

**PRINCIPLES OF PERFORMANCE AND FINANCIAL MANAGEMENT
BETWEEN ISLAMIC AND CONVENTIONAL BANKS****Choirul Fathoni¹****Sekolah Tinggi Ilmu Ekonomi Indonesia, Malang, Indonesia
choirul.stieiedu@gmail.com****Jairin²****Sekolah Tinggi Ilmu Syari'ah Al-Ittihad, Bima, Indonesia
bangrien@gmail.com**

Abstract

The name of someone, something, and institution had a certain meaning. A meaning depends so much on someone's perception to an object. Perception of society to Sharia Bank had an impact to society behavior toward Sharia Bank. There was a gap here between bank and society which had to be acted as a bridge through policy and socialization program. Socialization policy which was planned, adaptive, and interesting could minimize the misperception risk. Socially, the socialization program was the enculturization of sharia bank values process, and it was understood as the form of civil education.

Keywords: Performance, Financial Management, Islamic Bank, Conventional Bank



INTRODUCTION

Islamic banks have spread in almost all cities in Indonesia. Even conventional banks also provide Islamic banking services. But why haven't many people become customers of Islamic banks? In general, the public recognizes Islamic banks, even though the fundamental character of Islamic economics is universal and inclusive.

Sharia principles form the basis for and regulate the relationship between banks and other parties as well as in the effort to collect and channel funds and other sharia banking activities. In addition, in sharia banking operations, in principle, they can carry out business activities as long as they do not conflict with sharia guidelines and provisions, applicable laws and regulations as well as approval from Bank Indonesia and the National Sharia Council.

But sometimes it is different, there is often a good understanding of the followers of Islam and society in general. This misunderstanding is caused by public ignorance of the nature and various forms of Islamic banking services, for example, the discussion of the Sharia Banking Bill and the State Sharia Securities Law (SBSN). Misunderstanding at the beginning of the introduction of the influence on the subsequent relationship, among others, the delay in the process of ratification of the two bills so that it takes quite a long time (Agustianto, 2008).

Likewise, the results of research by KARIM Business Consulting (2004) in Sholihin (2011) show that the lack of promotion and market education causes the public to be less aware of Islamic banks, both regarding the nature, products and facilities offered. It was also found during the author's interviews



with several informants (community) consisting of employees, farmers, traders, teachers, and students. Public opinion shows that the name of a sharia bank forms a picture or image of a bank that is identical to Islam. There are almost no comments from the public that Islamic banking is a banking system that is fair, humane, , reliable, has spiritual values, and advanced technology.

The results of Puspitaningsih's research (2009) show that for public perception and understanding of Islamic banks, the application of Islamic banks as an alternative to building the Indonesian economy, especially for Muslim financial transaction services, as a complete application of Islam both in aqidah and muamalah, still requires a better introduction. This is because Islamic banking regulations in Indonesia are still relatively new.

Likewise, one of the suggestions from Fatmah (2008) research regarding Muslim consumer behavior (religious motives and economic motives in the decision-making process) is to carry out more intensive socialization and promotion aimed at providing complete and correct information regarding sharia banking business activities to the public.

Some of the results and recommendations of previous research on Islamic banks that encourage studies on socialization and public perception of Islamic banks in terms of policy studies on Islamic bank values in society. The basis for this consideration, first is that the plurality of Indonesian society is an entity that does not state most of its people embrace Islam. Second, Pancasila as the basis of the Indonesian state has become a guarantee for the growth and development of tolerance among religious people as an inclusive community that is not limited by an attitude of exclusivity based on religious sentiments, including in choosing a bank. Third, the basic character of Islamic economics is



universal and inclusive.

Islamic economics teaches the upholding of values, honesty, transparency, anti-corruption, and exploitation. This means that the main mission of Islamic economics is to uphold moral values in business activities, whether individuals, companies or the state. Therefore, the process of enculturating Islamic bank values through a well-planned, adaptive and attractive socialization program can minimize the risk of misperceptions. Furthermore, the public's positive perception of Islamic banks can form a positive image and encourage an increase in the number of customers.

The hope is that the more people value becoming customers of Islamic banks, the more moral values will give color to business activities, whether individuals, companies or the state, so that the creation of an Indonesian society that upholds the values of justice, honesty, transparency, anti-corruption, and exploitation.

LITERATURE REVIEW

The Nature and Functions of Islamic Banks

Islamic banks are banks that operate in accordance with Islamic sharia principles, or refer to the provisions of the Qur'an and Hadith (Perwataatmaja & Antonio, 1999). The functions of Islamic banks are as investment managers, investors, providers of financial services and payment traffic, and bearers of social functions (PAPSI, 2003). Meanwhile, the types of Islamic bank products are deposit (wadi'ah yad al-amanah and wadi'ah yad adh-dhamanah); profit sharing products (mudharabah, musharaka, muzara'ah, and musaqah); buying and selling (bai' al-murabahah, bai' as-salam, and ai' al-istishna); rent (al-ijarah,



al-ijarah al-muntahia bit-tamlik); services (al-wakalah, al-kafalah, al-hawalah, ar-rahn, and al-qardh).

