

SWOT ANALYSIS: THE FIRST STEP IN CREATING A GREAT STRATEGY IN ISLAMIC FINANCIAL INSTITUTIONS

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ABSTRACT

SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a strategic tool that is often used to evaluate an organization's position as a whole. By analyzing internal strengths and weaknesses, as well as external opportunities and threats, organizations can understand their strategic conditions amidst business dynamics. This study aims to examine the role of SWOT analysis as an initial step in effective business strategy planning. The results show that SWOT analysis helps organizations identify competitive advantages that can be utilized to achieve long-term goals. In addition, internal weaknesses found through this analysis can be the basis for making improvements and developments. External opportunities, such as technological advances or new market trends, can be utilized for innovation, while threats, such as competition or regulatory changes, can be anticipated through careful planning. However, SWOT analysis has limitations. This tool only provides an overview and does not cover specific priorities or implementation steps. Therefore, integration with other analysis tools, such as PESTEL or Porter's Five Forces, is needed to support more in-depth decision making. By combining SWOT with other analysis methods, organizations can design strategies that are adaptive, responsive, and relevant. This study emphasizes that SWOT is an important initial step in creating a superior and sustainable business strategy.

Keywords: *SWOT Analysis, Strategy, Islamic Economics, Islamic Financial Institutions*

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I. INTRODUCTION

The increasing complexity and competitiveness of the financial industry require organizations to develop strategic approaches that enable them to respond effectively to technological developments, regulatory changes, market competition, and changing customer expectations. Strategic analysis is therefore an important foundation for identifying organizational capabilities and external environmental conditions before appropriate strategies are formulated. Among the strategic analysis tools, SWOT analysis—comprising strengths, weaknesses, opportunities, and threats—remains relevant because it provides a systematic framework for examining internal and external factors that influence organizational performance and strategic direction (Gürel & Tat, 2017).

The relevance of strategic analysis is particularly important for Islamic financial institutions (IFIs), which operate within a distinctive institutional and ethical framework. Unlike conventional financial institutions, IFIs must simultaneously pursue financial sustainability and competitiveness while ensuring compliance with Sharia principles. Contemporary developments in Islamic finance have also been accompanied by digital transformation, fintech innovation, changing consumer expectations, and increasingly complex regulatory requirements. These developments create opportunities for improving efficiency, financial inclusion, and customer services, but also generate challenges related to Sharia governance, technological capability, cybersecurity, and the alignment of innovation with Islamic principles (Kou et al., 2021; Wahab & Mahdiya, 2025). Thus, IFIs require strategic tools that can capture both organizational capabilities and changes in their external environment.

Within this context, SWOT analysis can serve as an initial strategic framework for Islamic financial institutions. Internal factors may include financial resources, human capital, technological capabilities, product innovation, service quality, institutional reputation, and Sharia governance, while external factors may include market competition, fintech development, regulatory changes, demographic trends, financial inclusion, and changing customer preferences. Recent empirical research demonstrates that SWOT can contribute to strategy formulation in Islamic banking. For example, Puteri et al. (2025) combined SWOT with Importance–Performance Analysis (IPA) to formulate customer-focused strategies for Islamic banks in Indonesia, demonstrating the potential of SWOT to translate internal and external conditions into more targeted strategic priorities. Similarly, recent studies have applied SWOT to Islamic banking development and

competition, indicating its continuing relevance in the strategic management of Islamic financial institutions (Azwar, 2024; Nurista, 2025).

However, SWOT should not be regarded as a complete strategy formulation mechanism. Its primary function is to provide an initial map of an organization's strategic position; it does not, by itself, determine which factors should receive the highest priority or how identified factors should be translated into specific implementation actions. Recent research therefore suggests that SWOT can be strengthened through integration with other analytical approaches and contextual considerations. In Islamic finance, this issue becomes particularly important because strategic decisions must consider not only financial and competitive objectives but also Sharia governance, ethical considerations, and the broader objectives of Islamic finance (Puteri et al., 2025; Wahab & Mahdiya, 2025).

