

THE FUNCTION OF THE GOVERNMENT'S SYARIA BANK IN WEST JAVA

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ABSTRACT

Banking is a key financial services sector that plays a vital role in both national and global economies. In Indonesia, the industry is divided into conventional and sharia banking. Sharia banking operates in accordance with the principles of the Quran and Hadith and is classified into three categories based on asset ownership: Sharia Commercial Banks, Sharia Business Units, and Sharia Rural Banks. In terms of ownership, these institutions include state-owned, government-owned, and private sharia banks. This study examines the functions of government-owned sharia banks in West Java using Robert K. Merton's theory of structural functionalism, which identifies manifest, latent, dysfunctional, and non-functional roles within the banking ecosystem. The findings reveal that both manifest and latent functions are present in government-owned sharia banks in West Java. However, certain aspects require improvement to prevent dysfunction and non-function in operational performance. The study suggests that government-owned sharia banks should strengthen sharia financial literacy and inclusion among West Java's population. Strengthening these aspects would foster the sharia economy and positively impact national development. This is significant as West Java ranked first in the 2025 Indonesia Muslim Travel Index (IMTI), reflecting its strong halal ecosystem linked to sharia banking.

Keywords: sharia banking; halal ecosystem; sharia economy

INTRODUCTION

In daily life, humans require various institutions, including educational institutions, healthcare, and financial institutions. Sociology, as a science that studies society, indicates that every community needs various forms of organizations within social institutions to fulfill their needs, one of which is financial institutions (Burrell & Fourcade, 2021). According to Law No. 10 of 1998 on Banking, a bank is a financial institution engaged in financing, funding activities, and collecting and distributing funds to improve people's living standards (State Financial Law, 1998). Based on this statement, it can be said that fundamentally, a bank is a system of trust (credit) for saving in the bank and borrowing from the bank.

There are two types of banks: conventional banking and sharia banking. Islamic financial institutions provide halal financial services to the Muslim community (Abasimel, 2023). The main goal is economic prosperity, job creation, rapid economic growth, social and economic justice, equitable income distribution, monetary stability, and mobilizing savings and investments for economic development that guarantees profit sharing for all parties. Islamic financial institutions emphasize social capital through sharia principles (Khairani, Imsar, & Nasution, 2023).

According to Putnam (1994), subvariables of social capital include trust, networks, and norms. According to sharia principles in Islamic financial institutions, justice is defined as norms, partnership as networks, transparency as trust, and universality as norms according to Islamic principles, such as *rahmatan lil alamin* (Desky, 2025).

Regarding the principles of Islamic finance institutions, Islam does not want its followers to live in economic backwardness, as stated in the saying "Indeed, poverty is close to disbelief" (Al-Hadith). Islam, as one of the religions, offers guidance for human life, both spiritual-materialistic, individual-social, physical-spiritual, worldly-akhirah, which leads to living in balance (Lewis, 2001).

Islamic financial institutions that fall under the category of banks are divided into three types: Shariah Commercial Banks, Shariah Business Units, and Shariah Rural Credit Banks (Azhari, Kamaruddin, Murizal, & Simahatie, 2022; Putra, Hapsari, Hayati, Fawziah, & Zakaria, 2025; Usanti & Setiawati, 2022). Market share should be one of the objectives in the development of a financial product, which must be continuously measured so that a product can continue to be developed to meet customer needs. Community development, which includes offtakers, suppliers, and consumers within the halal ecosystem, for example through the establishment of cooperatives, especially Multi-Party Cooperatives (Ben Hador & Klein, 2019; Khairani et al., 2023), can help increase the market share of Islamic banks. The market share of Islamic banking in Indonesia in 2020 was recorded at 6.18% and grew to 7.03% in 2022. The OJK targets that by 2024, the market share of Islamic banking will reach at least 20% (Hidayah, 2025).

The selection of the research location in West Java was made based on data from Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS) or the National Committee on Sharia Economics and Finance, which indicates that among all the regions being worked on, West Java is the area chosen as the pilot project for the development of the sharia economy (National Committee on Sharia Economics and Finance, 2020).

