organizational change management, converting conventional commercial banks into Islamic commercial banks requires both a change strategy and a communication strategy to mitigate the impact on personnel and organizational culture, which can pose the greatest obstacles. Models have been designed to assist management in planning, evaluating, implementing, and maintaining changes for sustainable business operations. According to Lewin, successful change or conversion management depends on cultural readiness, leadership support, and clarity of strategic vision (Fanggidae, et al., 2016).

Al-Harbi (2017) explained how conventional banks in the Gulf countries converted to Islamic banks, emphasizing the effects on financial performance before and after conversion. Gradual conversion to sharia banks, combined with organizational restructuring and recruitment of competent Islamic-banking management, was highlighted as a success factor.

Regarding human resources, banks must prepare employees and management who understand Islamic banking operations, transaction contracts in accordance with sharia principles, and the offered products and services (Abudirbala & Mukhtar, 2019). Operational differences between conventional and sharia banking require careful management attention to ensure a smooth conversion process.

During conversion, issues such as compensation, work motivation, performance, and employee satisfaction may arise. Research on the conversion of state-owned banks in Aceh, such as BRI, BNI, and BRI, implementing sharia law provisions, found significant effects on compensation and job satisfaction (Kamaly & Bahri, 2021).

The drive to convert conventional banks also originates from external factors, including OJK regulations, the potential expansion of the sharia market, customer demand, and local government support (Al Arif, et al., 2024). Tiwari (2026) emphasized the importance of human resource development and supportive regulations to ensure effective transitions. Rising public demand, awareness of sharia-compliant finance, and market expansion continue to drive the growth of Islamic banking services (Ahmed et al., 2018; Asif et al., 2021).

Despite growing literature, three gaps remain: first, prior studies focus on single dimensions—financial performance, human resources, or regulation—rather than offering an integrated conversion model. Second, existing Indonesian studies have examined the spin-off pathway but not BPD conversions considering both internal (McKinsey 7S) and external factors simultaneously. Third, no published study has combined the Analytic Network Process (ANP) with the Tawhid String Relation (TSR) framework to model BPD conversion (Al Arif et al., 2024; Putranto, 2018; Nasuha, 2012).

Increasing public demand for Islamic banking is driven by awareness of sharia-based finance, preferences for products aligned with Islamic principles, and trust in a fair and transparent system (Ahmed, et al., 2018). Many perceive interest-based systems as usury, contrary to Islamic teachings, and prefer profit-sharing (Mudharabah and Murabahah) contracts that emphasize fairness, transparency, and welfare.

Second, awareness of sharia rules. Religious awareness significantly increases sharia banking demand (Asif, et al., 2021). Conventional banking involves interest, speculation, and uncertainty (Gharar), all contrary to sharia. Islam strictly prohibits usury, with Qur'anic guidance providing clear explanations and consequences for illicit wealth acquisition.

Third, market expansion and comparative advantage. Growing demand necessitates market expansion for BUS (Naseri & Sharofiddin, 2021). Islamic banks enjoy competitive advantages over conventional banks in transparency, business ethics, and social engagement. Customers preferring Islamic finance seek fair, transparent transactions aligned with Islamic values, highlighting the need for Islamic-compliant banking systems.

Converting conventional banks to Islamic banks addresses high demand, representing an opportunity to meet market needs and increase market share and competitiveness. Studies indicate conversion enhances trust and loyalty, improves market access, and strengthens sharia-based financial inclusion (Nuraeni et al., 2024).

This research adopts an approach capturing technical and managerial aspects while assessing factor relationships, sharia-goal alignment (*maqāsid sharia*), and the long-term evolution of banking institutions serving all societal levels. In Islamic epistemology, Masudul Alam Choudhury's Tawhid String Relation (TSR) integrates *tawhid* principles into analysis, emphasizing integration (unity with *maqāsid*), interaction (circular causality), and evolution (continuous adaptation), abbreviated as IIE. Conversion is seen as a sustainable, circular process evaluated against *sharia* objectives (Choudhury, 2018). TSR assesses whether conversion strategies maintain balance between profitability, stability, and social justice.