Despite the growing application of SWOT in Islamic financial institutions, an important research gap remains. Existing studies tend to focus on specific institutions, countries, or strategic problems, such as customer preferences, Islamic banking competition, or support for the halal industry (Azwar, 2024; Puteri et al., 2025). Less attention has been given to the broader conceptual positioning of SWOT as an initial strategic framework that connects internal organizational capabilities and external environmental dynamics with the distinctive requirements of Islamic financial institutions, particularly Sharia governance and digital transformation. This gap suggests the need for a more contextualized understanding of SWOT beyond its conventional use as a simple list of strengths, weaknesses, opportunities, and threats.

Therefore, this article examines SWOT analysis as the first step in developing effective strategies for Islamic financial institutions. The discussion focuses on the conceptual role of SWOT, the identification of internal and external strategic factors, its relevance to the contemporary Islamic financial environment, and its limitations as a stand-alone analytical tool. By contextualizing SWOT within the characteristics of Islamic financial institutions, this article seeks to demonstrate how SWOT can provide a strategic starting point for developing strategies that are competitive, adaptive, sustainable, and consistent with Sharia principles.

II. LITERATURE REVIEW

SWOT analysis, which represents Strengths, Weaknesses, Opportunities, and Threats, is a strategic analytical framework used to examine an organization's

internal capabilities and external environment as a basis for strategic decision-making. The framework distinguishes between internal factors, consisting of strengths and weaknesses, and external factors, consisting of opportunities and threats. This distinction enables organizations to identify the resources and capabilities that can support competitive advantage while simultaneously recognizing internal limitations and external environmental changes that may influence organizational performance. Its relatively simple structure and broad applicability have contributed to the continued use of SWOT across different organizational and industry contexts (Gürel & Tat, 2017).

Strengths refer to internal resources, capabilities, competencies, or characteristics that provide an organization with an advantage in achieving its objectives. In the context of Islamic financial institutions (IFIs), strengths may include financial resources, qualified human capital, technological capabilities, customer trust, institutional reputation, product innovation, service quality, and effective Sharia governance. Identifying these strengths enables IFIs to determine which organizational capabilities can be developed and leveraged to strengthen competitiveness and respond to emerging market opportunities. Conversely, weaknesses represent internal limitations that may constrain organizational performance, including inadequate technological infrastructure, limited human resource competencies, inefficient organizational processes, insufficient product diversification, or weaknesses in customer service. The identification of weaknesses is important because strategic development requires organizations not only to exploit existing capabilities but also to address internal deficiencies that may reduce their ability to compete effectively.

Opportunities and threats represent the external dimension of SWOT analysis. Opportunities are favorable developments in the external environment that organizations can exploit to achieve growth, innovation, or competitive advantage. For IFIs, opportunities may emerge from the growing demand for Sharia-compliant financial products, increasing financial inclusion, the expansion of the halal economy, digital financial services, fintech development, and changing consumer preferences toward ethical and value-based finance. At the same time, IFIs face external threats arising from intensified competition, rapid technological disruption, regulatory changes, cybersecurity risks, economic uncertainty, and competition from conventional financial institutions and fintech companies. The identification of these external factors allows organizations to anticipate

environmental changes and formulate strategies that are more responsive and adaptive to market dynamics (Kou et al., 2021; Wahab & Mahdiya, 2025).

The usefulness of SWOT analysis lies not only in identifying these four categories but also in connecting internal and external factors to generate strategic alternatives. The combination of strengths and opportunities can support strategies designed to maximize organizational potential, while weaknesses and opportunities can indicate areas where organizational improvement is required to take advantage of favorable external conditions. Similarly, the interaction between strengths and threats can help organizations use existing capabilities to mitigate external risks, whereas weaknesses combined with threats may reveal areas requiring defensive or corrective strategies. In this sense, SWOT can function as an initial strategic map that assists management in understanding the organization's position before more specific strategic decisions are made. Recent research demonstrates that SWOT remains applicable to Islamic banking, including studies that combine SWOT with other analytical techniques to identify and prioritize strategic actions (Puteri et al., 2025).

