

# PROCEEDING

# IC 2018 MS

**The 4<sup>th</sup> International Conference on Management Sciences  
Universitas Muhammadiyah Yogyakarta, Indonesia**

**“Disruptive Innovation in Modern Business Era”**

held in UMY, Indonesia, on March 28, 2018

**Department of Management**

FACULTY OF ECONOMICS AND BUSINESS  
**Universitas Muhammadiyah Yogyakarta**

in collaboration with:  
**Universiti Sains Islam, Malaysia**  
**Tamkang University, Taiwan**  
**Khon Kaen University, Thailand**



**The 4<sup>rd</sup> International Conference on Management Sciences 2018  
(ICoMS 2018)**

**March 28 2018**

**Universitas Muhammadiyah Yogyakarta, Indonesia**

**Chair Person**

Dr. Indah Fatmawati, S.E., M.Si

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1. Prof. Shu Hsein Liao, Ph.D (Tamkang University, Taiwan)
2. Dr. Kawpong Polyorat (Khon Khaen University, Thailand)
3. Dr. Syadiyah Abdul Shukor (Universiti Sains Islam Malaysia)
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4. Dr. Arni Surwanti, M.Si. (Universitas Muhammadiyah Yogyakarta)
5. Ika Nurul Qamari, S.E., M.Si. (Universitas Muhammadiyah Yogyakarta)

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- ROOM A** : Dr. Indah Fatmawati S.E., M.Si.  
**ROOM B** : Retno Widowati PA, M.Si., Ph.D  
**ROOM C** : Ika Nurul Qamari, S.E., M.Si.  
**ROOM D** : Prof. Dr. Heru Kurnianto Tjahjono, M.M.  
**ROOM E** : Dr. Arni Surwanti, M.Si.

**Preface ICoMS 2018**  
**The 4<sup>rd</sup> International Conference on Management Sciences 2018**  
**(ICoMS 2018)**  
**March 28 2018**  
**Universitas Muhammadiyah Yogyakarta, Indonesia**

Dear Presenters and Delegates,

Department of Management, Economics Faculty, University of Muhammadiyah Yogyakarta, in collaboration with the Tamkang University Taiwan, Khon Kaen University Thailand, USIM Malaysia, organized an International Conference which will be held on March 28 2018.

We are proud to know that there is a thick manuscript submissions came to our table for this conference. In detail, there are 42 international academic manuscripts which we received from Indonesia, Malaysia, Thailand. And in this conference we choose **Disruptive Innovation in Modern Business Era** as the main theme.

Our international conference is a manifestation of the Government of Indonesia through the Directorate General of Higher Education, which has encouraged the internationalization of research and teaching in order to foster high-caliber academic institutions globally and increase competitiveness in International Higher Education.

We are very confident that our presenters and delegates will get a lot of ideas together and experience of this conference. In addition, our participants will enjoy additional insight from our plenary session keynote speakers, namely, Prof.Dr.Shu-Hsien Liao from Tamkang University Taiwan, Dr. Kawpong Polyorat from Khon Kaen University Thailand, Prof. Dr. Syadiyah Abdul Shukor from USIM Malaysia, and Punang Amaripuja, S.E., S.T., M.IT. from Universitas Muhammadiyah Yogyakarta.

Through this conference, we are committed to promote and improve our mission and academic culture synthesize global progress with local knowledge. Therefore, it is my great honour to welcome you to ICoMS 2018 in great cultural city of Yogyakarta, Indonesia. I look forward to seeing you soon in the conference.

