



Sharia Banking Strategy to Face Competition In ASEAN Economic Community (AEC) Era

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Competition in banking world is very high. Not only among conventional banks but also between sharia banks with conventional banks. It has become reality in Indonesia where sharia banks that come up recently after conventional banks have to struggle very hard to face the existing competition. Moreover, with the establishing of ASEAN Economic Community (AEC) in Indonesia made competition higher. This research aims to analyze sharia banking strategy in Indonesia in facing AEC by using SWOT analysis: strength, weakness, opportunity, and threats for sharia banking in Indonesia. Data source in this research is Sharia Banking Development Report, Sharia Banking Statistics from 2010 to 2015 released by Bank Indonesia (BI) and Financial Services Authority (OJK). Based on SWOT analysis towards sharia banking in facing AEC, it can be concluded that the offered sharia banking strategy by increasing financial and management operational system, marketing, production and human resource, or KPPS concept strategy which are conducted transparently based on Al-Qur'an and hadits that can be actualized on customers' satisfaction point.

Keywords: Strategy, Sharia Banking, ASEAN Economic Community (AEC)

INTRODUCTION

The rapid growth of sharia banking in Indonesia is the fruit of BI hard works in it's effort to develop sharia banking in Indonesia by formulating grand strategy as comprehensive sharia banking development strategy which covers several strategic aspects: determining vision as prominent sharia banking in Association of South East Asian Nations (ASEAN), the formation of new national sharia banking image with inclusive and universal characteristics, more accurate market mapping, more diverse product development, service improvement, new

communication strategy that positioned sharia banking beyond a mere banking (Rozalinda, 2014). That vision determining is very supportive towards sharia banking growth in Indonesia because on December 31st 2016 ASEAN countries including Indonesia enter world economic system known as AEC (Bakhri, 2015).

ASEAN one market 2015 has begun. It is basically created by ASEAN national leaders through joint commitment resulted from ASEAN 13th summit in Singapore in 2007. The summit formulated blue print on economic, political, and security stability

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in ASEAN. AEC creation goal is encouraging every country in AEC to conduct optimum efficiency. If regional economic integration mechanism run well in each ASEAN country, every country participates in AEC can improve equal economic development, society prosperity, and reap benefits although the distribution is different in each ASEAN country.

AEC formation gives opportunity for several economic sectors in Southeast Asia to get wider market share and bigger investments. AEC implementation implication makes a country economy fully integrated to global economy to be ready to engage in five elements of single market (free flows of goods, free flows of services, free flows of capital, and free flows of labors) in integrated production basis. ASEAN countries participates in AEC are required to compete with each other in seizing the existing opportunities (Bakhri, 2015).

Indonesian agreement in AEC 2015 becomes a challenge for sharia banking since potential domestic market can be seized away by competitors from other countries. Indonesia as one of ASEAN countries are required to be able to compete with other nine ASEAN countries: Laos, Brunei Darussalam, Philippines, Cambodia, Malaysia, Myanmar, Singapore, Thailand, and Vietnam. Every ASEAN country has the same opportunity to win AEC 2015 competition. Indonesia as a country with muslims as the majority citizens is naturally to be the pioneer in economic development of sharia financial sector (Alamsyah, 2012).

Information from The 8th Anniversary of Islamic Economy Experts Association (IAEI) states that Indonesia has the potential to be the global player in sharia finance. The contributing factors are: (1) huge muslim population is potential sharia financial industry customers; (2) bright economic prospect reflected from relatively high economic growth (around 6,0%-6,5%) which is supported by solid economic fundamental; (3) the improvement of Indonesian sovereign credit rating become investment grade that will improve investor interest to invest in domestic finance sector, including in sharia finance industry; and (4) abundant natural resources that can underlie sharia finance industry transaction. AEC that is

initially aim to improve economy in Southeast Asia is however instill worriness for some Indonesians (Alamsyah, 2012).

Based on above information, how is the condition of sharia banking in Indonesia which is still below Malaysia and perceived as not ready in facing AEC. Therefore the researcher want to analyze deeper on Maka peneliti ingin mengkaji lebih dalam tentang "Syariah Banking Strategy to Face Asean Economic Community (AEC)".

