



Dialectics of Sharia Compliance: A Case Study of Operational Governance Practices at Bank Muamalat's Genteng Branch

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Article Info	Abstract
Article history: Received March 10, 2026 Revised April 13, 2026 Accepted June 27, 2026 Available online August 15, 2026 *Corresponding author email: kamilatusaidiyah@gmail.com Keywords: Bank Muamalat, Beyond Compliance, Organizational Resistance, Reputational Risk, Sharia GCG.	Introduction/Main Objectives: This study examines internal resistance and Sharia-based Good Corporate Governance implementation at Bank Muamalat's Genteng Branch, focusing on operational challenges in maintaining Sharia compliance. Research Methods: A qualitative single-case study involved four key informants. Data were collected through semi-structured interviews and analyzed using the Miles, Huberman, and Saldaña model, supported by source triangulation and member checking. Finding/Results: Resistance was mainly procedural, including omitted contract readings and analytical shortcuts caused by commercial pressure. Compliance was reinforced through strict SOPs, proactive DPS oversight, preventive training, and sanctions. Customer trust was largely based on Bank Muamalat's reputation as a Sharia banking pioneer. Conclusion: Effective Sharia governance depends on consistent procedures, strong DPS supervision, sanctions, and continuous training to protect public trust and reduce reputational risk.
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INTRODUCTION

The Islamic banking industry in Indonesia relies heavily on public trust, making it highly vulnerable to reputational risk resulting from Sharia non-compliance. Public trust is an invaluable form of social capital, given that the existence of Islamic banks is measured not only by financial performance but also by the public's perception of the institution's adherence to Islamic principles (Oftafiana et al., 2024; Rosita, 2025; Salsabila, 2026). If a Sharia bank's reputation is tarnished even once due to negligence or deviation from Sharia principles, the effects can have far-reaching consequences for business sustainability (Afrizal et al., 2022; Dzakirah, 2025; Koeswandana & Yulfiatmi, 2025). In this context, the implementation of Sharia Good Corporate Governance (GCG) serves as a crucial instrument for maintaining institutional integrity (Silalahi et al., 2025; Supardi et al., 2023; Wardiwiyo et al., 2025).

Although the implementation of GCG principles at Bank Muamalat Indonesia is generally considered to have been carried out well (Supardi et al., 2023; Tiara & Ovami, 2020), significant challenges arise at the smallest operational level the branch office. The primary objective of this study is to analyze the dialectic between internal resistance and compliance mechanisms in the implementation of Sharia GCG at Bank Muamalat's Genteng Sub-Branch (KCP) to understand the challenges of enforcing Sharia principles at the field level. The motivation for this study stems from *a research gap*; while the majority of the literature on Sharia-compliant GCG focuses on the corporate level using a quantitative approach, studies on the dynamics at the branch level as the frontline that bridges Sharia compliance with local business objectives remain very limited.

The research problem in this study was identified through recognition of the significance of this reputational risk. The problem identification clearly reveals the existence of procedural internal resistance at Bank Muamalat Genteng, such as the omission of contract readings due to business target pressure (*work pressure*) and factors of negligence. The complexity of this issue involves a tension between demands for professionalism, the effectiveness of the Sharia Supervisory Board's (DPS) oversight, and an organizational culture that restricts creative innovations deviating from *Standard Operating Procedures* (SOPs). Therefore, this study, is designed with well-defined objectives to explore how oversight mechanisms and sanction systems can mitigate such resistance.

To achieve this objective, this study employs a qualitative single-case study method. Data were collected through semi-structured interviews with four key informants: a Branch Operations Manager, a DPS member, an academic expert, and a customer. Data analysis was conducted using the interactive model by Miles, Huberman, and Saldana, incorporating source triangulation to ensure the validity of the findings. The main findings of this study reveal that the resistance observed is procedural-situational in nature, arising from the need to meet commercial targets, rather than ideological. Counterintuitively, it was found that the organizational culture actively discourages creative deviations from SOP, with compliance

reinforced through proactive DPS oversight, a sanction system without additional incentives, and mandatory preventive (*not corrective*) training programs for employees.

This paper provides an in-depth understanding that the effectiveness of Sharia governance at the branch level depends more on strong oversight and procedural consistency than on adaptive flexibility. This is crucial given that customer trust relies more on the bank's historical reputation as a Sharia pioneer than on individual transaction experiences. This introduction will be closely linked to the following sections, particularly the literature review, which will delve into the theoretical framework regarding Sharia GCG and reputational risk to strengthen the dialectical analysis of compliance.