Best wishes,

Dr. Indah Fatmawati

Chair of ICoMS 2018

<http://icoms.umy.ac.id/call-for-papers>

## TABLE OF CONTENTS

**The 4<sup>th</sup> International Conference on Management Sciences 2018 (ICoMS 2018)**

Wednesday, March 28 2018

Universitas Muhammadiyah Yogyakarta, Indonesia

No	Article	Page
1	<b>Preface ICoMS 2018</b>	ii
2	<b>Table of Contents</b>	iii
	<b>ROOM A</b> <b>Chairs of Parallel Session:</b> Dr. Indah Fatmawati S.E., M.Si.	
3	<b>PAPER ID 18.023:</b> The Effect of Corporate Brand Image, Store Image, Perceived Risk and Price Image on Purchase Intention: A Study on “Carrefour” Private Label Brand <b>M. Alimardi Hubeis and Daniel Tumpal Hamonangan Aruan, Ph.D</b>	<b>1-15</b>
4	<b>PAPER ID 18.030:</b> Customer’s Skepticism in Islamic Banking <b>Alex Fahrur Riza and Dwi Marlina Wijayanti</b>	<b>16-29</b>
5	<b>PAPER ID 18.031:</b> A Concept of City Branding: Gresik Halal Life Style <b>Tyas Ajeng Nastiti, Alfina, and Nova Ridho Sisprasajo</b>	<b>30-35</b>
6	<b>PAPER ID 18.061:</b> The Effect of Corporate Social Responsibility on Word of Mouth with Trust and Corporate Reputation as Intervening Variable <b>Alif Supriyatno and Siti Dyah Handayani</b>	<b>36-46</b>
	<b>ROOM B</b> <b>Chairs of Parallel Session:</b> Retno Widowati PA, M.Si., Ph.D	
7	<b>PAPER ID 18.011:</b> Pattern of Community Economy Under the Process of Globalization: Case study Don Kaew Village, Maung District, Beung Gaan Province. <b>Asst. Prof. Dr. Bodee Putsyainunt</b>	<b>47-55</b>



8	<b>PAPER ID 18.013:</b> Strategic Management Analysis Development of Cattle Agribusiness In NorthSulawesi With Concept Approach "Cooperative Farming" <b>Jolyanis Lainawa</b>	<b>56-66</b>
9	<b>PAPER ID 18.047:</b> Dispute Settlement on Violation of Business Ethics: A Legal Framework to Innovative Future <b>FE Fikran Alfurqon, Dinda Andriandita and Rima Ayu Andriana</b>	<b>67-71</b>
10	<b>PAPER ID 18.014:</b> Analysis of Sustainable Competitiveness of Tourism Sector In Ternate, North Maluku Province <b>Muharto</b>	<b>72-87</b>
11	<b>PAPER ID 18.020:</b> Analysis of University Entrance Decision Through Promotion, Student Purchasing and Awareness <b>Anik Tri Suwarni, Rorim Panday and Andrian</b>	<b>88-100</b>
12	<b>PAPER ID 18.034:</b> Development of Awqaf Products in the State of Negeri Sembilan Post-Wakaf Enactment (Negeri Sembilan) 2005: Effectiveness of Promotion Campaigns <b>Prof. Dato' Dr. Mohammad Haji Alias, Haji Azzerol Effendi Abdul Kadir, Nur Izzati Adnan, Nur Hidayah Mazlan and Nik Norsalina Raja Dollah</b>	<b>101-117</b>
13	<b>PAPER ID 18.056:</b> Small and Medium Enterprises (SMEs) Community Strategy to Increase Consumer Interest of Handycraft Products at Tanggulangin Sidoarjo <b>Dra. Lilik Indayani, MM and Dewi Andriani, SE., MM</b>	<b>118-121</b>
14	<b>PAPER ID 18.057:</b> Knowledge Sharing and Innovation Capability to Encourage Competitive Advantage (Empirical Study on Small Medium Enterprises Giriloyo Art Batik, BantulIndonesia) <b>Ayu Candrawati and Ika Nurul Qamari</b>	<b>122-128</b>
<b>ROOM C</b> <b>Chairs of Parallel Session:</b> Ika Nurul Qamari, S.E., M.Si.		
15	<b>PAPER ID 18.051:</b> Financial literacy For Family Welfare Within Financial Planning: Study Demographic of community in Tanjung Balai City, North	<b>129-140</b>