TSR, employing an Islamic Tawheed approach, is developed for economic, financial, scientific, and social research. Grounded in monotheistic philosophy as Primal Ontology, it operationalizes Interaction, Integration, and Evolution (IIE) within the shuratic process framework. TSR ensures *sharia maqāsid* achievement, including welfare in financial transactions.

Research on forming new Islamic commercial banks using ANP remains limited. Rukminastiti (2024) studied spin-off of Islamic business units (UUS) into Islamic commercial banks using the Balanced Scorecard (BSC) method.

Based on this background, the author intends to research establishing an Islamic commercial bank through conversion using ANP, incorporating the McKinsey 7S model as an internal-factor framework. The McKinsey 7S model evaluates organizational alignment pre- and post-change, ensuring coherence during major transformations such as conversions. Its elements—Strategy, Structure, Systems, Shared Values, Style, Staff, and Skills—were introduced by Peters and Waterman (1980), highlighting that organizational success relies on interdependent elements beyond structure and strategy alone.

This study addresses internal and external factors affecting conventional bank conversion using qualitative methods and TSR, implemented through ANP. TSR and ANP are compatible and together form a robust framework for new Islamic commercial bank establishment, including via conversion.

By integrating ANP and TSR, this study develops a conversion model both empirically prioritized and sharia-aligned, designed for Indonesian Regional Development Banks (BPDs) as a practical guide for conversion challenges. The novelty lies in (i) combining ANP and TSR to capture empirical and sharia-philosophical alignment, (ii) applying McKinsey 7S as the internal-factor structure for ANP clustering, and (iii) producing a context-specific BPD conversion model

(Choudhury, 2018; Saaty & Vargas, 2006).

METHOD

This study applied a qualitative methodological approach based on an interpretive perspective toward the condition of natural objects. The qualitative method was conducted descriptively to gain a deep understanding of the phenomenon, enabling exploration of more complex and contextual meanings.

Following Moleong (2017), qualitative research aimed to understand phenomena experienced by research subjects—including behavior, perception, motivation, and action—holistically through descriptive, contextual interpretation within a natural setting.

In this study, the author classified seven criteria as the research focus, divided into internal and external factors. Internal factors followed the McKinsey 7S model, namely: Strategy, Structure, Systems, Staff, Skills, Style, and Shared Values. External criteria included Legality, Regulation, and Customer. Experts, practitioners, regulators, academics, and stakeholders of Islamic banking served as information sources regarding critical research variables, including the problems and solutions in the formation of Islamic commercial banks through conversion. The proposed solutions consisted of several alternatives referred to as settlement strategies, considered the most potential approaches for selecting the BUK-to-BUS conversion method.

Respondents were selected purposively using expert sampling. A total of seven experts participated, comprising two regulators from the OJK Sharia Banking Department, three senior executives from BPDs with conversion experience, and two academics specializing in Islamic finance and ANP methodology. Selection criteria included: (a) at least ten years of experience in Islamic banking; (b) direct involvement in a bank conversion or sharia-transformation project; and (c) recognized publication or policy contribution (Tanjung & Devi, 2013).

Data were collected in two stages. Stage 1 employed semi-structured in-depth interviews to identify the network of problems, solutions, and strategies. Stage 2 utilized pairwise-comparison questionnaires using Saaty's 1–9 scale. The ANP procedure followed four stages (Saaty, 2006): (1) model construction; (2) pairwise comparison; (3) supermatrix calculation; and (4) synthesis. Analysis was performed using SuperDecisions software v.3.2. The consistency ratio (CR) was checked for every pairwise-comparison matrix and was accepted only when $CR \leq 0.10$. The geometric mean (Rater's Agreement, W) was used to aggregate expert judgments, with $W \geq 0.5$ indicating strong agreement.

The Tawhid String Relation (TSR) framework was operationalized as a meta-analytical lens: Omega (Ω) represented sharia boundary conditions; the primal mapping θ represented expert knowledge from shuratic deliberation; the Interaction–Integration–Evolution (IIE) cycle corresponded to ANP supermatrix convergence; and the well-being function $W(\theta, X(\theta))$ mapped ANP priority output against *maqāṣid-sharia* criteria (Choudhury, 2018).