The results of this study illustrate the functionality of Islamic banking as one of the financial institutions for economic prosperity, job creation, high economic growth, social and economic justice, wealth distribution, monetary stability, and the mobilization of savings and investments in economic development that enable profits to be distributed to all stakeholders in accordance with the objectives of Islamic financial institutions.

This study was conducted in West Java Province based on information from Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS) that among all the regions being developed, West Java is a model for the sharia economy. The Head of BAPPEDA West Java revealed that the potential of West Java to develop the sharia economy is quite clear. "First, West Java is one of the 13 provinces designated as a halal tourism destination. Second, West Java is a hub for the development of the sharia economy as it contributes 15 percent of the country's agricultural population. The majority of West Java's population is Muslim. Lastly, there are 404 branches of Islamic banks operating in West Java" (Observation results, 2023).

The Director of Education and Research for Shariah Finance at KNEKS stated that the West Java Shariah Economic Development Report can serve as a reference for other

regions that are also engaged in similar efforts to develop the sharia economy. The report outlines the regulations governing the sharia economy sector in West Java and regional development plans through regional regulations (Perda) or gubernatorial regulations (Pergub). For example, Regional Regulation Number 13 of 2015 on the Guidance and Supervision of Hygiene and Halal Products. Similarly, there are the Halal Tourism Promotion Team Pergub and the sharia economy development roadmap for West Java province. KNEKS highlights the West Java Provincial Government's programs related to the halal industry, including halal food, Islamic fashion, and halal tourism (National Committee on Sharia Economics and Finance, 2020).

It is important to assess the functionality of Islamic banking in supporting the halal ecosystem in West Java. The Provincial Government of West Java collaborates with government-owned Islamic banks to achieve its targets in developing the halal ecosystem. The main goal is to make West Java the center of the national halal industry ecosystem, with a focus on strengthening the Micro, Small, and Medium Enterprises (MSMEs) sector.

RESEARCH METHOD

The author used purposive sampling to select informants. Purposive sampling is a technique for determining subjects and objects according to the research objectives and serves as the unit of analysis (Patton, 2015). The selection of informants in this study is focused on the representation or issues being researched (Patton, 2015). Therefore, interviews were conducted with several informants who are stakeholders related to the research issues, including practitioners from government-owned Islamic banks in West Java, customers using services from government-owned Islamic banks in West Java, members of the Sharia Economic Society, members of Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS), members of the Komite Daerah Ekonomi dan Keuangan Syariah (KDEKS), and members of the Masyarakat Ekonomi Syariah (MES) in West Java.

According to Moleong, discussing facts involves the effort to align and arrange facts into patterns, categories, and key descriptions so that themes emerge and a working hypothesis can be formulated (Moleong, 2021). According to Miles (1992), the discussion of qualitative facts is intertwined with three concurrent activities: data reduction, data presentation, and verification (Miles, 1992).

Qualitative research data is considered valid if there is no discrepancy between what the researcher reports and what actually occurs with the object being studied. It is necessary to test the accuracy of the data obtained. The credibility of the research data is tested through triangulation, which involves cross-checking data from multiple sources, using different methods and at different times. Triangulation practices are illustrated by the researcher asking informant A and clarifying it with informant B, as well as exploring it with informant C. Therefore, triangulation occurs across sources or informants, data collection techniques, and time (Patton, 2015). Next, confirmation: the research results, after being discussed with the supervisor, must undergo confirmation. The research findings should be confirmed with the

relevant parties, as these results represent the researcher's perspective and will ultimately be compared to see whether they align with the relevant parties' perspectives.

RESULT AND DISCUSSION

Overview of Islamic Banking in West Java

The number of cities and regencies in West Java is 27, consisting of 9 cities and 18 regencies, which include the following cities: Bandung, Banjar, Bekasi, Bogor, Cimahi, Cirebon, Depok, Sukabumi, and Tasikmalaya. The regencies are: Bandung, Bandung Barat, Bekasi, Bogor, Ciamis, Cianjur, Cirebon, Garut, Indramayu, Karawang, Kuningan, Majalengka, Pangandaran, Purwakarta, Subang, Sukabumi, Sumedang, and Tasikmalaya.

