
Marketing Strategy for Murabahah Financing Products at Islamic Rural Banks in East Java Indonesia

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ABSTRACT

This study aims to identify the characteristics of the marketing strategies used by Islamic Rural Bank (IRB) in East Java. A number of recommendations were further explored in the results of individual studies that had been carried out previously on IRB in East Java. Marketing in this study is intended as an effort to acquisition and retention of IRB customers. This research is a literature study using secondary data to answer research questions. Secondary data is obtained from scientific literature published and published online. The search engine used is Google Scholar with the keyword [BPRS murabahah "East Java" marketing]. Using this keyword, 271 search results were obtained. This number is quite relevant to the situation of Islamic economic research in Indonesia. About 90% of this amount can be accessed completely by researchers. After that, the researcher reads one by one the article to get a description of the marketing strategy that is carried out in association with the results of the research concerned. Only research that discusses murabaha or wider (general funding) is taken for further analysis. Through this procedure, 16 relevant studies were found and could be used for further analysis. Data is then analyzed using the logic of research, related theories, the results of similar research from data and the results of research in a broader context. At the end, a number of recommendations can be taken to develop a better framework and therefore a better marketing strategy. This study recommends the use of alternative SWOT methods to formulate strategies such as SPACE marketing strategy and AWOT marketing strategy.

Keywords: Marketing strategy; Murabahah; Islamic Rural Bank.

1. INTRODUCTION

Murabahah is a "transaction" where the acquisition price is informed by the seller to the buyer [1]. Initially, Murabaha is an exchange transaction of one person who sells goods needed by the end buyer [2]. Therefore, Murabahah is a cost plus an agreed mark up in the price of goods purchased [3]. Basically, Murabaha is a debt contract for purchases [4]. Murabahah is the most common form of financing in Islamic banking [5]. Some view that Murabaha also applies to short-term financing and export financing [6]. So, this concept is commonly known by the public [7].

In 2000, DSN (National Sharia Council) had raised the DSN No. 1 Fatwa. 04 / DSN-MUI / IV / 2000 which specifically regulates the practice of Murabaha in Indonesia. This foundation is strengthened through Law No. 21 of 2008 concerning Islamic Banking Article 1, number 1 which is one of the buying and selling transactions in Islamic finance (President of the Republic of Indonesia, 2008). In 2016, the OJK issued the Sharia Murabahah Banking Product Standard as an effort to ensure operational provisions, consumer protection, and the development and innovation of sharia products [1]. Efforts to standardize Murabahah products by the OJK is a tendency for a slowdown in economic growth and decline in market shares compared to conventional banking [1]. In fact, the portion of Murabahah financing covers 58% of total Islamic banking financing in Indonesia [1].

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East Java is the third largest number of Islamic Commercial Banks (BUS) in Indonesia, with 43 Operational Headquarters (KPO) from 466 KPO in Indonesia [8]. The number of Sharia Business Units (UUS) in East Java is the largest in Indonesia. As many as 22 of 150 UUS in Indonesia are in East Java [8]. Even so, in 2018, the financing for non-performing loans [9] was the highest in Indonesia. The non-performing finance (NPF) value for Micro, Small and Medium Enterprise (MSME) working capital reached 6.6%, well above the national average of 5.7%. This condition is far different from 2015-2017 where East Java always has a lower NPF than the national level.

Table 1. Ratio of NPF BUS and UUS in East Java to the National as at July

| Year | Area | Working capital (%) | | Investment (%) | | Consumption (%) | |
|------|-----------|---------------------|----------|----------------|----------|-----------------|----------|
| | | SMEs | Not SMEs | SMEs | Not SMEs | Not SMEs | Not SMEs |
| 2014 | East Java | 7.8 | 2.0 | 3.4 | 0.5 | 2.5 | |
| | Indonesia | 6.9 | 3.6 | 6.5 | 3.3 | 2.9 | |
| 2015 | East Java | 7.1 | 5.6 | 6.6 | 1.1 | 4.0 | |
| | Indonesia | 9.1 | 4.8 | 7.2 | 4.1 | 3.0 | |
| 2016 | East Java | 5.9 | 2.1 | 6.4 | 1.8 | 2.9 | |
| | Indonesia | 7.0 | 5.9 | 9.1 | 3.5 | 3.0 | |
| 2017 | East Java | 3.5 | 3.1 | 4.8 | 0.7 | 2.2 | |
| | Indonesia | 5.6 | 4.8 | 5.8 | 5.8 | 2.0 | |
| 2018 | East Java | 6.6 | 5.0 | 4.7 | 7.6 | 1.9 | |
| | Indonesia | 5.7 | 3.4 | 5.1 | 4.3 | 1.9 | |

