Inovbiz: Jurnal Inovasi Bisnis 14 (2026) 06-01
INOVBIZ
Website: www.ejournal.polbeng.ac.id/index.php/IBP
Email: inovbiz@polbeng.ac.id

Competitive Advantage Strategies Of Indonesian Digital Banks In The Era Of Banking Revolution And Financial Transformation

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ARTICLE INFO

Received: 26 Mei 2026
Received in revised: 28 Mei 2026
Accepted: 29 Mei 2026
Published: 01 June 2026

Open Access

ABSTRACT

Digital transformation has driven the emergence of digital banks as innovative alternatives in Indonesia's banking industry. However, digital banks in KBMI 1 and 2 categories face strategic challenges in building competitive advantage amid the dominance of major KBMI 4 banks and increasing customer expectations. This study aims to analyze the competitive position of ten Indonesian digital banks using the Competitive Profile Matrix (CPM) approach based on nine key financial ratios: CAR, CIR, NPL, NIM, CASA, LDR, ROE, ROA, and BOPO. The results show that BBHI ranks highest with a score of 3.28, followed by ARTO and AMAR, while BBKP ranks lowest. This study contributes to regulators, bank management, and investors in formulating data-driven strategies to enhance the competitiveness of digital banks.

Keywords: *Digital banks, Competitive strategy, CPM, Financial ratios, KBMI*

1. Introduction

Add The advancement of digital technology has triggered a major transformation in the global banking industry, including in Indonesia. The ongoing banking revolution is not only altering the way banks operate but also redefining the relationship between financial institutions and their customers. In this context, digital banks have emerged as entities that go beyond merely digitizing conventional services; they adopt entirely new business models that are technology-driven. Banks classified under KBMI 1 and 2 groups, such as Bank Jago, Bank Neo Commerce, and Bank Aladin Syariah are prime examples of this transformation, where innovation and operational efficiency form the core of their competitive advantage strategies. According to (Rahmadana, 2022) fast and efficient service quality is key to building customer reputation and loyalty, which is essential in the digital banking model.

The digital transformation undertaken by Indonesian digital banks, especially those from the KBMI 1 and 2 categories, aligns with shifting consumer behaviors that increasingly rely on technology-based services. (Kitsios et al., 2021) emphasize that an effective digital strategy directly affects the adoption rate of electronic banking services, compelling banks to respond with continuous innovation. In this regard, mobile banking as a tangible manifestation of digitalization has proven to improve both efficiency and accessibility of financial services(Fuddin et al., 2023). The ability of banks to deliver services without dependence on physical branches makes them more flexible and responsive to dynamic customer expectations. Furthermore, (Pramitasari & Nanggala, 2023) show that the utilization of mobile banking significantly contributes to the competitive advantage of digital banks, particularly when facing pressure from conventional banks and fintech entities.

The Financial Services Authority (OJK) has strengthened the national banking system structure through the Core Capital Based Bank Group (KBMI) classification. This policy aims to match the operational complexity of banks with their capital capacity and to promote efficiency and financial stability (Kusuma & Hidayati, 2023; Novira, 2023). Banks within KBMI 1 and 2 have core capital under IDR 6 trillion and IDR 6–14 trillion,

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respectively, requiring them to develop differentiation strategies to compete with larger KBMI 4 banks that dominate approximately 60% of the national banking industry's assets (Mawardi et al., 2023). In this context, digitalization become both rational and strategic. (Subrini et al., 2024) suggest that the implementation of KBMI policies can help smaller banks improve profitability through technology-driven efficiency and innovation. The use of analytical tools such as the Competitive Profile Matrix (CPM) and key financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Loan-to-Deposit Ratio (LDR), and Non-Performing Loans (NPL) is highly relevant in measuring the competitive position of digital banks. These ratios offer objective insights into financial performance and operational efficiency, which are key indicators for assessing the success of competitive strategies. Research by (Khalifaturofi'ah, 2021) and (Ferli et al., 2022) confirms a positive correlation between cost efficiency, liquidity management, and enhanced bank profitability. These findings indicate that digital banks capable of leveraging technology to boost efficiency have a high potential to achieve superior financial performance. In this regard, indicators such as BOPO, CAR, CIR, and CASA ratios serve as critical metrics for evaluating the effectiveness of digital strategies implemented by KBMI 1 and 2 banks.

