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Transformation of Human Resource Management in Islamic Financial Institutions

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Abstract
This study aims to analyze the transformation of human resource management in Islamic financial institutions and to formulate strategies for its development in response to industrial modernization and digital disruption. The study employed a descriptive qualitative approach using a library research method. The findings indicate that the transformation of Human Resource Management requires a holistic approach that integrates technical competence (kafa'ah), managerial competence, and moral-spiritual character (himmah) based on Islamic values. This transformation is realized through the strengthening of personal, organizational, and spiritual competencies implemented in human resource planning, recruitment and selection, training and development, performance appraisal, and compensation systems based on the principle of justice ('adl). Furthermore, the development of human resources is carried out through the continuous enhancement of personal, organizational, and spiritual competencies integrated into recruitment, training, career development, and performance evaluation processes.

INTRODUCTION

The development of the global and national Islamic finance industry in the last two decades has shown a very significant acceleration. This transformation is not only reflected in asset expansion and product diversification, but also in increasing operational complexity, digitization of services, and increasingly rigid demands for organizational governance (Islamic Financial Services Board (IFSB), 2025). In Indonesia, the strategic position of Islamic financial institutions, both in the banking and micro sectors (such as Baitul Maal wat Tamwil), acts as a crucial pillar in the development of Micro, Small, and Medium Enterprises (MSMEs) as well as the strengthening of sustainable finance based on Environmental, Social, and Governance (ESG) principles. In this dynamic ecosystem, the successful implementation of modern regulations and sharia compliance holistically depends on the quality of Human Resource Management (MSDI) as the main driver (human capital) of the organization (Abdi et al., 2023) However, the rapid growth of the Islamic financial market has not been offset by the availability and readiness of the quality of the intellectual capacity of its practitioners. The competency gap phenomenon is still an acute structural barrier. Initial research from Ascarya (2011) which confirms the lack of practitioners with a deep understanding of sharia, the fact is still relevant to this day due to the pace of education that lags behind market penetration. This condition is exacerbated by the tendency of practical adoption in the field; Budhwar & Mellahi (2007) and Hashim (2009) underlined that many Islamic financial institutions are still stuck on the mechanical replication of practices *Human Resource Management* (HRM) conventional West. As a result, the internalization of spiritual values such as amanah (accountability), fathanah (competence), shiddiq (integrity), and tabligh (transparency) often only stops as normative-symbolic jargon in the company's vision and mission, without being structurally integrated in the recruitment system, performance appraisal, or employee retention.

In the discourse of modern management literature, human management has shifted from administrative functions to orientation *Strategic Human Resource Management* (SHRM) that places people as strategic assets to create a competitive advantage (Boxall & Purcell, 2016). However, secular SHRM theory generally limits success indicators to the materialistic dimension and efficiency of economic performance alone (Becker, 1993). This perspective does not succeed in responding to the needs of Islamic financial institutions that demand a balance between commercial performance (falah in the world) and moral-spiritual responsibility (falah in the hereafter). Although recent empirical studies prove that value-based organizations show resilience and much more sustainable financial performance (Fry, 2017; Guiso et al., 2015), the formulation of the MSDI transformation model that rigidly integrates technical, managerial, and Islamic spiritual intelligence competencies (spiritual quotient) is still very limited. Several previous researchers have tried to unravel this tangled thread through various points of view. Hasan & Maulana (2016) exploring the cultural effectiveness of Islamic organizations, while Nurhayati & Salim (2019) and Rahman & Zaki (2023) focusing on the influence of sharia training on job satisfaction. However, the majority of the study partially analyzed the MSDI variables and tended to ignore the disruption of industrial modernization, such as the adoption of Financial Technology (Fintech) and post-pandemic regulatory changes from the Financial Services Authority (OJK). There is a research gap on how a comprehensive MSDI transformation blueprint is able to mediate the challenge of duality—namely maintaining sharia authenticity in the midst of digitalization and global efficiency demands. To fill these theoretical and practical gaps, this study aims to analyze in depth the transformation of human resource management in Islamic financial institutions and identify the bottlenecks that hinder its implementation in the face of industrial modernization. The novelty of this research lies in the integrative synthesis between Islamic spiritual values and modern management instruments and the demands of digital skills. The results of this research are expected to make a theoretical contribution to the development of the treasures of Islamic management science, as well as become a tactical reference for policymakers in Islamic financial institutions in designing sustainable, adaptive, and value-based human capital development strategies.

