

Improving Sustainable Competitive Advantage through Knowledge of Sharia Banking in a Spiritual Well-Being

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Satria Avianda Nurcahyo

Universitas Ngudi Waluyo, Indonesia
satriaavianda@unw.ac.id

Bulan Karima Nurani

Universitas Ngudi Waluyo, Indonesia
bulankarimanurani@unw.ac.id

Anis Malik Thoha

Universiti Islam Sultan Sharif Ali, Brunei Darussalam
malik.thoha@unissa.edu.bn

Fitri Dwi Jayanti

Universitas Ngudi Waluyo, Indonesia
fitridwijayanti@unw.ac.id

ABSTRACT

This research aims to analyze the influence of Knowledge of Sharia Banking, Spiritual Well-Being, and Sharia Compliance on Sustainable Competitive Advantage among employees of PT Bank Syariah Indonesia Tbk. The research respondents were employees of PT Bank Syariah Indonesia Tbk in Semarang Residency and Salatiga City, which had a total of 250 people, consisting of 145 male employees and 105 female employees. The sampling technique employed was a census involving direct sampling of the entire population, resulting in 250 responses. The results of empirical testing in this research show that the overall hypothesis is accepted, and Spiritual Well-Being is proven to mediate each relationship between Knowledge of Sharia Banking with Sharia Compliance and Sustainable Competitive Advantage. Even though it has been proven to mediate between the two, the most significant mediating influence of Spiritual Well-Being is between Knowledge of Sharia Banking and Sustainable Competitive Advantage.

Keywords: *Knowledge of Sharia Banking; Spiritual Well-Being; Sharia Compliance; Sustainable Competitive Advantage.*

INTRODUCTION

The Islamic banking industry has experienced significant growth in recent years. The public increasingly demands sharia-based financial services, creating opportunities for expansion and growth for sharia banks.



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As the business world grows and changes, many people and companies are starting to understand the importance of implementing business principles that are in line with religious values. An important aspect in this context is halal business practices supported by sharia financial institutions. Halal companies are not only products or services that meet halal standards for raw materials and production, but also financial principles based on Islamic teachings. The priority of profitable business carried out by sharia financial institutions is very relevant in the context of an increasingly complex and diverse global economy.

Sharia financial institutions are involved in various partnerships and collaborations with other financial institutions and businesses, including conventional financial institutions. This reflects the spirit of inclusivity and synergy between the financial sectors. The portrait of Islamic banks reflects a commitment to ethical values, inclusiveness, and sustainable development. By combining financial and social aspects, Islamic banks become entities that create a positive impact on the banking world and the economy (Nabi et al., 2021). In a business era that continues to develop and is full of dynamics, PT Bank Syariah Indonesia Tbk (BSI) in Semarang Residency Area and Salatiga City, as a sharia-based financial institution, faces challenges to remain relevant and sustainable. In this context, the three main factors that are the focus of research are knowledge of sharia banking, spiritual well-being, and sharia compliance.

The research addresses a significant gap in the literature by exploring the intersection of sharia banking knowledge, sharia compliance, and spiritual well-being as key drivers of Sustainable Competitive Advantage (SCA) within Islamic banking (Su'un et al., 2018). While previous studies have examined the impact of individual factors such as knowledge management and compliance on competitive advantage, limited research has focused on how these factors, particularly within the context of sharia principles, contribute to SCA when mediated by spiritual well-being. This study is original in its holistic approach, integrating both tangible (knowledge and compliance) and intangible (spiritual well-being) elements within the unique framework of Islamic banking. The originality also lies in the examination of these dynamics in the specific setting of BSI, offering insights that may differ from traditional banking contexts. By addressing this gap, the research provides a fresh perspective on how Islamic values can be aligned with business strategies to achieve a sustainable competitive edge in an increasingly competitive financial landscape.

BSI, a financial institution presented with the mission of encouraging an economy based on sharia principles, is not without challenges. Even though it has demonstrated rapid growth and success in attracting customers, this bank is also faced with a number of complex problems. One of the problems that has become the focus of attention is the increasingly fierce competition in the financial industry. BSI must continue to adapt to maintain and expand its market share and strengthen its position as a leader in sharia-based financial services because of the emergence of new banks, both conventional and sharia. Apart from that, risk management is something that cannot be ignored. As a financial institution, BSI must face various risks, including credit, operational, liquidity, and market risks (Aslam & Haron, 2021). Effective risk management is crucial to maintaining financial stability and customer trust.

Compliance with sharia principles is also a major concern. BSI must ensure that all its products, services, and operations comply with Islamic law. Violations of Sharia principles can damage a bank's reputation and affect customer trust. Not to mention technological challenges are also problems that must be faced (Ergun & Djedovic, 2010). The rapid development of financial technology requires banks to continue to innovate and provide efficient and safe digital services for customers (Salianty, 2018). BSI must ensure its technological infrastructure is resilient and adapts to the latest technological developments. Apart from that, public financial access and literacy are also a concern.

Within this framework, this research aims to investigate the extent to which knowledge about sharia banking, spiritual well-being, and conformity with sharia compliance principles have an impact on SCA among employees of BSI in Semarang Residency Area and Salatiga City. Through an in-depth understanding of the influence of these three factors, it is hoped that solutions and strategies can be found that can be implemented to increase sustainable competitiveness and maintain the sustainability of the BSI in the Semarang Residency Area and Salatiga City business amidst increasingly fierce competition. In the midst of business turmoil that continues to develop, PT Bank Syariah Indonesia Tbk Keresidenan Semarang and Salatiga (BSI KS) indicates its strong commitment to continuing to adapt to changes in the dynamics of the financial industry (Mariyanti et al., 2020). As a sharia-based financial institution, BSI in Semarang Residency and Salatiga City is responsible not only for maintaining its relevance in an

ever-changing market but also for designing a strong foundation to ensure the sustainability of its business.