Despite its flexibility and practical usefulness, SWOT analysis has several conceptual and methodological limitations. The framework is primarily descriptive and may produce a broad inventory of strategic factors without adequately explaining their relative importance, causal relationships, or implementation priorities. The identification and assessment of SWOT factors may also be influenced by managerial perceptions and subjective judgments, particularly when systematic data and clear evaluation criteria are not employed. Consequently, SWOT should not be interpreted as a complete strategy formulation model but rather as an initial analytical framework that can be complemented by other strategic tools. PESTEL analysis, for example, can provide a more systematic examination of the macro-environment, while Porter's Five Forces can be used to analyze industry competition. Similarly, quantitative approaches can be incorporated to evaluate the relative importance and priority of identified strategic factors.

These limitations are particularly significant for Islamic financial institutions because strategic decision-making involves considerations that extend beyond conventional financial and competitive objectives. IFIs must simultaneously address profitability, operational efficiency, technological development, customer expectations, regulatory requirements, and Sharia compliance. Therefore, the application of SWOT in Islamic finance requires

contextualization so that strategic factors reflect the distinctive institutional, ethical, and Sharia-based characteristics of IFIs. Recent developments in Islamic finance demonstrate that digital transformation and technological innovation create substantial opportunities for improving accessibility, efficiency, and customer experience, while also introducing new challenges related to governance, technological capability, and compliance with Sharia principles (Kou et al., 2021; Wahab & Mahdiya, 2025).

Accordingly, SWOT analysis can be understood as a starting point rather than an endpoint in the strategic management process of Islamic financial institutions. Its primary contribution is to provide a structured understanding of an organization's internal capabilities and limitations and the opportunities and threats emerging from its external environment. When supported by reliable evidence and complemented by appropriate analytical tools, SWOT can facilitate the development of strategic alternatives that are more focused, adaptive, and contextually relevant. For IFIs, such an approach is particularly important because effective strategy must reconcile competitiveness and innovation with Sharia governance, ethical values, sustainability, and the broader objectives of Islamic finance.

III. METHODOLOGY

This research is included in the type of library research that uses various literature as the main source. The literature used includes books, scientific journals, official reports, and digital documents related to the theme "SWOT Analysis: The First Step in Creating a Great Strategy." This approach was chosen to explore the theory and practice of SWOT analysis from various perspectives. The goal is to gain an in-depth understanding of the concept, application, and relevance in the context of strategic management.

The data collection method in this study was carried out through a literature review. Data were taken from various sources, such as strategic management books, scientific journal articles, research reports, and relevant case studies. In addition, digital data sources such as academic websites and modern strategic management standards were also used. These sources were selected based on their level of credibility and relevance to the discussion of the research theme. The instruments used in this study are as follows:

- a. Notebook: Used to note down main ideas, important quotes, and relevant points from the literature studied.

- b. Writing Equipment: Pens, pencils, and paper are used to support manual recording during the research process.
- c. Laptop or Computer: Functions as the main tool for accessing digital literature, processing data, and compiling research reports systematically.

After the data is collected, the processing process is carried out using a descriptive analysis approach. Data is classified based on certain themes, such as strengths, weaknesses, opportunities, and threats, which are the main components of a SWOT analysis. Furthermore, the information is analyzed in depth to illustrate the relevance and application of SWOT analysis in an organizational context. This technique is used to develop a comprehensive understanding of the importance of SWOT analysis as a strategic tool in business planning. This study also aims to produce new insights that can be applied in a practical context.

