

# The Integravite Role of Accounting and Leadership in Digital Transformation: A Case Study of Bank Syariah Indonesia

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**Abstract.** The development of digital technology has had a major influence on the banking world, including the sharia banking industry. This research aims to see Bank Syariah Indonesia (BSI) integrating accounting and leadership. This research is a case study research using content analysis. This research found the use of technology such as AI for data analysis and personalization of product offerings. There is more emphasis on cybersecurity and compliance with the latest regulations to protect customer data and ensure transaction security. The development of the accounting system supports BSI's strategic objectives in maintaining digital transformation and increasing operational efficiency. Leadership roles are critical, strong commitment, building a culture that supports change, developing digital skills, and actively integrating and adapting digital strategies. Commitment to digitalization is found in the digital service development strategy and BSI management performance evaluation. . Integration between accounting and leadership is a key factor to ensure that the digital transformation is carried out efficiently, transparently and sustainably, in line with BSI's vision to become a leader in sharia banking in the digital era.

**Keywords:** Digital Transformation, Leadership, sharia banking, BSI

## 1 Introduction

The digital era affects the banking industry, including Sharia banking, which operates based on Islamic principles. The push for digitization drives companies to become more adaptable to technological advancements in order to achieve competitive advantage [17]. Changes in consumer behavior, now prioritizing convenience, accuracy, and speed in transactions, necessitate shifts in the bank's service patterns [3]. The banking industry is becoming increasingly dynamic in providing services and striving for digital innovation.

Digitalization is driven by the changing behavior of consumers who increasingly prioritize speed in transactions, demand efficiency, security, and ease of use, even from home [3].

Additionally, digitalization is necessary to comply with OJK regulations on the roadmap for accelerating digitalization in the banking industry, enabling banks to survive, compete, and contribute to economic growth [15].

In a rapidly developing digital era, digital transformation involves the crucial roles of accounting and leadership. The role of accounting in providing accurate, real-time information and processing large amounts of data [4] is essential for strategic decision-making in a dynamic banking environment. The integration of technology aims to enhance operational efficiency and business transparency, which supports the sustainability of financial operations, thereby influencing accounting implementation [17], including within Islamic banks. The transformation of accounting information systems supports ongoing innovations [18]. Meanwhile, visionary leadership is needed to drive innovation and ensure that the organization as a whole is aligned toward common goals. The integration of accounting and leadership will shape organizational behavior, enabling its members to navigate various challenges and achieve sustainable development in the complex and knowledge-intensive digital transformation process [4].

Bank Syariah Indonesia (BSI), the largest Islamic bank in Indonesia, was formed through the merger of three Islamic banks: BRI Syariah, BNI Syariah, and Bank Mandiri Syariah in 2021. The recognition in categories such as best overall Islamic Commercial Bank demonstrates BSI's progress as a leading player in Indonesia's Sharia banking industry (Annual Report, 2021 & 2022). The numerous awards received by BSI as a digital banking brand further highlight the acknowledgment of its digital transformation efforts. BSI continues to advance the digital transformation initiatives previously undertaken by the three banks, making them more comprehensive and sophisticated. BSI continues to undertake various initiatives to strengthen its digital capabilities, including the development of e-channel services and mobile banking. These efforts not only improve operational efficiency but also expand service reach to customers, enhancing their transaction experience with greater ease and security through digital platforms.

BSI is poised to become an Islamic bank that can lead the market with a larger and broader market capitalization within the Sharia banking industry. This necessitates that BSI undertakes various efforts, one of which is through digital transformation. However, as an organization, BSI must recognize that merely implementing information systems and digital transformation does not automatically lead to improved performance. The company must also consider the influence of leadership and future transformations in accounting [4].

Based on these phenomena, it is necessary to analyze key aspects through disclosure content. This can be used to understand the impact of digital disclosure on stakeholders, especially shareholders, investors, and customers, as well as its alignment with standards and regulations such as accounting standards, banking regulations, and applicable data protection regulations. Therefore, to gain deeper insights into how BSI integrates accounting and leadership, a study of its annual report is required. Through this research, it is expected to provide practical insights into accounting within the Sharia banking sector.