The research purposes are:

1. To find out sharia banking development in Indonesia.
2. To find out strength and weakness from sharia banking internally after AEC.
3. To find out opportunity and threats for sharia banking externally after AEC.
4. To analyze further the strategy and concept that will be used by sharia banking in Indonesia to face AEC in order to be able to compete with conventional banks and foreign banks in Indonesia.

REVIEW OF LITERATURE

Previous research shows that in facing AEC 2015 gives various opportunities and challenges to sharia banking industry. (Alamsyah, 2012).

SHARIA BANKING

Based on law No. 21 of 2008 on sharia banking, sharia banking is everything related to sharia banks and sharia business unit, including institutions, business operations, and method and process in conducting business operation.

Based on the research conductd by Lo and Leow (2014), they stated that Islamic banking is defined as banking system based on sharia law with main principle to conduct business in accordance with profit-loss sharing and the prohibitkion of productive and beneficial interests. From theoretical aspect, sharia banking use two concepts: two tier mudharabah or second degree mudharabah.

BANKING STRATEGY

According to research conducted by Gunawan (2016) shows that strategy is highly important in facing competition in all aspects including in banking industry. One of the main pillars in that strategy is to strengthen the role of human resources in banking as the manager of bank services for the interest of the clients in need. On top of that, according to Gunawan (2016), the aspect of marketing, production, and finance become an important point to strengthen banking strategy in facing higher competition.

ASEAN ECONOMIC COMMUNITY (AEC)

Syukriah (2013) states that AEC is a form of ASEAN economic integration in free trade among ASEAN countries. AEC is ASEAN community in the field of economy. AEC is launched in Bali in 2003 in 9th ASEAN Summit or known as Bali Concord II. The formation of the community is pioneered by ASEAN head of states after 1997 economic crisis in Southeast Asia.

SWOT ANALYSIS

Redhika and Mahalli research results (2014) explains SWOT analysis is identification of various factors systematically to formulate company strategy. Based on this analysis, it can be seen how is the potential and problem in sharia banking development. The potentials including strengths and opportunities but on the same time can minimize weakness and threats. Company strategic planning must analyze internal factors that includes an assessment towards strength and weakness meanwhile external factor cover opportunity and threats.

RESEARCH METHOD

This type of research uses qualitative descriptive which will describe and analyze how sharia banking conducting preparation in facing AEC. Secondary data in this research is obtained from Sharia Banking Development Report, Sharia Banking Statistics from 2010 to 2015 which was released by Bank Indonesia and Financial Services Authority (OJK), literatures, scientific books, rules

and regulations, journal, and information from internet related to problem study.

Data collection technique used in this research is library research. Library research is all kinds of efforts conducted to collect relevant informations related to topic and problem discussed. The information source can be from scientific books, newspapers, essays, online data, and other references with validity level that can be accounted for (Bakhri, 2015). In analyzing data, this research uses qualitative data with SWOT analysis. From the research conducted by Redhika and Mahalli (2012), they states SWOT analysis is internal and external condition analysis of an organization that can be used next as a basis to formulate strategy and working program.

RESEARCH RESULTS AND DISCUSSION

Current sharia banking business has achieved universal income from various countries in the world (Sufian and Habibullah, 2010). Sharia bank has been recognized as one the most rapidly developing part of banking and finance industry (Sufian dan Noor, 2009). Based on literature review stated in chapter 2 and after current real situation analysis on sharia bank compared to conventional bank in Indonesia. Therefore, this research is conducting a follow up previous research results both in international and national journal including an analysis on real condition from various sources that describes how various positions and sharia bank strategy to be able or exist in AEC era competition.

Current sharia bank condition in Indonesia shows significant condition although has many weaknesses in various aspects. Based on previous research on sharia bank conducted by Lo and Leow (2014) that discuss the ongoing growth from Islam customers banking market in Malaysia. This research shows that consumer market gives big opportunity for sharia bank to target profitability. Hayat research (2014) analyze sharia banking globalization: theoretical and practical review in facing AEC 2015. The research concludes that sharia banking in the context of application or practice has significantly improved in readiness condition for global market. Similar findings are delivered by Alamsyah (2012) in his research concludes that AEC gives challenge and

opportunity for sharia banking. But in sharia banking development, Indonesia has a very big potential to be sharia finance global player. Meanwhile, Deccasari and Marli (2015) from their research results explains that the high competition of sharia banking requires sharia banking parties to keep improving service and strategy.

