

Spin-off Strategy for Sharia Business Units of Conventional Commercial Banks in Indonesia Post-P2SK Law (Omnibus Law)

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ABSTRACT

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The spin-off of Sharia Business Units (UUS) from conventional commercial banks is a strategic policy to strengthen the Islamic banking industry in Indonesia. The enactment of the Financial Sector Development and Strengthening Law (UU P2SK) has shifted the spin-off policy approach from a mandatory one to a more flexible one based on institutional readiness. This change emphasizes that the success of a spin-off is no longer determined solely by regulatory obligations, but rather by the ability of each UUS to prepare its institutional aspects comprehensively. Thus, the main challenge shifts to how to formulate an appropriate, realistic, and sustainable spin-off strategy in accordance with the internal and external conditions of the institution. This study aims to identify factors influencing the spin-off process and formulate the most appropriate strategy within the post-UU P2SK policy framework. The approach used is a quantitative exploratory approach using the Analytic Network Process (ANP) method to analyze the interrelationships between factors and determine optimal strategic priorities. The results indicate that the most dominant factors in determining the success of a spin-off are the commitment of controlling shareholders and management. This factor is followed by capital and asset readiness, human resource quality and readiness, regulatory support, information technology capabilities, and market and industry conditions. Given the limited institutional capacity, particularly at Regional Development Bank (BPD) UUS, a spin-off strategy through a Bank Business Group (KUB) scheme is the most realistic option for institutional strengthening. Meanwhile, a full spin-off into a Sharia Commercial Bank (BUS) remains the long-term goal once all necessary preparations are optimally met.



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Introduction

Islamic banking in Indonesia began to develop in the early 1990s, with the establishment of Bank Muamalat Indonesia, a milestone in the institutionalization of the Islamic financial system amidst the dominance of conventional banking. Since then, the Islamic banking industry has experienced gradual development through institutional strengthening, regulatory refinement, and product and service diversification tailored to community needs. Despite this, the national Islamic banking market share remained relatively low at around 7.72% by 2024, indicating that this growth has not yet positioned Islamic banking as a key player in the national financial system. This situation reflects the gap between the vast

potential of Indonesia's Muslim community and the actual achievements of the Islamic banking industry. This stagnant market share indicates that the development of Islamic banking cannot be achieved solely through quantitative approaches, such as increasing the number of institutions or products. Rather, more comprehensive structural and institutional strengthening is needed to enhance the industry's competitiveness and sustainability. Without a strong institutional foundation, Islamic banking growth risks suboptimal growth and struggles to make a significant contribution to the national financial system. One strategic policy for strengthening Islamic banking institutions is the separation of Islamic Business Units (UUS) from conventional parent banks (spin-offs). This policy aims to promote independence, increase business focus, and strengthen the governance and identity of Islamic banks, eliminating their reliance on conventional banking structures.

Prior to the enactment of Law Number 21 of 2008 concerning Islamic Banking, spin-off provisions were regulated mandatorily with specific time limits and thresholds. This approach tended to be uniform and failed to take into account differences in internal capacity, ownership, and market conditions of each Sharia Business Unit (UUS). In practice, many UUS, particularly Regional Development Banks (BPD), were not ready in terms of capital, technology, human resources, or business scale to transform into independent Sharia Commercial Banks (BUS). These limitations were both technical and structural, given the high dependence of UUS on their parent banks. Consequently, premature spin-off implementation has the potential to increase operational risk, weaken funding structures, and reduce service quality. This situation indicates that spin-off policies require a more adaptive approach to avoid hampering the competitiveness of Islamic banks in an increasingly competitive industry.

Changes in spin-off policy occurred following the enactment of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector. This regulation shifts the paradigm from a mandatory, time- and asset-based approach to an institutional readiness-based approach. Under this new framework, spin-off implementation is no longer determined by asset limits or deadlines, but rather based on a comprehensive assessment by the Financial Services Authority of the UUS's readiness, encompassing aspects of capital, governance, human resources, technology, and market conditions. This approach is expected to result in a more realistic, adaptive, and sustainable spin-off process.

Table 1.1 Comparison of Regulations Before and After the P2SK Law

Aspect	Before the P2SK Law	After the P2SK Law
Main Legal Basis	Law No. 21 of 2008 concerning Sharia Banking	Law No. 4 of 2023 concerning P2SK
Spin-off Deadline	Maximum 15 years since the law came into effect (until July 16, 2023) or UUS assets $\geq$ 50% of parent assets	There is no absolute deadline; based on the readiness assessment by the OJK.
Additional Terms	POJK No. 59 of 2020 regulates the technical spin-off mechanism	POJK No. 12 of 2023 establishes new and more flexible provisions
Spin-off Model	Formation of new BUS Transfer to existing BUS	Remain the two models above, but with a strategic readiness-based approach
Feasibility Assessment	Based on asset achievement and operational period	Based on a comprehensive assessment by OJK (assets, HR, strategy, etc.)
The Role of OJK	Supervise and grant permission after formal requirements are met	Proactively evaluate and determine UUS that are required to spin-off
Consequences if there is no spin-off	Potential sanctions for exceeding the time limit	Periodic progress evaluation, with possible administrative sanctions
Flexibility	Low – all UUS are required to spin-off based on the deadline.	High – based on the readiness and real conditions of each UUS

Source: Processed by Researchers, 2025

A comparison of policies before and after Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector shows that there is no longer an absolute deadline for implementing

spin-offs. Assessments are now based on the readiness of each UUS, including aspects of capital, human resources, strategy, and operations. The Financial Services Authority (OJK) is also playing a more active role in evaluating and determining spin-off obligations, making the process more adaptive and tailored to the real conditions of each bank. Technical provisions are strengthened through POJK No. 12 of 2023 concerning Sharia Business Units, which regulates capital requirements and institutional structures before a UUS becomes a BUS. However, these regulatory changes do not automatically guarantee the success of a spin-off without the support of an appropriate strategy. This is particularly relevant for Regional Development Bank (BPD) Sharia Business Units (UUS), which are characterized by regional ownership, regional market orientation, and limited business scale. Therefore, spin-offs need to be understood as long-term strategic decisions that impact the bank's sustainability, regional financial stability, and public trust. The literature shows that without careful planning, spin-offs have the potential to cause operational disruption and reduce customer loyalty. Therefore, policy implementation requires a careful and contextual approach to optimize benefits without incurring greater risks. Customer perceptions of the spin-off Sharia Commercial Bank (BUS) are crucial in determining the success of the transformation. Studies show that customers tend to be rational in choosing banking services, considering technology and service quality as primary factors, rather than solely religiosity. This emphasizes that the spin-off entity must be able to provide competitive, digital-based services. Therefore, spin-offs require not only institutional transformation but also digital transformation and improved service quality.