Digital banking transformation is not limited to operational aspects but also includes product and service innovations to align with the ever-changing market preferences. (Galazova & Магомаева, 2019) highlight the importance of strategic priorities in digitalization to foster relevant banking service innovations. Digital banks in Indonesia have adopted advanced technologies such as Cloud Computing, Artificial Intelligence (AI), Big Data, and Blockchain to enhance service efficiency and value (Jaya et al., 2024). Studies by (Indah et al., 2023; Lytvyn et al., 2024) underline that digital banks offer advantages such as easy access, efficient service fees, and seamless transactions through digital platforms factors that appeal strongly to millennials and Gen Z. This strategy is effective not only in retaining existing customers but also in acquiring new market segments aggressively and measurably.

Offering higher deposit interest rates has become a concrete strategy for digital banks to attract younger consumers. As of March 2025, the average deposit rate for KBMI 1 and 2 banks stood at 3.16% per annum slightly higher than that of other bank groups but still below the industry average of 4.13%. Research by (Pramana & Suryani, 2024) reveals that younger generations tend to prefer banking products that offer high financial returns and technology-based ease of access. With low operational cost structures due to digitalization, digital banks have the flexibility to offer more attractive returns, thereby boosting their competitiveness in the market. (Murtiningrum, 2024) emphasizes that operational efficiency is a key determinant of profitability and sustainability in digital banking, supporting their capacity to offer higher yields.

The successful digital transformation of institutions such as PT Bank Jago Tbk (ARTO) demonstrates how the implementation five domains of digital transformation can significantly enhance banking performance (Linggadjaya et al., 2022). (Kurniawan et al., 2021) further confirm that digital transformation affects not only quantitative aspects but also transforms the way services are delivered to customers. (Rizieq, 2024) shows that the flexibility to conduct transactions anytime and anywhere is a major value proposition of digital banks. The success of this model requires adaptive regulatory support, as highlighted by (Dewantara & Sitorus, 2022), who advocate for the emergence of new bank models such as neobanks and telco-based banks. Therefore, Indonesia's digital banking competitive strategy in the era of banking revolution must consider technology, regulations, consumer behavior, and financial indicators as the foundation for strategic decision-making.Given these dynamics, it is crucial for Indonesian digital banks to develop competitive advantage strategies based on the integration of information technology, service quality, and solid financial management leveraging the CPM framework and key financial ratios as evaluation tools to assess the competitive positioning of KBMI 1 and 2 digital banks.

In the era of accelerating digital transformation, Indonesian digital banks, particularly those in the KBMI 1 and 2 groups, face significant challenges in establishing competitive advantages amid the dominance of larger KBMI 4 banks. The main problem in this research lies in how to systematically and measurably assess and compare the competitive advantages among digital banks, considering a combination of financial performance and digital strategy implementation. Although digital banks offer efficiency, accessibility, and service innovation, there is still a lack of comprehensive, data-driven methodologies to evaluate their competitive positioning. Therefore, this study aims to analyze the competitive strategies of Indonesian digital banks using the Competitive Profile Matrix (CPM) integrated with key financial indicators such as ROA, ROE, NIM, LDR, CAR,

NPL, CIR, CASA, and BOPO. CPM is used to identify and assign weights to Critical Success Factors (CSFs), while financial ratios reflect actual performance in terms of efficiency, profitability, risk, and solvency. The specific objectives of this study are: (1) to identify and assess CSFs in digital banks' competitive strategies using the CPM approach; (2) to analyze the financial performance of KBMI 1 and 2 digital banks as a basis for evaluating competitive positions; and (3) to determine the best-positioned digital bank as a reference for investment decision-making by investors and stakeholders. The novelty of this study lies in the integration of the CPM method with sector-specific financial ratios in digital banking, and its focus on relatively small banks with high growth potential. This approach contributes theoretically and practically to the development of competitive assessment methodologies for digital banks, while also providing a framework that can be adopted by regulators, investors, and management in making data-driven strategic decision.