IV. RESULTS AND ANALYSIS

The SWOT analysis identifies a combination of internal and external factors that shape the strategic position of Islamic financial institutions (IFIs) in developing sustainable and competitive financial services. The findings indicate that IFIs possess several distinctive internal strengths, particularly their Sharia-based ethical foundation, potential for public trust, and financing models that support inclusive economic participation. At the same time, the analysis reveals internal weaknesses related to limited diversification of sustainable financial products, technological capabilities, and human resource competencies. Externally, the growing demand for green and ethical finance, fintech development, and supportive government policies provide significant opportunities. However, IFIs must also respond to increasing competition from conventional financial institutions, public misconceptions about Islamic finance, and differences in regulatory environments across markets. These findings indicate that the strategic position of IFIs is shaped by the interaction between their distinctive institutional capabilities and a rapidly changing external environment.

Strengths of Islamic Financial Institutions

The analysis indicates that the Sharia-based foundation of IFIs represents one of their most distinctive strategic strengths. Islamic finance prohibits transactions involving *riba*, *gharar*, and *maysir* and emphasizes principles of fairness, transparency, and responsible economic activity. This ethical orientation

provides IFIs with a potential strategic advantage in the growing market for value-based and sustainable finance. Rather than positioning Sharia compliance merely as a regulatory requirement, IFIs can transform it into a source of differentiation by communicating the ethical and social dimensions of their financial products.

Another important strength is the potential for public trust and institutional legitimacy. IFIs can build stronger relationships with customers and investors when Sharia compliance is supported by transparent governance and credible supervision. The combination of financial services and ethical principles may be particularly relevant as consumers and investors increasingly consider social and environmental values in their financial decisions. In addition, Islamic financing contracts such as *mudharabah* and *musharakah* provide mechanisms for risk sharing and economic participation, which can support broader financial inclusion when appropriately implemented.

These strengths suggest that the competitive advantage of IFIs should not be based exclusively on price, financing costs, or conventional service attributes. Instead, IFIs can differentiate themselves through a combination of Sharia compliance, ethical positioning, transparency, inclusion, and sustainability. This interpretation is important because it shifts the strategic focus from merely competing with conventional financial institutions toward developing a distinctive value proposition based on the underlying principles of Islamic finance.

Weaknesses of Islamic Financial Institutions

Despite these strengths, the analysis identifies several internal weaknesses that may limit the ability of IFIs to capitalize on emerging opportunities. One significant weakness is the limited diversification of sustainability-oriented products. Islamic financial institutions in some markets remain strongly associated with conventional Sharia-compliant financing products, while innovative instruments designed to address environmental and social challenges have not yet been developed at the same pace. This condition can reduce the ability of IFIs to respond to the growing demand for green finance and sustainable investment.

Technological capability represents another important weakness. The rapid development of fintech has changed customer expectations regarding accessibility, speed, convenience, and personalization. IFIs that lack adequate digital infrastructure may experience difficulties in delivering competitive services and reaching younger and digitally oriented customers. Technology adoption also requires appropriate investment in cybersecurity, data management, digital risk

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management, and Sharia-compliant technological solutions.

Human resource capability is closely connected to these challenges. The development of contemporary Islamic financial services requires employees who understand not only Sharia principles but also financial technology, sustainability, risk management, data analytics, and modern financial strategies. A shortage of professionals who can integrate these areas may limit organizational innovation. Therefore, strengthening human capital should be viewed as a strategic response to the internal weaknesses identified through the SWOT analysis rather than merely as an operational training activity.

Opportunities in the External Environment

The external analysis reveals substantial opportunities for IFIs, particularly through the expansion of sustainable and ethical finance. Increasing global attention to climate change, environmental sustainability, social inclusion, and responsible investment creates opportunities for Islamic financial institutions to develop products that connect Sharia principles with sustainability objectives. Green sukuk, sustainable investment, waqf-based financing, and other socially oriented financial instruments provide potential mechanisms through which IFIs can expand their market contribution.

