

Digital Transformation and *Sharia* Human Resources Management: Challenges and Opportunities in the Industrial Era 5.0

Nur Saebah^{1*}, Aah Khoriah², Tata Pramandani³, Dede Nursamsy⁴, Suhardiman⁵

Universitas Cendekia Mitra Indonesia, Indonesia^{1,5},

Universitas Bunga Bangsa Cirebon, Indonesia²,

Politeknik Siber Cerdika Internasional, Indonesia³,

Institut Islam Kuningan, Indonesia⁴

Corresponding Author: saebah47@gmail.com¹, qoriahaah97@gmail.com²,

tatapramandani@gmail.com³, dedesamsy28@gmail.com⁴,

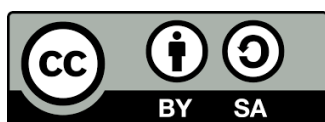
suhardimansuhardiman1@gmail.com⁵

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ABSTRACT

The Industrial 5.0 era demands humanistic human resource (HR) management, while the fast-growing Islamic finance industry faces the pressure of digital transformation that often exceeds the readiness of its human resources. This research aims to identify the challenges and opportunities of *sharia* HR management in facing digital transformation in the Industrial 5.0 era and formulate a strategic framework for its management. The research uses a qualitative approach with a case study design on Islamic banks, combining primary data from semi-structured interviews with management, questionnaires on licensed employees, and field observations, which are analyzed with the Miles and Huberman model and triangulation of sources and techniques. The results of the study show that the readiness of *sharia* values and ethics is high, while the readiness of digital competencies and human-technology collaboration is still lagging behind, so that the core of the problem shifts from compliance to talent development. The research concludes that *sharia* values, such as *niyyah*, *amanah*, *itqan*, and justice, function as a humanistic bridge that links technology adoption with *the human-centric* orientation of Industry 5.0, so that it becomes a comparative advantage, not an obstacle to modernization. The implication is that Islamic financial institutions need to shift the orientation from administrative compliance to the development of talents that are digitally competent and spiritually strong.



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INTRODUCTION

The world is entering a new phase of the industrial revolution known as the Industrial Era 5.0, a paradigm that no longer puts automation and machine efficiency at the center, but rather restores humans (human-centricity) as the main actors collaborating with intelligent technologies. If Industry 4.0 is characterized by digitalization, big data, and artificial intelligence, then Industry 5.0 emphasizes the synergy between technological capabilities and the values of humanity, sustainability, and resilience (Hunková & Čížmárik, 2024). This shift presents a global challenge for human resource

management (HRM) practices, as organizations are required not only to adopt digital technologies, but also to balance them with employee well-being, ethics, and work meaning. Various studies show that the transformation towards Industry 5.0 creates a tension between the demands of technology-based productivity and the need to maintain the humanistic dimension in the world of work.

In the midst of these global trends, the Islamic finance industry is growing rapidly and facing specific digital transformation pressures. Global Islamic financial assets will reach around USD 5.5 trillion in 2024, grow 12% compared to the previous year, and are projected to reach USD 7.5 trillion by 2028 (Standard Chartered, 2025). This growth requires the availability of human resources who are not only technically and digitally competent, but also have a deep understanding of Islamic principles. The problem arises because digital transformation in Islamic financial institutions often runs faster than the readiness of human resources. Digitalization has been proven to affect the effectiveness of human resource management in Islamic banks, but its implementation faces obstacles to digital competency gaps, infrastructure limitations, and the risk of eroding the spiritual dimension in work relationships (Putri & Rahmawati, 2023). This is the specific problem that this study focuses on: how *sharia* human resource management can adapt to digital transformation without losing its Islamic value identity in the Industry 5.0 era.