The concept of sharia compliance is crucial because conformity with sharia principles is not just a regulatory obligation but is the foundation for building customer and public trust. Awareness of the importance of this conformity at all levels of the organization is an inevitable strategic step (Lestari, 2015). The importance of identifying and understanding the impact of these three factors on Sustainable Competitive Advantage at BSI in Semarang Residency and Salatiga City reflects the organization's determination to remain a leader in the sharia banking sector (Sobari et al., 2017). Through a deep understanding of knowledge, spiritual well-being, and sharia compliance, it is hoped that BSI in Semarang Residency Area and Salatiga City can formulate appropriate strategies to ensure its sustainability and competitive advantage in the long term. This research is not only about responding to current challenges but also preparing a strong foundation for a future full of opportunities and dynamic business that continues to grow.

The development of sharia banking itself has now received increasing attention from the public. Indonesia is the country with the largest Muslim population in the world and is recorded as the world's largest halal consumer market in 2022, with consumption of halal products reaching \$182 billion. Indonesia is ranked fourth among the 15 countries with the largest sharia economy in the world according to the State of the Global Islamic Economy in its 2022 report (Ahmadi, 2022). The application of sharia principles in everyday life is one of the attractions and strengths of sharia banking among competition with conventional banking and other conventional financial institutions.

Knowledge of Sharia Banking is the key to opening the door to developing products and services that follow Sharia banking principles (Mulazid, 2016). In an ever-evolving financial world, in-depth knowledge of how to apply these principles is a crucial foundation for maintaining competitiveness and meeting customer expectations. Meanwhile, spiritual well-being is considered the foundation that gives BSI KS employees the strength to innovate and contribute optimally (Usman et al., 2017). Spiritual well-being is not only a personal consideration but also has a significant impact on work culture and employee engagement, both of which play an important role in creating SCA. Sharia compliance is not just an obligation carried out by regulations but is the central pillar in building trust and a company's reputation. Awareness of the importance of ensuring that every action and decision complies with Sharia principles creates a solid foundation for maintaining the reliability of

LITERATURE REVIEW

Knowledge of Sharia Banking

Knowledge of sharia banking refers to the understanding and comprehension of Islamic financial principles and practices that are in accordance with Sharia law. This body of knowledge includes the rules and regulations governing interest-free banking, profit and loss sharing, and the ethical guidelines that forbid investment in activities considered haram, or prohibited, such as alcohol, gambling, and speculative trading (Abdullah & Rahman, 2007; Ahmad et al., 2015; Hatani et al., 2016). Sharia banking knowledge also encompasses the understanding of various Islamic financial products such as *Murabaha*, *Musharaka*, and *Ijara*, which are designed to align with Islamic values and promote equitable wealth distribution and social justice (Mulazid, 2016).

The principle of Islamic banking knowledge regarding ethical investment is also a distinctive characteristic of sharia banking, with a prohibition on investment in sectors considered *haram* (Adawiyah, 2015). Financial instruments that involve elements of usury or activities that conflict with Islamic principles are avoided. In addition, sharia banking encourages the practice of zakat, namely giving a portion of wealth to charity and humanitarian activities (Firdaus & Alawiyah, 2021).

Knowledge of sharia banking reflects a financial system that follows Islamic legal guidelines. On this basis, banking aims to provide financial services by complying with Islamic teachings' ethical and moral principles, as found in the Al-Quran and Hadith (Siregar & Siregar, 2020). Guided by religious values, sharia banking makes the prohibition against usury its primary basis. This principle emphasizes justice and economic empowerment by replacing the conventional interest system with a profit-sharing model (Faozan, 2014). The basic principles of sharia banking come from the Al-Quran and Hadith; the knowledge of sharia banking indicators, according to Harun et al. (2015), are knowledge of Islamic banking principles, knowledge about profit sharing, knowledge of sharia banking operations, knowledge of sharia banking products.

Spiritual Well-Being

In its understanding, spiritual well-being refers to a good and balanced state in a person's spiritual dimension. This includes experiences and feelings related to the meaning of life, values, connection with oneself, others, nature, and greater existence or spirituality (Saadatyar et al., 2020). Spiritual well-being is often related to a deep understanding of the meaning of life and the purpose of one's existence. This may involve questions about existence, life values, and the search for deeper meaning. This involves understanding and accepting oneself, including awareness of personal values, strengths, and weaknesses. This process of self-acceptance can make a major contribution to spiritual well-being (Ardiansyah et al., 2022).

Spiritual well-being can be enhanced through the pursuit of personal growth and the constant pursuit of spiritual knowledge. This may include spiritual practices, meditation, or involvement in activities that support personal development. Some people experience spiritual or transcendent moments that can enhance their well-being. This may occur through experiences of deep meditation, contemplation, or experiences that connect them with the spiritual dimension (Raudatussalamah et al., 2022). It is important to remember that experiences of spiritual well-being can vary between individuals and are closely related to individual values, beliefs, and spiritual practices. Spiritual well-being is an integral part of overall well-being and can make a positive contribution to the balance of a person's life (Wahidin & Maghfur, 2021).