2. Research Methodology

This study is categorized as applied research, as it aims to address practical problems and produce solutions that can be directly implemented in the context of Indonesia's digital banking industry. The primary focus of this research is to analyze the competitive strategies of digital banks that fall under the KBMI 1 and KBMI 2 groups, namely banks with core capital under IDR 14 trillion, in accordance with the classification by the Financial Services Authority (OJK) based on POJK No. 12/POJK.03/2021. According to (Sekaran & Bougie, 2017), applied research is designed to solve real-world issues, particularly in professional settings that demand fast, data-driven solutions. This study adopts a descriptive quantitative approach with comparative analysis, emphasizing the measurement and evaluation of financial ratios as the foundation for assessing competitive advantage. This approach is appropriate as it utilizes numerical data obtained from secondary sources such as financial reports and official publications, allowing for an objective assessment of the actual performance of digital banks.

Moreover, the integration of the Competitive Profile Matrix (CPM) strengthens the analytical framework by enabling relative evaluation among banks based on Critical Success Factors (CSFs). The research steps begin with the identification and selection of strategic indicators based on literature and empirical findings, followed by determining the weight of each indicator using a participatory method via questionnaires. These questionnaires, designed as written questions answered by respondents primarily experts and practitioners in finance and banking who were previously interviewed informally serve as the data collection tool (Sekaran & Bougie, 2017). The purpose of this method is to ensure that the weights assigned to each indicator truly reflect their relevance and urgency in the context of competitive strategy for digital banks (Fred R. David, 2011).

Each financial ratio used such as ROA, ROE, NIM, CAR, LDR, NPL, CIR, CASA, and BOPO is derived from at least two elements of financial statements that represent aspects of efficiency, profitability, risk, and liquidity (Arafat et al., 2025). In the analysis phase, each bank is scored based on its actual performance against these indicators. These scores are then processed into the Competitive Profile Matrix to generate a comparative overview of the banks' competitive positions. The results of this analysis not only provide a clear mapping of each digital bank's strengths and weaknesses but also serve as a foundation for formulating strategic recommendations. These recommendations aim to guide the enhancement of each bank's competitiveness and identify the most strategically positioned digital bank as a key reference for investment decisions and relevant banking policies.

Table 1. Competitive Profile Matrix

Critical Succes Factors	Weight	Company 1		Company 2		Company 3	
Identification of Key Competitors and Their Strengths and Weaknesses in Both Internal and External Environments	Weighting of Factor Assessments	Rating	Score	Rating	Score	Rating	Score

Source: (Fred R. David, 2011)

According to (Fred R. David, 2011), the construction of a Competitive Profile Matrix (CPM) involves several systematic steps. First, identifying the company's major competitors along with their relevant strengths and weaknesses in relation to the company's strategic position, which are listed in the first column. Second, assigning weights to each critical success factor in the second column, using a scale from 0.0 (not important) to 1.0 (very important), where the weights reflect the relative importance of each factor to success within the industry. Third, rating each competitor based on internal and external issues using a scale of 1 to 4, where 4 indicates a major strength, 3 a minor strength, 2 a minor weakness, and 1 a major weakness. Fourth, calculating the weighted scores by multiplying each factor's weight by the assigned rating, resulting in a total score that reflects the overall competitive position of each company within the industry.

3. Result & Discussion

The emerging ecosystem in digital banking reflects a comprehensive transformation in how financial services are delivered and managed, driven by digitalization and collaboration between traditional banks and fintech companies. This collaboration enables service innovation through the synergy of fintech's technological capabilities and the established infrastructure of banks, as explained by (Drasch et al., 2018). However, digitalization also introduces new challenges, particularly in risk management, which must adapt to market dynamics and economic uncertainty, as highlighted by (Meta & Arafat, 2024; Mikkelsen & Poeschl, 2020). In addition, the shift toward data-driven business models requires banks to leverage consumer behavior analytics to enhance efficiency. Therefore, this ecosystem is not merely about technology adoption but also involves changes in strategy, structure, and mindset, requiring active engagement from all stakeholders to build a healthy and sustainable digital financial system.