LITERATURE REVIEW

Human Resource Management

Human Resource Management (MSDI) is a concept of human resource management based on Islamic values, which is not only oriented towards efficiency and productivity, but also includes moral, ethical, and spiritual dimensions (H. Nawawi, 2012). In the perspective of Islam, humans are seen as caliphs on earth who have the responsibility to manage resources fairly and trustworthily (QS. Al-Baqarah: 30). Therefore, the management of human resources in an organization must reflect the basic principles of Islam such as monotheism, justice ('adl), trust, and ihsan (Amiruddin, 2018). These principles are the foundation for building a management system that not only pursues material gains, but also broader benefits (maslahah) (Suryani & Hendry, 2020). In contrast to the conventional approach that tends to view humans solely as a production factor oriented to economic results (human capital), SDI management places humans as whole beings with physical and spiritual dimensions (Yusuf & Yasid, 2021). This confirms that the success of an organization is not only measured by financial achievements, but also by the moral and spiritual qualities of individuals within it. Thus, SDI management not only serves to improve organizational performance, but also to form the character of human resources who are moral and responsible. In its implementation, SDI management includes various key functions, such as HR planning, recruitment and selection, training and development, performance appraisal, and compensation systems (Sutrisno, 2019). At the planning stage, organizations need to ensure that labor needs are not only based on quantity, but also quality, especially in terms of integrity and understanding of sharia principles. Good planning will help the organization in placing the right person in the right place, so that it can increase work effectiveness and efficiency.

The recruitment and selection process in SDI management emphasizes the importance of a balance between technical competence (kafa'ah) and moral character (himmah) (Khafidh, 2022). In addition to considering educational background and work experience, organizations also need to assess the personality values of prospective employees that reflect prophetic traits, such as honesty (shidiq), responsibility (amanah), communication skills (tabligh), and intelligence (fathanah). These values are the main characteristics of Islamic leadership and work ethics that can support the creation of a healthy and professional work environment (Badroen, 2018). Furthermore, training and development of human resources in a sharia perspective not only focuses on improving technical skills (skills), but also on spiritual development and work ethics (Mujahidin, 2019). Training programs can include strengthening understanding of Islamic economic principles, Islamic business ethics, and internalizing Islamic values in daily work activities. Thus, employees not only work to achieve the organization's targets, but also have a transcendental awareness that work is part of worship (amal shalih) to Allah SWT. In the aspect of performance appraisal, SDI management adopts a more comprehensive approach by considering quantitative and qualitative aspects. Performance is not only measured by the achievement of financial targets or KPIs (Key Performance Indicators), but also by work behavior, adherence to organizational values, and contribution to a positive work environment (Hameed & Waheed, 2011). The principle of justice ('adl) is the main foundation in the evaluation process, so that each individual is assessed objectively, transparently, and free from adverse elements of subjectivity (zhulm). In addition, the concept of accountability (hisab) in Islam also provides awareness that every action taken in the work environment will be accounted for, both in this world and in the hereafter (Abdi et al., 2023)

The compensation system in SDI management is also designed based on the principles of justice and welfare. Compensation is not only in the form of material rewards (ajr), but also includes non-material rewards such as recognition of performance, self-development opportunities, and a conducive work environment (Fauzi, 2021). In Islam, the provision of wages must be done fairly and on time—as the hadith of the Prophet PBUH to "give wages to workers before their sweat dries"—so as to increase work motivation and employee loyalty. A good compensation system will create a balance between the interests of the organization's profitability and the intrinsic well-being of employees. In addition, SDI management plays a crucial role in shaping an Islamic organizational culture. This organizational culture reflects values such as honesty, responsibility, cooperation (ta'awun), and social concern (takaful) (Ahmad & Hassan, 2017). A work environment based on Islamic values will encourage the creation of harmonious and familial relationships (ukhuwah) between employees, as well as increase trust between the organization and stakeholders. A strong organizational culture will also strengthen the institution's identity as a consistent organization based on sharia principles. However, the implementation of SDI management still faces various real challenges in the field. One of the main challenges is the limited supply of human resources who have dual competence, namely professional technical expertise as well as a deep understanding of sharia (Taufiq, 2020). In addition, there is still a gap between normative ideal concepts and empirical practices on the ground, especially in the face of the pressures of global competition flows that demand strict efficiency and high profitability (Scott, 2015). Therefore, collaborative and sustainable efforts are needed to improve the quality of human resources through higher education, certification programs, periodic training, and strengthening the structural internalization of Islamic values in the organization.

Based on this description, it can be concluded that SDI management is a comprehensive and integrative approach in managing human resources by uniting aspects of professionalism and spirituality. This approach aims not only to boost the financial performance of the organization, but also to form individuals who have integrity, responsibility, and are able to contribute to the common good (rahmatan lil 'alamin). Therefore, strengthening the implementation of SDI management is a non-negotiable urgency in facing the dynamics and challenges of the modern economy that are increasingly complex. Based on this description, it can be concluded that SDI management is a comprehensive and integrative approach in managing human resources by uniting aspects of professionalism and spirituality. This approach aims not only to boost the financial performance of the organization, but also to form individuals who have integrity, responsibility, and are able to contribute to the common good (rahmatan lil 'alamin). Therefore, strengthening the implementation of SDI management is a non-negotiable urgency in facing the dynamics and challenges of the modern economy that are increasingly complex.