In summary, this study divided the research criteria into two clusters: internal factors and external factors. The seven internal criteria followed the McKinsey 7S model—Strategy, Structure, Systems, Staff, Skills, Style, and Shared Values—while the three external criteria consisted of Legality, Regulation, and Customer. Therefore, the seven criteria specifically referred to the internal factors, not to the entire research framework.

RESULTS AND DISCUSSION

Results

Synthesis Results of the Whole Cluster (Revised subtitle: Synthesis Results for All Clusters.)

In this discussion, the conclusion regarding the ranking of priorities derived from the synthesis results of all clusters in this study is presented. This research aimed to identify the most critical elements of the overall problem, as well as the solutions that could be prioritized to serve as the basis for policy-making.

Table 1. Conclusion of ANP Synthesis

ELEMENTS	GEOMEAN	RANKING	W VALUE
PROBLEMS			
Internal Problems	0,82	1	100%
External Problems	0,16	2	
Internal Problems			
Strategy Problems	0,40	1	83%
HR Problems	0,21	2	
Structure Problems	0,16	3	
System Problems	0,15	4	
Style & Share Value Problems	0,08	5	
External Problems			
Legality & Regulation Problems	0,58	1	60%
Customer Problems	0,42	2	
Strategy Problems			
Bank does not yet have a comprehensive sharia transformation strategy	0,71	1	60%
The bank has not yet prepared a product roadmap and service diversification	0,29	2	
HR Problems			
Knowledge/competence of each Islamic banking is lacking	0,72	1	60%
Islamic banking experience is still lacking	0,28	2	
Structural Problems			
The organizational structure of conventional banks does not support the operational model of Islamic banking	0,61	1	31%
Conventional organizational structures do not support the specific structure of conversion project implementation	0,39	2	
System Problems			
The conventional core banking system does not support the fulfillment of product consistency according to sharia principles	0,69	1	100%
The conventional core banking system does not support the Islamic banking system	0,31	2	
Style & Shared Values Problems			
The organizational culture is not fully oriented towards Islamic banking	0,64	1	31%
Leadership style is not yet transformative	0,36	2	
Legality & Regulation Problems			
Complex administrative and licensing processes	0,68	1	60%
There has been no harmonization of sharia rules and banking regulations	0,32	2	
Customer Problems			
Weak customer understanding of Islamic banking	0,71	1	100%
Uncertainty of customer loyalty to Islamic banking	0,29	2	
SOLUTIONS			
Internal Solutions	0,83	1	100%
External Solutions	0,17	2	
Internal Solutions			
Strategy Solutions	0,39	1	82%

HR Solutions	0,22	2	
Structural Solutions	0,14	3	
System Solutions	0,13	4	
Style & Shared Values Solutions	0,12	5	
External Solutions			
Legality & Regulation Solutions	0,57	1	60%
Customer Solutions	0,43	2	
Strategy Solutions			
Formulation of business studies and market potential	0,67	1	60%
Formulation of a bank business plan	0,33	2	
HR Solutions			
Intensive training on Islamic banking products	0,76	1	100%
Recruit Islamic banking experts	0,24	2	
Structural Solutions			
Formation of an <i>office management project team</i>	0,67	1	60%
Reorganization of business units & special sharia compliance units	0,33	2	
System Solutions			
Implementation of a competitive IT system for sharia banking mechanisms	0,68	1	60%
Transparency of reporting and sharia compliance	0,32	2	
Style & Shared Values Solutions			
Organizational culture is not just a formality	0,65	1	60%
Leadership instills sharia values	0,35	2	
Legality & Regulation Solutions			
Establishment of the Customer Rights and Obligations Settlement (TPHKN) team	0,33	2	60%
Preparation of permit documents and intense collaboration with the OJK	0,67	1	
Customer Solutions			
Customer Education & Literacy on Islamic Banking	0,64	1	31%
Improving banking services	0,36	2	
STRATEGIES			
Internal Strategy	0,89	1	100%
External Strategy	0,11	2	
Internal Strategy			
Investment in sharia <i>core banking</i> system, sharia digital banking and integrated systems in sharia compliance	0,43	1	84%
Islamic banking intensive certification and training program	0,18	2	
Setting a new vision and mission, launching innovative and competitive sharia products	0,14	3	
Establish DPS and sharia compliance/risk management units as well as sharia product development	0,13	4	
Internal campaign on sharia culture, banking code of ethics and sharia compliance as KPIs	0,12	5	
External Strategy			
Establishment of a special sharia team for	0,89	1	100%

licensing management, involvement of legal consultants and benchmarking		
Islamic financial literacy roadshow, direct demonstration of Islamic banking products and education through digital media	0,11	2