The development of digital banks in Indonesia is not only determined by their classification within the KBMI groups, but also by the extent to which each bank is integrated into the broader digital economy ecosystem. Bank Jago Tbk (ARTO), which is classified under KBMI II, demonstrates a strong transformation model through its integration with the GOTO ecosystem and various fintech platforms such as Bibit, Stockbit, KoinWorks, and Hijra Bank. This integration strengthens its position as a fully ecosystem-based digital bank.

Still within KBMI II, KB Bukopin Tbk (BBKP) is part of the KB Kookmin Bank Group, reflecting the role of global banking networks in supporting Indonesia's banking development. Meanwhile, Allo Bank Indonesia Tbk (BBHI) shows strong ecosystem expansion through its association with CT Corp and collaborations with major digital players such as Bukalapak, Grab, Traveloka, and Salim Group, making it one of the banks with the widest digital ecosystem integration.

In the KBMI I group, Bank Raya Indonesia Tbk (AGRO) plays a strategic role as a "digital attacker" within the BRI Group ecosystem to expand digital financial services, particularly in the retail and MSME segments. Bank Neo Commerce Tbk (BBYB) has also developed through partnerships with the Akulaku Group and Kredivo, strengthening its platform-based digital financial services. Similarly, Bank Aladin Syariah Tbk (BANK) presents a sharia-based digital banking model supported by various partners such as Alfamart, Alfamidi, Flip, Muhammadiyah, Halodoc, as well as Google Cloud and ZA Tech, which collectively enhance sharia financial inclusion through digital channels.

In addition, Bank Capital Indonesia Tbk (BACA) is still in a transitional stage, focusing on digital transformation and shifting its business strategy toward retail and MSME segments. Bank Oke Indonesia Tbk (DNAR) has also begun its digital transformation following its acquisition, although it is still not officially categorized as a digital bank and continues to operate physical branches. Bank Victoria International Tbk (BVIC), on the other hand, still operates as a conventional bank with limited levels of digital adoption.

In contrast, Bank Amar Indonesia Tbk (AMAR) has already achieved a full digital banking transformation through the launch of the Tunaiku platform in 2015 and the development of a cloud-based, mobile-first banking application. Overall, the development of digital banks in Indonesia is highly heterogeneous, shaped by differences in core capital strength, digital strategy, and the depth of ecosystem integration, all of which collectively determine each bank's competitiveness in the digital financial landscape.

The descriptive table illustrates the diversity of characteristics and digital transformation strategies adopted by digital banks in Indonesia, including KBMI (Core Capital-Based Bank Group) classification, and integration with the emerging new digital economy ecosystem. PT Bank Jago Tbk (ARTO) and PT Bank Neo Commerce Tbk (BBYB) are notable examples of KBMI 1 and 2 banks that have embraced a collaborative, platform-based digital model. ARTO, for instance, is integrated with platforms such as GOTO, Bibit, Stockbit, and KoinWorks, while BBYB maintains strong ties with the Akulaku and Kredivo ecosystems. This approach enables broader financial service penetration through synergy with fintechs and investment applications that already have large user bases.

Meanwhile, PT Bank KB Bukopin Tbk (BBKP), remains in a transitional phase toward becoming a fully digital bank via a hybrid model, in contrast to the pure digital approach of ARTO. Other banks, such as PT Bank Aladin Syariah Tbk (BANK), are reinforcing their positions by targeting the niche Islamic finance market through strategic collaborations with modern retail networks like Alfamart and Alfamidi, highlighting the importance of retail based distribution as a differentiation strategy. On the other hand, several KBMI 1 banks such as BACA, DNAR, BVIC, and AMAR, while possessing smaller capital and less developed ecosystems, have begun gradually adopting digitalization strategies.This phenomenon reflects that a digital bank's competitive advantage ability to build an integrated digital ecosystem, establish strategic partnerships with fintech and retail sectors, and maintain flexibility in adopting either hybrid or fully digital business models. Therefore, banks that can effectively synergize digital assets, distribution networks, and financial technologies will be better positioned to navigate the disruptive dynamics of the banking.