Several previous studies have highlighted this issue from different angles. First, Iskandar and Prasetyo (2026) through a literature study found that the transformation of MSDM in Islamic financial institutions requires a holistic approach that combines technical competence (*kafa'ah*), managerial competence, and moral-spiritual character (*himmah*) based on Islamic values, applied from recruitment to a fair compensation system (*'adl*). Second, Putri and Rahmawati (2023) empirically prove that the application of digital technology has a significant effect on the effectiveness of human resource management in Islamic banks, although it is not optimal due to the limitations of employees' digital competencies. Third, Hunková and Čížmárik (2024) through a systematic review confirm that Industry 5.0 demands a reorientation of strategic human resources towards a more humanistic and sustainable direction, but their study focuses on the context of the Western manufacturing industry and has not touched on the dimension of religious values. From these three studies, it appears that the existing literature tends to discuss digital transformation and *sharia* values separately, or discuss Industry 5.0 without a *sharia* perspective.

The urgency of this research lies in these gaps. On the one hand, the Industrial 5.0 era demands humanistic human resources; on the other hand, Islamic human resource management has inherently contained humanistic principles through the concepts of human resources, trust, and justice, but has not been positioned as a strategic response to digital transformation. In fact, the rapid growth of the global Islamic finance industry requires a human resource management framework that is able to bridge technological advances with value integrity. Without this kind of framework, Islamic financial institutions risk losing competitiveness and experiencing the erosion of their Islamic identity.

The novelty of this research lies in the effort to integrate three domains that have been studied separately, namely digital transformation, *sharia* human resource management, and the Industry 5.0 paradigm, into one complete analytical framework. This research positions the values of *sharia* human resources not as an obstacle to modernization, but as a humanistic foundation that is in line with the spirit of human-centricity of Industry 5.0. Thus, this research offers a new perspective that *sharia* principles can be a comparative advantage, not just a normative attribute, in dealing with digital disruption.

Based on this description, this research aims to, first, identify the challenges faced by *sharia* human resource management in facing digital transformation in the Industry 5.0 era; second, analyze opportunities that can be optimized through the integration of *sharia* values and digital technology; and third, formulate a strategic framework for *sharia* human resource management that is adaptive to Industry 5.0.

This research is expected to provide theoretical benefits in the form of enriching the scientific treasures of Islamic MSDM by linking it to the Industry 5.0 paradigm, as well as filling the gap in literature that integrates the three domains. Practically, the results of the research can be a reference for Islamic financial institutions, regulators, and practitioners in developing adaptive human resource development strategies. The implications of this research are strategic: the findings produced have the potential to encourage a shift in the orientation of Islamic human resource management from mere administrative compliance to the development of digitally competent talents as well as being spiritually strong, so as to be able to support the sustainable growth of the Islamic finance industry in the midst of global dynamics.

METHOD

This study used a qualitative approach with a case study design on an Islamic bank, with a descriptive-analytical approach. This approach was chosen because the purpose of this research is to deeply understand the challenges and opportunities of digital transformation for Islamic HR management in the Industrial 5.0 era in a real context, not to test the relationship between variables statistically. The case study design allows researchers to explore phenomena from various perspectives through various primary data sources.

The data source consisted of primary data and secondary data. Primary data were obtained from two groups of participants: (1) six informants from management elements who were purposively selected based on their involvement in digital transformation and human resources policies; and (2) 45 licensed employees as questionnaire respondents. Secondary data in the form of policy documents, official agency reports, and reputable scientific literature for the last five to six years, with primary references to Islam (Qur'an and Hadith) as the basis of values.

Data collection was carried out through three complementary techniques. First, semi-structured interviews with management using interview guidelines to explore

perceptions of digital transformation challenges and opportunities. Second, the dissemination of Likert scale questionnaires (1–5) to licensed employees to measure the five dimensions of readiness to face Industry 5.0. Third, direct observation of daily work practices to verify the findings of interviews and questionnaires.

Qualitative data was analyzed using the Miles and Huberman model through the stages of data reduction, data presentation, and conclusion drawn, while questionnaire data was analyzed descriptively in the form of an average score per dimension. The validity of the data was maintained through triangulation of sources and techniques, namely comparing the findings of interviews, questionnaires, and observations to ensure the consistency and credibility of the analysis results.