## **2 Literature Review**

### **2.1. Digital Transformation in Banking**

Digital transformation in banking refers to the process by which digital technology changes the way banks operate, serve customers, and manage data. To fully grasp the concept of digital

transformation in banking, it is essential to understand its history, which began in the 1950s when banks first used typewriters and mechanical calculators to process transactions. In the 1960s, the introduction of mainframe computers allowed banks to store transaction data, significantly improving data management and the processing of large volumes of transactions. The evolution continued through the 1990s and 2000s when banks began utilizing the internet, enabling customers to check balances, transfer funds, and pay bills from their computers. Online banking was introduced to make banking services more accessible via smartphones. In the 2010s, the rise of mobile technology made banking through mobile apps increasingly popular. Banks started offering features like check scanners, instant transaction notifications, and personal finance management tools. By the late 2010s, Fintech (financial technology) emerged as a major disruptor, providing services such as digital payments, peer-to-peer lending, and automated investments, which were often faster and more affordable than traditional banking services. Digital transformation in banking continues to evolve up to 2024, with a growing emphasis on cybersecurity, personalized user experiences, and new technologies like 5G and the Internet of Things (IoT), which open up new possibilities for managing our finances.

#### **2.1.1. Definition and Concept of Digital Transformation**

Digital transformation in banking is the process by which digital technology changes how banks operate, serve customers, and manage data. The definition of digital transformation is a strategic process that alters how organizations conduct their operations, interact with customers, and create value by leveraging digital technology [12]. They also emphasize the importance of a clear digital strategy to achieve success in digital transformation. Digital transformation is the organizational change driven by the application of digital technology to create new value, enhance operational efficiency, and transform how businesses interact with markets and customers [17]. Their key concept is that digital transformation affects not only technology but also requires significant changes in organizational structure, culture, and operations.

#### **2.1.2. Definition and Concept of Global Trends in Banking Digitalization**

Banking digitalization is defined as the process by which digital technology is used to transform the way financial services are delivered and how banks operate and interact with customers. This includes the use of technologies such as AI, blockchain, and big data [8]. Deloitte's concept emphasizes the importance of technological innovation in supporting operational efficiency, improving customer service, and creating new business models. Additionally, digitalization requires banks to face challenges related to data security, privacy, and compliance. Another definition of banking digitalization is the comprehensive transformation undertaken by financial institutions to implement digital technology across various aspects of their operations, including customer service, internal processes, and market interactions [12]. Their concept explains that digitalization involves a holistic and thorough integration of technology, requiring changes in management, organizational structure, and strategy to create new value and enhance competitiveness.

### **2.2. The Role of Accounting in Digital Transformation**

#### **2.2.1. How Accounting Information Systems Support Digitalization**

Digitalization has transformed various aspects of the banking industry, and Accounting Information Systems (AIS) play a crucial role in this process. AIS manage and process financial data, aiding banks in data-driven decision-making and improving operational efficiency. In the context of digitalization, AIS not only adapt to new technologies but also contribute to innovation in banking services, including Sharia banking. In Islamic banks, AIS play a significant role in supporting the digitalization process by facilitating automation,

reporting, Sharia compliance, and data analysis. This digital transformation changes how Islamic banks operate, serve customers, and manage, analyze risk, and report financial information.

### **2.3. Leadership in the Digital Era**

In facing digital transformation, effective leadership characteristics are essential to ensure the successful implementation of technology and organizational change. The key characteristics required of leaders include: (1) A Clear and Inspiring Vision, (2) The Ability to Manage Change, (3) Competence in Technology and Digital Skills, (4) The Ability to Drive Innovation, (5) The Ability to Develop Team Skills and Capabilities.

## **3 Research Method**

This research employs a case study approach with content analysis to understand specific phenomena. This method utilizes company annual reports to examine both the substance and content of the disclosures. It has been in use since the 1960s as an effort by researchers to explain disclosures based on the information presented in annual reports. It captures and organizes empirical data found based on the level of disclosure in annual reports through disclosure instruments that list the items appearing [10].