Source: OJK, 2018

Theoretically, the high NPF reflects the inability of banks to overcome various problems including marketing problems [10]. For example, marketing failure can reduce the reputation of the bank, creating an increased risk of obtaining customers with bad intentions [11]. Similarly, marketing efforts to help customers in providing market information can increase production which is useful in reducing NPF. Without this effort, the customer is unable to plan production and consequently, has an impact on his ability to repay credit [12].

One form of Islamic banking services in Indonesia is an IRB (Sharia Rural Bank). East Java is the province with the most IRB in Indonesia with 29 IRB from 168 IRB in Indonesia [8]. NPF of IRB in East Java reached 10.08% but this is not too high compared to the National average of 11.80% [8]. This is different from the situation of BU and UUS which is below the national average, although in absolute terms it has a higher magnitude. From the aspect of financing, around 76-80% of the financing provided by IRB is Murabahah financing [8]. Therefore, it is interesting to learn how the marketing strategy of Murabahah financing products in this IRB in East Java Province.

So far, there have been no studies that thoroughly review the marketing strategy carried out by the IRB for Murabahah financing in East Java. The existing research is still specific and directed at individual IRB in this province. Research will now summarize the results of this study and use data from other sources such as the media to review the form of marketing strategies carried out by IRB in East Java, particularly in terms of Murabahah financing.

A number of studies on the marketing strategy of Islamic banking have been carried out in various places in the world. In Malaysia, [13] found that attitudes, awareness, and perceptions of financial costs were the determining factors for consumer acceptance of Islamic banking products. Meanwhile, research from [14] recommends that the marketing strategy of Islamic banking must emphasize awareness of Islamic banking products and services and assert the legitimacy of these products and services based on the principles of the Qur'an and the Sunnah.

Moreover [15] emphasizes that the marketing strategy of Islamic banking must be extensive and aggressive to show and confirm the message of feasibility and uniqueness of their products and services at local and international levels. Research [16] identified five factors used by Islamic banking in Lebanon to increase their market share, namely consumer trust based on true compliance with

sharia, consumer familiarity with products and services, financing costs and other transactions, accessibility to banks, and service quality which is offered.

In line with the description above, this study aims to identify the characteristics of the marketing strategies used by IRB in East Java. A number of recommendations were further explored in the results of individual studies that had been carried out previously on IRB in East Java.

2. METHODOLOGY

Marketing in this study is intended as an effort to acquire and retain customers of IRB. This research is a literature study using secondary data to answer research questions. Secondary data is obtained from scientific literature published and published online. The search engine used is Google Scholar with the keyword [IRB Murabahah "East Java" marketing]. Using this keyword, 271 search results were obtained. This number is quite relevant to the situation of Islamic economic research in Indonesia. Research [17] found that around 52% of Islamic economic research was directed at the financing aspect and from 52% of this study, 59% was directed towards Murabahah financing. This value is equivalent to 31% of the total Islamic economic research in Indonesia.

About 90% of this amount can be accessed completely by researchers. After that, the researcher reads one by one the article to get a description of the marketing strategy that is carried out that is in line with the results of the research concerned. Only research that discusses Murabaha or wider (general funding) is taken for further analysis. Through this procedure, 16 relevant studies were found and could be used for further analysis. Data is then analyzed using the logic of research, related theories, the results of similar research from data, and the results of research in a broader context. At the end, a number of recommendations can be taken to develop a better framework and therefore a better marketing strategy.