Personal growth and continuous learning are also recognized as important factors in achieving spiritual well-being (Wahidin & Maghfur, 2021). Efforts to continually develop personally, engaging in spiritual practices, meditation, or seeking knowledge that supports the spiritual dimension can all make a positive contribution to one's spiritual well-being (Baljani et al., 2014). Thus, spiritual well-being not only includes a personal dimension but is also closely related to individuals' interactions with their surrounding environment and the meaning they find in relationships with things greater than themselves. Indicators of spiritual well-being, according to Ivtzan et al. (2011), relationship with oneself (personal domain), relating to oneself, the search for personal meaning, the search for goals and life values; relationships with other people (communal domain) in the form of interpersonal quality and abilities at a deeper level of quality, establishing relationships with other people, related to morality and culture; relationship

with the environment (environmental domain), in the form of natural attachment to the environment, the satisfaction when experiencing peak experiences; and relationship with the transcendent (transcendental domain), the ability to establish a relationship with the Creator, involving faith, adoration and worship of the transcendent reality, namely God.

Sharia Compliance

In its definition, sharia compliance refers to the conformity of an entity or activity with the principles of Islamic law or sharia. Entities or activities considered “sharia compliant” or “sharia-compliant” comply with Islamic ethical and legal guidelines covering various aspects of life, including business, finance, and other activities. In the context of banking and finance, sharia compliance can refer to the conformity of a product or service with Islamic financial principles (Usman et al., 2017). This involves avoiding certain elements considered haram (forbidden) in Islam, such as interest (riba), gambling (maisir), and investment in businesses that engage in haram activities. In business and other industries, sharia compliance can also refer to compliance with Islamic ethical principles in business practices, such as engaging in practices that are considered ethical, fulfilling employee rights, and avoiding activities that are considered detrimental to society or the environment (Grassa, 2013). Basically, sharia compliance standards can vary in different countries or institutions, and the monitoring process is often carried out by a sharia supervisory board or designated authority to ensure compliance with the principles of Islamic law (Martoyo et al., 2024).

In its definition, sharia compliance refers to the conformity of an entity or activity with the principles of Islamic law or sharia. Basically, it shows how much an entity or activity complies with Islamic ethical and legal guidelines covering various aspects of life, including in the business context (Mnif & Znazen, 2020). In the financial aspect, sharia compliance emphasizes understanding and implementing the Islamic financial system, which involves profit sharing (mudarabah and musharakah) and avoiding the practice of interest or usury. Transparency, integrity, and openness in financial transactions are also values emphasized in this context. The importance of sharia compliance is not only limited to the financial dimension but also includes overall business practices (Mulazid, 2016). According to Mulazid (2016), sharia compliance indicators encompass the provision of products and services devoid of interest (usury), ambiguity (gharar), and

gambling (maysir); adherence to Islamic laws and principles; exclusion of prohibited elements; and the absence of harm to customers.

Sustainable Competitive Advantage

Sustainable Competitive Advantage (SCA) refers to the advantage that a company or business entity has over its competitors, which can be maintained and lasts for a long period of time (Aslam & Haron, 2021). These advantages enable the company to achieve and maintain a superior position in the market, provide added value to customers, and create a foundation for stable growth. SCA is temporary, can be maintained, and lasts for an extended period (Gómez-Prado et al., 2022). This allows companies to build a stable foundation and not be easily replaced by competitors. The factors or resources that form the basis of competitive advantage must be rare or difficult for competitors to access. This may involve access to unique technology, a strong brand, or expertise that other competitors do not have. Competitive advantage must provide added value to customers. This could involve better products or services, more competitive prices, superior customer experience, or other factors that make the company more attractive to consumers (Hardeep & Purnima, 2015).

This term refers to the advantages obtained by a company or business entity, allowing it to maintain a superior position over its competitors over a long period of time (Hatani et al., 2016). Basically, SCA requires a combination of unique and challenging factors for competitors to imitate. These factors create a strong foundation, enable the company to provide added value to customers, and maintain its attractiveness in the market. Thus, SCA is not only about temporary advantages but also about how companies can maintain that position over a sustainable period of time (López-Nicolás & Meroño-Cerdán, 2011). In developing SCA, companies need to deeply understand customer needs and expectations, create products or services that are difficult to match, and build resources or expertise that are scarce in the market (Mauludin et al., 2013). According to Lorenzo et al. (2017), SCA indicators include product or service innovation, which means that a company's ability to continuously produce new products or services that meet or exceed customer expectations can indicate SCA. This includes a company's ability to develop products that are unique, have new features, or solutions that are more effective than those of its competitors. The second is product or service quality. High product or service quality can be a source of SCA. Companies known for the consistent

and reliable quality of their products or services tend to have a sustainable competitive advantage. The third is brand and reputation. A strong brand and good reputation in the market can be indicators of SCA. Companies with well-known brands and good reputations tend to be preferred by customers over their competitors. The fourth is operational efficiency. A company's ability to manage resources efficiently and effectively can create sustainable cost advantages. High operational efficiency can enable companies to offer more competitive prices or increase their profit margins.

Relationship between Knowledge of Sharia Banking and Sharia Compliance

Knowledge of Sharia Banking has a crucial role in maintaining and ensuring sharia compliance in Islamic banking operations. The relationship between knowledge of sharia banking and sharia compliance creates a solid foundation for maintaining integrity, ethics, and compliance with Islamic law principles (Irham, 2019). In-depth knowledge of the principles of Islamic law that underlie sharia banking operations is the main basis of knowledge of sharia banking. This includes an in-depth understanding of the prohibition of usury, the principle of profit sharing, and other rules that mark financial operations in accordance with Islamic teachings (Prabowo et al., 2017). With this knowledge, banks can design policies, procedures, and products that meet sharia standards. In this context, sharia compliance is the main goal, where knowledge of sharia banking provides clear direction on the steps needed to maintain compliance with sharia principles (Su'un et al., 2018). This not only creates an advantage for customers seeking sharia-compliant financial alternatives but also strengthens banking compliance with sharia standards (Amin et al., 2014).