	Sumatera <b>Irawan, Yossie Rossanty, and Muhammad Dharma Tuah Putra Nasution</b>	
<b>16</b>	<b>PAPER ID18.048:</b> Marginal Expected Shortfall Analysis in Banking Emerging Market ASEAN <b>Arif Satrio Wicaksono and Dony Abdul Chalid</b>	<b>141-159</b>
<b>17</b>	<b>PAPER ID 18.052:</b> Estimating the Potential Bankruptcy on Banking Sector in Indonesia: Using Method of Altman Z – Score and Springate <b>Yossie Rossanty, Irawan, and Muhammad Dharma Tuah Putra Nasution</b>	<b>160-168</b>
<b>18</b>	<b>PAPER ID 18.015:</b> Analysis Of Factors Influencing Values Of Mining Company In Indonesia Stock Exchange <b>Beta Asteria</b>	<b>169-179</b>
<b>19</b>	<b>PAPER ID 18.029:</b> Price Discovery in Indonesia Government Bond Market <b>Yasir Maulana and Buddi Wibowo</b>	<b>180-185</b>
<b>20</b>	<b>PAPER ID 003:</b> Analysing The Factors That Influence The Adoption Of Internet Payment System By Malaysian Public Users <b>Muhamad Sade Mohamad Amin and Mohd Fuaad Said</b>	<b>186-200</b>
<b>21</b>	<b>PAPER ID18.007:</b> Innovation in Operations and Project Development Strategy at PHE ONWJ to Sustain The Business in Implementing Gross Split Production Sharing Contract <b>Nanang Sahroini and Aries Firman</b>	<b>201-214</b>
<b>22</b>	<b>PAPER ID 18.017:</b> Geographic Information System Proposes Determination of Business Location Feasibility: Case Study Small Business Culinary in Pontianak <b>Mochammad Ridwan Ristyawan</b>	<b>210-222</b>
	<b>ROOM D</b> <b>Chairs of Parallel Session:</b> Prof. Dr. Heru Kurnianto Tjahjono, M.M.	
<b>23</b>	<b>PAPER ID 18.012:</b> Analysis of Performance Management Implementation in Realizing The Inclusive Health With Balanced Scorecard Approach (BSC)	<b>223-237</b>

	At North Minahasa District Health Office <b>Joice L.M.Katuuk, Bernhard Tewal, James Massie, and Victor Lengkong</b>	
24	<b>PAPER ID 18.016:</b> Organizational Justice, Ethical Leadership And Commitment Predictors Of OCB <b>Dwi Novitasari and Asri Laksmi Riani</b>	238-249
25	<b>PAPER ID 18.027:</b> Transformational Leadership and Organizational Citizenship Behavior in Public Sector: The Mediating Role of Psychological Empowerment and Affective Commitment <b>Puti Indrasari and Aryana Satrya</b>	250-256
26	<b>PAPER ID 18.049:</b> The Effect of Leadership, Control System, and Motivation To Work on Effectiveness of Organization of Bhayangkara Jakarta Raya University <b>Semuel Rusen Kabangnga</b>	257-261
27	<b>PAPER ID 18.022:</b> Pre and Post Merger and Acquisition Decisions Related to The Company's Operating Performance in Indonesia <b>Agus Windu Atmojo and Rizal Edy Halim</b>	262-270
28	<b>PAPER ID 18.055:</b> Types, Actors, and Modes of Sexual Harassment against Female Nurses at Hospitals in Jakarta <b>Wahyu Muhamad Zen, Muhammad Irfan Syaebani, and Monica Devina</b>	271-283
29	<b>PAPER ID 18.045:</b> Damaging Business Principles in Umroh Services Company (An Ethical Perspective Analysis at Solusi Balad Lumampah Ltd) <b>Yulindha Permatasari</b>	284-292
30	<b>PAPER ID 18.054:</b> The Competitive Strategies of BPR Conventional in Lowering Bad Debts Through The Collateral Taken Over (AYDA) on Pt BPR Candisaka Arta Sidoarjo <b>Sumartik, SE., MM and Misti Hariasih, SE., MM</b>	293-296
31	<b>PAPER ID 18.001:</b> Profitability Analysis on Healthcare Company in Indonesia Stock Exchange <b>Teti Anggita Safitri</b>	297-303