On the other hand, there is an alternative strategy in the form of a full conversion of conventional banks to Islamic banks. This approach is considered more efficient because it eliminates the dual system and accelerates the comprehensive implementation of Islamic principles. However, conversion is a complex strategy that requires strong commitment from shareholders, regulatory and political support, and regional social and economic readiness. Therefore, its implementation cannot be universally applied to all banks. The spin-off is still seen as a strategic step in strengthening the institutional structure and governance of Islamic banking. As long as a Sharia Sharia Business Unit (UUS) is under a conventional parent bank, flexibility in strategic decision-making and resource allocation tends to be limited. By becoming an independent entity, the resulting Sharia Sharia BUS has greater room to formulate more focused, adaptive, and consistent business policies and strategies in accordance with Islamic principles.

From an industry development perspective, spin-offs open up opportunities for broader market expansion for Islamic Commercial Banks (BUS). As independent entities, BUS have the flexibility to expand their office networks, develop digital services, and establish strategic partnerships with various financial institutions and the real sector. This is difficult to achieve when the Sharia Business Unit (UUS) remains under the structural constraints of its parent bank. Furthermore, spin-offs also encourage healthier competition among Islamic banks, thereby increasing efficiency, innovation, and service quality (Ulfa, 2021). In the context of financial inclusion, spin-offs play a role in accelerating the penetration of Islamic financial services into the regions. Through flexible geographic expansion and the use of digital technology, Islamic banks can reach a wider audience. This aligns with efforts to increase national financial inclusion and strengthen an economic system based on justice and sustainability (Amin, 2022).

Furthermore, the spin-off also strengthens the dual banking system by organically increasing the number of Islamic Sharia Business Units (BUS), thus supporting the creation of a more competitive and sustainable Islamic financial ecosystem (Fasano et al., 2023). From an Islamic perspective, this policy aligns with the principles of *maqashid sharia*, particularly in safeguarding assets (*hifzh al-mal*), ensuring transaction clarity, and separating funds to avoid non-sharia practices (Nasution & Jakfar, 2024). Following the enactment of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, the focus of the spin-off policy shifted from administrative obligations to determining appropriate, realistic strategies based on the institutional readiness of each Islamic Business Unit (UUS). Spin-offs are no longer viewed as a uniform requirement, but rather as strategic decisions that must consider the actual conditions and internal capacity of the institution. Therefore, analyzing institutional readiness is crucial in ensuring the success and sustainability of the spin-off process.

For Regional Development Bank (BPD) Sharia Business Units (UUS), the complexity of spin-off decisions is increasing due to the involvement of various strategic factors, such as capital and asset adequacy, human resource readiness, information technology capabilities, shareholder and management commitment, regulatory certainty, and regional market dynamics. These differences in characteristics require a diverse

strategic approach across UUS. Based on this, this study examines UUS spin-off strategies following the new policy, focusing on BPD UUS. Afandi, MA, Ali, K., & Imantoro, J. (2023) This study is expected to provide academic contributions to the development of Islamic banking studies, particularly regarding institutional readiness-based strategies, as well as practical contributions for stakeholders in formulating more adaptive, applicable, and sustainable spin-off policies.

Formulation of the problem

Based on the problem background above, several problem formulations in this research include:

1. What are the problems in the separation (spin-off) of Sharia Business Units of Conventional Commercial Banks, especially UUS Regional Development Banks in Indonesia after the enactment of the P2SK Law (Omnibus Law)?
2. What is the relevant solution to address the problem of the separation (spin-off) of Sharia Business Units of Regional Development Banks in Indonesia after the enactment of the P2SK Law (Omnibus Law)?
3. What is the appropriate and applicable strategy for the separation (spin-off) of the Sharia Business Units of Regional Development Banks in Indonesia after the enactment of the P2SK Law (Omnibus Law)?

Literature Review

Maqashid al-Shari'ah

In the perspective of *maqāṣid* In the context of Islamic law, the Sharia Business Unit (UUS) spin-off policy is seen as part of an effort to realize an Islamic economic system oriented toward justice, prosperity, and sustainability. As a grand theory, *maqāṣid* covers five main objectives, namely *ḥifẓ al-dīn*, *ḥifẓ al-nafs*, *ḥifẓ al-'aql*, *ḥifẓ al-nasl*, and *ḥifẓ al-māl*, which is the normative framework in formulating economic policies and institutional transformation (Nasution & Jakfar, 2024). *Ḥifẓ al-dīn* is reflected in efforts to maintain the purity of sharia financial practices through separation from conventional systems (Srisusilawati et al., 2022), while *ḥifẓ al-māl* is concerned with the protection and management of assets safely and free from non-sharia practices. *Ḥifẓ al-'aql* emphasizes the importance of improving the quality of human resources, intellectual capacity, and professionalism in supporting institutional transformation (Rusydiana et al., 2019). *Ḥifẓ al-nafs* and *ḥifẓ al-nasl* reflects efforts to maintain economic stability, social security, and the sustainability of intergenerational welfare through an inclusive and equitable financial system (Sarifudin & Faturohman, 2017).

In this study, *maqāṣid* is not only positioned as a normative foundation, but is also expanded through *maslahah* impact, namely the beneficial impact of a decision or transformation of sharia institutions, which encompasses four dimensions: purity (independence and sharia compliance), welfare (economic benefits and inclusion), justice (equitable distribution of benefits and access), and sustainability (institutional resilience and continuity). These four dimensions complement the assessment so that strategic decisions are not only feasible but also impactful in producing real benefits.

Resource-Based View (RBV) Theory

In strategic management studies, the Resource-Based View (RBV) is a relevant middle theory for explaining the success of organizational transformations, including the spin-off of Sharia Business Units (UUS). The RBV, introduced by Jay Barney (1991), emphasizes that sustainable competitive advantage is determined by internal resources that are VRIN (Valuable, Rare, Inimitable, Non-substitutable) (Barney & Arikan, 2005; Alvarez & Barney, 2017; Purba et al., 2023). In the context of UUS spin-offs, the RBV emphasizes that the success of Sharia Commercial Banks post-separation is largely determined by the ability to develop and optimize internal resources, both tangible (capital, technology, infrastructure) and intangible (HR competency, sharia reputation, organizational culture, and management systems). The spin-off process is not only structural in nature but also requires capability strengthening and comprehensive value transformation (Amin, 2022). UUS that are able to internalize resource advantages—such as competent management, adaptive digital technology, and strong community networks—will have higher competitiveness than those that still depend on parent banks (Prokop, 2023).

Strategic Implementation Theory

Strategic Implementation Theory is relevant to analyzing the success of the spin-off of Sharia Business Units (UUS) into Sharia Commercial Banks, as it provides an applicable framework for understanding the complex strategic transformation process (Pryor et al., 2007). Conceptually, this theory is rooted in Alfred Chandler's thinking through the principle of "structure follows strategy" (1962), which was later developed by various experts such as Hrebiniak, Mintzberg, and Robert Kaplan and David Norton. Hrebiniak emphasized that organizational failure generally does not lie in strategy formulation, but rather in weak implementation, so that strategies without effective execution will not produce real impact (Hrebiniak, 2013). This includes adjusting organizational structures that support the independence of Islamic banks (Gübeli & Doloreux, 2005), transformational leadership and strategic communication in building a new work culture (McAdam, 1995), and resource management such as human resources, technology, and operational systems that align with sharia principles. In addition, strategy implementation also requires a measurable performance measurement and control system through indicators such as customer growth, sharia financing, and risk management (Fici et al., 2016).