RESULTS AND DISCUSSION

General Description of Respondents

The study respondents consisted of 6 people from the management element (interview informants) and 45 licensed employees at Islamic banks which became the research locus. Licensed employees were selected because they hold key roles that require *sharia*-technical competence as well as digital adaptation. The composition of employee respondent characteristics is presented in Table 1.

Table 1. Characteristics of Licensed Employee Respondents (n = 45)

Features	Category	Quantity	Percentage
Gender	Male	24	53,3%
	Women	21	46,7%
Age	21–30 years old	19	42,2%
	31–40 years	18	40,0%
	> 40 years old	8	17,8%
Education	Diploma	7	15,6%
	Bachelor (S1)	32	71,1%
	Postgraduate (S2)	6	13,3%
Working period	< 5 years	20	44,4%
	5–10 years	17	37,8%
	> 10 years	8	17,8%
Certifications	<i>Sharia</i> certification	45	100%
	Formal digital training	18	40,0%

Table 1 shows that the majority of respondents are of productive age (21–40 years; 82.2%) and have a bachelor's degree. All respondents have obtained *sharia* certification, but only 40% have attended formal digital training. This gap is an important preliminary finding: readiness for *sharia* values is high, while readiness for digital competencies is still uneven.

Key Findings from the Interview with Management

In-depth interviews with six management informants resulted in four main themes. First, the theme of the urgency of digital transformation. All informants agreed that digitalization is no longer an option but a necessity to survive in the midst of competition in the Islamic finance industry, especially with the entry of Islamic fintech players. Second, the theme of the human resource competency gap. Management acknowledges that the speed of technology adoption is not balanced by employee readiness, especially in the aspects of data analytics and digital system literacy.

Third, the theme of value tension and technology. The informant highlighted concerns that automation can erode the depth of relationships and the spiritual dimension (*ihsan*) in service, so that the internalization of values becomes increasingly important precisely in the digital era. Fourth, the theme of human-centric strategy. Management tends to view *sharia* principles, such as trust and justice, as a foothold that is in line with the spirit of human-centricity of Industry 5.0, not as an obstacle to modernization. These findings strengthen the Preliminary argument that *sharia* values have the potential to be a comparative advantage, in line with Iskandar and Prasetyo (2026) who emphasize the integration of technical competence (*kafa'ah*) and moral-spiritual character (*himmah*).

Findings from the Licensed Employee Questionnaire

A Likert scale questionnaire (1–5) was distributed to 45 licensed employees to measure five dimensions of Industry 5.0 readiness. The results showed a pattern consistent with the interview findings, as visualized in Figure 1.

