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## Research Article

### Strengthening Integrated Inclusive System, Creates the Inclusive Islamic Banking Industry in Indonesia

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#### ABSTRACT

Economic growth in Indonesia has averaged about 6% since 2008. Shariah-compliant financial service providers currently account for only 4.5% of total banking sector assets. Between 2008 and 2012, Islamic bank assets tripled, increasing by an average of 31.5% annually. Strong growth in the past five years was helped by the Shairah Banking Law introduced in July 2008. Since then, the number of Islamic banking outlets has increased from 241 to 517, comprising 11 fully Shariah-compliant banks, 24 Islamic banking units and 158 Shariah-compliant rural banks. Islamic bank's network has spread with the number of offices rising at a rate of 27% year-on-year. *Community Service Responsibility (CSR)*, banking institutions should have to take part in social activities, integrated with the society, and "be part of non-Muslims". Blending in the sense of helping or supporting their programs that are good and useful, such as being a sponsorship or held a charity event. As a country with largest Muslim population in the world, Indonesia is considered by global world, multiculturalism in Indonesia makes Islamic banking should be inclusive. Inclusive Integrated System is one way to eliminate exclusivity Islamic banking which still there, the improvement in terms of branding, Corporate Social Responsibility (CSR), socialization, services, and product innovation.

*Keywords: Economic Growth, CSR, Inclusive Integrated System.*

#### Introduction

Indonesia is the most Muslim population in the world which 80% of 237 millions people. Absolutely, it's a chance for Indonesia to develop Islamic economics especially in Islamic finance industry. Actually as the most Muslim population in the world, Indonesia is a relatively late-comer to the Islamic finance/banking industry. United Arab Emirates, which recently

established the Center of Islamic Finance as part of its efforts towards promoting Dubai as the world's capital city for the Islamic economy, has a headstart of about 20 years. Indonesia's first Islamic bank, Bank Muamalat, was established in 1992 and Bank Indonesia was only allowed to make use of Islamic instruments as part of its monetary policy in 1999.

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Economic growth in Indonesia has averaged about 6% since 2008. Shariah-compliant financial service providers currently account for only 4.5% of total banking sector assets. Between 2008 and 2012, Islamic bank assets tripled, increasing by an average of 31.5% annually. Strong growth in the past five years was helped by the Shairah Banking Law introduced in July 2008. Since then, the number of Islamic banking outlets has increased from 241 to 517, comprising 11 fully Shariah-compliant banks, 24 Islamic banking units and 158 Shariah-compliant rural banks. Islamic bank's network has spread with the number offices rising at a rate of 27% year-on-year.

Islamic Economics, in this case Islamic finance become spotlight because it is considered more resilient than other economic systems. In the financial industry, the Islamic financial system is considered more stable than the conventional financial system. When the global crisis of 2008, many financial institutions collapsed. Even financial institutions at Lehman Brothers who has more than 100 years old and was not saved. However, Islamic financial institutions can survive and continue to grow even in the midst of crises. Various studies show that the Islamic financial institutions more resilient. Ministry of finance Republic of Indonesia (2014-2016), Bambang Brojonegoro said that Islamic banking is relatively safety. Each of Islamic financial transactions should be based on the underlying asset. In contrast to conventional banking which tends to be speculative. Many conventional banks are playing at a high level speculative. While Islamic banking tends to be more conservative and prioritize prudence.

Otoritas Jasa Keuangan (*Financial Services Authority*) states that total Islamic banking customers reached approximately 15 million inhabitants. Meanwhile, conventional banking customers touch about 80 million people. Compared with a conventional bank, Islamic bank customers total reached 18.75 percent. Number of shariah banking customers is relatively small compared to conventional bank customers. The above data indicate that indeed the public interest to Islamic banking still low.

They are still comfortable to be customer in a conventional bank. One of weakness Islamic banking is still considered an exclusive bank to

one ethnic group. Researchers from the Center for Study and Development of Islamic Economics Faculty of Economics, Universitas Islam Indonesia (UII), Priyonggo Suseno said that Islamic banking is considered as exclusive banking. The terms are complex and lack of socialization, making Islamic banking assessed exclusively for certain group. In a survey involving 145 respondents consist of 125 individual respondents and 20 respondents' companies institutions in DIY states that 33.5 percent of respondents believe that Islamic banks only for Muslims. Approximately 28.4 percent of respondents think a bank without interest system. Furthermore, as many as 26.5 percent of respondents consider the Islamic bank as bank that implements sharing system. Approximately 11.6 percent of Islamic banking is same to conventional banking.