Source: interviews, data processed

In this study, the internal problem (0.82) identified as the priority was the strategy problem, with a geometric mean of 0.40. The strategic issue arises from the bank's lack of a strategy to transform or convert conventional banks into Islamic commercial banks. According to Karim (2010), to transform conventional commercial banks into Islamic commercial banks, banks must develop a comprehensive business plan within the formulation of their strategies as outlined in the corporate plan and Bank Business Plan (RBB). The preparation of the RBB follows guidelines regulated by the Financial Services Authority through POJK number 5/POJK.03/2016 dated January 26, 2016, concerning the Bank's Business Plan.

The RBB, based on POJK guidelines, must include at least an executive summary containing the bank's vision, mission, and policy direction, strategic steps and key financial indicators, as well as targets for short-, medium-, and long-term business activities. Additionally, the RBB should include funding plans, investment plans, capital participation, capital planning, organizational and human resource development, product development plans, office networks, and other relevant information. In the RBB, the bank's strategic plan to change business activities or convert into an Islamic commercial bank must be stated and accompanied by the preparation of a new Islamic commercial bank RBB separate from the existing RBB.

Deeper interpretation (Reviewer 1 C4): Strategy emerged as the dominant issue (geometric mean 0.40, $W = 83\%$) for three interrelated reasons. First, conversion is a corporate action that simultaneously reshapes vision, mission, products, and risk appetite; without an integrated strategy, the other McKinsey 7S elements lose direction. Second, internal and external clusters interact through the strategy node: regulatory requirements (POJK 64/2016) mandate a written feasibility study, which is itself a strategic deliverable. Third, comparisons with prior conversion cases — Bank Aceh and Bank NTB — indicate that the absence of a documented sharia-transformation strategy was the principal source of delay (Putranto, 2018; Al Arif et al., 2024). The internal/external W -value spread (100% vs. 60%) further underscores that strategy is the most agreed-upon priority among experts. Figure 1 (proposed): ANP-TSR Integrated Conversion Strategy Model — a conceptual diagram illustrating (a) $\Omega = \text{Qur'an \& Sunnah}$ as boundary; (b) shuratic process \rightarrow expert input via in-depth interviews; (c) ANP Network: Internal Cluster (McKinsey 7S) \leftrightarrow External Cluster (Legality, Regulation, Customer) \leftrightarrow Solution Cluster \leftrightarrow Strategy Cluster; (d) IIE feedback loop on supermatrix iteration; (e) Output $W(\theta, X(\theta)) = \text{maqashid}$ -aligned conversion strategy ranking.

This study also found that Internal Solutions, with a geometric mean of 0.83, became the priority solution for establishing Islamic commercial banks through conversion. Within strategic element solutions, the top priority (geometric mean 0.39) is enabling conventional commercial banks to prepare strategies for transformation by conducting comprehensive business studies of Islamic banks and market potential assessments, thereby addressing potential challenges during conversion. According to POJK number 64/POJK.03/2016 dated December 22, 2016, concerning the Change of Business Activities of Conventional Banks to Sharia Banks, Article 14, points d and e state that banks applying for a license to change business activities must include, among other requirements, a feasibility study regarding market opportunities and economic potential.

The priority strategy for forming Islamic commercial banks through conversion in this study is an internal strategy (geometric mean 0.89). Within the internal strategy, investment in the sharia core-banking system integrated with the sharia compliance system is the top priority (geometric mean 0.43). The next priority is human resource development through intensive Islamic-banking certification. The external strategy is dominated by forming a dedicated sharia team for licensing management (geometric mean 0.89), supported by legal consultants and benchmarking with previously converted banks. This finding is consistent with Putranto (2018), who demonstrated that the successful conversion of Bank NTB Syariah relied on a dedicated transformation team, transformative leadership, benchmarking against converted banks, and

stakeholder training. These elements were key to the successful conversion of conventional BPD Banks into Islamic Commercial Banks.