Profit Sharing Concept

Profit sharing is a system that includes procedures for sharing business results between fund providers and fund managers. The distribution of the results of this operation can occur between the bank and the depositor of funds, or between the bank and the customer receiving the funds. In principle, the reference for the calculation of profit sharing is from the income obtained by the bank in running the business, which is then distributed to the owner of the fund in accordance with the agreed portion. The concept of profit sharing can be done using two methods, namely profit sharing or revenue sharing.

At the level of understanding prospective customers of Islamic banks can be assisted by the theory of consumer preferences and choices. Because it is very important to shape public perception based on the widest possible information about Islamic banks. According to the theory of consumer preference and choice, that a consumer in making a decision on what he wants to buy through several processes, namely the need recognition process, information, alternative evaluation, the buying process and post-purchase behavior (Engel, et al, 1994, in Aiyub, 2007).). The initial process in the decision-making stage is a person or group of people trying to find out about the benefits of the product or type of service offered.



Table 1
Differences between Interest and Profit Sharing

Flower	Difference Indicator	Profit sharing
Determination of Interest is made at the time of the contract with the assumption that it must always be profitable.	Determination Time	The determination of the amount of the profit-sharing ratio is made at the time of the contract by referring to the possibility of profit and loss.
The percentage is based on the amount of money (capital) that lent. Fixed interest payments as promised regardless of whether the project carried out by the customer is profitable or not.	Percentage	The amount of the profit-sharing ratio is based on the amount of profit obtained results depending on the benefits of the project being carried out. If the business loses, the loss will be shared by both parties
The amount of interest payments does not increase even if the amount of profit doubles or the economy is booming.	Size /standard	The amount of profit sharing increases according to the increase in the amount of revenue.

Profit Sharing

Determination of interest made at the time of the contract with the assumption that it must always be profitable. Time determines the amount of the profit-sharing ratio that is made at a certain time by referring to the possibility of profit and loss.

The percentage is based on the amount of money lent. Such fixed interest without consideration of payment of whether the project being carried out is



proportional to the size of the profit-sharing ratio based on the amount of profit earned.

Profit sharing depends on the benefits of the project being carried out. If the business loses, the loss that will be shared by the customer is profit or loss. The standard measure of the amount of interest payments does not increase even if the number of profits doubles or the economy is booming. The amount of profit sharing increases according to the increase in the amount of revenue.

The existence of interest is doubted (if not condemned) by all religions, including Islam. No one doubts the validity of the profit sharing, identifying the reasons why you are interested and get involved in it. If potential consumers are already interested, then the next process consumers will definitely try to get more detailed information about the product through information media that contains information about the product, for example print media or electronic media. One thing that is no less important in this process is references from users/customers, community leaders or scholars, or other trusted people.

Based on these various references, potential consumers evaluate alternatives which are the initial consideration for consumers to get the product. Included in the consideration at this stage is the price, quality or brand and the advantages possessed by these goods compared to other goods. After considering everything, the next step is the decision-making process, namely buying or not buying the item. If the consumer finally decides to buy, the important things to know are post-purchase consumer behavior, which means measuring the extent to which consumers are satisfied with what they bought because the satisfaction factor determines the next decision making.



These factors are also known in the discussion of public policy as the stages of decision making by policy makers or the state. So, according to Dye (in Islamy, 2001), public policy is “whatever the government chooses to do or not to do”. The reference as well as the goal of the government’s choice as a service provider is consumer (community) satisfaction. Therefore, the implementation of public policy is always followed by an evaluation of the impact of the policy on society. Each stage is carried out and or selected by analyzing the dynamics and needs of the community. In the context of this discussion, the state also participates in promoting the values of Islamic banking.

If you look at the results of research by Hamidi, et al (2007) regarding the perceptions and attitudes of the East Java santri community towards Islamic banks that the majority of Indonesian people are Muslims, and 54% in fiqhiyah do not approve of bank interest, but in practice the form of business, products and banking services Sharia (which is conceptually not based on interest which is not understood by the public, which causes a lack of public interest in using Islamic banks), for 10 years the total market share of Islamic banks or institutions has only been able to reach about 1% of the market reach of banks as a whole nationally.

Even the market share of Islamic banks in 2010 was only under 5% of the total national banking assets (Arim, 2010). This is to understand the client’s understanding is really implemented or believed to be a principle of life. Although the principles of sharia have been achieved, they have not been internalized in behavior.