The data used consists of BSI's annual reports for 2021 and 2022, as these are the only reports available following the merger. Annual reports are recommended as a relevant proxy for understanding external reporting because they are produced regularly and provide insights into management's attitudes and policies (Guthrie et al., 2004). The unit of analysis is the paragraphs presented in the annual reports. Technical requirements must be met (Guthrie and Mathews, 1985) [10], including clear and operational classification categories, objectivity in determining whether an item fits into a specific category, measurable information, and reliable coding for consistency.

This research seeks various codes and identifies themes present in the annual reports. The next step involves analyzing each code by identifying words and phrases in each paragraph to form themes based on criteria established by the research team. Team discussions are crucial to minimize subjectivity. Subsequently, themes related to accounting and leadership are categorized.

## **4 Results and Discussion**

### **4.1. Strategy and Implementation of Digitalization at BSI**

The analysis of digital disclosures in Bank Syariah Indonesia's (BSI) annual reports assesses how the bank presents information related to digital initiatives, technologies, and policies. Digital disclosure provides a clear picture of how BSI leverages technology and digital innovation. This includes information on the IT systems used, investments in technology, and ongoing digital initiatives. It also reveals BSI's commitment to digital transformation, covering the development of digital products, technology-based banking services, and the use of technology to enhance operational efficiency, as well as information on information security policies, data protection, and compliance with technology and personal data protection regulations. In practice, Bank Syariah Indonesia has undertaken digital innovations, such as the launch of a new mobile app, integration of new technologies like blockchain, or

implementation of more efficient digital banking systems. Regarding cybersecurity, BSI has provided information about their efforts to safeguard customer data, such as encryption technology and routine security audits. From the customer experience perspective, disclosures include how digital technology enhances customer experience, such as self-service features in apps or AI-based customer service. According to Al-Mansoori [2], digital disclosures in annual reports enhance transparency and accountability in Islamic banks, as well as the challenges faced in their implementation. The evaluates digital disclosure practices in Islamic financial institutions, including Islamic banks in Indonesia, providing insights into how digital technology transforms reporting and analysis of annual reports. It can be concluded that digital disclosure in Bank Syariah Indonesia's annual reports is a crucial part of the company's communication strategy, offering transparency about technology usage, commitment to digital innovation, and data protection [1].

In 2021, Bank Syariah Indonesia focused on developing digital infrastructure and strengthening IT infrastructure to support digital operations, including enhancements to core banking systems and mobile applications. For digital service improvement, the bank launched various initiatives to enhance digital services, such as mobile banking platforms and internet banking to improve customer experience. The digitalization efforts in 2021 successfully increased banking service accessibility for customers, especially through mobile applications and online features. The growth in digital users showed a significant increase in the number of BSI's digital platform users, aligning with the broader digital adoption in Indonesia.

In comparison, in 2022, Bank Syariah Indonesia shifted towards innovation and service personalization, focusing on using technologies like AI for data analysis and product offer personalization. There was an increased emphasis on cybersecurity and compliance with the latest regulations to protect customer data and ensure transaction security. The results of digitalization implementation at Bank Syariah Indonesia include the launch of more innovative products and services, including AI-based features for financial management and enhanced customer services. Security enhancements continued to grow in the digital system to protect customer data and reduce cybersecurity risks.

#### **4.2. The Role of Accounting in Digital Transformation at BSI**

BSI has invested in accounting information systems that allow real-time access to financial information. The impact of real-time accounting on decision-making is significant as it provides fast and accurate information, enabling more responsive and data-driven decisions. Real-time accounting systems help managers monitor financial performance directly, improving efficiency and accuracy in the decision-making process. The overview of how real-time accounting impacts decision-making in Sharia banking includes four important benefits:

(1) Sharia Compliance Monitoring: Ensures transactions align with sharia principles in real-time, reducing the risk of violation, (2) Risk Management: Provides up-to-date data for risk analysis, allowing quick responses to market changes, (3) Operational Efficiency: Accelerates financial reporting and decision processes, reducing the time needed for analysis and reporting, (4) Strategic Decision-Making: Provides up-to-date financial information for better strategic decisions.