Islamic banking in West Java continues to show promising growth (Enceng, Gaussian, Burhanudin, & Becic, 2025; Mardhiyaturrositaningsih & Janah, 2025; Mujiatun, Trianto, Cahyono, & Rahmayati, 2025), with consistent increases in assets, third-party funds (DPK), and financing, as well as a significant rise in market share over the past few years. Although faced with challenges such as lower financial literacy and sharia financial inclusion compared to conventional banking, this sector plays a crucial role in the regional economy and receives support from various stakeholders (Alfian, Abd Majid, & Sugianto, 2025; Kismawadi, 2025; Masrizal, Sukmana, & Trianto, 2025).

Data shows a positive trend for Islamic banking in West Java. The Sharia Banking Statistics Report from the Financial Services Authority (OJK) records that between 2015 and 2019, assets, third-party funds (DPK) (Khasanah & Yana Aditya, 2025), and financing for Shariah Commercial Banks (BUS) and Shariah Business Units (UUS) in West Java experienced growth (Octasari, Julia, & Abubakar, 2023; Zulkarnain & Arif, 2025). While the growth rate fluctuated, it overall indicates positive development. Furthermore, OJK Regional Office 2 West Java reported that as of August 2023, Islamic banking financing in West Java reached IDR 63.04 trillion, growing by 15.03% year-on-year (yoy) (Wiyanti, Imaniyati, & Chotidjah, 2024). This growth was supported by Shariah Commercial Banks (63.96%), Shariah Business Units (27.48%), and Sharia Rural Credit Banks (BPRS) (8.56%). The market share of Islamic banking financing also continues to show an upward trend, increasing from 8.40% in 2019 to 10.67% in August 2023. In fact, in 2022, the growth of Islamic banking in West Java reached 10.12%, surpassing conventional banking growth, which was around 5% (Pramono & Suzuki, 2020). The growth of third-party funds was also positive at 7.71%, while financing grew significantly by 18.6% during the same period. Nationally, Islamic banking also showed excellent performance (Ahsan & Qureshi, 2022), with financing growth in May (the specific year was not mentioned but refers to the latest report at that time) reaching 14.07% yoy, higher than conventional banking's financing growth of 12.15% yoy.

Islamic banking is recognized as having an important role in the economic growth of West Java Province. The total assets of Islamic banking have proven to influence the regional gross domestic product (PDRB) of the province. The purpose of establishing Islamic banking is not only profit-oriented but also aimed at creating prosperity in society. This is

supported by the opinion of an informant who stated that the true goal of Islamic banking is not only to accommodate people who wish to engage in banking transactions without usury but also to realize the welfare of the ummah and the advancement of the Islamic economy.

The Provincial Government of West Java has shown its commitment to the development of the sharia economy, one of which is through the establishment of Komite Daerah Ekonomi dan Keuangan Syariah (KDEKS). KDEKS is expected to drive various programs to develop the sharia economy, including strengthening Islamic banking, digitalization of sharia cooperatives and Sharia Microfinance Institutions (IKMS) based in mosques or Islamic boarding schools, as well as the development of Muslim-friendly tourism. The Government of West Java and KDEKS play an active role in the development of the sharia economy.

AA (a PS employee) said that, aside from examining users of Islamic banking services, we can also assess the public's awareness of Islamic banking. This is also one of the indicators for evaluating Islamic banking by KNEKS (National Committee for Shariah Economics and Finance) and KDEKS (Regional Committee for Shariah Economics and Finance). However, Islamic banking customers continue to grow, especially under our current leadership, Jabar Pride. Currently, the increase in our customers is supported by our parent bank. For example, our parent bank, BJB, as a conventional bank, now offers Islamic banking services for Hajj, Umrah, and gold (LSBU: Shariah Services of Commercial Banks). It seems that conventional customers who require these three services are being referred to Islamic banks to open accounts. The existence of LSBU is not an obstacle to the development of Islamic banking, because in addition to raising public awareness of Islamic banking and increasing the number of Islamic banking customers, LSBU is actually aimed at expanding access to sharia services for the public (, 36 years old)

Financial Performance of Islamic Banking in West Java

To provide context, data from the Financial Services Authority (OJK) nationally as of the end of 2023 shows positive performance for Islamic banking (Shariah Commercial Banks/BUS and Shariah Business Units/UUS):

1. Assets: Reached IDR 851 trillion, growing by 10.4% year-on-year (yoy).
2. Financing Distributed (PYD): Amounted to IDR 571 trillion, increasing by 15.8% (yoy).
3. Third-Party Funds (DPK): Recorded at IDR 660 trillion, rising by 8.15% (yoy).
4. Financing Quality (NPF): As of February 2024, the Gross Non-Performing Financing (NPF) for BUS stood at 2.05% (down from 2.37% in February 2023), and the NPF for UUS was 2.09% (down from 2.31% in February 2023).