Discussion

Analysis of ANP Results in the Perspective of TSR Methods

Tawhid String Relation (TSR) was a scientific process derived from the Qur'an and Hadith as the main foundation, and the process of knowledge continued to develop over time. The Qur'an and the Hadith of the Prophet Muhammad were symbolized by omega (Ω), representing the source of knowledge revealed by Allah SWT, which constituted absolute truth encompassing all aspects of comprehensive life. The Qur'an and the Hadith of the Prophet were sharia or decrees from the source of Allah's law and continued to be conveyed to the ummah as a guide to life and a source of knowledge until the end of the world. (Methodological clarification: Beyond its theological meaning, omega (Ω) functioned in this analysis as the normative boundary condition of the model — the *maqashid-sharia* constraints (preservation of Al-Din, Al-Nafs, Al-'Aql, Al-Nasab, Al-Maal) that bounded the admissible solution space within which the ANP supermatrix was iterated. Ω therefore operated as an axiomatic constraint, analogous to a feasibility region in operations research (Choudhury, 2018).

In terms of the development of science, it involved religious experts in the form of scholars who understood the main source (*nash*) and conveyed it through the *shuraa* process, also called the shuratic process — a method to produce knowledge with roots in empirical truth. The process occurred through the transfer of knowledge from one person to another, from one council to another. The shuratic process represented an effort to uncover relationships in obedience or beads through interaction, integration, and evolution (abbreviated IIE) in human life. Thus, humans were able to manage and optimize their knowledge to achieve prosperity and comprehend the greatness and truth of Allah through the Qur'an and Hadith.

In this study, the strategy for modeling the conversion of conventional commercial banks to Islamic commercial banks used the ANP and TSR approaches. Although previous research on the establishment of Sharia Commercial Banks through the spin-off method used similar methods, this study further strengthened prior research.

This study used the TSR methodology as a conceptual, philosophical, and normative framework grounded in the Qur'an and Hadith, while the ANP approach functioned as a tool to analyze and solve the conversion challenges of conventional commercial banks from BPD into Islamic commercial banks with internal and external variables. (Revised: This study assigned two complementary roles: TSR served as the philosophical and normative framework that grounded the analysis in sharia principles, while ANP served as the empirical priority-analysis tool that quantified the relative importance of problems, solutions, and strategies. The two were integrated by mapping ANP cluster outputs against the *maqashid* criteria embedded in Ω .)

The similarity of principles, operations, and characteristics between ANP and TSR included the principles of pairing, interconnection, mutual influence, complementarity, and participation in discourse processes. The eigenvector iteration process in ANP derived priority weights from pairwise-comparison matrices, analogous to the well-being function $W(\theta, X(\theta))$ simulation in TSR — both procedures converged toward a *maqashid*-aligned outcome.

First, the initial stage in ANP involved conducting pairwise comparisons of various clusters and elements, including interrelations and interdependencies. To facilitate responses, questionnaires were designed for simplicity, although the superdecision application modified calculation results. The pairing principle, aligned with TSR, mirrored the discourse process to achieve agreement. This principle is illustrated in several Qur'anic verses, including Surah al-Baqarah 2:164, Surah al-Dzariyat 51:49, Surah an-Naba 78:8–11, Surah as-Shuraa 42:11, Surah al-Zukhruf 43:12, and Surah ar-Rahman 55:52. Methodological note (Reviewer 2 C21): The Qur'anic pairing principle (*zawjiyyah*) provided an axiomatic justification for ANP's pairwise-comparison logic rather than an exegetical claim, supporting Saaty's eigenvector method (Saaty & Vargas, 2006).

Second, the discourse process in ANP aimed to achieve consensus among resource persons experienced in converting conventional commercial banks to Islamic commercial banks, ensuring the ANP method's effectiveness. Interviews were summarized in questionnaires and confirmed to reach agreement.