3. RESULTS

The following table shows details of the results of data collection together with its corresponding locations where the data were collected. Some studies only describe parts of the marketing field in the mechanism of managing Murabaha [18,19,20,21,22]. No study specifically examined the problem of Murabahah marketing but studied marketing practices in general [23,24]. Other studies only highlight the role of the marketing department [25,26,22]. There are also studies that study the characteristics of customers [27] and moral disasters [28,29]. One study studies marketing strategies in general [30]. Three studies highlight the issue of promotion [31,32,33]. One study examines partnership patterns in Murabahah financing [34].

Table 2. Summary of research results

| No | Research | Location | Marketing strategy |
|----|------------------------------|---|--|
| 1 | Maromi [20] | IRB Jabal Nur Gayungsari Surabaya | Customer character survey and see guarantees |
| 2 | Chasanah [34] | IRB Mojokerto City | Model cooperation between IRB and BAZ, government and private sector. |
| 3 | Ningtias [21] | IRB Bakti Makmur Indah, Krian, Sidoarjo Branch Office | Customer character has an impact on misuse of collateral goods |
| 4 | Riawan [33] | IRB Mitra Mentari Sejahtera, Ponorogo | Making members of Muhammadiyah as customer prospects. |
| 5 | Firmansyah and Nailiyah [23] | IRB Mitra Harmoni, Malang | Private sales in product marketing of IRB |
| 6 | Afif [18] | IRB Madinah, Lamongan | Determination of customer feasibility using interviews, field surveys (business places for business financing applicants) and reference sources (bureaucratic figures / religious leaders and the local community) |

| No | Research | Location | Marketing strategy |
|-----------|-----------------|-------------------------------------|--|
| 7 | Kholis [25] | IRB Bhakti Sumekar, Sumenep | The marketing department coordinates between work units; compile marketing strategies; monitoring, evaluation, and strategy supervision and financing portfolio; settlement of problem loans |
| 8 | Khoiriyah [27] | IRB Madinah, Lamongan | Factors that determine customer preferences |
| 9 | Wahid [29] | IRB Jabal Tsur, Pandaan | Factors influencing customer pay failure and spiritual marketing concept |
| 10 | Wulandari [22] | IRB Al-Mabrur , Babadan, Ponorogo | Financing mechanism |
| 11 | Febri [30] | IRB Mandiri Mitra Sukses, Gresik | Preparation of marketing strategies for IRB |
| 12 | Hariri [24] | IRB Jabal Nur Gayungsari Surabaya | Factors that affect customer satisfaction IRB |
| 13 | Khasanah [19] | IRB Amanah Sejahtera, Cerme, Gresik | Financing Mechanism |
| 14 | Safrida [28] | IRB Tebuireng Gresik | Phenomena with Topics |
| 15 | Kurniawati [32] | IRB Magetan | Socialization and promotion are minimal because of limited funds |
| 16 | Apriany [31] | IRB Bumi Rinjani Kepanjen, Malang | Discussing employee spirituality and spirituality at work |

Source: Results of data collection, 2018

4. DISCUSSION

This section identifies seven important themes namely general strategy, promotion, consumer preference, mask and pay failure, consumer acquisition, spirituality and consumer development, in which the elaboration of each theme is the ensuing sections.

4.1 General Strategy

There is only one study that studies the general marketing strategy [30]. The general analysis tool used is SWOT. Based on strength, weakness, opportunity and threat (SWOT) considerations, a number of strategies were formulated. The strength opportunity (SO) strategy includes product offerings to market traders and around office locations, creating a comfortable and safe atmosphere during transactions while the strength threat (ST) strategy includes partnerships with competitors, HR training, facility upgrading. The weakness opportunity (WO) strategy includes solutions and waivers, product diversification and the weakness threat (WT) strategy focuses on supervision.

The use of SWOT to formulate a marketing strategy is commonly used because it is simple and familiar [35]. However, SWOT has a number of limitations. In the practice of SWOT analysis, managers are more difficult to find strengths than weaknesses, the resulting picture is more operational than strategic, managers involved do not necessarily know the strengths and weaknesses of strategic, something that is considered weakness or opportunity can in fact be excessive, the power and influence of managers in compiling SWOT is not as strong, and something that is a result is seen as a weakness rather than looking for the root of the problem [36].