Spin-off Theory

The spin-off theory developed in the context of corporate management as part of a business restructuring strategy, namely the separation of a business unit from the parent company into an independent entity with its own legal and management structure (Chemmanur & Yan, 2004). This concept has long been applied, especially in developed markets such as the United States, and is reinforced by the thinking of John C. Coffee Jr. who highlighted the relationship between ownership and control within the corporate structure (1987). In business literature, spin-offs are seen as part of corporate restructuring to increase focus, efficiency, and added value of business units without involving the sale of assets to external parties (Rasmussen, 2011). Thus, spin-offs differ from divestitures because they are internal restructuring aimed at improving performance and responding to market and regulatory pressures. From a strategic and organizational management perspective, spin-offs are understood as a form of strategic renewal and change in organizational structure. Siregar, S., Fahlevi, R., Tarmuni, A., & Inayah, H. (2023).

Dynamic Capabilities Theory

Dynamic Capabilities Theory (DCT), introduced by David Teece, Gary Pisano, and Amy Shuen (1997), explains that an organization's competitive advantage in a dynamic environment is determined by its ability to adapt, integrate, and reconfigure internal and external resources. This theory is particularly relevant in the context of Sharia Business Unit (UUS) spin-offs, as the process demands significant institutional transformation, including systems, human resources, and operational processes, to enable independent and competitive operations. Conceptually, DCT encompasses three key capabilities: sensing, seizing, and reconfiguring (Teece et al., 1997). Sensing refers to an organization's ability to identify external opportunities and threats, including regulatory changes such as spin-off policies. Seizing relates to the ability to seize opportunities through innovation and appropriate resource allocation, for example in the planning and implementation of spin-off strategies. Meanwhile, reconfiguring emphasizes the ability to rearrange resources and organizational structures to remain efficient and adaptive post-spin-off.

Sharia Banking Spin-off Regulations (Before and After the P2SK Law)

Regulations for the spin-off of Sharia Business Units (UUS) prior to Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector were based on Law Number 21 of 2008 concerning Sharia Banking, which requires the separation of UUS if assets reach $\geq 50\%$ of the parent company's or no later than 15 years after its enactment (2008–2023). This policy aims to encourage the independence and business focus of Sharia banks (Putra et al., 2019), but in practice faces obstacles in capital, human resources, technology, and business scale readiness, particularly for UUS owned by Regional Development Banks (Yuspin et al., 2023). Technical provisions are strengthened through POJK No. 59/POJK.03/2020, which regulates the spin-off mechanism, including the form of separation, asset requirements, and licensing stages. Al Arif, MN, & Dewanti, EP (2017) However, many UUS have not been able to meet the requirements, particularly regarding core capital, resulting in suboptimal policy implementation.

Following the enactment of Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector, the policy paradigm shifted from mandatory by time to mandatory by condition, where spin-off obligations are determined based on an assessment of institutional readiness by the Financial Services Authority (OJK). This provision is clarified through POJK No. 12 of 2023 concerning Sharia Business Units, which emphasizes readiness aspects such as capital, governance, human resources, infrastructure, and business feasibility. This change provides banks with flexibility to design more realistic spin-off strategies, encourages internal strengthening and institutional innovation, and enhances the OJK's role as a transition facilitator (Najih, 2023; Yuspin et al., 2023). Thus, the regulatory evolution reflects a more adaptive approach to industry complexity and serves as a crucial foundation for formulating feasible and sustainable spin-off strategies. Srisusilawati, P., Hardianti, PD, Erlianti, N., Pitsyahara, IR, & Nuraeni, SK (2022).

Method

This study uses an exploratory quantitative approach with the Analytic Network Process (ANP) method to formulate priority problems, solutions, and spin-off strategies for Sharia Business Units (UUS), specifically for UUS Regional Development Banks following Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector. The ANP method developed by Thomas L. Saaty was chosen because it is able to capture the dependency and feedback relationships between decision elements, making it relevant for analyzing complex strategic issues (Saaty & Vargas, 2006).

UUS spin-off decisions are multidimensional, influenced by factors such as capital, assets, human resources, technology, management commitment, regulations, and market dynamics. Therefore, the ANP is used to systematically map the interrelationships between these factors while aggregating expert assessments into methodologically valid priority weights, resulting in a more comprehensive and applicable spin-off strategy.

Methodologically, the stages of this research are structured sequentially and integrated to ensure that the analysis process is systematic and academically sound. The research stages include:

1. Construction of the ANP model through literature studies and in-depth interviews, as a basis for formulating clusters, indicators, and relationships between elements in the model;
2. Model validation through expert judgment to ensure conceptual feasibility, accuracy of indicator wording, and relevance of inter-cluster relationships;
3. Model quantification through pairwise comparison questionnaire to obtain expert judgment regarding the relative importance of elements;
4. Synthesis and analysis of ANP results through the combination of expert assessments, testing the level of agreement of assessors, consistency testing, and determining the priority of problems, solutions, and UUS BPD spin-off strategies.

A literature review was used to develop an initial conceptual framework by identifying problems, solutions, and spin-off strategies from previous research and policy documents. Next, in-depth interviews were conducted to validate the model constructs, ensure the indicators' relevance to institutional practices, and strengthen conceptual validity without converting the data into quantitative data.

After the model was declared feasible, the quantification process was carried out using the Analytic Network Process (ANP) questionnaire developed by Thomas L. Saaty. Data was processed using Super Decisions software to generate global priorities through a supermatrix. The analysis was complemented by aggregating expert judgments using the geometric mean, testing agreement using Kendall's Coefficient of Concordance (W), and testing consistency using the Consistency Ratio (CR) to ensure the validity and reliability of the results.

Results and Discussion

Analysis of the Spin-Off Strategy of Sharia Business Units of Regional Development Banks Using the Analytic Network Process (ANP) Approach

The Analytic Network Process (ANP) approach was used because it can analyze complex and interconnected factors related to UUS BPD spin-off issues. The ANP serves not only to determine priorities but also to map the problem structure, solutions, and spin-off strategies in an integrated manner, according to the level of institutional readiness.

1. The analytical framework begins with problem decomposition, identifying and categorizing issues related to the readiness of the UUS BPD spin-off based on literature studies and in-depth interviews with regulators, practitioners, and academics. These issues are then grouped into clusters to simplify complexity without eliminating the interrelationships between factors. In this study, the Analytic Network Process (ANP) framework consists of three main clusters: problems, solutions, and strategies, which are analyzed in an integrated manner within a single system.
2. The Analytic Network Process (ANP) network model is constructed based on the decomposition results, depicting the relationships between clusters (problems, solutions, strategies) and between elements in a non-hierarchical manner. The network structure is determined based on conceptual considerations and expert input. The model is then implemented in Super Decisions software to perform pairwise comparisons and priority analysis, making it applicable in supporting the decision-making process.
3. After the Analytic Network Process (ANP) model was developed, the informants conducted pairwise comparisons based on their individual perspectives. The assessment results were then synthesized using the geometric mean to obtain collective priorities without eliminating differences in assessments between informants. In addition to combining expert assessments, this study also examined the level of inter-expert assessment agreement (rater agreement).