Examples of real-time accounting implementation in decision-making include: a. Payment and Transaction Systems: Islamic banks use real-time accounting systems to monitor mudharabah and murabahah financing transactions. Each transaction is recorded and processed immediately, enabling instant verification of sharia compliance. b. Financial Reporting: Implementation of integrated ERP (Enterprise Resource Planning) systems allows bank managers to access financial reports and risk analysis in real-time, aiding performance assessment and strategic planning. c. Risk Management: Use of risk dashboards connected to

real-time accounting systems to monitor the bank's financial position and risk exposure, enabling rapid risk identification and mitigation.

The development of accounting systems supports BSI's strategic goals in maintaining digital transformation and improving operational efficiency. SIA automates various traditional accounting processes at BSI, such as transaction recording, financial reporting, and account reconciliation. This allows BSI to manage transactions more efficiently and reduce the time required for manual processes [16]. Through automation, SIA reduces dependence on manual processes and minimizes the likelihood of human error in recording and calculating financial data. This improves financial reporting accuracy and helps adhere to sharia principles [21]. Additionally, digital accounting aids in better internal control disclosures, as evidenced by risk control disclosures.

#### **4.3. Leadership and Digital Transformation at Bank Syariah Indonesia**

Transformational leadership theory focuses on inspiring and motivating employees to achieve higher goals through vision and change. In the digital context, this involves promoting technology adoption and innovation while inspiring teams to adapt to rapid changes [6]. A leading researcher in digital leadership, developed the concept of digital leadership, which includes the ability to lead and manage digital transformation within organizations [20]. Agile leadership theory (2018) focuses on the ability to respond quickly and effectively to change. In a digital context, this involves managing teams in a dynamic and frequently changing environment. Bank Syariah Indonesia (BSI) has undergone significant digital transformation since the merger of three state-owned Islamic banks in 2021. Under the leadership of Hery Gunardi, BSI strives to become a pioneer in digital Sharia banking in Indonesia with a focus on technological innovation and enhanced digital services. Hery Gunardi leads BSI with a vision to be a leading sharia bank in digital technology. This strategy includes launching a comprehensive mobile banking app and upgrading IT infrastructure to support digital services. His commitment to digital transformation is evident from substantial investments in technology, including the implementation of the latest core banking systems and fintech solutions to enhance customer experience, fostering an innovation culture, encouraging employees to adapt to new technologies, and providing intensive training to ensure the team's readiness for digital changes. Hery Gunardi's leadership at BSI reflects the importance of integrating strategies with technology and organizational culture that supports change [5]. Leadership roles at BSI are crucial in addressing digital challenges. Adaptive leadership and a focus on digital skill development are key to successful digital transformation at BSI [14].

In the digital era, Sharia banking leaders must face dual challenges: implementing modern technology while adhering to strict sharia principles. This requires specific skills in balancing innovation and compliance. Effective leaders must be able to translate digital vision into strategies aligned with sharia principles and implement solutions that meet customer needs without violating regulations. They must also inspire and empower teams, facilitate ongoing training, and maintain customer data security and privacy.

#### **4.4. The Role of Leadership in Digital Transformation at Bank Syariah Indonesia**

Effective leaders play a crucial role in formulating digital vision and strategy. They are responsible for setting the direction of digital transformation and ensuring that the strategy aligns with long-term business goals. Leadership must demonstrate strong commitment to digital initiatives. This includes providing necessary resources, whether in budget, time, or moral support to the team. Reinforce this by offering a systematic review of how leadership influences digital transformation, highlighting various successful leadership models in the context of digitalization [13]. Leaders must drive organizational culture change, encourage the adoption of new technologies, and address resistance to change. They need to build a culture

that supports innovation and continuous learning. Developing a conceptual framework for understanding the role of leadership in digitalization, focusing on strategy, organizational culture, and required skills, is essential [19]. Furthermore, leadership plays a role in identifying and developing digital skills across the organization. This includes training employees and integrating digital skills into employee development strategies, as well as actively monitoring digital transformation progress and making strategic adjustments as needed. This includes addressing emerging challenges and optimizing digital initiatives based on feedback and results.