<b>ROOM E</b>		
<b>Chairs of Parallel Session:</b>		
Dr. Arni Surwanti, M.Si.		
<b>32</b>	<b>PAPER ID 18.005:</b> Cryptocurrency and Constituency: Understanding the Existence of Bitcoin and Its Regulation in Indonesia  <b>Tareq Muhammad Aziz Elven</b>	<b>304-311</b>
<b>33</b>	<b>PAPER ID 18.006:</b> Working Capital Management of PT Waskita Beton Precast Tbk  <b>Eva Zaliha Satyati, ST and Ir. Drs. H. Arson Aliludin, S.E, DEA</b>	<b>312-321</b>
<b>34</b>	<b>PAPER ID 18.008:</b> Financial Feasibility Study Of Mix-Use Building Area Investment Plan  <b>Nurul Sandy Putri and Arson Aliludin</b>	<b>322-333</b>
<b>35</b>	<b>PAPER ID 18.018:</b> The Effect of Internal Control and Internal Audit on Effort to Minimize the Income Statement Fraud (Case Study at PT Jasa Marga (Persero) Tbk)  <b>Cahyadi Husadha and Desi Wulandari</b>	<b>334-345</b>
<b>36</b>	<b>PAPER ID 18.021:</b> Impact Implementation of PSAK 70 Related to Tax Amnesty on Reporting of the Firm (Case Study on CV Btari Senja)  <b>Widi Winarso and Rorim Panday</b>	<b>346-352</b>
<b>37</b>	<b>PAPER ID 18.032:</b> Financial Restructuring on Distress Firm in Indonesia  <b>Sri Dwi Ari Ambarwati</b>	<b>353-367</b>
<b>38</b>	<b>PAPER ID 18.037:</b> Creative Funding and Marketing in Sharia Banking  <b>Fifi Swandari</b>	<b>368-373</b>
<b>39</b>	<b>PAPER ID 18.044:</b> Optimal International Financial Cooperation: Solution to the Growing Breakdown of Global Cooperation  <b>Chairuddin Syah Nasution</b>	<b>374-386</b>
<b>40</b>	<b>PAPER ID 18.059:</b> Awairness Raising Experience In Efforts To Improve The Welfare Of Persons With Disabilities Through The Role Of The Community-Based Rehabilitation Group In The Student Course Work Of	<b>387-395</b>



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# Creative Funding and Marketing in Sharia Banking

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## ABSTRACT

The development of sharia banks in Indonesia can be shown by 4 indicators namely total assets, total DPK, market share and total financing. Given the population of about 85% of Muslims, then the market share which only about 5% indicates that conditions are not optimal. The purpose of this study there are several. First, identify the problems that cause the slow development of sharia bank market share. Second, analyze the source of Islamic bank funds. Three, discuss creative marketing strategies. This research is descriptive quantitative research. The result, related to the first problem, the problem is the mental block in the community. First mental block, some people assume that sharia bank with conventional bank the same, just change clothes with Arabic name (Mudharabah, Musyarakah, Ijarah). Second mental block, sharia banks more expensive. Third mental block, Islamic banks are still not sharia. Related to the second issue, the source of Islamic bank funds should be thought of from various sources that have not been excavated before. Related to the third problem, one of creative marketing solution is to invite ustad to give understanding about syariah bank to the pilgrims.

**Keywords:** *sharia bank, mental block, creative financing, creative marketing*

## 1. INTRODUCTION

The Muslim community certainly has a need for banking services. The service that suits them is of course sharia banking. Sharia Bank is a financial institution that serves as an intermediary for parties with excessive funds with parties lacking funds for business activities and other activities in accordance with Islamic law. Sharia banking is growing in the world. Many international banks originally conventional based began to focus on Islamic banks or Lariba (Rahman, 1999).

The Indonesian Ulema Council (MUI) has stated that the interest of the bank is riba in 2003. The statement is a driving force for the development and strengthening of sharia finance industry including sharia banking. The provision refers to the verses in the Holy Qur'an which prohibit his people from dealing with riba because riba includes of sin (OJK, 2016). Seeing the prohibitions and threats of Allah related to riba, then Muslims should avoid it as much as possible. When banking

services are needed, the most likely choice is sharia banking.

The development of sharia banks in Indonesia can be shown by 4 indicators namely total assets, total DPK, market share and total financing. The market share of sharia banks is 4.89% in December 2013, 4.85% in December 2014, 4.83% in December 2015, 5.30 in December 2016 and the highest reaching 5.32% in April 2017 (OJK source, 2017 ). Given the population of about 85% of Muslims, then the market share which only about 5% indicates that conditions are not optimal. The development of the bank was very slow.