Table 4.1 Rater Agreement Values per Cluster

DECOMPOSITION	RATER AGREEMENT(W)
PROBLEM CLUSTER	0.758730
M1_CAPITAL AND ASSETS	0.827160
M2_SDM	0.604938
M3_TECHNOLOGY	0.558642
M4_PSP COMMITMENT & MANAGEMENT	0.762346
M5_REGULATION	0.382716
M6_MARKET AND INDUSTRY	0.484568
SOLUTION CLUSTER	0.758730
S1_CAPITAL AND ASSETS	0.762346
S2_Human Resources	0.604938
S3_TECHNOLOGY	0.429012
S4_PSP COMMITMENT & MANAGEMENT	0.703704
S5_REGULATION	0.484568
S6_MARKET AND INDUSTRY	0.453704
STRATEGY CLUSTER	0.781305

Based on the results of data processing using the Analytic Network Process (ANP), the discussion focuses on cluster-level analysis, not only on priorities but also on the interrelationships between elements. The description is systematically arranged in three main clusters: problems, solutions, and strategies to illustrate the process from identifying obstacles to establishing an integrated strategy.

Cluster Analysis of UUS BPD Spin-off Problems

The assessment results indicate that the problem clusters are not merely technical in nature but also reflect the institutional capacity of UUS BPD (Regional Development Bank) to implement comprehensive

transformation. Therefore, the problems are understood as interrelated indicators of institutional readiness. Assessments were conducted by regulators, practitioners, and academics, then aggregated using the geometric mean to produce objective and unbiased collective priorities. To test the alignment of assessments across respondent groups, the rater agreement coefficient (W) was used.

Table 4.2
Priority Order of Problem Clusters

Ranking	Problem Cluster	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	PSP & Mnj Commitment	0.3290	0.3799	0.2893	0.3307
2	Capital and Assets	0.2539	0.2303	0.3118	0.2632
3	HR	0.1370	0.1404	0.1370	0.1381
4	Regulation	0.1418	0.0480	0.1118	0.0913
5	Technology	0.0714	0.1227	0.0543	0.0781
6	Market and Industry	0.0488	0.0699	0.0626	0.0598

Description: GM = geometric mean of priority order based on combined GM values

The geometric mean results indicate that the top priority issues in the UUS BPD spin-off are the commitment of Controlling Shareholders (PSP) and management (33.1%), followed by capital and assets (26.3%), human resources (13.8%), regulations (9.1%), technology (7.8%), and markets and industry (5.9%). Differences in assessments between groups are evident, with regulators (32.9%) and practitioners (37.9%) placing PSP and management commitment as the top priority, while academics emphasize capital and assets (31.1%). However, the rater agreement (W) value of 75.8% indicates a strong level of agreement, so the problem priority structure reflects a relatively consistent collective understanding despite varying perspectives.

1. The analysis results show that the PSP and Management Commitment cluster is the most dominant factor in determining readiness for the UUS BPD spin-off, particularly regarding the consistency of internal policy support as a driver of institutional transformation. The priority order of sub-issues within this cluster was obtained from respondents' assessments.

Table 4.3
Priority Order of Sub-Issues in the Shareholder and Management Commitment Cluster

Ranking	Sub-Problems	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	PSP's Commitment Lacks	0.3624	0.5396	0.4002	0.4277
2	Political Decisions	0.4422	0.2970	0.4002	0.3746
3	Lack of Management Commitment	0.1634	0.1634	0.1748	0.1671

Description: GM = geometric mean of priority order based on combined GM values

2. The analysis results show that the Capital and Assets cluster is the second most influential factor in readiness for a UUS BPD spin-off, particularly related to capital strengthening and productive asset management. The priority order of sub-issues within this cluster was derived from respondents' assessments.

Table 4.4
Priority Order of Capital & Asset Cluster Sub-Problems

Ranking	Sub-Problems	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Capital Limitations	0.5396	0.5396	0.5396	0.5396
2	UUS Assets Are Relatively Small	0.2434	0.2970	0.2434	0.2601
3	Productive Asset Quality	0.1994	0.1634	0.1994	0.1866

Description: GM = geometric mean of priority order based on combined GM values

3. The analysis results show that the Human Resources (HR) cluster is the third most influential factor in readiness for the UUS BPD spin-off, reflecting challenges in talent development and establishing an adaptive work culture. The priority order of sub-issues was derived from respondents' assessments.

Table 4.5
Priority Order of Human Resources Cluster Sub-Problems

Ranking	Sub-Problems	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Availability of UUS Human Resources	0.5396	0.4665	0.4422	0.4811
2	Expert Human Resources Still Minimal	0.2434	0.2863	0.3624	0.2934
3	Weak Human Resources Preparation	0.1994	0.2011	0.1634	0.1872

Description: GM = geometric mean of priority order based on combined GM values

- The analysis results indicate that the Regulation cluster ranks fourth in readiness for UUS BPD spin-offs, particularly regarding ease of procedures, clarity of technical guidelines, and regulatory alignment. The priority order of sub-issues was derived from respondents' assessments.

Table 4.6
Priority Order of Regulatory Cluster Sub-Issues

Ranking	Sub-Problems	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Complicated Licensing	0.4422	0.3133	0.5396	0.4213
2	Without Technical Guidelines	0.3624	0.3494	0.2433	0.3135
3	Inharmonious Regulation	0.1634	0.2455	0.1995	0.2000

Description: GM = geometric mean of priority order based on combined GM values

- The analysis shows that the Information Technology (IT) cluster ranks fifth in readiness for UUS BPD spin-offs, particularly regarding core system readiness, digital channel strengthening, and technology separation costs. The priority order of sub-issues was derived from respondents' assessments.

Table 4.7
Priority Order of Information Technology Cluster Sub-Problems

Ranking	Sub-Problems	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	IT Limited	0.5396	0.5396	0.4002	0.4884
2	Weak Digital Features	0.2970	0.2969	0.2133	0.2660
3	IT Separation Costs Are Expensive	0.1634	0.1634	0.3280	0.2061

Description: GM = geometric mean of priority order based on combined GM values

- The analysis results show that the Market and Industry cluster ranks sixth in readiness for UUS BPD spin-offs, particularly regarding competition levels, digital penetration, and customer perceptions. The priority order of sub-issues was derived from respondents' assessments.

Table 4.8
Priority Order of Market and Industry Cluster Sub-Problems

Ranking	Sub-Problems	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Industrial Competition	0.3624	0.4422	0.5261	0.4385
2	Digital Competition	0.2969	0.3624	0.2804	0.3113
3	Customer Perception	0.2433	0.1634	0.1883	0.1957

Description: GM = geometric mean of priority order based on combined GM values

Cluster Analysis of UUS BPD Spin-off Solutions

The assessment results indicate that the solution cluster plays a role in institutional strengthening efforts through strategic responses to UUS BPD spin-off readiness issues, with a focus on policy and managerial direction. Respondents' (regulators, practitioners, and academics) assessments were aggregated using the geometric mean to generate objective and unbiased collective priorities.