METHOD

This study is a *field research* project employing a qualitative approach and a single-case study design. The qualitative approach was chosen to gain an in-depth understanding of social phenomena, specifically Sharia governance practices at the branch level of Bank Muamalat's Genteng KCP. A single-case study design was chosen because this research explores a contemporary phenomenon within a real-life context at a specific organizational unit, where the boundary between the phenomenon and its context is not clearly defined (Yin, 2018). This study is descriptive-analytical in nature, describing Sharia oversight practices in the field and then analyzing them based on applicable fatwas and regulations (Salim & Haq, 2023). The research location at Bank Muamalat's Genteng Branch Office in Banyuwangi was selected because Bank Muamalat is the first Sharia bank in Indonesia with a strong historical reputation for Sharia compliance (Karim, 2010; Suhendi, 2014), and the Genteng Branch Office represents a branch-level operational unit facing the challenges of implementing Sharia governance at the local level.

Primary data were obtained from four key informants selected through *purposive sampling*: (1) Branch Operations Management (*Head of Operations/Branch Manager*), who possess an internal perspective on the tension between compliance and business targets (Dewi & Setiawan, 2022; Mualif et al., 2025); (2) Members of the Sharia Supervisory Board (DPS) who possess an authoritative perspective on Sharia compliance and the supervisory role of the DPS (Almutairi & Quttainah, 2021; Rizki et al., 2026); (3) Senior scholars/researchers in Islamic economics for objective scientific validation (Miles et al., 2014; Moleong, 2018); and (4) Active Bank Muamalat customers to obtain the service users' perspective (Juniarsi, 2019; Ramadani, 2025). Data collection was conducted through semi-structured interviews, which were recorded and transcribed verbatim; direct observation of operational practices and staff-customer interactions (Sugiyono, 2016); and documentation in the form of SOP analyses, compliance reports, and training materials (Creswell & Poth, 2018; Flick, 2018).

Data analysis utilized the Miles, Huberman, and Saldaña (2014) with three stages: data condensation (summarizing, selecting key points, identifying main themes such as DPS oversight mechanisms, procedural resistance, oversight effectiveness, and customer perceptions),

presenting data in a systematic narrative, and drawing conclusions by comparing field findings with theoretical literature. Data validity was ensured through source triangulation (four different informants), methodological triangulation (interviews, observation, documentation), and *member checking* (confirming interview results with informants) (Creswell, 2014; Lincoln & Guba, 1985; Moleong, 2017) .

RESULTS AND DISCUSSION

A. Sharia Oversight Mechanisms at the Branch Level

Based on interviews with DPS members, the Sharia oversight mechanism at Bank Muamalat's Genteng Branch operates through three main channels: periodic reports from branch management, routine audits by the internal Sharia audit function, and customer complaint channels. DPS members explained that supervision at the branch level remains a challenge due to the large number of branches and geographical distances; however, Bank Muamalat has established a Sharia internal audit function tasked with conducting periodic compliance inspections across all branches. This finding aligns with Bank Muamalat's governance framework, which grants the DPS the authority to analyze reports from the Board of Directors and the internal audit function, as well as to conduct spot-check reviews of transaction documents to ensure compliance with Sharia principles as outlined in the SOPs. Bank Muamalat's Genteng Branch Office also implements oversight of digital products such as the Muamalat DIN app, where the Sharia Supervisory Board (DPS) conducts strict oversight to ensure Sharia compliance is maintained, in line with the DPS's mandate to issue Sharia opinions on new products and ensure adherence to Sharia principles in operational guidelines.

B. Procedural Resistance at the Branch Level

Research findings indicate that employee resistance at the branch level is procedural in nature, not ideological. Branch Operations Management stated: *"So, even if there is resistance, it usually takes the form of minor issues. For example, in financing agreements. There are often employees who—in quotes—are 'too lazy' to read the terms and conditions aloud. Because they're rushing to disburse funds, they skip reading them. The root cause is definitely work pressure. Second, laziness (work culture)."* Academics explain that procedural resistance occurs when business " " targets and Sharia compliance are perceived as conflicting, causing employees to feel caught between target demands and Sharia procedural obligations. Resistance manifests in two forms: the omission of contract readings driven by target pressure and laziness, and the execution of financing analyses that are merely a formality without in-depth information gathering. Neither of these forms reflects a rejection of Sharia principles but rather "fast-track" behavior in high-pressure situations, consistent with the research by Mualif et al. (2025), which indicates that resistance is more procedural and situational in nature.