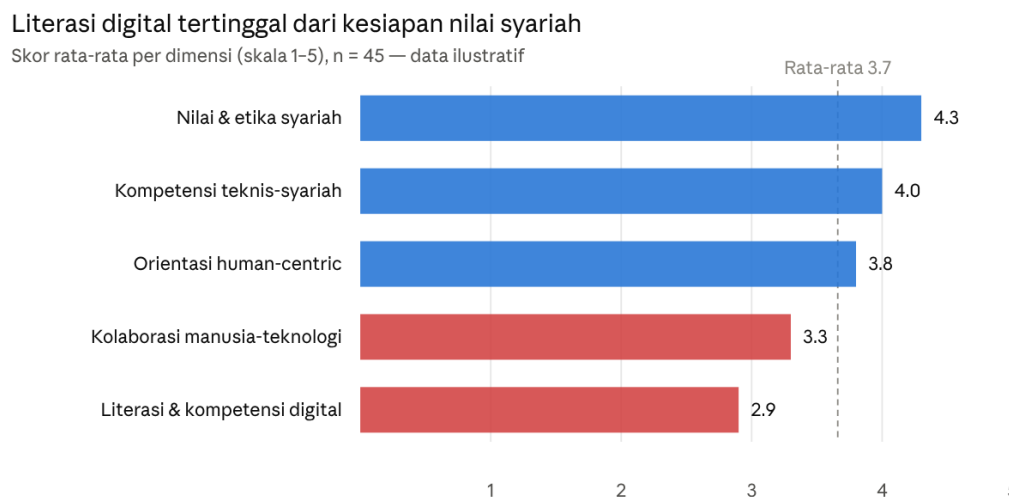


Figure 1. Questionnaire of 45 licensed employees, Likert scale 1–5

The dimensions of *sharia* values and ethics received the highest score (4.3), while digital literacy and competence occupied the lowest position (2.9), below the average line. This pattern confirms the readiness gap: the foundation of *sharia* values is already strong,

but digital capabilities and human-technology collaboration still need to be strengthened. These quantitative findings reinforce management's concerns about the interview results and are in line with Putri and Rahmawati (2023).

Observation Results

Observations were made on daily work practices to verify the findings of interviews and questionnaires. The results of the observations are summarized in Table 2, which assesses the level of implementation of a number of key indicators in the field.

Table 2. Summary of Field Observation Results

Observed indicators	Implementation Rate	Observation Notes
Use of digital systems in services	Height	The majority of transactions have been digitized
Leveraging data analytics for decisions	Low	Limited to specific staff
Application of <i>sharia</i> values in services	Height	Consistent in customer interactions
Human-technology collaboration	Medium	Not evenly distributed between units
Digital competency enhancement program	Low	Training is unstructured

Table 2 reinforces the pattern that emerged from the previous two sources. The application of *sharia* values and the use of basic digital systems are relatively high, but the utilization of data analytics and digital competency development programs is still low. Observations also found that human-technology collaboration, the core of the Industry 5.0 paradigm, has not run evenly between units. Thus, the three data sources convergently show one common thread: value readiness precedes digital readiness.

Visualization of Findings

Triangulation of the three data sources resulted in a synthesis framework summarized in Figure 2. The findings from interviews, questionnaires, and observations converge at one point: the readiness of *sharia* values is already high, while the readiness of digital competencies is still lagging behind.

Triangulasi tiga sumber data menuju kerangka SDM syariah Industri 5.0

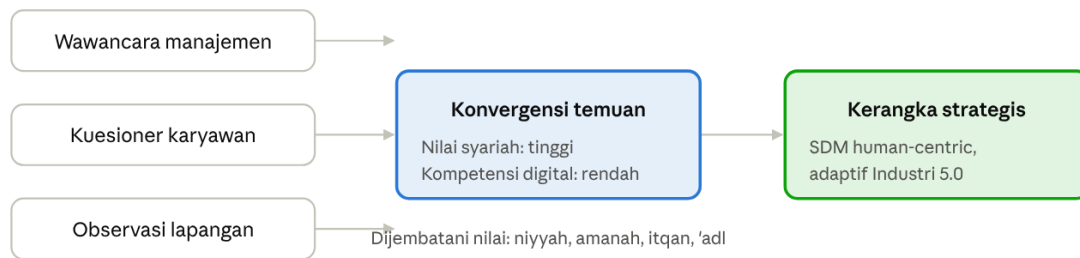


Figure 2. Framework of triangulation of research findings synthesis

This framework shows that the solution is not to choose between digitalization or *sharia* values, but to integrate both. Islamic work ethic values, such as *niyyah*, *amanah*, *itqan*, and justice ('*adl*'), serve as a bridge that links technology adoption with the *human-centric* orientation of Industry 5.0. Thus, this discussion answers all three research objectives: identifying challenges (digital competency gap and technology-value tension), mapping opportunities (*sharia* values as a humanistic foundation), and formulating an adaptive strategic framework for *sharia* human resource management. The implication is that Islamic financial institutions need to shift their orientation from administrative compliance to the development of digitally competent talents as well as spiritually strong.