Alignment between assessments was tested using the rater agreement coefficient (Kendall's W). High values indicate consistency and collective understanding in prioritizing solutions.

Table 4.9
Solution Cluster Priority Order

Ranking	Solution Cluster	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	PSP & Mnj Commitment	0.3632	0.3816	0.2889	0.3421
2	Capital and Assets	0.2608	0.2310	0.3111	0.2656
3	HR	0.1174	0.1401	0.1368	0.1310
4	Regulation	0.1230	0.0482	0.1116	0.0871
5	Technology	0.0651	0.1198	0.0560	0.0759
6	Market and Industry	0.0490	0.0702	0.0609	0.0594

Description: GM = geometric mean of priority order based on combined GM values

1. The analysis results indicate that the PSP and Management Commitment cluster is the top priority in the UUS BPD spin-off readiness solution, due to its relevance to owner support, policy direction, and managerial leadership. The priority order of sub-solutions was derived from respondents' assessments.

Table 4.10
Priority Order of Cluster Sub-Solutions Shareholder and Management Commitment

Ranking	Sub-Solution	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Strengthening PSP's Commitment	0.5396	0.4422	0.4422	0.4725
2	Management Solidity	0.2434	0.3624	0.3624	0.3173
3	Preparation of UUS RJP	0.1994	0.1634	0.1634	0.1746

Description: GM = geometric mean of priority order based on combined GM values

2. The analysis results show that the Capital and Assets cluster is the second priority in the UUS BPD spin-off readiness solution, with a focus on strengthening capital, fulfilling minimum capacity, and optimizing productive assets.

Table 4.11
Priority Order of Cluster Sub-Solutions Capital and Assets

Ranking	Sub-Solution	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Parent Capital Allocation	0.5396	0.5396	0.4883	0.5219
2	Asset Scaling Up	0.2433	0.2969	0.2687	0.2688
3	Productive Asset Quality Improvement	0.1994	0.1634	0.2133	0.1908

Description: GM = geometric mean of priority order based on combined GM values

3. The analysis results show that the Human Resources (HR) cluster is the third priority in the UUS BPD spin-off readiness solution, with a focus on increasing HR capacity and strengthening organizational culture.

Table 4.12
Priority Order of Human Resources Cluster Sub-Solutions

Ranking	Sub-Solution	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Human Resource Assessment and Mapping	0.5396	0.5396	0.4443	0.5058
2	Manpower Planning	0.1995	0.1995	0.3480	0.2401
3	Training and Competency Strengthening	0.2433	0.2433	0.1717	0.2167

Description: GM = geometric mean of priority order based on combined GM values

- The analysis results show that the Regulation cluster is the fourth priority in the UUS BPD spin-off readiness solution, with a focus on simplifying procedures, clarifying operational stages, and ensuring regulatory certainty.

Table 4.13
Priority Order of Cluster Sub-Solutions Regulation

Ranking	Sub-Solution	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Simplification of Procedures and Permits	0.4422	0.3623	0.5261	0.4385
2	Spin-Off Technical Roadmap	0.3624	0.2969	0.2804	0.3113
3	Alignment and Harmonization of Rules	0.1634	0.2434	0.1883	0.1957

Description: GM = geometric mean of priority order based on combined GM values

- The analysis results show that the Information Technology (IT) cluster is the fifth priority in the UUS BPD spin-off readiness solution, with a focus on core system independence, accelerated digitalization, and IT investment planning.

Table 4.14
Priority Order of Cluster Sub-Solutions Information Technology

Ranking	Sub-Solution	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Strengthening Independent IT	0.5396	0.5396	0.3422	0.4636
2	Strengthening Digitalization	0.2969	0.2969	0.2298	0.2726
3	Cloning Core Banking	0.1635	0.1635	0.3533	0.2113

Description: GM = geometric mean of priority order based on combined GM values

- The analysis results show that the Market and Industry cluster is the sixth priority in the UUS BPD spin-off readiness solution, with a focus on strengthening competitiveness, market strategy, and customer perception.

Table 4.15
Priority Order of Cluster Sub-Solutions Market and Industry

Ranking	Sub-Solution	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Focus on Local Market Segments	0.36244	0.44222	0.32801	0.37462
2	Digital Enhancement and Market Access	0.36235	0.36239	0.40017	0.37455
3	Improving Customer Service Quality	0.19943	0.16339	0.21333	0.19085

Description: GM = geometric mean of priority order based on combined GM values

Cluster Analysis of UUS BPD Spin-off Strategy

The analysis results show that the strategy clusters represent comprehensive spin-off direction choices and directly impact the capital, human resource, technology, and compliance readiness of BUS BPD. Respondents' (regulators, practitioners, and academics) assessments were aggregated using the geometric mean to generate objective strategic priorities.

The level of assessment alignment was tested using Kendall's W, which indicates consistency and collective understanding in determining strategic priorities.

Table 4.16
Strategy Cluster Priority Order

Ranking	Spin-Off Strategy	GM Regulator	GM Practitioner	GM Academic	Joint GM
1	Spin-Off through Bank Business Group (KUB)	0.2679	0.3147	0.2597	0.2797
2	Pure Spin-Off (New Bus Establishment)	0.2529	0.2914	0.2302	0.2569
3	Conversion of Conventional Commercial Banks into BUS	0.1863	0.1308	0.2646	0.1861
4	Acquisition and Conversion of Conventional Commercial Banks	0.1254	0.1138	0.0792	0.1042
5	Merger between Sharia Business Units	0.1022	0.0489	0.0948	0.0779
6	Acquisition of Existing Islamic Commercial Banks (BUS)	0.0519	0.0802	0.0666	0.0652

Description: GM = geometric mean of priority order based on combined GM values

Problem Cluster Discussion

The analysis shows that the issues are multi-level and interrelated, with the commitment of the Controlling Shareholder (PSP) and management as the most dominant factors, followed by capital and assets, and human resources (HR). Regulation is in an intermediate position as an implementable factor, while information technology and the market and industry represent further challenges. This structure confirms that the main obstacles to spin-offs stem from internal institutional factors, not external pressures, thus understanding spin-offs as strategic decisions, not merely administrative compliance.

The dominant commitment of PSPs and management reflects the importance of policy direction and bold long-term decisions. Limited capital and assets indicate that financial foundations are a key prerequisite for successful spin-offs, while human resource readiness plays a supporting role in operational and managerial capacity post-separation. Regulations are seen as a technical obstacle that can hamper implementation, while technology and markets depend on internal readiness. Thus, the success of a spin-off is largely determined by comprehensive institutional strengthening before facing external dynamics.