In research conducted by Mulazid (2016) and Syarifuddin and Mahesa (2020), it is stated that there is a positive and significant influence between knowledge of sharia banking on sharia compliance because employee education and awareness are also strengthened by knowledge of sharia banking (Nurchahyo & Wikaningrum, 2020). Involving employees in education regarding sharia principles help build a team that has a shared understanding and commitment to sharia compliance. Educated employees can more effectively carry out their duties by ensuring every operational aspect is in accordance with Islamic values (Rosyid & Saidiah, 2018). Thus, knowledge of sharia banking is not only a tool for understanding sharia

principles but is also the main driver for achieving and maintaining Sharia Compliance.

H1: Knowledge of Sharia Banking has a positive and significant effect on Sharia Compliance

The Relationship of Knowledge of Sharia Banking to Spiritual Well-Being

The relationship between knowledge of sharia banking and spiritual well-being is very complex, involving economic aspects, ethics, and religious values. Knowledge of Islamic banking involves understanding the Islamic principles underlying this system. Sustained banking practices that comply with Islamic law, such as the prohibition of usury (interest), transparency, and fairness in transactions, can increase spiritual awareness (Sumarno et al., 2021). Individuals who have a deep understanding of religious principles in a financial context tend to feel closer to their spiritual values.

Understanding the Islamic principles underlying sharia banking creates a strong bond between knowledge of Sharia banking and religious values. The prohibition of usury, fairness in transactions, and the concepts of zakat and infaq are the basis for financial decisions that help shape spiritual well-being. Awareness of obedience to religious teachings in financial matters can be a source of spiritual inspiration and happiness (Latif, 2019). By summarizing aspects of economics, ethics, and religious values, this sentence highlights that the relationship between knowledge of sharia banking and spiritual well-being is not simple. Instead, this complexity reflects a deep integration between material and inner values, where understanding Sharia banking principles is central to shaping the path to meaningful spiritual well-being (Abdullah & Rahman, 2007). In research conducted by Adawiyah (2015) and Siregar and Siregar (2020), it is explained that there is a positive and significant influence between knowledge of sharia banking on spiritual well-being because awareness of ethical values in every aspect of life, especially in financial matters, can provide satisfaction. Inner self and strengthens a sense of personal integrity.

H2: Knowledge of Sharia Banking has a positive and significant effect on Spiritual Well-Being

The Relationship between Knowledge of Sharia Banking and Sustainable Competitive Advantage

Knowledge of Islamic banking has a significant relationship with achieving Sustainable Competitive Advantage (SCA). In-depth knowledge of Islamic banking principles can help create trust among customers and stakeholders. This trust is key to creating a good reputation (Ahmad et al., 2015). Islamic banks that are considered consistent and ethical in implementing sharia principles have a greater opportunity to maintain and increase their customer base, creating SCA. In-depth knowledge of Islamic banking regulations and its legal environment allows banks to adapt more to regulatory changes (Hussain et al., 2015).

Resilience to regulatory changes can be a source of competitive advantage because Islamic banks that can adapt to changes in the legal environment will be better able to maintain business continuity (Aida & Imen, 2014). Thus, knowledge about sharia banking can not only create a competitive advantage but also support the achievement of SCA through business practices that are sustainable, innovative, and in accordance with ethical and religious values (Harun et al., 2015). In research conducted by Faozan (2014) and Irham (2019), it is explained that there is a positive and significant influence between knowledge of sharia banking and SCA. This is because sharia banking principles that avoid the risk of usury can provide a competitive advantage in facing a financial crisis. A financial structure based on the principles of fairness and risk sharing can make Islamic banks more resilient and able to survive better in situations of economic uncertainty.

H3: Knowledge of Sharia Banking has a positive and significant effect on Sustainable Competitive Advantage

Spiritual Well-Being's Relationship to Sharia Compliance

The relationship between spiritual well-being and sharia compliance (conformity with Islamic law principles) creates a dynamic closely related in the context of sharia banking and business practices based on Islamic values (Baljani et al., 2014). Spiritual well-being is often related to adherence to religious values. In the context of sharia banking, conformity with Islamic principles emphasizes integrity, honesty, and fairness in every aspect of the business. An individual or organization that prioritizes spiritual well-being tends to see conformity with Sharia principles as a natural step in accordance with their spiritual beliefs (Dodge et al., 2012). Spiritual

well-being also includes concern for collective welfare and social justice. Conformity with Sharia principles in Islamic banking creates a framework that supports these goals.

A fair and inclusive approach to business can provide a sense of accomplishment and a positive contribution to society, thereby supporting spiritual well-being. Thus, the relationship between spiritual well-being and sharia compliance creates an environment where religious values, integrity, ethics, and social justice become integral to business practices (Ivtzan et al., 2011). Conformity to sharia principles is not just legal compliance but also a spiritual journey that provides meaning and purpose in every action and business decision. In research conducted by Usman et al. (2017) and Grassa (2013), it is explained that there is a positive and significant influence between Spiritual well-being and Sharia Compliance because spiritual well-being is often measured through the depth of a person's connection with God. Conformity with Sharia principles in banking creates a foundation for a closer relationship with God (Bredle et al., 2011). Awareness of adherence to religious teachings in every transaction and business decision can provide a sense of inner peace and spiritual connectedness.