The latest data from OJK Regional Office 2, West Java as of August 31, 2025, provides a specific overview for BPRS in the province:

1. BPRS Financing Realization: Reached IDR 5.91 trillion, showing a growth of 9.45% compared to the position on August 31, 2023 (IDR 5.39 trillion).

2. BPRS Financing Quality (NPF): The NPF ratio for BPRS in West Java was recorded at 9.57% as of August 31, 2024. This figure represents an increase compared to the same period last year, which was 5.9%, indicating challenges in maintaining financing quality in the BPRS segment.
3. BPRS Market Share: While specific numbers were not provided, OJK stated that the market share of BPRS financing against total credit for BPR and BPRS in West Java continues to show an upward trend.

The exact number of Islamic banking office networks (BUS, UUS, and BPRS) in West Java for the current period (end of 2024 or early 2025) is not yet available centrally. However, historical and partial data provides an indication:

1. OJK Data 2019: In 2019, West Java was recorded to have 383 Islamic banking offices (including BUS, UUS, and BPRS), the highest number in Indonesia at that time.
2. BPS Data Cimahi City (2023-2024): It was recorded that there are 4 Shariah Commercial Bank offices in Cimahi City.
3. Bank BJB Syariah: As one of the key players, Bank BJB Syariah has its headquarters in Bandung and, as of February 2023, was reported to have 10 branch offices and 53 sub-branch offices spread across West Java, Banten, and Jakarta.
4. BPRS: Associations such as the BPRS ASBISINDO compartment record a list of BPRS operating in the West Java region, showing the distribution of BPRS services across various cities and regencies.

Regulation and Government Support

Efforts to develop the sharia economy and finance in West Java are reinforced by specific regulations, namely the Governor Regulation (Pergub) of West Java Province Number 1 of 2022 on the Development of Sharia Economy and Finance (Hidayat, Akbar, Ardiansyah, & Adriana Binti Ibrahim, 2024). This regulation serves as the foundation for various strategic programs and initiatives at the provincial level. In addition, the Regional Committee for Shariah Economics and Finance (KDEKS) of West Java Province was officially established in April 2024. KDEKS plays a central role in accelerating the development of the sharia economy ecosystem, including the banking sector. Its focus includes the development of the halal industry, sharia entrepreneurship, sharia finance, and supporting infrastructure (Anwar & Bin Sarip, 2024). One of the key programs promoted is the digitalization of sharia cooperatives and Sharia Microfinance Institutions (LKMS) based on mosques or Islamic boarding schools to expand the reach of sharia financing for micro-businesses.

At the national level, the Financial Services Authority (OJK) continues to issue policies and roadmaps for the development of Islamic banking, including efforts to strengthen sharia governance and the potential spin-off of Sharia Business Units (UUS) into Sharia Commercial Banks (BUS) once they meet certain requirements. OJK is also actively involved in socialization and education efforts to enhance sharia financial literacy.

Nationally, the market share of Islamic banking continues to show growth (Ismal & Haryati, 2013; Rehman, Wani, Khanam, & Almonifi, 2021). As of June 2023, the market share of Islamic banking in Indonesia reached 7.31% of the total national banking industry. Although it slightly decreased to 7% in December 2023, projections for 2024 indicate a potential increase to 8%. The financial services sector in West Java, in general, has shown stability and resilience through August 2023.

One of the key players in West Java is PT Bank Pembangunan Daerah Jawa Barat dan Banten Syariah (Bank BJB Syariah). This government-owned bank in West Java has recorded positive growth, such as in its Hajj savings product, which grew significantly by 78.8% year-on-year (YoY) in the first quarter of 2025, reaching IDR 117.08 billion. Bank BJB Syariah's net profit was also reported to have grown to IDR 60.27 billion in 2024.