A counterintuitive finding of this study is that organizational culture actually resists creative adaptations that deviate from standard operating procedures (SOPs). Management

emphasized: *"It's the rules that are being changed—we're not the ones being creative. We can't be creative to make things easier for customers, even though customers would be happy if we did this. Yes, customers would be happy, but in terms of Sharia principles and SOPs, we'd be violating them internally."* Academics consider this finding reasonable in the context of Sharia banking because Sharia compliance is *non-negotiable*; thus, any deviation from SOPs cannot be viewed as innovation but rather as a violation. This finding differs from the *"beyond compliance"* literature, which assumes that resistance to rules can spur positive innovation; however, in the context of Sharia compliance, compliance is not a minimum threshold that can be exceeded but rather a maximum limit that must not be violated. The three main factors driving resistance are pressure to meet business targets, a work culture that views procedures as mere formalities, and a limited understanding of the essence of Sharia compliance. The Prophet Muhammad (peace be upon him) said: *"Indeed, Allah loves it when one of you performs a task, he does so with itqan (professionalism and perfection)."* (Narrated by Thabrani). This hadith emphasizes that every task, including banking procedures, must be performed perfectly and professionally, not through shortcuts that disregard procedures.

C. Effectiveness of the Sharia Supervisory Board's Oversight and Sanction System

The Sharia Supervisory Board (DPS) plays a proactive and responsive oversight role regarding findings of violations. A DPS member explained: *"If even a single branch disregards these procedures, it can damage the bank's overall reputation. Trust in Islamic banks depends heavily on the public's confidence that every transaction is truly Sharia-compliant."* If a violation occurs at a critical level, it will be reported up to the Sharia Supervisory Board and subject to sanctions or corrective measures. Research reveals that Sharia compliance is *mandatory* without additional incentives. Management explained: *"Incentives are based solely on performance. As for the implementation of Sharia principles and good corporate governance, that is already a mandatory obligation. There are no additional rewards. But if they violate these principles, sanctions will be imposed."* This system treats Sharia compliance as a minimum standard, yet violations are subject to clear and consistent sanctions. Key factors in the effectiveness of oversight are organizational commitment and a culture of compliance, with DPS members emphasizing that the greatest challenge is ensuring a culture of compliance is implemented at all levels— including remote branches. Academics add that the effectiveness of the DPS heavily depends on the *"tone from the top"* that is, how seriously bank leadership takes Sharia compliance. Allah SWT states in Surah An-Nisa [4]: 58: *"Indeed, Allah commands you to entrust what is rightfully due to its rightful recipients..."* This verse underscores the importance of trustworthiness in carrying out duties, including the trust of Sharia compliance that must be upheld at all levels of the organization.

D. Training Programs and Strengthening the Culture of Compliance

The study identified preventive mechanisms through mandatory training programs (*itifak*) and monthly training sessions. Branch Operations Management explained: *"When we are*

hired as employees, we are tested first... there's something called itifak. It covers everything about work culture based on Sharia principles... if you don't pass, you can't join. It's a mandatory requirement. Every employee must also attend monthly training sessions." The *itifak* program is a mandatory pre-employment training covering Sharia principles, Islamic work ethics, and operational procedures in accordance with Sharia compliance, where passing the program is an absolute requirement for employee acceptance. Ongoing monthly training aims to maintain and refresh understanding of compliance as well as to disseminate information on regulatory changes. Findings indicate that the training program integrates spiritual values such as *amānah*, *taqwā*, and *'adl*, consistent with the research , which states that the integration of spiritual values is key to the success of Sharia governance. This approach fosters a sense of compliance driven not only by formal rules but also by internal spiritual motivation. The training program has proven effective in building a culture of compliance, as evidenced by a decrease in violation cases and an increase in employees' willingness to report potential violations. However, challenges remain in ensuring that the training's principles are applied when facing pressure to meet targets; therefore, the training must be continuously updated and supported by oversight and strict sanctions.

E. Customer Perceptions of Sharia Compliance

Based on interviews with customers, there is a gap between ideal procedures and actual field practices. Customers explained that while staff explained the contract terms, they seemed rushed, and customers did not fully understand the terminology used. A customer stated: *"I was actually a bit hesitant when signing the documents because there were some terms I didn't understand. But I didn't ask because I already trusted Bank Muamalat. I thought that since Bank Muamalat is a well-known Sharia bank, all its procedures must certainly be Sharia-compliant."* Customers also noted that product explanations were not detailed enough, particularly regarding administrative fees and late payment penalties, which they only learned about after receiving their bills. This highlights the gap between management's internal perceptions and customers' external experiences, underscoring the importance of procedural consistency to maintain long-term trust.