Table 3. Summary of Weighted Assessment for Critical Success Factors in Financial Ratios

	Keys Succes Factor									Total
Expert	CAR	CIR	NPL	NIM	CASA	LDR	ROE	ROA	BOPO	
E1	5	5	5	5	5	5	5	5	5	45
E2	5	5	5	5	5	5	5	5	5	45
E3	4	4	4	4	5	4	5	5	4	39
Total	14	14	14	14	15	14	15	15	14	100
Average	4.7	4.7	4.7	4.7	5.0	4.7	5.0	5.0	4.7	43.0
Weight	0.11	0.11	0.11	0.11	0.12	0.11	0.12	0.12	0.11	1.00

Source: Process Data, 2026

Based on Table 3, which presents a weighted assessment summary of the Critical Success Factors (CSFs) in financial ratios, the findings indicate that all financial indicators received high average scores, signifying their substantial importance in evaluating the performance of digital banks from the perspective of experts. The assessment was conducted by three expert respondents (E1, E2, and E3) using a scale of 1 to 5, where the highest score (5) denotes a factor of critical importance. Factors such as Capital Adequacy Ratio (CAR), Cost to Income Ratio (CIR), Non-Performing Loan (NPL), Net Interest Margin (NIM), Current Account Savings Account (CASA), Loan to Deposit Ratio (LDR), Return on Equity (ROE), Return on Assets (ROA), and BOPO (Operating Expenses to Operating Income) were all rated as highly important, achieving a total score of 43. This total was used to calculate proportional weights for further evaluation.

CASA, ROE, and ROA emerged as the most strategic indicators, each receiving an average score of 5 and a corresponding highest weight of 0.12. This highlights that low-cost funding structure and profitability are top priorities in the success strategy of digital banks in the financial transformation era. Meanwhile, other factors such as CAR, CIR, NPL, NIM, LDR, and BOPO received an average score of 4.7 and individual weights of 0.11, indicating high importance though slightly below the top three indicators. The validity of this evaluation method is ensured through a rigorous aggregation and normalization process, resulting in a total weight sum of exactly 1.00, as required by analytical weighting methodologies.

Overall, these results affirm that in the context of managing and evaluating digital bank performance, strategic focus must be directed toward enhancing profitability and optimizing funding structure efficiency, along with serious attention to operational efficiency and credit risk management. These findings not only support the direction of digital banking transformation based on financial sustainability but also provide a quantitative foundation for developing more accurate, data-driven investment strategies and managerial policies.

Table 4. Result Financial Ratios

Ratio	ARTO	BBKP	AGRO	BBYB	BANK	BACA	AMAR	BVIC	DNAR	BBHI
CAR	44.40%	17.22%	44.29%	35.30%	64.96%	35.00%	126.31%	23.38	46.00%	82.58%
CIR	73.73%	146.31%	58.02%	31.47%	53.00%	54.00%	79.00%	21.53	47.95%	50.76%
NPL	0.16%	9.06%	3.22%	3.30%	0.02%	0.06%	10.25%	3.27	2.49%	0.81%
NIM	7.34%	1.31%	4.44%	17.30%	4.42%	0.66%	24.38%	2.22	5.58%	8.88%
CASA	52.95%	29.54%	27.50%	27.63%	27.84%	43.91%	27.84%	26.58%	23.63%	12.77%
LDR	94.08%	103.26%	87.62%	67.53%	0.30%	62.30%	267.68%	88.12	132.30%	122.69%
ROE	1.95%	-154.60%	1.59%	0.59%	-2.43%	2.75%	6.60%	3.41	1.41%	6.78%
ROA	0.73%	-7.55%	0.44%	0.10%	-0.90%	0.72%	5.85%	0.51	0.61%	4.48%
BOPO	92.35%	192.58%	96.68%	99.34%	109.29%	97.13%	84.14%	88.00%	93.64%	66.78%