Human *Resources Management* (HRM) Practices

The practice of Human Resources Management (HRM) in Islamic financial institutions is an implementation of human resource management that integrates modern management principles with sharia values (Ahmad & Hassan, 2017). Islamic financial institutions, such as Islamic banks, Baitul Maal wat Tamwil (BMT), and Islamic cooperatives, are not only oriented towards profitability, but also on compliance with sharia principles (sharia compliance) (Antonio, 2011)). Therefore, the practice of HRM in this institution has a special characteristic that distinguishes it from conventional financial institutions, namely the integration between work professionalism and Islamic values. In general, HRM functions in Islamic financial institutions include HR planning, recruitment and selection, training and development, performance appraisal, compensation, and employment relationship management (Suryani & Hendry, 2020). However, in practice, each of these functions is adjusted to sharia principles. At the HR planning stage, Islamic financial institutions must ensure that the needs of the workforce are not only seen from the aspect of number and technical competence, but also from the understanding of sharia principles (Ali, 2015). This is important because all activities of Islamic financial institutions must be in accordance with sharia provisions, so employees are required to have adequate sharia literacy from an early age.

The recruitment and selection process in Islamic financial institutions emphasizes a balance between professional competence (kafa'ah) and Islamic character (himmah) (Khafidh, 2022). In addition to considering academic qualifications and work experience, the organization also assesses personality aspects such as honesty (shidiq), trust, responsibility, and commitment to Islamic values. This is done to ensure that employees are not only able to carry out their duties technically, but also can maintain integrity and compliance with sharia principles (Badroen, 2018). Thus, the selection process is a strategic stage in building quality and character human resources. Furthermore, employee training and development is an important aspect of HRM practice in Islamic financial institutions. The training program is not only focused on improving technical skills (hard skills), such as the management of financial products and customer service, but also on increasing understanding of sharia principles (Mujahidin, 2019). This training includes materials such as fiqh muamalah, sharia contracts, and Islamic business ethics. The purpose of this training is to ensure that employees are able to carry out their duties professionally while maintaining compliance with sharia principles. In addition, the development of soft skills such as communication (tabligh), leadership, and teamwork is also an important part of improving the quality of human resources (Hassan et al., 2019).

In the aspect of performance appraisal, Islamic financial institutions adopt a more comprehensive approach by integrating financial and non-financial performance indicators. Employee performance is not only measured by the achievement of business targets or Key Performance Indicators (KPIs), but also by work behavior, compliance with sharia values, and contribution to organizational culture (Hameed & Waheed, 2011). The principles of fairness ('adl) and transparency are the basis for the evaluation process, so that each employee is assessed objectively and accountably. In addition, performance appraisal can also be associated with the concept of maqashid sharia, which is the extent to which work activities provide benefits (maslahah) for individuals, organizations, and the wider community (Abdi et al., 2023).

The compensation system in Islamic financial institutions is designed to reflect the principles of justice and welfare (falah). Compensation is not only in the form of salaries and material incentives (ajr), but also includes benefits, work facilities, and employee spiritual welfare programs (Fauzi, 2021). From a sharia perspective, compensation must be provided in a fair, transparent, and timely manner, in order to avoid exploitation of workers' rights. In addition, Islamic financial institutions can also integrate the concept of profit sharing as part of the reward system, so that employees feel they have a direct contribution to the success of the organization. A good compensation system will increase work motivation and employee loyalty simultaneously. In addition to these key functions, HRM practices in Islamic financial institutions also emphasize the importance of establishing an Islamic organizational culture. This organizational culture reflects values such as honesty, responsibility, cooperation (ta'awun), and social concern (takaful) (Ahmad, 2015). A work environment based on Islamic values will create a harmonious work atmosphere (ukhuwah), increase trust between employees, and strengthen relationships between organizations and stakeholders. A strong organizational culture also plays a role in building a positive image and reputation of Islamic financial institutions in the eyes of the public. Nevertheless, HRM practices in Islamic financial institutions still face real challenges on the ground. One of the main challenges is the limitation of human resources who have dual competence, namely technical competence in the field of modern finance as well as a deep understanding of sharia (Taufiq, 2020). In addition, the pressure of fierce competition with conventional financial institutions also encourages Islamic financial institutions to continue to improve product efficiency and innovation, without neglecting sharia principles (Scott, 2015). Another challenge is the lack of standard and widespread integrated sharia HRM standards, so the practices applied still vary between institutions.