SWOT also does not determine the weight of each factor used [37]. The point is that there is potential for over-subjectivity and inadequate determinations of factors [38]. Alternatives that can be used other than SWOT for example are SPACE analysis [39] or AWOT (AHP-SWOT) [40] which are more quantitative and analytical. Design of Experiment (DOE) and AWOT marketing strategy can be used to formulate marketing strategies for IRB, including for Murabahah marketing strategies.

4.2 Promotion

Three studies highlight the issue of promotion [32,31,33] identified the promotion of IRB Mitra Sejahtera, Ponorogo, by observing the advantages of a clear consumer base. This IRB is part of the Muhammadiyah organization, and therefore, can make members of Muhammadiyah as customers' prospects. Offering products to Muhammadiyah University employees and lecturers as well as Muhammadiyah High School, Middle School and Elementary School teachers and business people. Risk is minimized by customer selection as in other IRB. Meanwhile, Kurniawati [32], who studies IRB, which is a regional-owned business entity, has difficulty obtaining promotional and socialization costs due to budget constraints. The solution that can be taken to overcome the budget problem in promotion is the use of social media and the internet in general. However, in this case, IRB is constrained by the mastery of information technology from existing HR [31].

Difficulties in promotion can actually be overcome by efforts to integrate with programs owned by other institutions. For example, in India, microfinance institutions work with the government to participate in family health campaigns [41] and prevention of HIV / AIDS [42] and forest management [43]. In the same country, microfinance institutions form partnerships with NGOs, banks and governments [44] or other financial institutions [45].

4.3 Consumer Preference

Study of consumer preferences is to find out what factors are considered by consumers in becoming customers of IRB is carried out [27]. The customer chooses an Islamic bank known for its easy requirements, fast and friendly service, quick realization, immediate needs, Muqassah, installment pick-up service, trial and error, proximity to the cash office, and recommendations from family.

The research is in line with previous studies in various places in the world [46,47]. Studies in Malaysia see that religiosity is indeed important, but more importantly is the quality of service because this is the strongest motivation for customers to choose Islamic banks, at least in Malaysia [48]. Another important thing to be prioritized for becoming a marketing target is rationality (profit-loss), convenience, and social influence from friends and relatives [49].

4.4 Mask and Pay Failure

In particular, [50] identifies one consumer group that uses Murabaha financing to finance non-consumers. This phenomenon is called a mask. Mask is an action where non customers use data from the customer's side. Topengan is due to an analysis of financing proposals that are not careful. In addition, [29] studied the failure of paying customers. Payment failure is caused by internal factors (lack of understanding of the customer's business, lack of customer financial evaluation, conflicts of interest, weak supervision, occurrence of mental erosion) and external factors (customer character is not trustworthy), business still run new, unable to cope with problems / lack of mastery of business, death of key figures, natural disasters).

Topengan is a situation of moral disaster and bad selection that departs from agency theory, especially in the concept of information asymmetry [51]. Research shows that situations of moral disasters and poor selection can be overcome by group funding, rather than individuals [52]. In this situation, group members supervise each other so that irregularities will be avoided because other members are forced to bear the burden of fraud if known by the bank [53]. Furthermore, this will help in providing social benefits to the community [54]. That is, social ties within the group are able to improve the performance of group payments [55].

4.5 Consumer Acquisition

General consumer acquisition research for IRB was reviewed by [23] and [24] found that approaches, presentations, handling objections, and closing sales had a significant effect on customer satisfaction. Meanwhile, [23] identified personal sales with stages of search, pre-approach, approach, presentation and demonstration, handling rejection, closure and follow-up.

Private sales are a common method and are recommended for use in the acquisition of sharia banking consumers, especially small and local banks such as IRB [56]. Personal sales rely heavily on trust and honesty which are also important elements in Islamic teachings [57]. If honesty is also given to coworkers, this will foster a healthy work climate and increase employee job satisfaction [58]. However, the application of personal sales must be accompanied by training and patience (deadline that is free) so that it can reduce the workload of employees [59]. If not, this will threaten the ethical climate and encourage employees to quit because of job dissatisfaction [60].