Source: Process Data, 2026

In assessing the resilience and expansion readiness of digital banks in Indonesia, the Capital Adequacy Ratio (CAR) serves as a key indicator, as it reflects a bank's ability to absorb potential losses and maintain financial system stability (Prastiwi et al., 2022; Charisma et al., 2022). Although the Financial Services Authority (OJK) sets a minimum CAR requirement of 8% in accordance with Basel III standards (Alyssa & Lestari, 2022), most digital banks report significantly higher ratios. Eight out of ten banks have CAR levels above 30%, with AMAR, BBHI, and BANK recording ratios above 50%, indicating strong expansion readiness. Conversely, BVIC and BBKP display relatively weak capitalization, which may hinder their growth potential. The importance of CAR is further emphasized by (Hardianto et al., 2024), who state that CAR is not only a compliance indicator but also a reflection of long-term risk strategy and operational sustainability. Moreover, high capital adequacy has been shown to support better credit asset quality with lower NPL ratios (Hala, 2020; Malik et al., 2021).

Capital performance is closely related to operational efficiency, as reflected in the Cost to Income Ratio (CIR). A low CIR indicates effective management of operational costs relative to income generated (Kartika et al., 2025; Putri et al., 2025). BBYB and BVIC, with CIRs below 50%, rank as highly efficient, while ARTO, BACA, and BANK report CIRs above 60%, signaling efficiency weaknesses. BBKP is the least efficient, with a CIR exceeding 70%. These findings are consistent with studies highlighting the strong influence of cost efficiency on profitability and bank resilience (Jordy & Muchtar, 2025; Widarjono et al., 2022). Hence, operational efficiency must be considered a key factor in the growth and competitiveness strategies of digital banks.

Strong capital and efficiency support sound credit risk management, as indicated by the Non-Performing Loan (NPL) ratio. A low NPL ratio suggests high asset quality and effective credit risk management. In this regard, ARTO, BBHI, BACA, and BANK report NPL ratios below 2%, classifying them as very healthy. In contrast, AGRO, BBYB, and BVIC have NPLs above 3%, signaling potential issues in loan management. Maintaining consistently low NPLs is vital for sustaining profitability and stability, as affirmed by (Arsy et al., 2023) and Linggadjaya et al. (2024), who note that rising NPLs directly impact financial performance.

Aligned with credit risk management, the Net Interest Margin (NIM) reflects a bank's intermediation efficiency in generating net interest income. Banks such as ARTO, AMAR, BBHI, and BBYB report NIMs above 6%, demonstrating strong intermediation strategies. Conversely, BACA and BBKP record NIMs below 2%, indicating significant weaknesses in fund and loan management. Several studies have shown that high NIMs correlate with efficient management of low-cost funds and productive assets, which strengthens long-term profitability (Hardianto et al., 2024).

This intermediation efficiency is heavily influenced by funding structure, especially in terms of Current Account Savings Account (CASA). A high CASA ratio indicates cost-efficient funding and liquidity flexibility. However, no digital bank reported a CASA ratio above 60%. ARTO is the only bank in the minor strength category with a CASA between 45–60%, while most others fall below 30%, showing heavy reliance on expensive funding such as term deposits (Liao et al., 2023; Riani & Maulani, 2021). Thus, strengthening CASA is a critical strategy for supporting efficiency and liquidity stability.

The Loan to Deposit Ratio (LDR) also reflects intermediation effectiveness. AGRO, ARTO, and BVIC report LDRs between 80–100%, indicating optimal credit distribution with healthy liquidity. However, AMAR, BBHI, and DNAR have LDRs above 120%, suggesting aggressive strategies that may risk liquidity stability. Maintaining LDR balance is essential to preserving profitability while ensuring liquidity resilience, as stated by (Khasana et al., 2022).

Furthermore, the effectiveness of operations and capital management is reflected in Return on Equity (ROE). AMAR and BBHI record ROEs above 6%, indicating high efficiency in equity management. In contrast, BANK and BBKP show negative ROEs, reflecting a failure to generate economic value from capital. Strong ROE is a key indicator of investor confidence and a determinant of long-term success for digital banks (Sembiring & Wulandari, 2023).