The development of sharia banks is not as fast as expected. According to BI-Mark Plus Perceptions Survey 2010 (OJK, 2017) it is because of the mental block. Mental block is a mental / psychological barrier that envelops a person's mind. This makes the community already have a negative perception of sharia banks. Mental block about sharia banks needs

to be mapped, understood and analyzed.

Some people consider that the profit-sharing rate is very high compared to conventional bank interest rates. This is because of two things, first because the ratio of profit sharing is different from the interest rate. Both are more expensive sources of fund in Islamic banks.

The large Muslim population is a huge potential market. Creative efforts to target new market segments need to be sought. One example is the efforts of BTN Sharia Bank to attract pesantren/islamic boarding school to expand its market segment.

The purpose of this study are three. First, identify the problems that cause the slow development of sharia bank market share. Second, analyze the source of Islamic bank funds. Three, discuss creative marketing strategies.

### **1.1. Finance and Sharia Banking**

Islam has three main teachings namely aqidah, shariah and morals. Aqidah is a teaching relating to belief in Allah SWT, the angels, prophet, Holy Qur'an, qada and qodar as summarized in the pillars of faith. Morals are associated with good and bad behavior, ethics and morality.

Sharia is an Islamic teaching about the laws that govern human behavior. Sharia is divided into two, namely worship and muamalah. Worship is required to keep the obedience of the servant to the Khaliq. Worship is a way for creature to stay connected with Allah SWT.

Muamalat revealed by Allah SWT as the guidance of the rule of life for man in the world. Muamalat is related to social life, economy, politics, law and culture. Sharia financial system itself is part of the Islamic economic activities in the financial sector, both in the form of banks and non-banks.

Sharia-compliant financial institutions consist of Sharia Banks, BMTs or Baitul Mal wa Tamwil, Sharia Pension Funds, Sharia Cooperatives and Shariah Capital Markets.

Bank Syariah is a bank conducting its business activities based on Sharia Principles and by type consisting of Sharia Commercial Bank and Sharia Rural Bank.

Sharia Principle is a rule of agreement based on Islamic law between banks and other parties for the storage of funds and / or financing of business activities, or other activities stated in accordance with sharia, such as financing based on profit sharing principles (mudharabah), financing based on the principle of equity participation (musharakah) , the principle of buying and selling of goods by obtaining profit (murabaha), or financing of capital goods based on the principle of pure lease without choice (ijarah), or by the option of transferring ownership of leased goods from the bank by another party (ijarah wa iqtina).

Islamic banks are very important to consider the contract: a written agreement between sharia banks or UUS (Sharia Business Unit) and other parties that contain the rights and obligations for each party in accordance with the Sharia Principles.

Syariah Banking Principle consists of Sharia Principles, economic democracy and prudential principles. Sharia Principles in this case are business activities that do not contain elements of riba, maisir, gharar, haram and zalim. Economic democracy means sharia economic activity that contains the value of justice, togetherness, equity and expediency. The principle of prudence means the guidelines for bank management that must be adopted in order to realize a healthy banking, strong and efficient in accordance with the provisions of legislation. Sharia banks can also perform social functions as baitul maal institutions that channel funds derived from zakat, infaq, alms or other infaq and including fines from customers in arrears.

Sharia banks that already operate sharia are as follows: PT. Bank Victoria Syariah, PT. Bank Jabar Banten Syariah, PT. Bank Maybank Syariah, PT. Bank Syariah Bukopin, PT. Bank Mega Syariah, PT. Bank BCA Syariah, PT. Bank Panin Dubai Syariah, Tbk.,

PT. Bank Tabungan Pensiunan Nasional Syariah, PT. Bank Aceh Syariah, PT. Bank BNI Syariah, PT. Bank BRI Syariah, PT. Bank Muamalat Indonesia, Tbk., PT. Bank Syariah Mandiri. The largest core capital is owned by PT. Bank Syariah Mandiri amounted to 6,146 billion Rupiah.