To overcome these challenges, Islamic financial institutions need to make various strategic efforts, such as improving the quality of human resource education and training on a regular basis, strengthening collaboration with higher education institutions and sharia certification bodies, and developing technology-based HR management systems (HR Information System) for operational efficiency. In addition, strengthening organizational culture and internalizing Islamic values also needs to be carried out on an ongoing basis so that all employees have the same commitment in carrying out sharia principles. In a broader context, HRM practices in Islamic financial institutions have an important role in supporting the development of the Islamic finance industry as a whole. Quality and integrity human resources will increase public *trust* in Islamic financial institutions, as well as encourage the sustainable growth of this sector. Thus, HRM not only functions as a tool for workforce management, but also as a key driver in determining the success and competitiveness of Islamic financial institutions in the global market. Based on this description, it can be concluded that HRM practice in Islamic financial institutions is a human resource management system that integrates professionalism and sharia values in every managerial aspect. This approach not only aims to improve organizational performance, but also to form human resources who are moral, responsible, and able to maintain compliance with sharia principles. Therefore, strengthening sharia-based HRM practices is a strategic step in facing the challenges and dynamics of the modern financial industry.

Human resource transformation

The transformation of human resources in the Islamic economy is a process of paradigm change in human management from a conventional approach to a more strategic, integrative, and based approach based on Islamic values (Ahmad & Hassan, 2017). The rapid development of the Islamic economic industry, especially in the financial sector, requires human resources who are not only technically competent, but also have moral integrity and a strong understanding of sharia principles (Antonio, 2011). Therefore, the transformation of human resources is one of the key factors in supporting the sustainability and competitiveness of Islamic financial institutions in the midst of global economic dynamics (Suryani & Hendry, 2020). From the perspective of sharia economics, human resources are not only seen as a factor of production or labor, but as a mandate that must be managed optimally to achieve the goals of maqashid sharia, namely maintaining religion (din), soul (nafs), intellect ('aql), offspring (nasl), and property (mal) (Chapra, 2008). This transformation reflects a shift from an orientation that focuses solely on mechanical productivity to a more holistic orientation, which integrates economic, social, and spiritual aspects (Yusuf & Yasid, 2021). Thus, human resource management not only aims to improve organizational performance, but also to create wider benefits (maslahah) for the community.

One of the main aspects in the transformation of human resources is the change in the role of SDI from just an operational implementer to a strategic asset of the organization (strategic human capital) (Ali, 2015). In the context of Islamic financial institutions, human resources have a vital role in ensuring compliance with sharia principles, developing innovative products, and providing quality services to customers. Therefore, organizations need to develop SDI management strategies that are able to increase individual capacity in a sustainable manner, both in terms of technical competence and sharia understanding. This transformation also includes strengthening sharia competencies as an integral part of human resource development (Mujahidin, 2019). Employees in Islamic financial institutions are required to understand basic concepts such as contract structure, the principle of justice, the prohibition of usury, gharar, and maysir, as well as Islamic business ethics (Badroen et al., 2018). This understanding is important to ensure that every operational activity is in accordance with sharia principles and does not deviate from the provisions that have been set by the National Sharia Council. Therefore, training and development programs must be systematically designed to improve employees' sharia literacy. In addition, the transformation of human resources in the sharia economy is also closely related to the development of value-based leadership (Ahmad, 2015). Leaders in sharia organizations not only play the role of strategic decision-makers, but also role models (uswah) that reflect Islamic values in every action. Prophetic traits such as shidiq (honesty), amanah (trust), tabligh (communicative), and fathanah (intelligence) are the absolute foundation in building effective leadership with integrity (Beekun & Badawi, 2012). This value-based leadership is expected to be able to create an ethical, transparent, and accountable organizational culture.

The transformation of human resources is also inseparable from the flow of technological development and digitalization that is increasingly rapid in the financial sector (fintech) (Taufiq, 2020). In the digital era, Islamic financial institutions are required to have human resources that are adaptive to technological changes, able to utilize digital systems, and have good data analysis skills. Therefore, SDI transformation also includes increasing digital competencies (digital skills) that are relevant to today's industry needs (Hassan et al., 2019). However, in the digitalization process, sharia values must still be the main foundation so that the financial innovations carried out do not deviate from Islamic principles. Furthermore, the transformation of human resources in the sharia economy is related to the formation of an organizational culture oriented to Islamic values. A strong organizational culture will encourage the internalization of values such as honesty, responsibility, cooperation (ta'awun), and social care (Ahmad, 2015). This culture not only has an impact on improving individual performance, but also strengthens the organization's identity as an institution based on sharia principles. In the long run, a values-based organizational culture will increase the trust of stakeholders and strengthen the institution's reputation in the market. However, the process of transforming human resources in the sharia economy still faces various macro and micro challenges. One of the main challenges is the limited number of workers who have dual competence, namely professional competence in the field of modern finance as well as a deep understanding of sharia (Taufiq, 2020). In addition, there is still a gap between normative ideal theory and empirical practice, where some institutions have not fully integrated sharia principles structurally in their SDI management system policies (Scott, 2015). Another challenge is the pressure of globalization that demands strict efficiency and high profitability, which sometimes has the potential to shift the focus of organizations away from the values of sharia benefits. To face these challenges, a comprehensive, structured, and sustainable transformation strategy is needed. Islamic financial institutions need to strengthen their internal education and training systems, increase strategic collaboration with higher education institutions and sharia certification bodies, and develop value-based HR policies. In addition, the integration of technology in the SDI (Human Resources Information System) management system also needs to be improved to support the efficiency and effectiveness of operational work. Strengthening organizational culture and values-based leadership is also a determining factor in ensuring the success of this transformation on all fronts.