In conclusion, leadership plays a vital role in supporting and guiding digital transformation. Leaders must have a clear vision, demonstrate strong commitment, build a culture that supports change, develop digital skills, and actively monitor and adjust digital strategies.

#### **4.5. Integration of Accounting and Leadership in Bank Performance**

Strategic steps to strengthen BSI's position in the Sharia banking market and face challenges in the digital era involve initiatives and strategic decisions. In 2021, these were described as a process involving the consolidation of operations and IT systems to create a larger and more efficient Islamic bank. BSI's leadership decided to rebrand to strengthen brand identity and create a new market image, including the launch of a new logo and slogan. Significant investments were made in digital infrastructure improvements, including the launch of more advanced mobile banking apps and integrated core banking systems. The leadership focused on digitalization as part of the strategy to enhance customer experience and operational efficiency. For 2022, Bank Syariah Indonesia launched various new digital products and services, including online payment features and integration with e-commerce. Additionally, they developed and introduced digital products to meet modern customer needs and respond to financial technology (fintech) developments. The leadership directed the expansion of branch and ATM networks to improve accessibility for customers in various regions. This expansion aimed to reach more customers and increase market penetration, especially in underserved areas.

Strategic plans for the coming year include continued investment in new technologies, such as artificial intelligence (AI) and blockchain, to enhance services and security. Adopting cutting-edge technologies to improve operational efficiency, data analytics, and develop innovative solutions that meet customer needs is a focus. The bank will also focus on improving customer experience through personalized services and better customer support. Bank Syariah Indonesia is implementing analytics technology to understand customer needs and provide services more aligned with their preferences.

The strategic initiatives and decisions made by Bank Syariah Indonesia's leadership in 2021 and 2022 reflect a focus on digitalization, network expansion, and strengthening sharia compliance. Future plans include investment in innovative technologies, enhancing customer experience, and international expansion. There is an emphasis on strengthening compliance with sharia principles and sustainability, including developing products that adhere to sharia principles and supporting sustainability and corporate social responsibility initiatives. Commitment to digitalization is evident in the strategy for developing digital services and evaluating BSI's management performance. The Board of Commissioners of BSI has appreciated the achievements of the Board of Directors in developing digital infrastructure, significantly increasing Fee-Based Income (FBI). In 2022, FBI from e-channel and mobile banking services grew, reflecting the success of strategies adapting to evolving market needs. Digital transformation impacts BSI's risk management, especially related to cybersecurity. Cybersecurity has become a top priority for managing risks. BSI has adopted international standards such as ISO 27001 to ensure information security and established an IT Steering

Committee to oversee good IT governance implementation. BSI has developed a comprehensive risk management policy through information technology and data communication network management. Significant investments have been made to enhance the bank's digital capabilities, including software development, access management, and IT infrastructure supporting sustainable digital transformation.

As a result of these efforts, BSI has developed various policies in line with sharia banking regulations to support digital transformation. The integration of accounting and leadership is a key factor in ensuring that digital transformation is efficient, transparent, and sustainable, aligning with BSI's vision to be a leader in Sharia banking in the digital era. Evidence of BSI's achievements is seen in the increased collection and distribution of funds through digital services, as well as strengthening inclusion and economic empowerment in the community.

## 5 Conclusion

BSI Bank Syariah Indonesia (BSI) not only follows global trends in banking digitalization but also implements digitalization issues in the form of digital transformation in the Sharia banking sector in Indonesia. This success underscores the importance of digitalization as a key element in maintaining competitiveness and relevance in the modern banking era. The integration of accounting and leadership roles in digital transformation is a critical area, as both elements support the successful adoption of new technologies and organizational culture changes. The alignment of accounting practices with leadership strategies helps build an organizational culture that supports digital change and innovation in Sharia banking.

Accounting, as a system with a crucial role in financial reporting, is used in decision-making processes. Leadership, on the other hand, serves as the primary driver in creating a vision and mobilizing resources to achieve the goals of digital transformation. These two factors facilitate the integration of new technologies while ensuring compliance with sharia financial principles. The limitation of the research is the issue of subjectivity involved in the coding process, which may affect the results of the analysis.

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