Paradigm regarding Islamic banking are for Muslims only should be eliminated because Islamic banking is a financial institution for all. According to the problems and the data above, it is needed a way to make the Islamic banking does not look exclusively, an improvement that leads to improved services and a good system. One of ways is by implementing *INCLUSIVE INTEGRATED SYSTEM*. Hopefully with this creative idea can solve existing problems both physical and social problems that exist in society.

## Results and Discussion

How to identify any differences between Islamic economics and its counterparts, it is important to understand the Islamic worldview which is based on the Qur'an, Hadiths, and views of Muslim scholars. Islam is not a marginal religion dealing with dealing spiritual life alone. It is a religion providing guidance and well-being for both this life and the hereafter. Therefore, the word *falāh* (real well-being) and its derivatives have been used in the Qur'an many times. In the five time daily azan (call to prayer), people are also invited to *falāh*. Islam aims to achieve its goal through its value-based and God-centered moral and spiritual worldview.

Islamic economy is a system based on Islamic rule and value. There are some rules which must be used in economy of state. Islamic economy comes from the god, it's different with other economic systems that come from man's

opinions. Surely the conventional system has a chance to include self interesting in the system, but not with islamic economy.

Choudhury claims that Islamic economics relies on different epistemological paradigm which is significantly different from the western secular paradigm. He suggests that Islamic economics should be upon Islamic paradigm which requires different "methods" and "methodology" in terms of gathering and analyzing data about reality.

Shariah law is protective of property rights and contract law, providing a solid basis on which banks can form, regardless of a country's underlying legal system. Islamic banks abide by both the law of the land and Islamic law, rendering a country's law less powerful than in the case of conventional banks in determining their financial development. Although the strictness of Shariah law is apparent, its power may be diluted in practice, especially if a bank is merely re-packaging products without following the letter of the law (Johnson, 2013).

Actually Muslims is a blessing for the universe, there is no discrimination in Islam included in the economic system. Allah says:

وَمَا أَرْسَلْنَاكَ إِلَّا رَحْمَةً لِّلْعَالَمِينَ ﴿١٠٧﴾

And We have not sent you, [O Muhammad], except as a mercy to the worlds. (Al-Anbiya verse 107).

يٰۤاَيُّهَا الَّذِيْنَ ءَامَنُوْا لَا يَسْخَرُوْا مِنْ قَوْمٍ عَسَىٰ اَنْ يَّكُوْنُوْا خَيْرًا مِنْهُمْ وَلَا نِسَاءً مِّنْ نِّسَاۤءِ عَسَىٰ اَنْ يَّكُنَّ خَيْرًا مِّنْهُنَّ وَلَا تَلْمِزُوْا اَنْفُسَكُمْ وَلَا تَنَابَرُوْا بِالْاَلْقَابِ بِئْسَ الْاَسْمُ الْفُسُوْقُۙ بَعْدَ الْاِيْمٰنِۙ وَمَنْ يُّبَّۙ فَاُولٰٓئِكَ هُمُ الظَّالِمُوْنَ ﴿١١﴾

O you who have believed, let not a people ridicule [another] people; perhaps they may be better than them; nor let women ridicule [other] women; perhaps they may be better than them. And do not insult one another and do not call each other by [offensive] nicknames. Wretched is the name of disobedience after [one's] faith. And whoever does not repent - then it is those who are the wrongdoers. (Q.S. Hujurat :11)

According to no discrimination in Islam and also in the economic system, the Integrated Inclusive System (IIS) attempt to support it and

also in order to create the inclusive islamic banking industry in Indonesia. Integrated inclusive system is a system to create a more exclusive islamic banking industry by improving all forms in the banking system which still exclusive. Some things focused IIS are *branding*, *Corporate Social Responsibility (CSR)*, *socialization*, *services*, and *product innovation*.

*Branding*, in Islamic banking is still often use Arabic. The use of the Arabic language is very sensitive to non-Muslims. Non-Muslims assume that's reserved for Muslims. In fact, by not using any Arabic, Islamic banking system will not change. Vice President of Republic Indonesia, Jusuf Kalla proposes to terms arab translated into Indonesian, so that all people understand and more common, for example bagi hasil (profit sharing). By using the Indonesian language islamic banking will gain more customers, and make non-Muslims interested.