In a broader context, the transformation of human resources in the Islamic economy has significant implications for sustainable economic development (Chapra, 2008). Human resources that are quality, competent, and have high integrity will encourage the creation of an economic system that is fair, transparent, and oriented towards the welfare of the community equally. Thus, the transformation of SDI not only has a positive impact on the financial performance of the organization, but also on improving the quality of socio-economic life of the community as a whole. Based on this description, it can be concluded that the transformation of human resources in the sharia economy is a strategic process that aims to integrate professional competence with Islamic values in human resource management. This transformation is the main key in improving the competitiveness, reputation, and sustainability of Islamic financial institutions in the midst of competitive modern economic dynamics. Therefore, strengthening the sharia-based human resource transformation agenda should be the top priority in the roadmap for future Islamic economic development.

METHODS

This research uses a descriptive qualitative approach that aims to understand and describe in depth the concept and transformation of human resource management in Islamic financial institutions (Creswell & Cresswell, 2018). This approach was chosen because it is able to provide a comprehensive picture of the phenomena being studied, especially those related to values, concepts, and practices that cannot be quantitatively measured (Yin, 2018). The type of research used is library research, by examining various relevant literature sources, such as scientific journals, books, research reports, and official documents related to human resource management, human resources management practices in Islamic financial institutions, and the transformation of human resources in the Islamic economy (Zed, 2014). The data source used is secondary data obtained from scientific publications in the last ten years to ensure the relevance, actuality, and novelty of the research. The data collection technique is carried out through the documentation method, namely by identifying, collecting, and studying literature that is in accordance with the research topic (Snynder, 2019). Furthermore, data is analyzed using thematic analysis, which is by identifying, grouping, and analyzing the main patterns or themes that emerge from the literature related to the concepts and practices of human resource management (Braun & Clarke, 2006). The process of analyzing qualitative data is carried out through several systematic stages, namely data reduction, data presentation (data display), and drawing conclusions or verification. (Miles et al., 2014). To maintain the validity of the data (trustworthiness), this study uses the source triangulation technique, which is by comparing and crossing various references from different sources and theoretical perspectives to obtain a more objective, valid, and in-depth understanding (Patton, 2015). In addition, the researcher also conducts a critical review of each literature used so that the results of the analysis synthesis can be scientifically accountable. With this methodological approach, it is hoped that the research will be able to provide a systematic, rigid, and in-depth picture of the transformation of human resource management and its contribution to improving the performance and sustainability of Islamic financial institutions.

RESULTS OF RESEARCH AND DISCUSSION

Literature Synthesis on Human Resource Management Transformation in Islamic Financial Institutions

Analysis of the transformation of human resource management in Islamic Financial Institutions was carried out through a synthesis of relevant empirical and conceptual literature. This synthesis aims to identify patterns of findings, differences in approaches, and gaps in previous research. The results of the synthesis are presented in Table 1.

Table 1. Literature Synthesis on Human Resource Management Transformation in Islamic Financial Institutions

Author	Research Title	Method	Key Findings
(Hasanah et al., 2025)	Human Resource Management in Supporting Service	Qualitative	Effective and technology-based management of human resources is the main factor in realizing professional, efficient,

	Improvement at the Office of the Ministry of Religion of Jember Regency		and responsive public services to community needs
(Malini, 2024b)	Governance of Islamic Leadership and Culture (Strategy for the Development of Human Resources Competency at the Sharia Regional Development Bank Sambas Branch)	Qualitative	The transformation of SDI management in financial institutions involves the implementation of Islamic leadership and culture in accordance with the Sharia code of ethics and values, the development of personal, organizational, and spiritual competencies through various trainings, facing digital challenges, skepticism, and high turnover, and utilizing OJK regulatory opportunities to prepare a roadmap for SDI development.
(Syafri et al., 2025)	Human Resource Management in Sharia Business: An Employee Competency Education and Development Perspective	Qualitative	Education and training in Islamic business effectively improves technical and managerial competencies while instilling Islamic values, with success influenced by the adaptation of contextual methods, leadership support, and practice differences between formal banking and micro-enterprises, thereby making a theoretical and practical contribution to the sustainable development of Islamic human resources.
(Hasan & Maulana, 2016b)	Improving the Quality of Human Resources in Institutions Shariah Economy in the	Qualitative	Improving the quality of human resources in Islamic financial institutions can be done through two main methods, namely building professional SDI management and establishing education, research, and professional

	Face of Global Competition		certification centers for prospective workers and workers.
(Fajar, 2017a)	Transformation of the Values of the Pillars of Islam in Human Resources Improvement (SDI) Civilized	Qualitative	The gradual application of the values of the Islamic Pillar can form superior human resources with personal, social, and organizational competencies that are able to compete globally.