Theoretical Synthesis of Problem Clusters

The results of the study indicate that the structure of the UUS BPD spin-off readiness problem is multi-level and dominated by internal institutional factors, with the commitment of Controlling Shareholders (PSP) and management as the most crucial issues, followed by capital and assets, human resources, regulations, and technology and markets as further factors. Pambuko, ZB, & Sriyana, J. (2023) This finding confirms that spin-offs are strategic decisions based on institutional readiness, not simply regulatory compliance. From a maqā perspective, *ṣid al-ṣyarī'ah*, this structure reflects the principle of prudence to maintain the welfare, especially the protection of assets (*ḥifẓal-māl*) and the quality of decision making (*ḥifẓal-'aql*). Theoretically, this finding is in line with Institutional Theory, Resource-Based View, and Spin-off Theory which emphasize the importance of legitimacy, resource capacity, and gradual readiness in institutional transformation.

Sub-Problem Discussion

1. PSP and Management Commitment

It is the most dominant factor because it determines the direction and sustainability of the spin-off. In the context of the Regional Development Bank (BPD), the connection to regional political

interests often results in inconsistent commitments, thus hampering strategic implementation. From a maqā perspective, this is related to the mandate in managing public institutions and protecting assets (ḥifẓal-mal).

2. Capital and Assets
Second priority is the primary financial prerequisite. Dependence on the parent company, limited assets, and suboptimal financing quality make spin-offs high-risk without adequate financial structure strengthening.
3. Human Resources (HR)
The third factor reflects limited technical and managerial capacity. Human resource readiness is seen as a prerequisite for implementation so that the spin-off BUS can operate independently and professionally.
4. Regulation is perceived as an implementation barrier due to procedural complexity, lack of technical guidance, and potential regulatory disharmony. Regulation plays a more operational certainty role than a primary obstacle.
5. Information Technology
Due to core system limitations, weak digital services, and high spin-off costs, IT is seen as a critical factor for post-spin-off operational sustainability, not a prerequisite.
6. Market and Industry
This is the final factor because it's perceived as a continuing challenge after internal readiness is met. Key issues include industry competition, customer perception, and limited market penetration.

Solution Cluster Discussion

Unlike the problem cluster, this cluster emphasizes gradual, measurable, and interconnected institutional strengthening measures to reduce the readiness gap toward independent BUS. The analysis shows that solutions are prioritized according to the problem structure, starting with strengthening the commitment of PSPs and management as the primary foundation, followed by strengthening capital and assets, and developing human resources. Furthermore, regulatory aspects, information technology, and markets and industry serve as further reinforcements, the effectiveness of which depends on internal readiness. This pattern emphasizes that the spin-off transformation is holistic and cannot be implemented in parts.

From a theoretical perspective, this solution is in line with maqāsid al-syarī'ah which emphasizes welfare and risk prevention, especially through the protection of assets (ḥifẓal-mal) and decision quality (ḥifẓal-'aql). In addition, Institutional Theory emphasizes the importance of legitimacy and governance, while the Resource-Based View explains that the success of transformation depends on the consolidation of the organization's core resources. Solution Cluster Synthesis The solution cluster demonstrates that strengthening readiness for UUS BPD spin-offs is a hierarchical process, starting with internal aspects (commitment, capital, human resources), followed by implementation aspects (regulations), and then completed with operational-external aspects (technology and markets). This structure emphasizes that the success of a spin-off is determined by internal readiness before external expansion.

1. PSP and Management Commitment
Solutions in this cluster serve as the primary foundation because they determine the direction and sustainability of the spin-off. Strengthening the PSP's commitment is necessary to ensure the spin-off becomes a consistent strategic decision, not just a mere discourse. Furthermore, management solidity is required so that the owner's mandate can be effectively translated into operational policies. The development of a Long-Term Plan (RJP) serves as a binding force for the direction of the transformation. From a maqā perspective, al-syarī'ah, this reflects the principle of trust and protection of public decisions through ḥifẓal-'aql and ḥifẓal-mal.
2. Capital and Assets
This cluster serves as a structural foundation after the commitment is established. Key solutions include strengthening the parent company's capital, increasing asset scale, and improving the quality of productive assets. All three are necessary to ensure the financial resilience and sustainability of the BUS after the spin-off. Within the framework ḥifẓal-mal, this strengthening becomes an instrument for protecting financial stability and institutional sustainability.

3. Human Resources (HR)
HR solutions focus on assessment, manpower planning, and competency training. The goal is to ensure the availability of sufficient, competent, and ready human resources to manage the BUS independently. HR is positioned as a supporter of the implementation of previous structural readiness. From a strategic perspective, *ḥifẓal-'aql*, HR is a key factor in the quality of decision making and governance.
4. Regulation
Regulatory solutions include procedural simplification, the development of technical roadmaps, and regulatory harmonization. The focus is not on creating new regulations, but on improving the clarity and effectiveness of existing regulations to ensure a more certain and focused spin-off process.
5. Information Technology
IT solutions focus on strengthening standalone systems, digitizing services, and cloning core banking options as a transition strategy. The goal is to support operational independence and service efficiency post-spinoff, without causing systemic disruption.
6. Market and Industry
This cluster focuses on strengthening local market segments, digitizing market access, and improving service quality. This strategy emphasizes a phased approach to building competitiveness based on local strengths before broader expansion.

Strategy Cluster Discussion

Unlike the previous cluster, the strategy cluster positions spin-offs as a comprehensive decision with simultaneous impacts on institutional, structural, operational, and sustainability aspects. The assessment results indicate that the spin-off strategy through Bank Business Groups (KUB) is the top priority because it is considered the most adaptive to the limited readiness of UUS BPD, particularly in terms of owner commitment, capital, and operational readiness. The KUB model provides institutional protection and allows for a more gradual transition. Meanwhile, pure spin-offs are prioritized second because they are normatively ideal but require higher institutional readiness. Other strategies, such as conversions, acquisitions, and mergers, are positioned as situational options with greater implementation complexity.

This sequence demonstrates that strategic choice is heavily influenced by the level of institutional readiness, with transitional approaches being preferred over idealistic strategies. Thus, the KUB strategy serves as a bridge to full independence through a pure spin-off, not an end in itself. In the perspective of *maqāṣid al-syarī'Ah*, this gradual strategy reflects the principle of prudence in maintaining public welfare, especially the protection of public funds (*ḥifẓal-mal*) and rationality of decisions (*ḥifẓal-'aql*). Meanwhile, Institutional Theory explains the importance of legitimacy and institutional support in determining strategic choices, and Resource-Based View (RBV) emphasizes that strategies must be aligned with the capacity of available resources. heoretical Synthesis of Strategy Clusters

Theoretically, the UUS BPD spin-off strategy is the result of integrating the level of institutional readiness and the regional institutional context. From a *maqāṣid al-syarī'Ah* perspective, strategy is positioned as an instrument for achieving public welfare that emphasizes prudence and sustainability. Institutional Theory explains that differences in strategic preferences are influenced by legitimacy and regional political dynamics, while RBV emphasizes the importance of aligning strategy with internal resource capacity. In practice, the KUB strategy serves as a transitional strategy, while the spin-off is purely a final goal once readiness has been achieved. Other strategies, such as conversion, acquisition, and merger, are alternative and situational. Therefore, the UUS BPD spin-off strategy is gradual, adaptive, and contextual, where the best option is not the quickest or most ideal, but rather the one that best aligns with institutional readiness and ensures the sustainability of the resulting BUS.