4.6 Spirituality

Two articles highlight the concept of spirituality in research in IRB. [29] highlighted the concept of spiritual marketing, where marketing is not only profit-oriented but also blessing. The application of this practice to IRB is to require employees to perform dhuha prayers and periodically conduct recitation to pray for customers in order to pay off their debts. A similar concept was put forward [32] examines the issues of employee spiritualism and spirituality in the workplace. The spirituality of the workplace is manifested in the form of istiqoshah, recitation of prayers, internal and communal recitation, religious tours, and compensation for orphans.

Spirituality is an inherent aspect of the sharia concept because of the strong element of religion in this financing model. Even so, the concept of spiritual marketing is a new concept put forward in the Islamic economic literature. This concept is considered to be less consistent because its meaning is ambiguous. [61] for example, interpret it as marketing aspects that are based on Islamic teachings, which actually rest on general marketing theories such as the marketing mix [62,63]. Meanwhile, [64] views it as the use of spirituality in social relations with customers, opposed to the use of rationality. Adhering to the emphasis on 'marketing' in the concept of spiritual marketing, it can be seen that the concept of [64] is more striking, rather than the understanding that spiritual marketing is only an enrichment of the marketing mix.

Meanwhile, what is understood as spiritual marketing in [29] is no other spirituality in the workplace, as discussed by Apriany [31]. Spirituality in the workplace is a concept that has been standardized as a variable in quantitative studies [65]. It is an effort to produce meaningfulness of individual workers in their work through transcendence and relationships with God [66]. This concept is actually still quite rarely studied in the context of Islamic banking [67].

Considers [68] that the concept of religion must take precedence over spirituality because religion is a constellation of values and beliefs that are more organized than spirituality. For example, spirituality is more related to morals such as the ability to listen to the heart, awareness of others and around, empathy, care, and responsibility [69]. These moral characteristics should be included in the concept of spiritual marketing, rather than spirituality, because it is applied to the practical level. Meanwhile, aspects such as prayers of Dhuha, tahlilan, etc., enter into spirituality in the workplace, or more specifically, religion in the workplace. However, both can be applied to the IRB marketing context because it is important in shaping employee work attitudes and enhancing the reputation of IRB as an institution that complies with sharia principles [70].

4.7 Consumer Development

Research Chasanah [34] studied the mechanism of IRB cooperation with a number of parties. IRB collaborated with BAZ to channel funds in the PUSYAR program (Sharia Business Financing) assisted by Diskoperindag and MES. MES is an institution whose task is to provide guidance on business management, supervision and marketing to MSME customers.

The use of private institutions to handle the marketing of MSME customers can be permitted as long as the private institution is able to guarantee customers can pay because of good business development. This can be understood because of the limitations of IRB in understanding very diverse businesses and limitations in human resources. In larger banking institutions, customer development efforts can be carried out on their own in a customer management activity framework [71] or

relationship-based marketing [72]. This also not only increases customer satisfaction and encourages customer retention, but also promotes word of mouth promotion [73].

5. CONCLUDING REMARKS

The above review shows that IRB in East Java still use SWOT as a general marketing strategy preparation tool. Promotion is constrained by segments, costs and competencies in the field of information technology. Private sales have been carried out, in part by applying the principle of spiritual marketing which is an added value of the IRB.

This study recommends the use of alternative SWOT methods to formulate strategies such as SPACE marketing strategy and AWOT marketing strategy. Promotion needs to be improved in collaboration with various parties, especially the government, other financial services and NGOs. IRB also needs to increase its legitimacy based on the Qur'an and Sunnah and improve service quality. Group financing alternatives can be explored to reduce moral disasters and bad selection. Spiritual marketing and religious fertilization in the workplace need to be further improved. IRB also needs to train themselves to increase customer satisfaction by directly providing guidance to customers in using their funds.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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