Source: Author (2026)

Based on Table 1, the literature synthesis on the transformation of human resource management (SDI) in Islamic financial institutions shows a variety of findings that complement each other and provide an in-depth understanding of SDI development strategies. Research by Hasanah et al. (2025) emphasizing that effective and technology-based SDI management is a key factor in creating professional, efficient, and responsive public services to the needs of the community. This shows that digital innovation and technology-based management are important elements in strengthening human resource capabilities, as well as supporting the quality of institutional operations. Furthermore, the research Scarlett (2024) highlighting the transformation of SDI management in Islamic financial institutions through the application of Islamic leadership and culture that is in line with the Sharia code of ethics and values. This research shows that the development of personal, organizational, and spiritual competencies through various training programs not only increases technical and managerial capacity, but also instills ethical and sharia values in daily work practices. The research also highlights the significant challenges faced by institutions, such as the rapid development of digital innovation, public skepticism of service security, high employee turnover, and the need to obtain commitment from all stakeholders. On the other hand, OJK regulations that require companies to prepare a roadmap for SDI competency development are strategic opportunities that can be used to design systematic and sustainable development programs.

Research by Syafri et al. (2025) emphasizing the role of education and training in sharia business as a means of improving technical and managerial competence while instilling sharia values. This study shows that the success of the training program is greatly influenced by the adaptation of contextual methods, leadership support, and the difference in practices between more structured formal banking and more flexible Islamic micro-enterprises. These findings make a theoretical and practical contribution to the design of human resource development programs that are relevant to the institutional operational context and the needs of workers. In addition, Hasan & Maulana (2016) emphasizing two main methods in improving the quality of SDI, namely the development of professional SDI management and the establishment of education, research, and professional certification centers for prospective workers and workers. This approach emphasizes the importance of institutional structure and educational formalities as the foundation for improving the quality of SDI, so that institutions can produce a workforce that is competent, professional, and ready to compete globally.

Research Dawn (2017) adding a religious-spiritual perspective, showing that the gradual application of the values of the Islamic Pillar can form superior human resources with personal, social, and organizational competencies that are able to compete at the global level. The process of tadarruj (gradual) which starts from the formation of beliefs, character, financial management, social awareness, to the formation of individuals with international standards, is an important strategy in building an SDI that is not only technically competent but also ethical and civilized. Overall, this synthesis of literature shows that the transformation of SDI management in Islamic financial institutions must be comprehensive, integrating technical, managerial, spiritual, and educational aspects. This transformation requires an adaptive approach to internal and external challenges, including digital innovation, regulatory changes, and social dynamics, as well as taking advantage of existing strategic opportunities. Thus, the development of sharia-based SDI not only improves the quality of individuals, but also strengthens the overall capabilities of the organization, while supporting the achievement of sustainable economic and social goals.

Human Resource Management in Financial Institutions

The results of the literature synthesis show that human resource management (SDI) in financial institutions is a strategic process that includes workforce planning, recruitment and selection, training and development, performance appraisal, and compensation systems that are integrated with organizational goals. In conventional financial institutions, SDI management is generally still oriented towards administrative and technical aspects, such as labor management, payroll, and performance evaluation based on quantitative targets. This approach is able to improve operational efficiency, but it has not fully integrated aspects of ethics, spirituality, and sharia values in human resource management. The results of the study also show that the transformation of SDI management in Islamic financial institutions requires a more holistic approach by integrating professional, technical, and spiritual competencies. SDI management is not only oriented towards improving work competence, but also on internalizing sharia values in all human resource management functions. Jehan & Hasnawati (2020) affirms that *"Human resource management in Islamic banking includes strategic planning, targeted recruitment and selection, continuous competency development, objective performance evaluation, and competitive compensation systems..."*, which emphasizes the need for a multidimensional strategic approach in SDI. In addition, research by Hidayatul & Sukardi (2021) found that *"Human resource management in Islamic financial institutions in terms of recruitment and selection is in accordance with sharia theory, including the work assessment process in accordance with Islamic concepts"*, showing that Islamic values should be the main reference in all stages of SDI management. These findings are in line with the results of a synthesis of previous literature, which shows that the transformation of SDI in Islamic financial institutions involves the implementation of Islamic leadership and culture, the development of personal, organizational, and spiritual competencies through training, and the use of OJK regulations to develop a roadmap for SDI development (Scott, 2024)