It is an axiom that the East Java community is a santri community (horse-



shoe (tapal kuda) area/ Islamic boarding school) who adheres to religious values, and is practiced in all activities of life. However, in East Java, the presence of Islamic banks has not been fully welcomed by the santri community. This fact is also one of the findings from the research of Hamidi, et al. (2007) that the people of East Java have not optimized the existence of Islamic banking services, not only because the existence of Islamic banks has not been evenly distributed in East Java, but also evidence that religious factors are not the main factor in choosing a bank.

In contrast to the results of this study, Fatmah's (2008) research on Muslim consumer behavior (religious motives and economic motives in the decision-making process), concludes that the reason why customers remain loyal to Islamic banks is their adherence to sharia (religious motives), economic motives, trust, and commitment.

This shows that the assessment of whether or not the correctness of the application of Islamic values in Islamic banking operations will have an influence on consumer (community) loyalty to Islamic banks. In other words, the quality of the application of Islamic values in Islamic banks is a guarantee of attractiveness as well as binding consumer loyalty. Therefore, Islamic banking human resources must be able to implement sharia principles in banking practice, and have a strong commitment to implement them consistently. It means that service quality and religious values are the keys to the success of Islamic banking.

The emphasis on the values provided here is in accordance with the fundamental character of Islamic economics, namely universal and inclusive; and a banking system that is fair, humane, reliable, has spiritual values, and



advanced technology.

Perception of Islamic Bank

Perception is a process used by individuals to manage and see the impression that is captured in the context of a person in the meaning of an object (environment, people, objects, etc.). But often what a person perceives can be different from the objective reality (Robbins, 1996). According to Daviddof (1991), perception is a process that is passed by a stimulus that is received by the five senses which is then interpreted so that individuals are aware of what they sense. While Atkinson, et al. (1999) said that perception is the process by which we encounter and organize stimulus patterns in the environment.

Perception is also seen as a perspective that arises because of a response to a stimulus. The stimulus received by a person is complex, the stimulus enters the brain (via sensory motor nerves), then interpreted, can be obtained and meaning is obtained through a complicated process and then perception (Atkinson, et al., 1999). According to Walgito (2002), the process of perception depends on past experience and the education obtained by the individual. Thus, the stimulus received by a person through the sensory-motor nerves then meets with apperception or previous knowledge and experience that has been received by a person and has given an impression, then interpreted and produces a new impression.

Several factors need to be considered so that the stimulus is included in a person's attention span (Notoatmodjo, 2005), classified into two major parts, namely external factors (factors attached to the object) and internal factors (factors found in people who perceive the stimulus): (1) External factors, which



include: (a) Contrast. The easiest way to attract attention is to create a contrast in color, size, shape or movement. (b) Changes in Intensity. A sound that changes from low to loud, or a light that changes to a high intensity will attract one's attention. (c) Repetition. With a retreat, even though at first the stimulus is not included in our attention span, it will get our attention. (d) Something new (novelty). A new stimulus will grab our attention more than something we already know. An example of a bank name using the Arabic word "Islamic Bank". (e) Something that gets people's attention.

A stimulus that attracts the attention of many people will attract someone's attention. (2) Internal Factors. (a) Experience or knowledge. A person's experience or knowledge is a very important factor in interpreting the stimulus received. Past experience or what has been learned will lead to different interpretations. In this case, the values of religiosity will affect a person's decision. (b) Hope. Expectations of something will affect the perception of the stimulus. (c) Needs. The need will cause a person to interpret the stimulus differently. For example, someone who gets a raffle prize of a motorcycle will find it difficult or confused because the person concerned has not been able to ride it. (d) Motivation. People who think saving is a guarantee of life then he saves to save his money in the bank. (e) Emotional. Emotions affect a person's perception of the existing stimulus. (f) Culture. Cultural factors also affect a person's perception of an object. For example: giving left hand is considered impolite in Indonesian culture, while other countries do not question left and right in giving.

So, perception is the process of an individual selecting, organizing, interpreting information inputs to create a picture that has a certain meaning or



meaning. Then, based on the factors that influence a person's perception, it can be understood that differences in perceptions between individuals can be caused by differences in perception, level of intelligence, and expectations that exist in each individual.

The study of the factors that influence the perception above helps Islamic banking policy makers that "bank name" with the Arabic word "sharia" creates a very effective motivation to attract people to become customers of Islamic banks. However, this is only a first step, because another factor that must be considered is the customer expectation factor. Therefore, the bank must be able to meet the preferences and expectations of customers. In other words, customer loyalty to Islamic banks depends on the ability to meet customer expectations not from a religious perspective (religious motives) but also from an economic perspective (economic motives).

Socialization: Enculturation Process of Sharia Values

Various previous studies have shown that public perception of the name of Islamic banks is strongly influenced by the concept of Islamic teachings. The name of a sharia bank affects the public's view of the existence and model/system of bank services, as well as fostering hope and trust. Only a few understand the value of universalism and inclusiveness of Islamic banks.