Discussion

The finding that the readiness of *sharia* values precedes digital readiness is in line with a number of previous studies. The dominance of scores in the dimensions of *sharia* values and ethics confirms what Zaroni and Lestari (2025) found through bibliometric analysis, that the study of Islamic work ethic continues to move towards testing its impact on performance and job satisfaction. The strength of spiritual foundations is also consistent with Sobana, Hakiki, and Che Arshad (2026) and Rusdi and Hartono (2025), who found that Islamic work spirituality is positively related to employee welfare, meaning, and attachment, especially in financial institutions and zakat.

Meanwhile, the digital competency gap revealed from questionnaires and observations corroborates the findings of Putri and Rahmawati (2023) that digitalization is not optimal due to limited employee competencies. This is also relevant to Ardista and Munandar (2025) and Busti and Putra (2025), who show that HR digital practices and HR digitalization contribute to the competitive advantage and financial performance of Islamic banks, but their effectiveness depends on the readiness of human resources. Gunawan et al. (2026) added that employee competencies improve performance more indirectly through organizational commitment and learning agility, an important mechanism in the context of digital adaptation.

The findings on value tensions and technology strengthen the perspective of Industry 5.0 put forward by Melnyk et al. (2025), Hunková and Čížmárik (2024), and Oeij et al. (2023), that humans remain at the center of the production system and closing the skills gap is the key to transformation. In the context of *sharia*, Yuliyati and Maulida (2023) and Zulkarnaen (2026) emphasized that Islamic banks can turn the challenges of the digital era into opportunities through the development of value-based human resources, value-based recruitment, and digitalization that are in line with *the sharia maqashid*. Similarly, Iskandar and Prasetyo (2026), Salsabila (2025), and Sundari et al. (2026) emphasized the importance of combining technical competence (*kafa'ah*) with moral-spiritual character (*himmah*) as well as the ability of technological innovation to build competitive advantage.

Finally, the integrative framework produced by this research, namely *sharia* values as a bridge to human-centric human resources, strengthens the arguments of Fitri and Prabowo (2023), Sutrisna et al. (2026), and Armina and Kurnia (2024) that work spirituality contributes to the organizational climate, work-life balance, and performance, even beyond the influence of financial incentives. Thus, this discussion confirms the position of the research: *sharia* values are not an obstacle to modernization, but a humanistic foundation that is in line with the spirit of Industry 5.0, in line with the digital transformation strategy of Islamic banks formulated by Badawi (2026).

CONCLUSION

This study concludes that digital transformation in the Industrial 5.0 era confronts *sharia* HR management with one productive paradox: the readiness of *sharia* values and ethics is solid, but the readiness of digital competencies and human-technology collaboration is still lagging behind. Triangulation of management interviews, licensed employee questionnaires, and convergent field observations confirms that the core of the problem has shifted from administrative compliance to talent development. Islamic work ethic values, such as *niyyah*, *amanah*, *itqan*, and justice, have proven to function as a humanistic bridge that links technology adoption with the human-centric orientation of Industry 5.0, so that *sharia* values are actually a comparative advantage, not an obstacle to modernization.

Theoretically, this study enriches the study of *sharia* human resources by linking it to the Industry 5.0 paradigm and filling the gap in the integration of the three domains that have been discussed separately. Practically, Islamic financial institutions are recommended to shift the orientation from reward-driven and administrative compliance to the development of talents that are digitally competent as well as spiritually robust, through strengthening digital training, ethical leadership, and a fair system. This research has limitations because it is based on a case study on one locu, so further research is recommended to test this framework in a broader and more diverse organizational context, both *sharia* and conventional.

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AUTHOR CONTRIBUTIONS

If applicable, the Author's Contribution Statement.

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The author(s) declared that generative AI was used in the creation of this manuscript. The author(s) wish to acknowledge the use of Generative AI for refining the language clarity and grammatical structure of this manuscript. This application was conducted in adherence to established ethical guidelines regarding the use and disclosure of generative AI in scholarly research. Each author has provided substantial intellectual contributions to the work, which has been rigorously vetted for accuracy, and the author(s) assume full responsibility for the integrity and final content of the manuscript.

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