Furthermore, education and training are important means to improve technical and managerial competencies while instilling sharia values. Syafri et al. (2025) emphasized that the success of SDI development is influenced by the adaptation of contextual training methods, leadership support, and the difference in practices between structured formal banking and more flexible Islamic micro-businesses. Meanwhile, Hasan & Maulana (2016) emphasizing the importance of building professional SDI management as well as establishing professional education, research, and certification centers to systematically improve the quality of SDI. In addition to technical and managerial competence, the application of the Islamic Pillar values can gradually form a superior SDI with personal, social, and organizational competencies that are able to compete globally (Fajar, 2017b). This transformation process includes the formation of beliefs, character, financial management, social awareness, and individuals with international standards. Thus, SDI management in Islamic financial institutions develops into a holistic and strategic process, integrating technical, professional, spiritual, and Islamic ethical aspects, so as to not only improve the performance of individuals and organizations, but also build a productive, ethical, and highly competitive work culture.

Strategy for Human Resource Competency Development in Financial Institutions

The results of the literature synthesis show that the strategy of developing human resource competencies (SDI) in Islamic financial institutions needs to be carried out in an integrated manner through strengthening personal, organizational, and spiritual competencies. This approach aims to produce human resources who not only have technical and managerial competence, but also have an Islamic character, are adaptive to change, and are able to carry out sharia principles in work activities. The results of the study show that the development of personal competencies includes improving technical skills, managerial skills, and character building, such as integrity, trust, and social responsibility. The development is carried out through various training programs, such as core training, functional training, and behavioral and managerial training, which are designed to improve employees' ability to make decisions, manage risks, and solve problems professionally. These findings are in line with research by Syafri et al. (2025) which shows that the development of personal competencies is an important factor in improving the quality and professionalism of human resources in Islamic financial institutions. This is done through the *core training, functional training, and behavioral & managerial training,* designed to improve employees' ability to make decisions, manage risk, and build effective work visions. Organizational competency development includes communication skills, teamwork, strategic planning, self-management, and multicultural competencies. Scarlett (2024) emphasizing that the transformation of SDI management in Islamic financial institutions through Islamic culture and leadership in accordance with the code of ethics improves the ability of employees to synergize, lead teams, and optimize individual potential to support organizational goals. In addition, the development of spiritual competence is an important pillar that distinguishes SDI in Islamic financial institutions from conventional practices. Education and training based on sharia values enable employees to instill ethical and spiritual principles into their daily work activities. For example, Syafri et al. (2025) found that training that is integrated with Islamic values can increase employees' awareness of sharia principles while shaping ethical and service-oriented work behavior.

The competency development strategy also includes the establishment of professional education, research, and certification centers as formal mechanisms to improve the quality of SDI. Hasan & Maulana (2016) states that the Education and Certification Center enables prospective workers and workers to acquire professional skills, clear competency standards, and global competitiveness. This approach ensures the continuity of SDI capacity building and supports the creation of superior human resources that are highly civilized and competitive. Furthermore, the competency development strategy is implemented through a gradual process (tadarruj), starting from the formation of confidence and character, strengthening financial skills, increasing social awareness, to developing individuals with international standards (Fajar, 2017). This stage allows Islamic financial institutions to form SDI that is not only technically competent, but also has integrity, ethical attitudes, and adaptability to global challenges. Thus, SDI's competency development strategy in Islamic financial institutions emphasizes the integration of professionalism, technical ability, leadership, and sharia values, thereby producing productive, ethical, and sustainable human resources that are able to encourage the success of the organization in a sustainable manner.

Challenges and Opportunities for Human Resource Transformation in Financial Institutions

The results of the literature synthesis show that the transformation of human resource management (SDI) in Islamic financial institutions faces various challenges stemming from internal and external organizational factors. Internal challenges include limited human resource competencies, high employee turnover rates, resistance to changes in culture and work systems, and organizational readiness to adopt digital technology. Meanwhile, external challenges include accelerating technological developments, regulatory changes, increasing competition in the financial industry, and public demands for professional service quality and in accordance with sharia principles. The results of the study show that the success of SDI transformation requires organizational readiness to develop personal, organizational, and spiritual competencies in a sustainable manner. Scarlett (2024) emphasized that SDI competency development requires adaptation to digital innovation, commitment from all stakeholders, and organizational readiness to implement changes systematically. This is in line with the findings of a previous literature synthesis, which shows that the transformation of SDI in Islamic financial institutions involves the development of personal, organizational, and spiritual competencies through training, while also facing digital challenges, public skepticism, and high turnover (Marilyn, 2024; Syafri et al., 2025).

In addition, research by Syafri et al. (2025) It shows that education and training in Islamic business effectively enhances technical and managerial competencies while instilling Islamic values, with success influenced by the adaptation of contextual training methods, leadership support, and the difference in practices between formal banking and micro-enterprises. This emphasizes that SDI who are not only professional but also have an awareness of Islamic values will be better able to adapt to internal organizational changes. External challenges include industry competition, high customer expectations, and ever-evolving regulations. Rahman, Kusuma, and Satria (2022) show that the existence of a competent SDI is a determinant of service quality and customer satisfaction, especially in the face of competitive pressure and industry dynamics. In addition, the literature also emphasizes the importance of strengthening digital literacy and SDI's innovation capabilities to ensure that Islamic financial institutions remain relevant and competitive in the era of the industrial revolution 4.0.