*Community Service Responsibility (CSR)*, banking institutions should have to take part in social activities, integrated with the society, and "be part of non-Muslims". Blending in the sense of helping or supporting their programs that are good and useful, such as being a sponsorship or held a charity event. One of the Islamic financial institution which had tried to blend into the community is BRI Syariah. PT Bank BRI Syariah held events with the communities around the city of Semarang. Indonesian Overseas Club Semarang held a garage sale in the yard of branches BRI Syariah Semarang, Pandanaran Steet 127 Semarang, Central Java. The event was hold in the weekly agenda of the car free day in Semarang City. The event attracted the attention of the public garage sale Semarang who are exercising on Sunday morning. In the future Islamic banking institutions should undertake activities with the community so that people know what the syariah bank. By doing so they will assume syariah bank is good and helpful people.

*Socialization*, one of the problems of Islamic banking it is not known by many people because it is not properly socialized. Socialization of banking is still dominated by the conventional banking. Finally people only know the conventional banking and Islamic banking known by little people. Socialization should be done with an intense and must be thorough, so it is not only

Muslims who are socialized but non-Muslim well. Socialization attractively packaged will also produce good output. Islamic banking can work with the Financial Services Authority and Indonesian Bank in terms of socialization. The most important thing when socialization to non-Muslims that is not to bring religion or belief. Use language that can be accepted by society in general. Socialization can take advantage of social media such as Line, Facebook, Twitter, and others. With the socialization can make a community open itself to the Islamic banking.

*Services*, to encourage inclusiveness in Islamic banks, one of the things that concern is servicing. This is because the service is one of the fundamental things that can drive customer preferences in selecting a bank as an intermediary in their transaction. In providing services to customers, there are five determinants of service quality criteria, i.e. reliability, responsiveness, assurance, empathy, and tangible. Thus, in carrying out the necessary service standard operational procedure (SOP) in accordance with customers demands and generally acceptable. Standard operational procedure (SOP) is a guideline that contains standard operating procedures that exist in an organization that is used to ensure that all decisions and actions, as well as the use of facilities that process is done by people in the organization so that members of the organization to effectively (and efficiently), consistent, standardized and systematic. SOP should be applied in each section in the Islamic Bank.

Although most Islamic bank has implemented the SOP in service to customers however, are less acceptable SOP common with the Indonesian state multi-religion and multi-ethnic. One example is in the case of the first salutation or greeting to customers. We often went to Islamic bank employees say hello with a greeting *Assalamu'alaikum* which is the greeting of Muslims. This may be simple but, the condition of the customers were very general and not all Muslims may cause a feeling awkward at customers of non-Muslims against Islamic bank services. In this regard it should be, all employees of Islamic bank more attention to the personal characteristics of the customer especially physical appearance to identify greeting what was supposed to be given to the customer and is therefore a measure to encourage inclusiveness Islamic

Bank to the community through service can be accomplished.

*Product innovation*, the development of Islamic banking still impress exclusively among the community is something that is not good in a climate of Islamic banking business. Preference society to Islamic financial institutions are still based on religious issues, so most customers Islamic financial institutions is the Muslim community. Yet according to the basic concept of Islamic banking financial institution or may apply universally, it means not only to Muslims only, but also for non-Muslims. One of the things that cause less inclusive Islamic banking is in a product innovation still a little impressed. In Islamic banking roadmap 2015-2019 issued by the Financial Services Authority mentioned one of the strategic issues in the Islamic banking products are not varied and service are still not in accordance with the public. This is in line with the growth of Islamic banking is experiencing a slowdown since 2014. Thus, in need product innovation to boost growth and drive customers back to Islamic banking. Innovations such products can be done with the innovation of existing services or by creating new products that suit the needs of the community.

## Conclusion

In conclusion is the rapid development of Islamic banking in Indonesia becomes an opportunity for Islamic banking be another alternative for solving social problems. As a country with largest Muslim population in the world, Indonesia is considered by global world, multiculturalism in Indonesia makes Islamic banking should be inclusive. Inclusive Integrated System is one way to eliminate exclusivity Islamic banking which still there, the improvement in terms of branding, Corporate Social Responsibility (CSR), socialization, services, and product innovation.

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