H4: Spiritual Well-Being has a positive and significant effect on Sharia Compliance

The Relationship of Spiritual Well-Being to Sustainable Competitive Advantage

The relationship between spiritual well-being (spiritual prosperity) and SCA creates a dynamic that enriches and strengthens the position of an individual or organization in the realm of business and life (Jafari et al., 2014). Individuals who care for their spiritual well-being tend to become more resilient leaders and have integrity. Leaders who have spiritual integrity can provide inspiration, create a positive work culture, and direct the organization toward common goals. The leader's spiritual well-being contributes to the company's positive image and is able to maintain customer trust. Individuals or organizations that care for their spiritual well-being are often more adaptive to external changes (Bayighomog & Arasli, 2019). The ability to adapt to a dynamic business environment is the key to maintaining Sustainable Competitive Advantage (Bahl, 2012).

By combining these elements, the relationship between spiritual well-being and SCA creates an environment where spiritual awareness and

business sustainability mutually reinforce each other, creating long-term advantages and providing sustainable added value. Research by Saadatyar et al. (2020) and Ardiansyah et al. (2022) indicates a positive and significant impact of spiritual well-being on sustainable competitive advantage, as it offers a robust psychological foundation and resilience against pressure and change. Individuals or organizations that are able to manage crises with spiritual maturity can recover more quickly from challenges and maintain their SCA even in difficult situations (Lestari & Kusumadewi, 2017).

H5: Spiritual Well-Being has a positive and significant effect on Sustainable Competitive Advantage

RESEARCH METHODS

This research aims to test hypothesis using the method of strengthening or rejecting theories or hypotheses from previous research. The type of research applied in this framework is “explanatory research,” or research that is explanatory. Therefore, this research emphasizes the relationship between research variables by conducting hypothesis testing. Although there is a description in the research, the main focus is on the relationship between variables. According to Sugiyono (2012), a population is a general area consisting of subjects or objects with unique qualities and characteristics determined by the researcher to be studied and then draw conclusions. In this study, the population consisted of permanent employees of BSI in Semarang Residency and Salatiga City, with a total of 250 people, consisting of 145 male employees and 105 female employees. The sampling technique used was a census, where the entire population was directly sampled so that the number of respondents was 250 people. This census sample is also known as a saturated sample, namely a sampling technique where the entire population is sampled (Riduwan, 2010).

RESULTS

Table 1 Measurement Evaluation Model

| <i>Latent Variables</i> | <i>Convergent Validity</i> <i>Indicators</i> | <i>Loading</i> > 0.70 | <i>Internal Composite Reliability</i> | | | <i>Discriminant Validity</i> <i>HTMT</i> < 1 |
|------------------------------------|---|---------------------------------|---------------------------------------|----------------------------|----------------------------|---|
| | | | <i>AVE</i> > 0.50 | <i>CR</i> > 0.70 | <i>CA</i> > 0.70 | |
| <i>Knowledge of Sharia Banking</i> | KSB.1 | 0.771 | 0.787 | 0.937 | 0.910 | YES |
| | KSB.2 | 0.789 | | | | |
| | KSB.3 | 0.882 | | | | |
| | KSB.4 | 0.794 | | | | |

| <i>Latent Variables</i> | <i>Indicators</i> | <i>Convergent Validity</i> | | <i>Internal Composite Reliability</i> | | | <i>Discriminant Validity HTMT</i> |
|--|-------------------|----------------------------|-----------------|---------------------------------------|-----------------|--------------|-----------------------------------|
| | | <i>Loading</i> | <i>AVE</i> | <i>CR</i> | <i>CA</i> | <i>HTMT</i> | |
| | | <i>> 0.70</i> | <i>>0.50</i> | <i>>0.70</i> | <i>>0.70</i> | <i><1</i> | |
| <i>Spiritual Well-Being</i> | SWB.1 | 0.743 | | | | | YES |
| | SWB.2 | 0.766 | | | | | |
| | SWB.3 | 0.865 | 0.822 | 0.932 | 0.891 | | |
| | SWB.4 | 0.812 | | | | | |
| <i>Sharia Compliance</i> | SC.1 | 0.887 | | | | | YES |
| | SC.2 | 0.811 | 0.825 | 0.950 | 0.929 | | |
| | SC.3 | 0.799 | | | | | |
| <i>Sustainable Competitive Advantage</i> | SCA.1 | 0.796 | | | | | YES |
| | SCA.2 | 0.823 | 0.716 | 0.926 | 0.900 | | |
| | SCA.3 | 0.712 | | | | | |
| | SCA.4 | 0.777 | | | | | |

Source: Processed primary data by the authors (2024)

This research uses Partial Least Square (PLS) to analyze and evaluate the validity and reliability of the model construct using SmartPLS. SmartPLS was carried out to test the Outer Model and Inner Model of the research. The outer model test is carried out to see the validity and reliability of indicators and variables in the research. This can be seen based on three categories: (1) Convergent Validity, which consists of an outer loading value of >0.7 and an AVE value >0.5 . (2) Internal consistency is seen based on Cronbach's alpha value >0.7 and Composite Reliability with criteria >0.7 . (3) Discriminant validity is seen based on the Fornell-Lacker value where the root value of AVEsquare (diagonal) is greater than all other variable values and HTMT (heterotrait-monotrait correlation ratio) is less than 1. Based on the provisions, this research's indicators and variables can be considered valid and reliable.