Basic Products of Sharia Bank Operations based on the Codification of Sharia Commercial and Sharia Business Products and Sharia Business Unit and of OJK (2017) are as follows. Fundraising products or services are sharia giro, syariah savings and syariah deposits. The products of fund distribution include Sharia Investment Financing, Sharia Capital Financing and Consumer Financing Sharia. Akad used in this financing include using mudharabah contracts, greetings and parallel greetings, istisna and parallel istisna, ijara for transactions with buying and selling patterns and using mudharabah and musharaka contracts for profit sharing. The services of sharia banks include: Non-L / C Export Financing, Letter of Credit (L / C) Import and Export and Exchange of Foreign Exchange.

## 1.2. Mental Block

A mental block is an uncontrollable suppression, or repression of painful or unwanted thoughts / memories. A train of thought (Wikipedia, 2018). A mental block, which is a state in which a person experiences mental and psychological barriers, which in turn leaves them unable to exploit their best abilities so that the end result is failure.

Mental block in this case the wrong thinking that concerns sharia banks in Indonesia. Such thoughts influence perceptions and actions. The population of Indonesia is Muslim majority, but most still experience mental block associated with sharia banks. Some assume that conventional banks are better than sharia banks, conventional banks are the same as sharia banks and few think that sharia banks are better than conventional banks and are eligible to be

selected for transactions. Some mental blocks will be identified in the discussion section.

## 1.3.Sources of Sharia Bank Funds

The balance sheet on the liabilities side of a bank consists of debt and capital (Abdullah and Tantri, 2012). The balance sheet on the liabilities side in sharia banks is almost the same ie debt and capital. Debt in this case third party funds (savings, demand deposits and syariah deposits). The high ratio of profit sharing from sharia bank to interest should be answered by sharia bank with hard work. It means by finding a cheap third party source in a creative way.

## 1.3. Marketing strategy

The marketing concept recognizes the term segmenting-targetting-positioning. It should be defined by sharia banking first before determining its marketing strategy. Next is to determine the strategy of 4P, product, price, place and promotion. This article will focus on sharia banking promotion strategy by utilizing social media in the discussion section.

## 2. Research methods

This research is included in qualitative research. The data collected are not numerical data but derived from data or interview script, report notes, personal documents, memos and others. The purpose is to describe the empirical reality behind the phenomenon in depth, detail and thoroughness. Research sites in Indonesia and in South Kalimantan.

The main data sources are words and actions. The source data is obtained from observing. Researchers use this data to obtain information about the strategies implemented in Islamic banks conducted by bank employees.

The type of data in this study is secondary data, obtained from the publication of the



organization in this case from the Financial Services Authority or OJK and the results of the study of researchers such as the results of research from Lewis (2008). This data is used to reinforce the invention.

Data collection techniques are interviews and documentation. Interviews are conversations with a specific purpose. Subjects interviewed were some bank employees, both conventional banks and conventional bank employees. The objective is to know the strategy of sharia bank in expanding its market. In addition to assess how big bank employees understand the market share expansion strategy set by headquarters. Documentation study is a way of collecting data through archives, books and archives. The required documents are the publications of the Financial Services Authority (OJK) and research articles.

The technique of analysis is descriptive analysis. This method is used to describe the data that has been obtained through a deep analytical process and then accommodated in the form of language in a coherent or narrative.

### 3. Discussion

Related parties in this case Bank Indonesia and OJK have sought to support the development of sharia banks. It can be seen from the making of regulations or movement about syariah bank as shown in Table 1:

**Table 1**  
**Regulation from OJK**

Year	Regulation
Year 2000	: Implementation of the first syariah financial instruments (Interbank Money Market Shariah / PUAS) and monetary policy based on Sharia principles (PBI no. 2/8 / PBI / 2000).

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Year 2014 : BUS / UUS Reporting System by XBRL (extensible Business Reporting Language)

Year 2014 : Establishment of Sharia Financial Services Development Committee (KPJKS) OJK

Year 2015 : Inauguration of Campaign I Love Syariah Finance by President of RI Joko Widodo on Shari'a People's Market June 14, 2016.

Year 2015 : Sharia Banking Stimulus Policy (POJK No. 12 / POJK.03 / 2015)

Year 2016 : Establishment of Sharia National Financial Committee (KNKS) (Presidential Regulation no. 91/2016).