Fintech development also represents an important opportunity. Digital platforms can increase the accessibility of Islamic financial services and enable IFIs to reach previously underserved populations. Technology can support the development of digital zakat and waqf platforms, Sharia-compliant investment services, mobile banking, and data-driven customer services. However, this opportunity can only be converted into strategic value when technological innovation is accompanied by appropriate Sharia governance and risk management.

Government policies and the growing institutional support for sustainable finance also provide an external opportunity. Regulatory incentives, national Islamic finance strategies, financial inclusion programs, and sustainability initiatives can create an environment in which IFIs expand their contribution to economic and social development. The strategic implication is that IFIs should actively identify and collaborate with regulators, fintech companies, social institutions, and other stakeholders rather than relying exclusively on internal organizational resources.

Threats and Competitive Pressures

The SWOT analysis also identifies several external threats. One of the most significant is increasing competition from conventional financial institutions. Conventional banks are increasingly offering sustainable finance, green investment, and ethical financial products, thereby reducing the distinctiveness of these products as an exclusive advantage of Islamic finance. IFIs therefore cannot assume that their Sharia identity alone will guarantee competitive advantage. They must demonstrate superior value through product innovation, service quality, transparency, digital accessibility, and measurable social and environmental impact.

Public perception constitutes another challenge. In some markets, Islamic finance continues to be perceived primarily as a financial system intended for Muslim consumers. Such perceptions can restrict market expansion even though many of the principles underlying Islamic finance—such as fairness, transparency, risk sharing, and responsible investment—have universal relevance. Strategic communication is therefore required to present Islamic financial products not only as Sharia-compliant but also as credible, ethical, inclusive, and sustainable financial alternatives.

Regulatory diversity represents an additional threat, particularly for IFIs operating across different jurisdictions. Differences in Sharia standards, financial regulations, taxation, reporting requirements, and sustainability frameworks can increase operational complexity and create barriers to cross-border expansion. This situation demonstrates that regulatory awareness must become an integral component of strategic planning rather than being treated solely as a compliance function.

The findings of this study indicate that Islamic financial institutions (IFIs) possess distinctive strengths derived from their Sharia-based ethical foundation, institutional trust, and potential to provide inclusive and sustainable financial products. These strengths are consistent with the findings of Badarin and Khreis (2023), who identified adherence to Islamic principles, profitability, liquidity, and relatively low risk as important strengths of Islamic banks in Jordan. Similarly, the recent study of Islamic banking in Türkiye identified religious sensitivity, governmental support, and accumulated banking experience as important institutional strengths (2026). These findings suggest that the strategic advantage of IFIs is not limited to conventional financial performance but also derives from their distinctive institutional identity and Sharia orientation. However, the present

findings extend these previous studies by linking the ethical foundation of IFIs more explicitly with the growing demand for sustainable and value-based finance. This is particularly relevant because Islamic financial principles can provide an ethical basis for financing activities associated with social and environmental sustainability (Raimi et al., 2024).

The findings concerning weaknesses also demonstrate substantial similarities with previous research. This study identifies limited product diversification, technological limitations, and insufficient human resource capabilities as major internal weaknesses. Azwar (2024), in examining the role of Islamic banking in supporting the halal industry in Indonesia, similarly found that human resource quality represents a significant weakness. Likewise, the recent multi-generational study of Islamic banking in Türkiye identified limited product diversity, governance problems, regulatory challenges, and low levels of Islamic financial literacy as important weaknesses. These similarities indicate that the challenges faced by IFIs are not exclusively related to a particular country but reflect broader structural issues within the development of Islamic financial institutions. Nevertheless, the present findings place greater emphasis on the interaction between human resource capability and technological transformation. This is important because the ability of IFIs to innovate increasingly depends on employees who possess integrated competencies in Sharia, finance, technology, sustainability, and digital risk management.