Islamic banking in West Java offers a wide range of products and services, including fund collection products (wadiah savings, mudharabah, sharia checking accounts), financing (murabahah, musyarakah, ijarah, mudharabah), and other banking services. Digital innovation has become a key focus. For example, Bank BJB Syariah continues to develop its digital services and has even formed a strategic partnership with the Bandung Institute of Technology (ITB) for the development of the sharia finance ecosystem.

The Functionality of Government Islamic Banking in West Java

There are functions that manifest in Islamic banking, in the sense of intentional and recognized consequences of an action or social structure (Gilani, 2015; Hamidi & Worthington, 2021). These are also referred to as explicitly stated goals. Latent functions are the unintended and unrecognized consequences of an action or social structure. Although unintended, these consequences can have a significant impact. Dysfunctions, on the other hand, are the negative or undesired consequences of an action or social structure that disrupt the stability or smooth operation of the system.

1. Functions of Islamic Banking

There are functions that manifest in Islamic banking, meaning the intentional and recognized consequences of an action or social structure. These are also referred to as explicitly stated goals that are recognized explicitly in Islamic banking, in line with the mission of Islamic economics, which is to provide sharia-compliant financial services. This includes collecting funds from the public through contracts that align with sharia (e.g., wadi'ah for deposits, mudharabah for investments) as an interest-free alternative to conventional banking, channeling funds in the form of financing based on sale and purchase (murabahah, salam, istishna'), profit-sharing (mudharabah, musyarakah), or lease (ijarah) for real economic activities, including MSMEs in West Java, and providing services such as transfers, clearing, collections, and others with an interest-free scheme (Maryam & Ahamad, 2021; Ulum & Sujatna, 2025).

The next function is to encourage an economy and finance based on sharia, supporting the development of the halal industry sector in West Java, ranging from food, fashion, to sharia tourism, and enhancing financial inclusion for the public who choose a

financial system in accordance with Islamic principles. Furthermore, the function of creating economic justice and welfare through profit-sharing principles and the prohibition of usury (*riba*) aims to establish a fairer and more equitable economic system, in line with the strong Islamic values in West Java (Ben Hador & Klein, 2019), and helps the public avoid practices that are prohibited in Islam. Finally, Islamic banking carries out a social function in the form of a *baitul mal* institution, which receives funds from zakat, infak, sadaqah, grants, or other social funds and channels them to zakat management organizations.

As for latent function, it refers to unintended or unforeseen consequences, yet tangible, of the existence and operations of Islamic banking. One such latent function is the improvement of sharia financial literacy. Indirectly, the presence of Islamic banking and their efforts in product socialization encourage the public to learn more about the principles of Islamic finance, even beyond their initial intent of merely transacting. This, in turn, enhances understanding of Islamic business ethics. Additionally, there is a strengthening of religious identity and community. In this context, Islamic banking can serve as a symbol of religious identity for some Muslim communities in West Java, who feel more comfortable transacting with institutions that align with their beliefs. This can strengthen community ties and social networks based on religion, particularly in pesantren (Islamic boarding schools) and mosques, which often become partners of BPRS.

The stimulus for innovation in the financial industry, in general, can be driven by competition from Islamic banking, which encourages conventional banks to innovate in their products and services, or even consider opening Shariah business units. Islamic banking often pioneers financing schemes that other institutions can then adopt or modify. Furthermore, it can function as a creator of specialist job opportunities. The development of Islamic banking creates a need for human resources with dual expertise, namely banking skills and an understanding of Shariah principles. This indirectly creates a specific niche in the labor market. This is further supported by an argument from an informant regarding the improvement of the image and trust in financial institutions. For some people, the existence of Islamic banking, which upholds religious ethical values, can increase general trust in the financial sector, especially when there is doubt or a crisis of confidence in the conventional system.