Feasibility Analysis of Spin-Off Strategy Based on Institutional Readiness Level

The research results show that the selection of a spin-off strategy cannot be done normatively by prioritizing the ideal form alone, but must follow the principle of suitability between strategic needs and available institutional capacity.

1. Strategy Feasibility Analysis Based on Institutional Aspects

Institutional aspects indicate that the commitment of the Controlling Shareholder (PSP) and management solidity are key factors in determining the strategic direction of a UUS BPD spin-off. The Bank Business Group (KUB) strategy is considered most appropriate because it provides institutional legitimacy, governance stability, and reduces regional political risk. Conversely, a pure spin-off requires a strong and stable commitment from the PSP, making it more suitable as a long-term strategy. Meanwhile, conversion, acquisition, and merger strategies have high institutional complexity and are therefore situational.

2. Strategy Feasibility Analysis Based on Structural Aspects

From a structural perspective, limited capital and assets remain a major obstacle. The KUB strategy remains the most adaptive option because it allows for parent capital support and reduces initial capital pressure. Pure spin-offs require strong capital and asset readiness from the outset, making them risky if they are not met. Conversion and acquisition strategies do increase asset scale, but require significant capital and carry the risk of business mismatch.

3. Strategy Feasibility Analysis Based on Operational Aspects

From an operational perspective, human resource and technological readiness still depend on the parent bank. The KUB strategy offers advantages through shared human resource and technological systems, allowing for a more manageable transition. A pure spin-off requires full operational readiness from the outset, making it high-risk if human resources and IT are immature. Other strategies, such as acquisitions and mergers, face challenges in integrating systems and organizational culture.

4. Strategy Suitability Analysis Based on Sustainability Aspects

From a sustainability perspective, the KUB strategy offers a gradual transition with parent support, although it has limited differentiation. Pure spin-offs have the potential for stronger long-term sustainability through full independence, but they carry higher market risk in the initial phase. Other strategies, such as conversions, acquisitions, and mergers, are situational and highly dependent on market conditions and shareholder agreements.

UUS BPD Spin-Off Strategy Model Based on Institutional Readiness

.This model, hereinafter referred to as the Institutional Readiness-Based Spin-Off Strategy Model, explains that the choice of strategy is determined by the degree of fit between the organization's internal capacity and the strategic needs of the chosen strategy option.

1. Model under Limited Institutional Readiness Conditions (Realistic)

In conditions of limited institutional readiness—marked by the weak consolidation of the Controlling Shareholders' (PSP) commitment, limited initial capital, and human resources and technology that are still in the strengthening stage—the most rational and feasible strategy is a spin-off through a Bank Business Group (KUB).

In this model, KUB is positioned as the dominant strategy because it provides institutional support from the parent bank, reduces initial capital requirements, and maintains operational transition stability through the use of shared resources. This approach also minimizes the risk of service disruption while providing space for gradual institutional capacity building.

From the perspective of *maqāṣid al-syarī'ah*, KUB's strategy reflects the principle of preventing *mafsadah* and strengthening *maslahah*, especially in maintaining the sustainability of public funds (*ḥifẓ al-māl*) and rationality of decision making (*ḥifẓ al-'aql*). Thus, this strategy places prudence as the primary basis for institutional transformation without neglecting the direction of strengthening regional Islamic banking in the long term.

Table 4.17
UUS BPD Spin-Off Strategy Model with Limited Readiness Conditions (Realistic Conditions)

Aspect	Realistic Conditions	Main Strategy (Realistic)	Basis for Consideration
Institutional (PSP Commitment and Management)	Shareholder support is not yet fully strong, decisions are sensitive to regional dynamics	Spin-off through KUB	Lower institutional risk, more stable decisions
Structural (Capital and Assets)	Capital constraints, balance sheet still needs strengthening	Spin-off through KUB	Lighter initial capital burden
Operational (Human Resources and Technology)	HR and IT capacity is still developing	Spin-off through KUB	Accelerating adaptation through resource sharing
Sustainability (Market and Industry)	Market acceptance is still gradual, differentiation is not yet strong	Spin-off through KUB	Building market trust progressively

2. Model under Ideal Conditions of Institutional Readiness

In conditions where institutional readiness has been met, marked by strong support from the Controlling Shareholder (PSP), sufficient capital, a healthy balance sheet, and mature human resources and technology, the recommended strategy is a pure spin-off as the most optimal option. In this model, pure spin-offs are positioned as the dominant strategy because they provide full institutional autonomy, policy flexibility, and the space to independently build their identity and market differentiation. This also allows regional BUSs to increase competitiveness through product innovation, market expansion, and independent governance strengthening.

Theoretically, this condition reflects the optimization of resources from the Resource-Based View (RBV) perspective as well as the fulfillment of the legitimacy and institutional stability aspects from Institutional Theory. Within the maqā framework *ṣid al-syar'Ah*, this strategy is considered relevant when the potential for long-term benefits outweighs the risks, so that institutional transformation is not only operationally feasible, but also institutionally sustainable.

Table 4.18
UUS BPD Spin-Off Strategy Model with Fulfilled Readiness Conditions (Ideal Conditions)

Institutional	Ideal Conditions	Main Strategy (Ideal)	Basis for Consideration
Institutional (PSP Commitment and Management)	Strong shareholder support, governance ready to stand alone	Pure spin-off	Full organizational autonomy, more agile business decisions
Structural (Capital and Assets)	Healthy balance sheet, minimum capital met	Pure spin-off	Can be independent and expand the scale of the business
Operational (Human Resources and Technology)	Human resources are ready to be developed independently, IT is mature	Pure spin-off	Building independent operations
Sustainability (Market and Industry)	The market is well received, the BUS brand is strong	Pure spin-off	Penetrate the market faster, stronger identity

3. Alternative Models as Situational Strategic Options

In this model, strategies such as converting a BUK to a BUS, acquiring and converting a BUK, merging between UUSs, and acquiring an existing BUS are positioned as situational alternative options, not primary strategies. In general, these strategies offer advantages in accelerating asset scale and expanding the customer base. However, in the context of Regional Development Banks (BPD), their implementation faces significant complexity, particularly in legal aspects, regional political dynamics, and cross-stakeholder coordination. Therefore, these alternative strategies are only relevant under certain conditions, namely when institutional readiness has been adequately met and there is alignment of interests among shareholders.

Therefore, these strategies are contextual, selective, and cannot be generalized as the primary approach to transforming BPD UUSs.

4. Structure of the UUS BPD Spin-Off Strategy Model Based on Institutional Readiness

This model represents the Institutional Readiness-Based Spin-Off Strategy Model, which groups strategies into two states: limited (realistic) readiness and fulfilled (ideal) readiness. This structure emphasizes that the choice of spin-off strategy is not fixed, but rather determined by the level of institutional readiness of the UUS BPD, so that the strategy used must be aligned with the actual conditions of the organization.