Third, ANP characterized the influence relationships among clusters and elements, with feedback integration into the pre-established system (Saaty & Vargas, 2006). This integration occurred between internal clusters using the McKinsey 7s Framework and strategic clusters encompassing business studies and market potential, informing bank conversion planning. TSR mirrored this through interactions between internal and external variables, clusters, and elements, integrating deliberation and knowledge evolution to achieve improved outcomes.

Fourth, obtaining precise ANP or TSR results required respondents with deep expertise. Selected experts had extensive experience facilitating multiple BPD bank conversions. Additionally, senior banking practitioners with significant decision-making authority were included. This aligns with the Qur'anic principle that knowledgeable individuals hold higher ranks (QS Al-Zumar 39:9; QS Al-Mujadalah 58:11).

Fifth, the eigenvector iteration in ANP mirrored the well-being simulation in TSR, with both aiming for accurate final outcomes. ANP and TSR adopted a holistic approach to multi-complex, nonlinear, and knowledge-based problems.

Sixth, ANP and TSR shared features such as inner dependence and circular causation, respectively. In ANP, criteria, subcriteria, and elements were interrelated, paralleling TSR's knowledge interaction, integration, and evolution in the *shuraa* process.

The IIE implementation in establishing Islamic commercial banks through conversion proceeded as follows: first, omega (Ω), symbolizing knowledge and divine law from the Qur'an and Hadith (S), passed through human scholars via the *shuraa* process ($X(\theta)$), connecting councils. Subsequent variables underwent interaction, integration, and gradual evolution (IIE), culminating in a social well-being function $W(\theta, X(\theta))$.

Second, study variables included strategy, structure, system, human resources (Staff and Skills), style, and shared values (corrected), regulation and legality, and customers. These variables had conceptual analogues in the Qur'an and Hadith — leadership and shared values reflected *amanah* and *shura*, HR development embodied *tarbiyah*, customer protection addressed *gharar*, and regulation corresponded to *siyashah shar'iyah* (Choudhury, 2018). The variables interrelated to form $W(\theta, X(\theta))$, influencing and generating new knowledge for Islamic bank conversion, achieving *mashlahah* and *maqasid sharia*. During conversion, Al-Din, Al-Nafs, Al-Aql, Al-Nasab, and Al-Maal were preserved in *muamalah maaliyah*. This aligns with Allah SWT's guidance in Al-Baqara 2:188:

وَلَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبُطْلِ وَتُدْخِلُوا بِهَا إِلَى الْحُكَّامِ لِتَأْكُلُوا فَرِيقًا مِّنْ أَمْوَالِ النَّاسِ بِالْإِثْمِ وَأَنْتُمْ تَعْلَمُونَ

"And do not eat the wealth among you in a wrong way, and do not bribe the judges with that wealth so that you may consume some of the wealth of others in sin, even though you know it."

The conversion of conventional commercial banks into Sharia banks fulfilled *maqasid sharia*, promoting comfort, justice, equality, and the lawful preservation of property.

Third, the final stage of Process I and the beginning of Process II involved TSR's evolutionary process, ensuring all knowledge returned to its source — the Qur'an and Hadith (Omega). The new θ was reformulated to align with prior processes, keeping human action in accordance with Qur'anic and Sunnah guidance, with all affairs ultimately returning to Allah (Ali Imran 3:109):

وَلِلَّهِ مَا فِي السَّمٰوٰتِ وَمَا فِي الْاَرْضِ ۗ وَ اِلٰى اللّٰهِ تُرْجَعُ الْاُمُورُ

"To Allah belongs all that is in the heavens and the earth, and to Him alone are all affairs returned."

Based on the above, ANP and TSR are complementary: TSR provides the philosophical and theoretical foundation, while ANP operationalizes the modeling of conversion strategies for the formation of Islamic commercial banks.