Table 2 Hypothesis Testing

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values (Sig.) | Conclusion |
|------------------|----------------------------|------------------------|-----------------------------------|-------------------------------|------------------------|-----------------------------|
| KSB – SC | 0.441 | 0.455 | 0.087 | 5,071 | 0,000 | Significant Positive |
| KSB – SWB | 0.375 | 0.395 | 0.089 | 4,233 | 0,000 | |
| KSB – SCA | 0.282 | 0.292 | 0.106 | 2,651 | 0.004 | |
| SWB – SC | 0.302 | 0.300 | 0.121 | 2,503 | 0.006 | |
| SWB – SCA | 0.478 | 0.475 | 0.096 | 4,960 | 0,000 | |

Source: Processed primary data by the authors (2024)

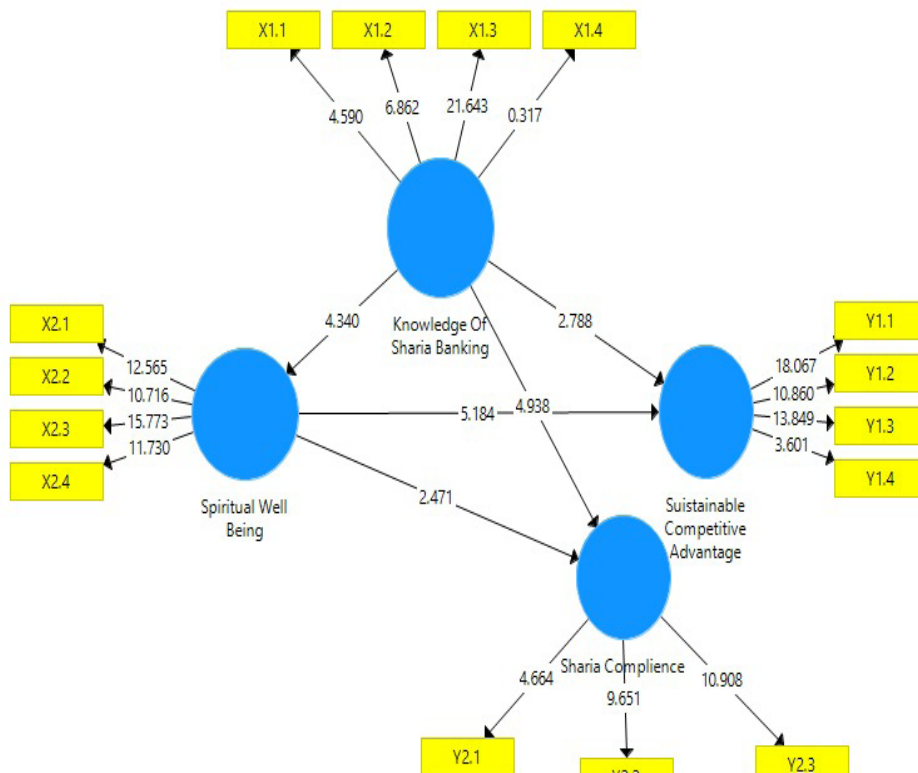
Table 3 Tests of Mediation Effects

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values (Sig.) | Conclusion |
|-----------------|---------------------|-----------------|----------------------------|------------------------|-----------------|------------------------|
| KSB – SWB – SC | 0.113 | 0.120 | 0.059 | 1,910 | 0.028 | Able to Mediate |
| KSB – SWB – SCA | 0.179 | 0.188 | 0.058 | 3.102 | 0.001 | |

Source: Processed primary data by the authors (2024)

Hypothesis testing is carried out after fulfilling the data quality test requirements or when indicators that do not meet the requirements have been removed from the model. Hypothesis testing conditions are carried out with a significance probability level (α) = 0.05. Acceptance of the hypothesis is carried out when the t value statistics > t value table, namely 1.96 (for $p < 0.$). The direction of hypothesis testing is indicated by the original sample value.

Figure 1 Structural Model Testing



Source: Output SmartPLS Algorithm (2024)

DISCUSSION

Knowledge of Sharia Banking has a positive and significant effect on Sharia Compliance

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The results of empirical testing in this PLS Path research show that Knowledge of Sharia Banking has a significant positive effect on Sharia Compliance. It is based on the value the original sample shows a positive number (0.441); t - statistic $k(5, 071) > t$ -table (1.96) and p -value (0.000) < 0.05 . Based on the test results, it is proven that knowledge about sharia banking has a crucial role in maintaining and ensuring sharia compliance in Islamic banking operations. Knowledge of Islamic banking enables professionals in this industry to understand the basic principles that must be followed in accordance with Islamic law.

Knowledge of Sharia Banking has a positive and significant effect on Sharia Compliance, as it equips individuals and institutions with a deeper understanding of the principles and guidelines that govern Islamic financial activities. A higher level of Sharia banking knowledge ensures that banks and financial institutions adhere strictly to the principles of Sharia, such as the prohibition of interest (riba), avoidance of uncertainty (gharar), and investment in permissible (halal) activities. By enhancing the comprehension of these concepts, stakeholders are more capable of implementing Sharia-compliant products and services, which fosters trust and integrity within the Islamic financial system. This alignment between knowledge and compliance ensures that operations remain ethically and religiously sound, promoting greater adherence to Sharia standards.

This includes the prohibition of usury, the prohibition of investment in haram businesses, and the observance of the principles of economic justice. Thus, it can be said that sharia compliance is the main goal, where knowledge about sharia banking is a basis for clear direction regarding the steps necessary to maintain compliance with sharia principles. The results of this research confirm the theory in formulating the hypothesis and several previous studies which explain that knowledge of sharia banking has a significant positive effect on sharia compliance (Mulazid, 2016; Nurcahyo & Wikaningrum, 2020; Su'un et al., 2018; and Syarifuddin & Mahesa, 2020).