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The main cause of the lack of market share of Islamic banks due to mental block problems felt by some communities related to sharia banks (OJK, 2016). Mental block consists of three namely: first, the general public does not understand the terms of Islamic banking (Mudharabah, Musyarakah, Ijarah), two, Islamic banks are considered more expensive than conventional banks and three, Islamic banks are considered still not sharia.

First mental block, some people assume that sharia bank same with conventional bank, just change clothes with Arabic name (Mudharabah, Musyarakah, Ijarah). They still do not understand that in each product has been through a very long process of consideration involving many Islamic sharia experts. In addition there is also a DPS Bank or Sharia Supervisory Board, which will ensure the banking transactions are in accordance sharia.

Second mental block, sharia banks more

expensive. This can be understood, for example for credit or financing products. Financing is considered more expensive, this is because the scheme is profit sharing, so there is an element of risk sharing. Risks that are also borne by the bank (according to shari'a) implemented on the share of profit sharing, where the share of profit sharing is perceived expensive compared to bank interest. Especially when the customer gets a big profit. Customers seem to feel the most right with the benefits. If you suffer losses, unlike conventional banks that seem unconcerned, sharia banks will also suffer losses.

Third mental block, Islamic banks are still not sharia. It can be understood, that according to some people transactions in Islamic banks is still not 100% sharia. As an example of home financing transactions, according to the house financing is not sharia, because one transaction is subject to two contracts namely buying and selling agreement and contract. The house that became the object of sale and purchase is also used as collateral. According to the authors, it may still be a shortage of sharia banks, but it should not make us discourage efforts to migrate to sharia banks.

### 3.1. Seeking Creative Fund Resources

The source of Islamic bank funds is almost the same as conventional banks that comes from the owners of capital and third party funds. Third parties in conventional banks are depositors, depositors and holders of checking accounts. Third parties in sharia banks are depositors, depositors and holders of Islamic giro accounts.

Financing from sharia banking is considered more expensive than conventional banking. This is because the bases used are different. Conventional bank based on interest and sharia bank based on profit sharing ratio. When compared to at first glance the profit-sharing ratio is higher than the interest on credit. The goal is to lower the profit-sharing ratio to a level that most entrepreneurs can accept. Lowering the

profit-sharing ratio is not an easy thing, syariah banks have to find a cheap source of funds. Creative ways must be done. The trick can be as exemplified below.

Sources of funds commonly excavated include sourced from:

- a. The market share of pesantren/islamic boarding school: cooperate with a strong market segment of religion such as boarding school. This is like what has been done BTN Sharia by holding boarding Al Ashriyyah Nurul Iman by utilizing Fintech.
- b. Large institutions that have large funds and concern with the development of Islamic banks (example: Trans Corp. with Bank Mega Syariah)
- c. Capital Market and Money Market and sharia banks can seek syariah justified funds.
- d. Working closely with the Ustad. Islamic banks can cooperate with Ustad who have many pilgrims to support the existence of Islamic banks. The development of an increasingly advanced world would require progress in financial transactions, even among Muslims. For example if an Ustad build a pesantren would need a bank account to accommodate the pilgrims who want to contribute.

### 3.2. Creative Marketing

The sharia bank will determine the product/service, price and place. The next step is promotion. Promotion is an effort to introduce bank services to its customers. A means to introduce bank services and enlarge customer loyalty. There are four ways of promotion that is advertising, sales promotion, publicity and personal selling. Advertising can be with media such as: billboards, newspapers, magazines, television and internet.

Sharia banks can do marketing with the internet. Sharia banks can take advantage of social media. Short lecture, Islamic quotes, prophetic stories and stories of heroism can be conveyed to the target market and can be tucked into various sharia bank services.

#### 4. Conclusions and Suggestions

Market share of sharia banks only about 5% indicates that conditions are not optimal. The purpose of this study there are several. First, identify the problems that cause the slow development of sharia bank market share. Second, analyze the source of Islamic bank funds. Three, discuss creative marketing strategies. The result, related to the first problem, the problem is the mental block in the community about sharia bank. Related to the second issue, the source of Islamic bank funds should be thought of from various sources that have not been excavated before. Related to the third problem, one of creative marketing solution is to invite ustad to give understanding about syariah bank to the pilgrims.

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