2. Challenges in the Functioning of Islamic Banking

Dysfunction is a negative or undesirable consequence of Islamic banking (Asutay & Mohd Sidek, 2021; Parmankulova, Issakhova, Zhanabayeva, Faizulayev, & Orazymbetova, 2022). This can be a challenge in Islamic banking. For example, despite efforts to improve literacy, many people in West Java still do not fully understand Islamic products and contracts. Limited reach, compared to conventional banks, the number of Islamic bank branches and ATMs may still be limited in some remote areas of West Java, making access difficult. Some customers may feel that in practice, the products and fees at Islamic banks are not much different from conventional banks, which can reduce their appeal and undermine trust. As for operational costs, they tend to be higher for small-scale BPRS. BPRS in rural

areas may face operational efficiency challenges compared to larger Islamic commercial banks.

The emergence of formalities in practice, which means an excessive focus on formal compliance with sharia contracts without a deep understanding of the substance and spirit of the sharia economy (e.g., the objectives of sharia maqasid), can cause Islamic banks to become “sharia in form, conventional in substance.” Unrealistic expectations from customers, due to strong promotion of “interest-free” banking, some customers have unrealistic expectations about profits or zero risk, which can lead to disappointment if losses occur or returns do not meet expectations, especially in profit-sharing contracts. There is the potential for the formation of an exclusive Islamic financial elite if Islamic banking tends to only serve certain segments of society, in this case referring to people who are already knowledgeable about Sharia or have large capital, which can widen the financial access gap for other groups of people who are in dire need. Some individuals may choose Islamic banking solely for religious reasons without a sufficient understanding of the economic benefits or services offered, which can lead to suboptimal financial decisions for them. We can see Islamic banking in West Java as an institution that not only performs clear economic functions, but also produces various social and cultural consequences, both intentional and unintentional, which shape and change the social and economic landscape of West Java society.

“Indeed, in Islamic banking, the leading products include savings for the hajj and umrah, as well as gold savings. We are very strong in those products” (AA, PS employee, 36 years old).

3. Opportunities for Improved Functionality

There are opportunities for improving the functionality of Islamic banking in West Java, including support for the Islamic economic ecosystem, such as the development of Halal Industrial Zones (KIH) such as Jababeka Halal Industrial Clusters in West Java, as well as the growth of other halal industries, creating great opportunities for Islamic banking to provide financing and related financial services. Collaboration with Islamic cooperatives, BMTs, and Islamic MSMEs will strengthen the ecosystem. Next is the use of digital technology. Islamic banking can innovate digital products and mobile banking services to expand the reach of Islamic banking, improve efficiency (Banna, Hassan, Ahmad, & Alam, 2022; Zouari & Abdelhedi, 2021), and attract the younger generation. Increased collaboration and synergy between the OJK, Bank Indonesia, KNEKS, local governments, academics, and community leaders can accelerate Islamic financial literacy and inclusion. Collaboration with Islamic boarding schools and educational institutions to develop a sharia finance curriculum. Sharia banking can focus on social welfare (Maqashid Syariah, with an emphasis on the principles of maqashid syariah (sharia objectives) such as justice, benefit, and wealth distribution, can be an added value and attract customers who are looking for financial institutions with a positive social impact.

"The function is not yet running optimally. This could be due to a lack of education, or it could have an identity. For example, justice. If Islamic banks already have an inherent

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<http://jurnal.unpad.ac.id/cosmogov/index>

sense of justice, then perhaps the function can run and be seen clearly. On average, Islamic banking is only present to accommodate people who want to avoid usury. However, that goal is very small. The vision and mission should be broader. For example, now there is BSI, which is a combination of the three largest Islamic banks, and it is growing well." (RSR, Islamic banking employee, 31 years old)

Overall, Islamic banking in West Java has great potential to grow and contribute to the regional economy, supported by a strong demographic base and institutional support. However, its functionality will continue to be improved through efforts to overcome challenges in literacy, product innovation, and service quality enhancement.