Knowledge of Sharia Banking has a positive and significant effect on Spiritual Well-Being

The results of empirical testing in this PLS Path research show that knowledge of sharia banking has a significant positive effect on spiritual well-being. It is based on the value the original sample shows a positive number (0.375); t -statistic $k(4, 233) > t$ -table (1.96) and p -value (0.000) < 0.05 . The results of this research confirm the theory in the formulation of the hypothesis and several previous studies which explain that knowledge of sharia banking has a significant positive effect on spiritual well-being (Abdullah & Rahman, 2007; Adawiyah, 2015; Latif, 2019; and Siregar & Siregar, 2020). Knowledge of Islamic banking helps one to understand the Islamic principles underlying financial activities, such as the prohibition of usury (usury), investment in haram businesses, and unethical speculation.

Knowledge of sharia banking has a positive and significant effect on spiritual well-being, as it aligns financial practices with the ethical and moral teachings of Islam, promoting a sense of peace and spiritual fulfillment. By understanding and applying Sharia-compliant financial principles, such as the avoidance of interest (riba), uncertainty (gharar), and engagement in halal economic activities, individuals feel more confident that their financial transactions adhere to Islamic values. This alignment between personal financial decisions and religious beliefs can enhance a person's spiritual well-being, as it provides a sense of harmony between faith and daily life (Latif, 2019); (Mulazid, 2016). Moreover, engaging in Sharia-compliant banking fosters trust and moral responsibility, leading to greater contentment and spiritual satisfaction.

By observing these principles, individuals can feel closer to their religious values and increase their adherence to Islamic teachings. Knowledge of Sharia Banking also includes the concept of zakat (charitable donations) and concern for underprivileged communities. By having this understanding, a person can feel a deeper connection with society and feel responsible for making a positive contribution to social welfare. This can provide a sense of spiritual satisfaction and increase the feelings of humanity.

Knowledge of Sharia Banking has a positive and significant effect on Sustainable Competitive Advantage

The results of empirical testing in this PLS Path research show that Knowledge of sharia banking has a significant positive effect on SCA. It is based

on the value the original sample shows a positive number (0.282); t - statistic $k(2, 651) > t\text{-table}(1.96)$ and p-value $(0.004) < 0.05$. In-depth knowledge of sharia principles in banking enables sharia financial institutions to integrate the values of ethics, justice, and sustainability in their operations. This can create a positive reputation among customers who care about ethical and social values. In addition, a strong knowledge of sharia principles can increase customer trust. Customers seeking products and services that comply with sharia principles will be more likely to choose financial institutions that consistently understand and apply these principles. Therefore, it can create a competitive advantage as more consumers look for options that align with their values. The results of this research confirm the theory in formulating the hypothesis and several previous studies that explain that knowledge of sharia banking has a significant positive effect on sustainable competitive advantage (Faozan, 2014; Irham, 2019; Harun et al., 2015).

Spiritual Well-Being has a positive and significant effect on Sharia Compliance

The results of empirical testing in this PLS Path research show that Spiritual well-being has a positive and significant effect on Sharia Compliance. It is based on the value the original sample shows a positive number (0.302); t - statistic $k(2, 503) > t\text{-table}(1.96)$ and p-value $(0.006) < 0.05$. The results of this research show that high spiritual awareness can increase understanding and compliance with sharia principles. Individuals with good spiritual inclinations are more likely to understand the importance of compliance with Islamic laws in financial transactions. When people achieve spiritual balance, they tend to deepen Islamic values such as justice and honesty. This contributes to the conformity of Islamic values, which are the basis of Sharia Compliance. Thus, this research confirms the theory in formulating the hypothesis and several previous studies which explain that there is a positive and significant influence between Spiritual well-being towards Sharia Compliance (Baljani et al., 2014; Dodge et al., 2012; Grassa, 2013; and Usman et al., 2017).

Spiritual Well-Being has a positive and significant effect on Sustainable Competitive Advantage.

The results of empirical testing in this PLS Path research show that spiritual well-being has a positive and significant effect on sharia compliance.

It is based on the value the original sample shows a positive number (0.478); t -statistic $(4, 960) > t$ -table (1.96) and p -value $(0.000) < 0.05$. The results of this research confirm the theory in the formulation of the hypothesis and several previous studies which explain that spiritual well-being has a positive and significant effect on sustainable competitive advantage (Ardiansyah et al., 2022; Jafari et al., 2014; and Saadatyar et al., 2020). Spiritual well-being includes dimensions of a person's spiritual life, including moral values, ethics, and life goals that are based on religious principles. The existence of spiritual values in sharia banking organizations can create a strong culture of business ethics. Good business ethics will strengthen customer and community trust, which in turn can increase business sustainability and competitive advantage in the long term. In the scope of sharia banking, the application of spiritual well-being tends to build a strong reputation for sharia compliance and integrity. Customer trust is a precious asset and can provide a sustainable competitive advantage. Apart from that, Spiritual well-being can be integrated into marketing strategies to attract market segments that care about spiritual values. Sharia banking can communicate its commitment to spiritual well-being and attract the attention and loyalty of customers and potential customers.

Spiritual Well-Being is able to mediate the relationship between Knowledge of Sharia Banking and Sharia Compliance

The results of the mediation test on the first path, KSB - SWB - SC, indicate that the SWB (Spiritual Well-Being) variable is a significant mediator between KSB (Knowledge of Sharia Banking) and SC (Sharia Compliance). This is evidenced by the t -statistic value of 1.910, which is greater than the t -table value of 1.96, and a p -value of 0.028, which is less than 0.05. Therefore, the hypothesis that SWB mediates the relationship between KSB and SC is accepted. The original sample value (O) of 0.113 indicates that the indirect effect of KSB on SC through SWB is positive, although not particularly strong. This suggests that the higher the level of spiritual well-being (SWB), the stronger the influence of knowledge of sharia banking on sharia compliance.