The technological dimension is particularly important when the findings are compared with recent research on digital transformation. Mujiatun et al. (2023) demonstrated the strategic importance of Sharia payment platforms and financial indicators for the performance of Islamic banks in Indonesia. Similarly, research on Islamic rural banks in Indonesia found that digital transformation significantly contributes to sustainable business development and financial performance (2024). These studies reinforce the present finding that technological capability should be regarded not merely as an operational resource but as a strategic capability. However, the results also indicate that digitalization creates a dual strategic condition for IFIs: it represents an opportunity for improving accessibility, efficiency, and innovation while simultaneously creating new requirements for cybersecurity, governance, human resources, and Sharia compliance. Thus, the strategic issue is not simply whether IFIs should adopt digital technologies, but whether they can develop digital capabilities that are consistent with their institutional and Sharia objectives.

The opportunities identified in this study, particularly the expansion of sustainable finance, fintech, and ethical financial products, are also supported by recent studies. Raimi et al. (2024) argue that Islamic sustainable finance has increasing relevance to sustainable development because of its potential contribution to economic, social, and environmental objectives. Similarly, research on fintech and Islamic sustainable equities indicates that developments in the digital financial ecosystem have meaningful implications for Islamic sustainable markets (Ghaemi Asl et al., 2024). These findings strengthen the argument that sustainable finance and digitalization should not be treated as separate opportunities. For IFIs, the combination of digital technology and sustainability may create new business models, products, and distribution channels. Digital zakat and waqf platforms, green financing, sustainable investment products, and green sukuk are examples of areas in which the ethical orientation of Islamic finance can intersect with technological innovation and sustainability objectives.

The findings regarding external threats are also consistent with previous studies, particularly in relation to competition, regulatory complexity, and public perceptions. Badarin and Khreis (2023) identified limited investment opportunities, the need for improved Sharia-compliant products, and service quality as important challenges for Islamic banks. In Indonesia, Mujiatun et al. (2023) also emphasized the importance of financial and technological factors in strengthening the competitiveness of Islamic banking. More recently, the Turkish study identified increasing digitalization, employee movement from conventional banks, and performance pressures as threats to Islamic banking (2026). These findings suggest that IFIs operate in an increasingly competitive environment in which conventional banks and fintech firms can offer services that increasingly overlap with the value propositions traditionally associated with Islamic finance. Consequently, Sharia compliance alone may not be sufficient to sustain competitive advantage; it needs to be accompanied by service quality, technological innovation, product differentiation, and effective communication.

An important finding of the present analysis is therefore the need to reinterpret the competitive advantage of IFIs in a broader manner. Previous studies have often emphasized individual strengths or weaknesses, such as Sharia compliance, financial performance, human resources, or product diversification. The present analysis indicates that these factors should be considered as an interconnected strategic system. For example, Sharia compliance may constitute a strength, but its strategic value can be reduced if products are difficult to access,

technological services are inadequate, or customers have limited understanding of Islamic financial products. Conversely, digitalization may create opportunities for market expansion, but its strategic value depends on the availability of qualified human resources and effective Sharia governance. This interaction demonstrates why SWOT should be used as an integrated strategic framework rather than as a simple inventory of organizational factors.

This interpretation is supported particularly strongly by Puteri et al. (2025), who demonstrated that SWOT becomes more useful for Islamic banking strategy when combined with Importance–Performance Analysis (IPA). Their study of 1,208 Islamic and conventional bank customers in West Sumatra showed that the combination of quantitative customer assessment and qualitative SWOT analysis could produce more focused market strategies. The finding is important for the present study because it confirms that SWOT is most valuable when the identified factors can be prioritized using additional evidence. In other words, the present findings support the proposition that SWOT should function as the first step of strategic formulation rather than as the final analytical stage.