Customer trust is rooted in Bank Muamalat's historical reputation as the first Islamic bank, not in individual transaction experiences. A customer stated: *"The main reason I chose was Bank Muamalat's reputation as the first Islamic bank in Indonesia. I also feel comfortable with the service at Bank Muamalat's Genteng Branch because it's conveniently located and the staff are friendly."* This pattern of trust is vulnerable to risk if procedural violations are exposed. Academics caution: *"If customers begin to doubt Bank Muamalat's Sharia compliance—whether due to individual experiences or emerging issues—the reputation built over decades could collapse in a short time."* DPS members emphasize that if a single branch disregards procedures, it can damage the bank's overall reputation. These findings align with (et al., 2022) , which states that Muslim consumers exhibit passive resistance toward Sharia banking due to perceptions of risk and image;

however, Bank Muamalat's customers are an exception, as they maintain high levels of trust despite relying primarily on the bank's historical reputation.

Consequently, Bank Muamalat needs to maintain procedural consistency across all branches, enhance customer education, and ensure that every transaction is truly Sharia-compliant, rather than relying solely on its historical reputation. Allah SWT states in Surah Al-Hujurat [49]: 6: "*O you who have believed, if a wicked person comes to you with news, verify its truth...*" This verse teaches the importance of verifying and clarifying information, which is relevant to the bank's obligation to provide transparent explanations to customers and the customers' obligation to understand the procedures being followed.

CONCLUSION

This study reveals the dynamics of Sharia GCG implementation at Bank Muamalat's Genteng Branch, which is characterized by a dialectic between internal procedural resistance and strict compliance oversight mechanisms. Based on an analysis of data from four key informants, internal resistance manifests in two specific forms that are procedural, not ideological: the omission of reading the contract and terms and conditions to customers driven by pressure to meet business targets and work culture factors and the conduct of financing analyses that are merely a formality without in-depth exploration of customers' needs and capacity. These two forms of resistance do not reflect a fundamental rejection of Sharia principles, but rather "fast-track" behavior that arises under high work pressure.

The Sharia Supervisory Board carries out a proactive and responsive oversight role regarding findings of violations through three main channels: periodic reports from branch management, routine audits by the internal Sharia audit function, and customer complaint channels. Sharia compliance is positioned as a fundamental, *mandatory* obligation without additional incentives; however, violations are still subject to clear and consistent sanctions. The most counterintuitive finding of this study is that the organizational culture actively resists creative adaptation or procedural innovations that deviate from Standard Operating Procedures (SOPs), whereby any procedural change can only be made through formal regulatory changes by higher authorities, not through individual initiatives at the operational level.

Mandatory training programs (*itifak*) and ongoing monthly training serve as preventive tools that build compliance awareness from the very beginning of employment and sustain it over time, by integrating spiritual values such as *amānah*, *taqwā*, and *'adl* which foster compliance driven not only by formal rules but also by internal spiritual motivation. From the customers' perspective, trust in Bank Muamalat is based more on its historical reputation as a pioneer of Islamic banking in Indonesia than on individual transaction experiences, although there have been instances where the contract reading procedure was not fully carried out, creating a risk of misunderstanding in transactions. This indicates a *gap* between management's

internal perceptions and customers' external experiences, underscoring the importance of maintaining procedural consistency to sustain long-term trust.

This study makes three theoretical contributions: it enriches the discourse on organizational resistance by demonstrating that resistance in the context of Islamic banking can be procedural and situational; it develops the concept of *"beyond compliance"* by showing that governance effectiveness depends more on strong oversight, clear sanction systems, and continuous training than on adaptive flexibility; and it offers a new perspective on the effectiveness of the Sharia Compliance Unit (DPS), which does not rely solely on formal structures but also on organizational commitment and consistent sanction systems. In practical terms, this study recommends strengthening internal oversight mechanisms at the branch level by appointing competent Sharia compliance officers; evaluating incentive and sanction systems to provide equal recognition for Sharia compliance; developing training programs and fostering a sustainable work culture; and implementing regulatory policies that encourage the strengthening of the DPS's role at the operational level.

This study has limitations, including its single-case study design and a limited number of informants (n=4), which restrict the generalizability of the findings; reliance on self-reported data, which may introduce social bias; and its *cross-sectional* nature, which does not capture dynamic changes over time. Future research is recommended to expand the scope to include several branches with different characteristics, conduct longitudinal studies to capture dynamic changes, develop quantitative approaches to test causal relationships among variables, explore the influence of Qur'anic values on the effectiveness of Sharia GCG, and examine the impact of digital innovations such as Sharia *fintech*, *blockchain*, and artificial intelligence on DPS governance and supervision. Given the dynamics of the Sharia banking industry as it enters a phase of consolidation, understanding the mechanisms of resistance and compliance at the operational level is becoming increasingly relevant to maintaining public trust and the industry's sustainability.

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