Because based on studies and analysis of several previous studies and interviews with several people, it appears that public knowledge about Islamic banks is very limited, namely: (1) Sharia banks are Islamic banks. (2) There are some people who have only heard of the name. (3) Most people know about Islamic banks from the mass media and from colleagues or other people. (4) Knowledge of Islamic bank management systems and service products is also



still low. (5) The concept that is often played is “rejection of usury” and the application of a profit-sharing system.

The limited public knowledge of Islamic banks gives rise to erroneous perceptions and has an impact on the public’s low decision to choose Islamic banks. It not only hinders the expansion of the Islamic banking market but also hinders the spread of universal values. For this reason, consecutive socialization must be carried out, supported by a strong commitment from all human resources of Islamic banks to implement sharia principles in all banking practices.

CONCLUSION

Planned, adaptive and interesting socialization needs to be carried out continuously and effectively both through electronic media, print media, and elite groups (government, religious leaders and community leaders) to improve and public understanding of Islamic banking. Effective socialization and needs to be emphasized on the nature of Islamic banks, especially the principles of universality and inclusiveness of Islamic banking, aspects of the comparative advantage of Islamic banks, as well as products and services owned by Islamic banks. Because the economy, but based on sharia, certain religious teachings, are the values of justice, honesty, responsibility, which are universal values for all people. These values come from the Qur’an and Hadith.

Thus, socialization does not aim to minimize the risk of misperception, but as a process of inculcating Islamic bank values and or known as a form of civic education. In other words, the initial perception of people who tend to see Islamic banks as conventional banks that use Arabic terms for product names must change by itself. In the end, the more people who become customers of



Islamic banks, the more moral values give color in business activities, whether individuals, companies or the state, so as to create an Indonesian society that upholds the values of justice, transparency, transparency, anti-corruption, and exploitation.

REFERENCES

- Agustianto. (2008). Ekonomi Syariah Untuk Kemaslahatan Bangsa. http://www.pesantrenvirtual.com/index.php?option=com_content&view=article&id=1206:ekonomi-syariah-untuk-kemaslahatan-bangsa&catid=8:kajian-ekonomi&Itemid=60 (Diakses tanggal 7 November 2012).
- Aiyub. (2007). Analisis Perilaku Masyarakat terhadap Menabung dan Memperoleh Pembiayaan pada Bank Syariah di Nanggroe Aceh Darussalam. *Jurnal Manajemen Bisnis* , 8(1): 1-4.
- Antonio, M.S. (2001). *Bank Syariah: Dari Teori ke Praktik*. Jakarta: Gema Insani.
- Atkinson, R.L., Atkinson, R.C., & Hilgard, E.R. (1999). *Pengantar Psikologi*. Edisi 8. Jilid 2. Jakarta: Penerbit Erlangga.
- Davidoff, L.L. (1991). *Psikologi Suatu Pengantar* . Jakarta: Erlangga
- Fatmah. (2008). Perilaku Konsumen Muslim dalam Proses Pengambilan Keputusan Fakultas Ekonomi Universitas Muhammadiyah Surabaya <http://fatmahazis.files.wordpress.com>.
- Hamidi, J., Hamidah, S., Sukarmi, Sihabuddin, Hendrawati, L., & Kusumaningrum, A. (2007). Persepsi dan Sikap Masyarakat Santri Jawa Timur terhadap Bank Syariah. *Jurnal Keuangan dan Perbankan*, XI (3).
- Islamy, M.I. (2001). *Analisis Kebijakan, Seri Monografi Kebijakan Publik*. Malang: Universitas Brawijaya,
- Machmud, A. & Rukmana. (2010). *Bank Syariah-Teori, Kebijakan, dan Studi Empiris di Indonesia*. Jakarta: Erlangga.
- Nazaina. (2007). Hubungan Tingkat Kesehatan Bank Umum Syariah dengan pertumbuhannya. *Jurnal Manajemen Bisnis* , 8(1): 66-83.



- Notoatmodjo, S. (2005). *Promosi Kesehatan Teori dan Aplikasi*. Cetakan I. Jakarta: PT. Rineka Cipta.
- Perwataatmaja, K. & Antonio, S. (1999). *Apa dan Bagaimana Bank Islam*. Yogyakarta: PT.Dana Bhakti Prima Yasa.
- Puspitaningsih, D. (2009). Analisis Aplikasi Prinsip-prinsip Perbankan Syariah terhadap Aspek Penghimpunan Dana dan Aspek Penyaluran Dana (Studi Kasus pada Bank Muamalat Indonesia Cabang Malang). Skripsi. (Tidak Dipublikasikan). Fakultas Ekonomi Universitas Negeri Malang.