Table 4.19
Structure of the UUS BPD Spin-Off Strategy Model Based on Institutional Readiness

Aspect	Limited Readiness Condition (Realistic)	Ideal Condition of Readiness
Main Strategy	Spin-off through Bank Business Group (KUB)	Pure spin-off (establishment of new BUS)
Strategic Rationality	Lower institutional risk, lighter initial capital requirements, and a more stable operational transition through parent support	Full institutional autonomy, greater policy flexibility, and increased medium-long-term competitiveness
Transformation Orientation	Strengthening institutional foundations and gradual organizational preparation	Market differentiation and sustainability of regional BUS independently

This model emphasizes that the spin-off strategy is not a single, normative strategy, but rather a conditional strategy that depends on the level of institutional readiness of the UUS BPD. The transformation to a BUS is understood as a gradual process, with the initial focus on stability and risk mitigation, while in later stages it shifts to independence, innovation, and strengthening long-term competitiveness.

Thus, this model produces a strategic decision-making framework based on institutional readiness that is systematic, contextual, and sustainability-oriented, so that it can serve as a reference for stakeholders in determining the spin-off strategy that best suits the institutional conditions of UUS BPD.

Research Novelty

The novelty of this research lies in the development of an Institutional Readiness-Based Spin-Off Strategy Model, which positions UUS BPD spin-offs as a contextual, measurable, and adaptive strategic decision to the regulatory dynamics following the P2SK Law. This approach shifts the previous paradigm from mandatory-based spin-offs to readiness-based spin-offs, so that spin-off decisions are no longer viewed as normative obligations but as the result of an assessment of institutional readiness.

Empirically, this study shows that spin-off readiness is determined by four main aspects: institutional, structural, operational, and sustainability, with PSP support as the most dominant factor. Based on these findings, this study produces a strategy-fit model that links the level of institutional readiness with the choice of spin-off strategy. In this model, spin-off through a Bank Business Group (KUB) is positioned as the most realistic strategy under conditions of limited readiness, while pure spin-off becomes the ideal strategy when institutional readiness has been adequately met.

Table 4.20
Mapping of Novelty (Research Novelty)

Analysis Aspects	General Approaches in Previous Literature	This Research Findings & Approach (Novelty)	Scientific Contribution
Regulatory Context	The research was conducted within a policy framework prior to the P2SK Law with a regulatory compliance orientation.	The research was developed in the context of post-P2SK Law regulations which provide strategic flexibility based on organizational readiness.	Making research regulatory relevant, up-to-date, and aligned with the latest policy directions
Spin-Off Paradigm	Spin-off is positioned as a normative obligation or institutional target that is mandatory and uniform for all UUS.	Spin-off is positioned as a conditional strategic institutional decision and is determined by the level of institutional readiness.	Shifting the paradigm from mandatory-based spin-off to readiness-based spin-off
The Role of Institutional Aspects	Institutional aspects are treated as administrative prerequisites or supporting factors.	Institutional aspects (PSP support, organizational legitimacy, governance stability) are positioned as the most determining factors in the scope for spin-off transformation.	Strengthening the argument that legitimacy and ownership are strategic prerequisites for institutional change.
Institutional Readiness Structure	Internal capacity variations between UUS BPD are not given enough attention	Spin-off readiness is analyzed empirically through four aspects: institutional, structural, operational, and sustainability.	Providing comprehensive and contextual mapping of institutional readiness
Strategy Evaluation Framework	Strategy assessment is done partially (capital, regulation, or market separately)	A strategy-fit framework was developed based on the fit between the level of institutional readiness and strategic options.	Expanding strategy evaluation to be integrated and based on the real conditions of the organization
Differentiation Strategy Spin-Off	There is no clear distinction between “realistic” and “ideal” strategies.	The strategy is formulated as a conditional strategy: KUB as a realistic option at limited readiness, and pure spin-off as an ideal strategy at fulfilled readiness.	Provides a practical framework for selecting a stepwise and rational strategy.
Sustainability Orientation	Focus on achieving spin-offs or short-term efficiencies	The spin-off strategy is directed at post-spin-off sustainability through risk mitigation, operational readiness, and medium-long-term competitiveness.	Strengthening the sustainability orientation in the institutional transformation of UUS BPD

Thus, this research produces a scientific contribution in the form of an Institutional Readiness-Based Spin-Off Strategy Model that not only explains the appropriate strategy but also when and under what conditions it is appropriate. This model emphasizes the paradigm shift from mandatory-based spin-offs to readiness-based spin-offs, by positioning the strategy as a conditional strategy determined by the level of institutional readiness. Thus, the resulting strategy is not only institutionally feasible but also impactful in generating sustainable benefits (maslahah impact) for strengthening regional Islamic banking.

Conclusion

Based on the analysis, this study concludes that the decision to spin off a UUS BPD is a gradual institutional decision, largely determined by the level of institutional readiness, not simply a normative

obligation. Spinoff is understood as a conditional decision dependent on internal capacity and the regional context.

1. First, the structure of spin-off readiness issues is internal and hierarchical, with the most dominant factors being PSP commitment and management, followed by capital, assets, and human resources, while regulations, technology, and markets play a role as further factors.
2. Second, the spin-off solution is an integrated institutional strengthening process, where the commitment of PSP and management becomes the main lever for strengthening other aspects.
3. Third, this research produces an Institutional Readiness-Based Spin-Off Strategy Model, which emphasizes that strategy selection is determined by the fit between internal capacity and strategic needs, with four aspects of readiness: institutional, structural, operational, and sustainability.
4. Fourth, under conditions of limited readiness, the most rational strategy is a spin-off through a KUB, while under conditions of readiness, a pure spin-off is the optimal option. Other strategies are situational.
5. Fifth, this research strengthens the paradigm shift of the spin-off after the P2SK Law from a mandatory-based to a readiness-based approach, with an orientation towards risk mitigation, institutional sustainability, and long-term benefits.
6. For Controlling Shareholders (PSP) and Regional Governments, spin-offs need to be positioned as medium- to long-term strategic decisions based on institutional readiness, not simply a regulatory response. Consolidated ownership commitments, a clear direction for regional BUS development, and adequate capital support are key prerequisites, with an orientation not only to readiness but also to the impact on the regional economy and community welfare.
7. For BPD and UUS management, the top priority is strengthening internal readiness before determining a spin-off strategy. Strengthening organizational structures, risk management, human resources, and technology systems needs to be implemented gradually to prevent the transformation from creating institutional risks. Strategy implementation must also be directed toward achieving *maslahah* impact, both in terms of performance and contribution to Islamic financial inclusion.
8. Regulators need flexible, measurable policies based on clear indicators of institutional readiness. Spin-off evaluations should focus not only on compliance and structure, but also on sustainability impacts, system stability, and contributions to the Islamic economy, ensuring a more effective and benefit-oriented transformation.
9. For academics and future researchers, studies of Islamic banking spin-offs need to shift from a normative approach to one based on institutional readiness. Further research is also recommended to develop *maslahah* impact measurements as an additional indicator beyond financial performance, thus making spin-off studies more comprehensive and applicable.

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