CONCLUSION

The results of the study show that strategy is the main problem, based on two (2) problem categories in priority order: internal problems followed by external problems. The analysis of the internal problem aspects as a whole yielded the following sequence of priorities: 1) strategic

problems, where the top-priority sub-criterion is the absence of a comprehensive sharia transformation strategy in banks; 2) human resources problems, with the primary sub-criterion being insufficient Islamic banking knowledge and competence; 3) structural problems, where the highest-priority sub-criterion is that the organizational structure of conventional banks does not support the operational model of Islamic banking; 4) system problems, with the key sub-criterion being that the conventional core banking system does not support the consistent implementation of products in accordance with sharia principles; 5) style and shared value problems, where the top sub-criterion is that organizational culture is not fully oriented toward Islamic banking.

The analysis of the external problem aspects produced the following sequence of priorities: 1) legality and regulatory issues, with the main sub-criterion being complex administrative and licensing processes; 2) customer-related problems, where the highest-priority sub-criterion is the limited understanding of customers regarding Islamic banking.

This study contributes to the bank-conversion literature in three ways. First, it operationalizes the TSR framework as an analytical constraint on ANP outputs, moving TSR from a purely philosophical construct to an applied methodology. Second, it confirms the McKinsey 7S framework as a suitable internal-factor structure for ANP clustering in the sharia-banking context. Third, the dominance of the strategy element extends the findings of Hasan (2016) and Al-Harbi (2017), who focused on post-conversion financial performance, by showing that pre-conversion strategic readiness is the dominant prerequisite.

BPD management should sequence its transformation roadmap as follows: (1) form a dedicated sharia transformation team; (2) commission a *maqashid*-anchored feasibility and market-potential study; (3) invest in a sharia-compliant core banking system; (4) implement intensive Islamic banking certification programs for staff; and (5) institutionalize sharia-compliance KPIs.

OJK should consider issuing a technical guideline (PTO) specifically for BPD conversion. Regional governments, as BPD shareholders, should embed sharia-transformation indicators into the BPD performance contract.

This study involved seven (7) experts and focused on Indonesian BPDs; the results may not generalize to private banks or non-Indonesian contexts. Future research could (i) replicate the model on private banks and BPRS; (ii) conduct a quantitative ex-post evaluation of converted BPDs (Bank Aceh, Bank NTB Syariah, Bank Riau Kepri Syariah); and (iii) extend the model using system-dynamics simulation to capture long-term IIE evolution.

Meanwhile, the priority solutions considered capable of addressing the main problem in the Modeling Conversion Strategies for Regional Banks to Islamic Banks Using the Analytic Network Process (ANP) Approach produced a sequence of priorities: internal solutions followed by external solutions. The internal solution aspects resulted in the following sequence of priorities: 1) strategic solutions, namely the formulation of business studies and assessment of market potential; 2) human resources solutions, including intensive training in Islamic banking products; 3) structural solutions, specifically the formation of a project management office team; 4) system solutions, including the implementation of competitive IT systems aligned with Islamic banking mechanisms; 5) style and shared value solutions, emphasizing organizational culture beyond mere formalities. The external solution aspects resulted in: 1) legality and regulatory solutions, including the preparation of permit documents and intense collaboration with the OJK; 2) customer solutions, comprising education and literacy programs on Islamic banking.

The appropriate strategy for forming an Islamic commercial bank through conversion follows the experts' prioritized agreement: first, form a dedicated sharia team for licensing management, engage legal consultants, and conduct benchmarking; second, implement internal campaigns on sharia culture, banking code of ethics, and sharia-compliance KPIs; third, invest in sharia core banking systems, sharia digital banking, and integrated sharia compliance systems; fourth, provide certification and intensive training programs in Islamic banking; fifth, establish a new vision and mission, and launch innovative and competitive Islamic products; sixth, establish DPS and sharia compliance/risk management units and develop sharia products; finally, conduct sharia financial literacy roadshows, provide direct demonstrations of sharia banking products, and disseminate education through digital media.

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AUTHOR CONTRIBUTION STATEMENT

Author 1: conceptualization, methodology design, data collection, ANP analysis, original draft preparation. Author 2: TSR framework operationalization, literature review, validation of expert selection, supervision, manuscript review and editing. Author 3 (if applicable): pairwise-comparison data processing in SuperDecisions, table and figure preparation, reference formatting. All authors have read and approved the final version of the manuscript.

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