The results of empirical testing in this PLS Path research show that spiritual well-being can mediate the relationship between knowledge of sharia banking and sharia compliance, although the influence of knowledge of sharia banking on sharia compliance individually is stronger than the mediation effect. The sharia banking system encourages fairness and ethics

in financial transactions. Some of them are the concept of sharing risks and profits in financing, as well as prohibiting unfair practices. Knowing and practicing these values in financial life can provide spiritual satisfaction because individuals feel they are contributing to collective prosperity and implementing the values of justice. Individuals who achieve Spiritual well-being have a higher level of awareness of their connection to God. This awareness can motivate someone to obey God's laws contained in the sharia because they consider it a form of worship and obedience to the Creator. This influence strengthens the relationship between knowledge about sharia banking and compliance with sharia principles.

Spiritual Well-Being is able to mediate the relationship between Knowledge of Sharia Banking and Sustainable Competitive Advantage

In the second path, KSB - SWB - SCA, the mediation test also shows that SWB acts as a significant mediator between KSB and SCA (Sustainable Competitive Advantage). The t-statistic value of 3.102, which is greater than the t-table value of 1.96, and the p-value of 0.001 (less than 0.05) confirm the significance of this mediation. With an original sample value of 0.179, the indirect effect of KSB on SCA through SWB is positive and stronger compared to the first path. This indicates that sharia product knowledge not only influences sharia compliance but also plays a role in enhancing sustainable competitive advantage. Therefore, it can be concluded that sharia product knowledge is crucial in strengthening the relationship between knowledge of sharia banking and sustainable competitive advantage.

The results of empirical testing in this PLS Path research show that spiritual well-being is able to mediate the relationship between knowledge of sharia banking and sustainable competitive advantage. Based on the results in Tables 2 and 3, it can be seen that spiritual well-being strengthens the influence of knowledge of sharia banking on sustainable competitive advantage. Proper understanding and application of sharia principles will create a competitive advantage for financial institutions that are not only economically sustainable but also in accordance with the social and ethical values held by their customers. Knowledge of Islamic banking and one's spiritual well-being can also be a basis for facing challenges and changes in the business environment. Organizations that have a strong spiritual foundation

tend to be more flexible and can adapt to change better, thereby driving sustainable competitive advantage and maintaining it in the long term.

CONCLUSION

The results of empirical testing in this research show that the overall hypothesis is accepted, and spiritual well-being is proven to be able to mediate each relationship between knowledge of sharia banking with sharia compliance and sustainable competitive advantage. Even though it has been proven to be able to mediate between the two, the most significant mediating influence of spiritual well-being is between knowledge of sharia banking and sustainable competitive advantage.

Theoretical implications of this research include increasing sustainable competitive advantage through knowledge of sharia banking and sharia compliance from a spiritual well-being perspective, which has significant theoretical implications in the context of Islamic economics and finance. This concept connects the principles of Islamic finance with efforts to obtain sustainable competitive advantage while considering the spiritual well-being dimension of society. First, increasing knowledge of sharia banking among financial industry players can increase the effectiveness and efficiency of Islamic financial institutions in managing risks and providing products that comply with Islamic principles. By understanding the principles underlying sharia banking, these institutions can design products and services that are more innovative and suited to the needs of Muslim communities, which in turn can increase their appeal in the market.

The study about BSI in Semarang Residency and Salatiga City has several practical implications. From a spiritual well-being perspective, implementing this strategy can provide real benefits for the bank, employees, customers, and the wider community. For example, the bank can invest resources to increase employee knowledge regarding Sharia banking principles. Focused training and development will help employees understand the principles underlying Islamic financial products and services. This will enable them to provide better customer service, thereby increasing customer trust and satisfaction. Banks must ensure that they comply with all Sharia principles in every aspect of their operations. This includes product preparation, investment processes, and daily transactions. Consistent compliance will help build the bank's reputation as a trustworthy financial institution with integrity in the public perception.

The novelty of this research regarding the phenomenon was found. Banks that are able to integrate Islamic principles in their business strategy tend to have a stronger competitive advantage in the Islamic finance industry. They are able to attract more customers who prioritize spiritual values in their financial decisions. Furthermore, this research finds that improving people's spiritual well-being is important in strengthening bank SCA. Banks that succeed in creating an environment that supports spiritual values and empowers local communities tend to have stronger relationships with their customers and communities, which in turn increases loyalty and trust. The implications of this research are very relevant for the Islamic finance industry, especially for BSI in Semarang Residency and Salatiga City. These findings can help these banks optimize their business strategies, develop products and services that better suit customers' needs and values, and increase their contribution to the spiritual well-being of their communities. Thus, this research not only provides a valuable academic contribution but also has significant practical implications for the Islamic finance industry in Indonesia.

LIMITATIONS

This study has several limitations that should be noted. First, the research only involves respondents from a single institution, namely BSI in Semarang Residency and Salatiga City, which may limit the generalizability of the findings to all Islamic banks in Indonesia. Second, the data collected through questionnaires may be subject to respondent bias, such as the tendency to provide answers perceived as more positive or aligned with expectations. Third, while this study uses the SEM-PLS method for data analysis, there are limitations in gaining a deeper understanding of other factors that might influence sustainable competitive advantage, which were not explored in detail in this research. Additionally, the study's cross-sectional design only captures a snapshot of the variables at a specific time, limiting the ability to observe changes over time or to establish causal relationships. Future studies are encouraged to broaden the scope of respondents from various Islamic banking institutions, utilize longitudinal research designs, and apply triangulation methods to enhance the validity and robustness of the findings.

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