The comparison with previous studies also reveals an important distinction in the scope of the present analysis. Existing empirical studies frequently examine SWOT within a specific institution, country, product, or strategic problem. For example, Puteri et al. (2025) focused on customer-oriented strategy formulation in Islamic banking, Azwar (2024) examined Islamic banking support for the halal industry, while Badarin and Khreis (2023) evaluated the performance of Jordanian Islamic banks. The present analysis adopts a broader institutional perspective by connecting internal capabilities and external environmental conditions with sustainable finance, digital transformation, competitive pressure, and Sharia-based strategic considerations. Therefore, the contribution of the present study lies less in claiming that SWOT is a new tool for Islamic finance and more in demonstrating how SWOT can provide an initial strategic map that connects multiple contemporary challenges facing IFIs.

The findings further indicate that SWOT should be complemented by other analytical frameworks when strategic decisions require greater depth. The integration of SWOT with PESTEL can clarify the political, economic, social, technological, environmental, and legal forces underlying identified opportunities and threats. Similarly, competitive analysis can explain why competition from conventional banks and fintech firms constitutes a threat and how customer and supplier power may influence strategic choices. This argument is consistent with

recent research that combines SWOT and Porter's Five Forces to examine the development of Indonesia's Sharia banking system in the digital era, identifying product innovation, digital services, operational effectiveness, customer loyalty, Islamic value-based marketing, and sustainable finance as important strategic areas (Putri et al., 2025). Thus, the present findings reinforce the view that SWOT provides the strategic starting point, while complementary frameworks provide greater analytical depth.

The comparison with previous studies demonstrates both convergence and extension. The findings converge with earlier research in identifying Sharia orientation, institutional trust, human resources, product diversification, digitalization, competition, and regulation as important strategic factors affecting IFIs. At the same time, the present analysis extends this literature by bringing these factors together within a single strategic perspective and emphasizing their relationship with sustainable finance and digital transformation. The central implication is that the future competitiveness of IFIs will depend not simply on preserving their existing strengths but on their ability to convert Sharia-based values into innovative, technologically enabled, sustainable, and customer-oriented financial solutions. Accordingly, SWOT is best understood as the first step in creating an effective strategy, providing the strategic diagnosis from which prioritization, implementation, monitoring, and evaluation can subsequently be developed.

V. CONCLUSION AND RECOMMENDATION

SWOT analysis is a very effective strategic tool in helping Islamic financial institutions understand their position in a dynamic business environment. By evaluating strengths, weaknesses, opportunities, and threats, Islamic financial institutions can design relevant, sustainable, and Shariah-based strategies to face challenges and take advantage of opportunities in the global market. The strengths of Islamic financial institutions, such as Sharia principles emphasizing fairness and transparency, public trust, and a solid governance structure, provide a solid foundation for competing in the market. However, they also face weaknesses, such as limited product diversification, inadequate technological infrastructure, and limited expertise in Sharia-based finance.

On the other hand, Islamic financial institutions have great opportunities, such as the increasing global demand for sustainable finance, the development of financial technology (fintech), and government policy support for a Sharia-based

economy. However, they must also anticipate threats, including competition from conventional financial institutions, cross-country regulatory uncertainty, and limited public perception of Islamic finance. To maximize the effectiveness of SWOT analysis, integration with other strategic tools such as PESTEL, Porter's Five Forces, and Shariah governance is essential. This combination allows Islamic financial institutions to not only understand internal and external conditions, but also develop strategies that are more adaptive and relevant to the changing needs of the market.

As a concrete step, Islamic financial institutions can leverage their strengths to support sustainable development goals (SDGs) through products such as green sukuk, productive waqf financing, and zakat-based social investment. Thus, SWOT is not only an analytical tool, but also a guide to direct Islamic financial institutions towards sustainability and global competitiveness. Overall, SWOT analysis provides an important starting point for Islamic financial institutions to understand potentials, overcome obstacles, and design strategies that are in accordance with Sharia values. With optimal utilization, SWOT can help Islamic financial institutions strengthen their role as pillars of an ethical, inclusive, and sustainable economy in this modern era.

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