On the opportunity side, regulations from the OJK that require the preparation of SDI competency development roadmaps provide a strategic basis for financial institutions to design a systematic, measurable, and sustainable SDI development program (Scott, 2024). This transformation allows institutions to leverage digital technologies in training, expand access to education, and develop efficient interactive learning platforms (Jehan & Hasnawati, 2020). In addition, the integration of Islamic values in SDI's development strategy is a competitive advantage in itself. Dawn (2017) and Syafri et al. (2025) emphasizing that the application of the values of the Islamic Pillar can gradually form a superior SDI with globally competitive personal, social, and organizational competencies, while improving a productive, ethical, and trustworthy work culture.

Thus, Islamic financial institutions need to manage internal and external challenges simultaneously by taking advantage of regulatory opportunities, technology, and the integration of Islamic values. This approach will not only enhance SDI's professionalism and technical competence, but also strengthen the character, ethics, and spiritual awareness of employees, thus forming superior, adaptive, and globally competitive human resources.

Research Implications and Contributions

The results of this study provide important practical and theoretical implications for human resource management (SDI) in financial institutions, especially Islamic financial institutions. In practical terms, the research findings confirm that the development of SDI not only focuses on improving technical and managerial competencies, but must also integrate Islamic values, such as integrity, trust, social responsibility, and work ethics, so as to form a productive, ethical, and adaptive work culture to changing industry dynamics and regulations. This integration allows the institution to deal with internal challenges such as limited resources and high turnover, as well as external challenges such as global competition and rising customer expectations. Previous research has shown that the transformation of SDI in Islamic financial institutions involves the development of personal, organizational, and spiritual competencies through systematic and continuous training, while also facing digital challenges and societal skepticism. An effective SDI transformation strategy involves a gradual approach (tadarruj), starting from the formation of confidence and character, strengthening personal and social competencies, to the development of individuals with international standards, so that institutions can develop training, career development, and professional certification programs that are in line with sharia principles, increasing efficiency, productivity, and service quality.

Theoretically, this study strengthens the literature on SDI management in Islamic financial institutions by emphasizing the need for integration between technical, managerial, and spiritual competencies, so that the transformation of SDI is not enough to be carried out conventionally but must be based on Islamic values and strategies that are adaptive to internal and external challenges. This research also has implications for policymakers, SDI managers, and Islamic banking practitioners, especially in designing SDI development programs that are structured, regulatory, and adaptive to technological trends and market needs. With this approach, Islamic financial institutions can build SDI that is not only superior in technical and managerial capabilities, but also ethical, religious, and able to encourage innovation and organizational growth. Overall, this research makes a strategic contribution to strengthening the practical understanding of Islamic-based SDI transformation, provides a basis for the design of systematic training and career development programs, and offers a theoretical framework that links SDI's personal, social, and spiritual competencies to organizational success.

CONCLUSION

Based on the results of the literature synthesis, this study shows that the transformation of human resource management (MSDI) in Islamic financial institutions requires a holistic approach by integrating technical, managerial, and spiritual competencies based on sharia principles. The transformation is not only oriented to improving organizational performance, but also to the formation of human resources that are professional, with integrity, adaptive, and oriented to Islamic values. The findings of the study show that effective MSDI management must include all human resource management functions, from planning, recruitment and selection, training and development, performance appraisal, to a compensation system that is aligned with sharia values. The results of the literature synthesis also show that the strategy for developing human resource competencies needs to be carried out through the strengthening of personal, organizational, and spiritual competencies in a sustainable manner. Education, training, professional certification, value-based leadership, and the internalization of Islamic work culture are important factors in improving the quality of SDI while building a productive, ethical, and competitive organizational culture. In addition, MSDI's transformation is also influenced by various challenges, such as the development of digital technology, high turnover rates, limited competencies, and changes in regulations and industry competition. However, this challenge is also an opportunity for Islamic financial institutions to strengthen the SDI development system through the use of technology, OJK regulations, learning innovations, and strengthening sharia values as a competitive advantage. This research makes a conceptual contribution by emphasizing that the success of the transformation of human resource management in Islamic financial institutions is not only determined by the improvement of technical and managerial competence, but also by the integration of spiritual competencies as the foundation for character formation, work ethics, and professionalism. Therefore, the transformation of MSDI based on Islamic values can be a relevant strategy to improve the quality of human resources, strengthen organizational competitiveness, and support the sustainability of the Islamic finance industry in the midst of the dynamics of the business environment that continues to develop.

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