High ROE is often aligned with Return on Assets (ROA), which measures a bank’s ability to convert assets into profits. BBHI and AMAR again demonstrate strength with ROAs above 2%, while most others remain below 1%, including BANK and BBKP, which recorded negative ROAs. Low ROAs suggest inefficient asset management, which needs to be addressed in mid-term operational strategies (Masruro et al., 2023; Sugiantari & Dana, 2019).
Finally, the Operating Expenses to Operating Income (BOPO) ratio provides a direct illustration of cost structure efficiency. BBHI reports a BOPO below 80%, categorized as highly efficient, whereas BANK and BBKP exceed 100%, reflecting major operational inefficiencies. Cost efficiency as shown by a low BOPO is vital in supporting profitability and improving ROA, especially within a digital ecosystem that demands a lean operational structure (Siswati et al., 2025; Supeno, 2022)

Table.5 Result Rating Competitive Profile Matrix

		AGRO		ARTO		AMAR		BACA		BANK		BBHI		BBKP		BBYB		BVIC		DNAR	
KSF	Weight	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*	*Rank*	*Score*
CAR	0.11	3	0.33	3	0.33	4	0.44	3	0.33	4	0.44	4	0.44	1	0.11	3	0.33	2	0.22	3	0.33
CIR	0.11	3	0.33	2	0.22	2	0.22	2	0.22	2	0.22	3	0.33	1	0.11	4	0.44	4	0.44	3	0.33
NPL	0.11	2	0.22	4	0.44	1	0.11	4	0.44	4	0.44	4	0.44	1	0.11	2	0.22	2	0.22	3	0.33
NIM	0.11	3	0.33	4	0.44	4	0.44	1	0.11	3	0.33	4	0.44	1	0.11	4	0.44	2	0.22	3	0.33
CASA	0.12	1	0.12	3	0.36	1	0.12	1	0.12	1	0.12	1	0.12	1	0.12	1	0.12	1	0.12	1	0.12
LDR	0.11	4	0.44	4	0.44	1	0.11	3	0.33	3	0.33	1	0.11	2	0.22	3	0.33	4	0.44	1	0.11
ROE	0.12	2	0.24	2	0.24	4	0.48	3	0.36	1	0.12	4	0.48	1	0.12	2	0.24	3	0.36	2	0.24
ROA	0.12	2	0.24	2	0.24	4	0.48	2	0.24	1	0.12	4	0.48	1	0.12	2	0.24	2	0.24	2	0.24
BOPO	0.11	2	0.22	2	0.22	3	0.33	2	0.22	1	0.11	4	0.44	1	0.11	2	0.22	3	0.33	2	0.22
Total	**1**		**2.47**		**2.93**		**2.73**		**2.37**		**2.23**		**3.28**		**1.13**		**2.58**		**2.59**		**2.25**

Source: Process Data, 2026

Based on the analysis of ten digital banks (AGRO, ARTO, AMAR, BACA, BANK, BBHI, BBKP, BBYB, BVIC, and DNAR) using nine weighted Key Success Factors (KSFs), it was found that BBHI recorded the highest overall performance score of 3.28, followed by ARTO (2.93), AMAR (2.73), and BBYB (2.59). BBHI's strength is reflected in its consistent performance across indicators such as CAR, NPL, NIM, ROE, and ROA, despite relative weaknesses in CASA and BOPO. In contrast, BBKP scored the lowest at 1.13, indicating widespread underperformance across nearly all evaluated KSFs. AGRO and BACA occupied mid-level positions with scores of 2.47 and 2.37, respectively, showing relative strength in CASA and stable performance in several other aspects. Meanwhile, although DNAR performed well on NPL and ROE, its high CIR and LDR values reduced its total score to 2.25.

These findings highlight that capital resilience (CAR), operational efficiency (BOPO), and profitability (ROE and ROA) are the primary determinants of digital banks' overall performance. Therefore, strategies focusing on cost efficiency improvements, credit risk management, and fund structure optimization are crucial to enhancing digital banks' competitiveness.

In the context of digital transformation and the Fourth Industrial Revolution, digital banks in Indonesia must not only adapt to technological changes but also build sustainable competitive advantage strategies. BBHI, as the bank with the highest aggregate score, demonstrates that successfully managing efficiency and profitability can yield a significant comparative advantage. ARTO, with a score of 2.93, reflects solid operational capability, although there is still room for improvement in cost efficiency. On the other hand, BBKP's position at the bottom underscores the need for substantial restructuring in efficiency, capitalization, and profitability strategies.