Previous results conducted in Indonesia by Sholeh (2013) in his research states that AEC brings several challenges and opportunities at the same time for Indonesia. Indonesian national condition that is in transition from reform stage to better system can be said having more stimulation from promised results in AEC 2015 achievements. According to Mutasowifin (2003) who researched the formulation of sharia banking development strategy, his research finds that as what we know up until this moment, sharia banking development is still solely focusing on spiritual market, in other words: customers group who mainly consider the cleanliness and purity of financial transaction, and ignoring opportunity in non muslim market.

Whereas Indonesian demography shows uneven distribution where regions dominated by non muslims also have high economic potentials.

This research results supports previous researches as stated by Hayat (2014), Alamsyah (2012) and Barmana (2011) who states that sharia banking has significantly improved in global market readiness condition and has the potential to be big sharia finance global player. From real condition, this research is in accordance with Wesabi (2013), Mutasowifin (2003), Deccasari and Marli (2015), findings that states that sharia banking has weakness in operational operation: the lack of knowledge on sharia bank credit risk and product marketing that still focused on spiritual market.

This research does not support Adawiyah (2015) view who shows that foreign bank entry to Indonesian banking sector does not influence sharia bank financial performance. Because with the entry of foreign banks, domestic banks competition will be higher, for example in the aspect of product, service, and capital. Although now sharia banking market share size is still below 5% from total market in banking industry as a whole. In accordance with information from Actual post and Medanbisnis downloaded on

December 16th 2015 that states sharia bank market share in Indonesia is still around 4.69%.

From information quoted from Jakartapost (2015) and Actualpost (2015) sharia banking in facing AEC requires strong capitals especially for sharia banks. This research supports research conducted by Deccasari and Marli (2015) who states sharia banking high competitiveness requires sharia banking party to keep improving services and strategy.

Concept strategy offered by research after studying it with SWOT analysis and previous research comparisons, hereby formulating sharia banking strategy in facing AEC as following:

Strengthening human resources in order to improve banking employees' skill and services.

Strengthening and improving marketing to improve customers.

Reinforcing financial position to prevent loss.

Sharia banking product offered including elements needed in AEC era.

Therefore, this research concept strategy is named SHARIA BANK STRATEGY BASED ON FINANCIAL, MARKETING, PRODUCTION, AND HUMAN RESOURCE MANAGEMENT EMPOWERMENT with the operations guide based on Qur'an and Hadits transparently and trustworthy for customers or shortened as KPPS STRATEGY Based On Transparancy us a-Qur'an and Hadist Principle.

CONCLUSION

From research results, the conclusion on the determination on sharia banking strategy concept in facing AEC through SWOT analysis by analyzing internal factor and external factor on sharia banking in Indonesia are:

1. Internal factor in determining sharia banking strategy concept in facing AEC consists of: government and communities universal supports, comparative superiority, free from interests transactions, improving office networks and human

resources and profit sharing system and interests free loans.

2. Internal factors in determining sharia banking strategy concept in facing AEC consists of weakness including: the unaccordance between vision and lack of coordination between government and authority in developing sharia banking, insufficient capital, expensive costs, low diversity of products, and services that have not met society expectation, low human resources and technology, unsupportive service and information technology, low comprehension and consciousness from society, and unoptimal regulating and monitoring.
3. External factor in determining sharia banking concept strategy in facing AEC consists of: Muslims as Indonesian majority population, abundant natural resources, law opportunity to support the development of interest free bank, the entry of international finance institution, the development of education institution, and bright prospect of Indonesian economy.
4. External factor in determining sharia banking concept strategy in facing AEC is consists of: sharia bank product innovation, asset quality, capital and sharia bank business scale, competition in collecting small funds, human resources, sharia finance system technology.
5. One of concept strategy that can be use is determining sharia banking concept strategy in facing AEC is KPPS Strategy (Financing, Marketing, Producing, and Human Resource Concept Strategy) which means in sharia banking competition in AEC era uses strategy in strengthening finance, marketing, producing, and human resource management based on Qur'an and Hadits conducted transparently and trustworthy to customers. It will make sharia banking image not only different and Islamic but also can apply Al-Qur'an and Hadits' values as expected by the customers

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