Table 1. The Function of Government Sharia Banking

Number	Manifest Function	Latency Function	Dysfunction	Non-Function
1.	Providing Sharia-compliant financial services, namely collecting funds from the public through Sharia-compliant contracts (e.g., wadi'ah for deposits, mudharabah for investments) as an interest-free alternative to conventional banking,	Improving Islamic financial literacy, including increasing understanding of Islamic business ethics	Despite the increase, literacy is still unevenly distributed.	Non-functional Islamic banking provides financing to types of business units that are haram or gharar (sale of alcoholic beverages, non-halal restaurants, hotels).
2.	Distributing funds in the form of sale-based financing (murabahah, salam, istishna'), profit sharing (mudharabah, musyarakah), or leasing (ijarah) for real economic activities, including MSMEs in West Java, and providing transfer, clearing, collection, and other services with an interest-free scheme.	Strengthening religious and community identity, in which case Islamic banking can serve as a symbol of religious identity for some Muslim communities in West Java	Limited coverage: Compared to conventional banks, the number of Islamic bank branches and ATMs may still be limited in some remote areas of West Java, making access difficult.	
3.	Promoting sharia-based economy and finance, namely supporting the development of the halal economy sector in West Java,	Encouraging conventional banks to innovate in products and services, or even consider opening	Unrealistic expectations from customers, due to strong promotions about "interest-free" products, some customers	

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Number	Manifest Function	Latency Function	Dysfunction	Non-Function
	ranging from the food industry, fashion, to sharia tourism, and increasing financial inclusion for people who choose a financial system in accordance with Islamic principles.	sharia business units.	have unrealistic expectations about profits or zero risk, which can lead to disappointment if losses occur or returns do not meet expectations, especially in profit-sharing agreements.	
4.	Creating economic justice and prosperity through the principles of profit sharing and prohibition of usury	Pioneer in certain financing schemes that can then be adopted or modified by other institutions.	The formation of an exclusive Islamic financial elite. If Islamic banking tends to only serve certain segments of society, in this case referring to people who are already knowledgeable about Islamic finance or have large amounts of capital, this can widen the financial access gap for other groups in society who are in dire need.	
5.	Creating a more just and equitable economic system, in line with the strong Islamic values in West Java, and helping the community avoid practices that are prohibited in Islam.	As the creation of specialist job opportunities.		
6.	Sharia banking performs a social function in the form of a baitul mal institution, which receives funds from zakat, infaq, sadaqah, donations, or other social funds and distributes them to zakat			

Number	Manifest Function	Latency Function	Dysfunction	Non-Function
	management organizations.			

Sources: Researcher’s analysis, 2025

Table 1 shows that government Sharia banking in West Java fulfills multiple interconnected roles, from providing Sharia-compliant financial services to promoting economic justice and supporting the halal economy. Its manifest functions are complemented by latent functions, such as enhancing financial literacy, strengthening religious identity, and fostering innovation in the broader banking sector. At the same time, challenges remain, including uneven literacy distribution, limited access in remote areas, unrealistic customer expectations, and potential exclusivity that may widen financial gaps. Despite these dysfunctions and non-functions, Sharia banking continues to contribute significantly to aligning economic activities with Islamic principles while addressing both financial and social needs.

CONCLUSION

In general, the functioning of government-owned Islamic banks in the development of the Islamic economy in West Java is crucial. Their main role is to facilitate and support various West Java Provincial Government programs to advance the Islamic economic ecosystem in the region.

The manifest, latent, dysfunctional, and non-functional aspects of government-owned Islamic banking in West Java can be seen through several things that can be felt by the community. Although dysfunction and non-functionality are still evident in Islamic banking in West Java, this can be positioned as a challenge that can be overcome together. There are opportunities to improve the functionality of Islamic banking in West Java, including support for the Islamic economic ecosystem, such as the development of Halal Industrial Zones (KIH) such as Jababeka Halal Industrial Clusters in West Java, as well as the growth of other halal industries, creating great opportunities for Islamic banking to provide financing and related financial services. Collaboration with Islamic cooperatives, BMTs, and Islamic MSMEs will strengthen the ecosystem. Next is the use of digital technology. Sharia banking can innovate digital products and mobile banking services to expand the reach of sharia banking, improve efficiency, and attract the younger generation. Increased collaboration and synergy between the OJK, Bank Indonesia, KNEKS, local governments, academics, and community leaders can accelerate sharia financial literacy and inclusion. Collaboration with Islamic boarding schools and educational institutions to develop sharia financial curricula.

Thus, government-owned Islamic banking institutions not only function as Sharia-based financial institutions, but also as driving forces and strategic partners for the West Java

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<http://jurnal.unpad.ac.id/cosmogov/index>

Provincial Government in accelerating Islamic economic growth in the region, particularly through the empowerment of MSMEs and the strengthening of the halal ecosystem.

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