While CASA is considered a strategically important factor and often contributes to higher rankings in that category, it does not show a directcorrelation with overall scores. This suggests that a low-cost funding structure alone is insufficient to boost a digital bank's competitiveness without adequate operational efficiency and profitability While CASA is considered a strategically important factor and often contributes to higher rankings in that category, it does not show a directcorrelation with overall scores. This suggests that a low-cost funding structure alone is insufficient to boost a digital bank's competitiveness without adequate operational efficiency and profitability (Khabibah et al., 2020; Meta & Arafat, 2024). These findings reinforce the view of (Dierickx & Cool, 1989), who argue that competitive advantage is not solely determined by the accumulation of strategic assets but also by the effective management of risk and resources.

Competitive advantage in the digital banking sector cannot be built through technological innovation alone. As emphasized by (Hartini & Jakaria, 2020), technology investment mapping must be directed toward data-driven risk management systems and the integration of efficient operational processes. In this framework, transformation toward an

integrated financial ecosystem becomes imperative (Kang & Sohn, 2023). Strengthening efficiency and security in technology-based transactions is a critical prerequisite for achieving business sustainability and customer loyalty.

Therefore, the competitive strategy of digital banks in Indonesia must emphasize three main pillars: technology investments that enhance operational efficiency, analytics-based credit risk management, and the development of business models that support financial service integration. Within the broader framework of financial inclusion and national financial system transformation, the ability to create value through efficiency and technology-driven services will be the key determinant of long-term success for digital banks.

Based on fundamental analysis, BBHI (Allo Bank Indonesia Tbk.) and ARTO (Bank Jago Tbk.) both demonstrate promising growth potential, albeit with different risk profiles. BBHI shows efficient capital use with an ROE of 6.09% and ROA of 3.39%, as well as a healthy capital structure (DER 0.80), although its valuation remains relatively high with a PER of 41.83 and PBV of 2.55. BBHI's earnings performance is relatively consistent, as shown by an EPS CAGR of 18.51% from 2017–2025. Thus, despite its stock price stagnating since 2022, BBHI remains a viable option for medium- to long-term investment for investors with moderate risk tolerance who believe in the digital banking outlook.

In contrast, ARTO reflects an even higher valuation with a PER of 96.47 and PBV of 2.71, but this is coupled with lower profitability (ROE 2.81%, ROA 0.74%) and high leverage (DER 2.75), indicating greater financial risk. Although ARTO has achieved an EPS CAGR of 22.89% with a positive earnings trend since 2021, high market expectations are not yet fully supported by its fundamentals. Therefore, while both BBHI and ARTO have growth prospects in the digital banking sector, BBHI is more suitable for investors seeking fundamental stability with a relatively fair valuation, whereas ARTO is more appropriate for high-risk-tolerant investors with strong confidence in Bank Jago's long-term digital transformation success.

4. CONCLUSION

This study demonstrates that the competitive advantage of Indonesian digital banks in the era of financial transformation is not solely determined by the size of their capital or assets, but rather by operational efficiency, the strength of their funding structure (CASA), credit risk management, and profitability measured through key financial ratios. The use of the Competitive Profile Matrix (CPM) method integrated with critical financial ratios (ROA, ROE, NIM, LDR, CAR, NPL, CIR, CASA, BOPO) enables a comprehensive assessment of the competitive positioning of digital banks within the KBMI 1 and 2 categories.

The analysis ranks BBHI as the digital bank with the highest competitive score (3.28), reflecting dominance in operational efficiency and profitability. ARTO and AMAR follow with solid performance, while BBKP ranks lowest due to weak cost efficiency and financial performance. This confirms that the success of competitive strategies depends on the integration of mature digital transformation, efficient financial governance, and data-driven decision-making. Therefore, a superior digital banking competitive strategy should prioritize:

a) Strengthening cost-efficiency management (low CIR and BOPO);
b) Building a stable and low-cost funding structure (high CASA);
c) Implementing prudent credit risk management (low NPL); and
d) Achieving strong profitability performance (high ROE and ROA).

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