

## **Marketing Strategy for Islamic Banking Sharia Financing**

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### **ABSTRACT**

Islamic banking currently offers business loans under Sharia-compliant strategies. Like conventional banks, Sharia Banks, as primary institutions in Sharia People's Business Loans, must exhibit prudence in managing People's Business Credit funds to avert detrimental financing results. This study seeks marketing strategies for Sharia-compliant micro, small, and medium firms via the Participatory Action Research (PAR) approach. Two marketing strategies exist: traditional and digital, both utilizing the 5Cs—Character, Capacity, Capital, Economic Conditions, and Collateral—to assess the feasibility of client engagement. This study, employing the Strengths, Weaknesses, Opportunities, Threats (SWOT) analytical framework, concluded that the strengths and threats surpass the weaknesses and opportunities. The main factor is inadequate knowledge about Islamic finance. This study is noteworthy as it concentrates on the major annual government initiative and the largest Islamic bank in Indonesia. The cyberattack on the Islamic bank's computer infrastructure is exacerbating the difficulties in restoring public trust. The involvement of scholars and students in PAR-based collaborative efforts may provide an alternative method to address difficulties by improving Islamic financial knowledge.

**Keywords: Islamic Banking; Participatory Action Research; SWOT Analysis**

### **INTRODUCTION**

Following the government's initiation of the people's business credit program in 2007, the introduction of sharia-compliant people's business loans in Islamic banks was also advocated. In early 2016, Bank Syariah announced its preparedness to be the inaugural Islamic bank to disburse (Syahvitri & Sugianto, 2022). Mid-2016 saw the appointment of Bank Syariah as a sharia-compliant distributor of program funds, also known as people's business finance (PBF). Syariah is a program that helps small businesses get loans from banks, focusing on supporting businesses that can be productive and profitable, even if they are small, by providing them with

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working capital and investment help. This initiative aims to enhance business capital capabilities to facilitate the implementation of policies that promote real sector development and empower MSMEs. In early 2023, a mandate was issued for the allocation of funds amounting to 14 trillion to be divided across 38 provinces via three conventional program types. Additionally, to prevent adverse financial outcomes, meticulous management of funds is necessary. Following the cyberattack on the technology system, this largest Islamic bank must demonstrate that its banking operations are functioning effectively to sustain competitiveness, profitability, customer loyalty, and sharia compliance (Rahmayati, 2021). This study aims to investigate bank strategy in marketing Sharia financing.

### **RESEARCH ELABORATIONS**

This community service employs the Participatory Action Research (PAR) methodology. This method was selected due to a community service study about the bank's strategy in promoting Sharia financing, which aims to enhance Islamic financial literacy among the MSME community (As' ad, 2020). This study is conducted by systematic and collaborative efforts to educate and support the marketing team in promoting Sharia products aimed at MSMEs. The PAR technique aims to facilitate effective collaboration among academics, students, and banks in teaching potential consumers. The engagement and active participation of academics, students, and stakeholders with potential clients can serve as evaluative data to enhance the KUR Syariah program in the future (Kamarulzaman & Madun, 2013). The PAR method aims to enhance the representation of Islamic banks within the MSME sector, thereby fostering trust and engagement among potential customers in accessing Sharia. This strategy is expected to speed up the growth of MSMEs, improve knowledge and skills, and make sure that Sharia loans are paid back when they are due. This strategy is anticipated to expedite the company growth process for MSMEs, enhance literacy and abilities, and ultimately ensure the repayment of Sharia finance upon maturity. The analytical instrument employed in this community service research utilizes Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis. This analytical instrument is anticipated to delineate the strengths, shortcomings, opportunities, and challenges encountered in promoting Sharia to the MSME sector (Hidayatullah et al., 2023). We anticipate that this map will provide recommendations to stakeholders, especially regarding the internal distribution of Sharia funds to the community.

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## RESULTS AND DISCUSSIONS

Setting a strategy is one of the important factors for banks in marketing their financing products. The same goes for those who are trusted to distribute Sharia. Banks must make a good and maximum marketing strategy to distribute funds, starting from product determination to the selection of potential customers. Through the PAR approach, a Sharia financing marketing strategy can be compiled to customers or prospective customers and in order to compete with other conventional banks consisting of three phases (Tho'in, 2021). Defining Products Defining products is the first phase of a marketing strategy. This phase is the area of the head office, where all other branch offices do not have the authority to determine Sharia products. In this phase, all bank offices are obliged to understand the Sharia products that have been determined by the Center. There are three variants of Sharia provided, namely Small, Micro, and Super Micro. The division of this group is based on the MSME group which is targeted into three clusters, namely Small Enterprises, Micro Enterprises, and Super Micro Enterprises. For MSMEs, both categorized as Small Businesses, Micro Enterprises, and Super Micro Enterprises, are popular products and are the main choice for those who need business capital and investment.

Sharia marketing uses traditional and online marketing strategies (through social media) to promote and channel available products. The choice of traditional marketing methods depends on the target market and the available budget. The traditional marketing strategies carried out are as follows: First, through print advertising such as brochures, posters, or pamphlets to promote products. Brochures were distributed to MSMEs in the region, especially MSMEs in the Market. The Marketing Team went to the field to explain directly and in-depth about the available Sharia products. As for other print advertisements, they are placed in strategic places such as branch offices, markets, or city centers. Second, through exhibitions. participate in exhibitions related to businesses or industries that are targeted by Sharia. In the exhibition, the Marketing Team exhibits products and provides information about Sharia products to visitors directly. Third, product presentation. visit certain places and present Sharia products to interested potential customers. This presentation can be done at a branch office, at a prospective customer's office, or in another strategic place that is mutually agreed upon with the target customer. Fourth, organizing promotional events. hold promotional events such as seminars to introduce Sharia products to the public. Events can be held at branch offices or in public places such as village halls, office halls, school halls or in other strategic places agreed together with the target customers For online marketing or through social media, strengthen the online marketing carried out by the Head Office for the branch office area through several steps: First, promote the official BSI website and include information about Sharia products

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The bank's official website in all regions, centralized and presents complete information about Sharia products, their requirements, how to apply, and benefits.

Second, create social media accounts on Facebook, Instagram, and Whatsapp. Its function is to promote or post e-brochures of Sharia products and provide information about products for users who want to know Sharia information. Third, sending emails to potential customers to promote Sharia products. These marketing emails can contain information about the product, benefits, and how to apply. Fourth, using online advertising platforms or broadcasts on Facebook, Instagram, and Whatsapp. to reach potential customers online

Selecting Potential Customers Prospective customer selection is the final phase of a series of marketing strategies. As per the procedure from the Center, there are criteria that can be applied by branch regional offices, including to distribute or determine prospective breeding customers, namely the 5C criteria: Character, Capacity, Capital Condition of Economy, and Collateral [7]. Another study on Bank Muamalat Indonesia also uses the 5C criterion and this criterion can maximize the effectiveness of financing with an effectiveness value of Capacity and Capital exceeding 30%, followed by Collateral of 29.5% [8.9]. The implementation of the 5C is as follows: First, character. This criterion refers to the personality and integrity of potential customers, which includes attitudes, behaviors, and honesty in managing the business. In the distribution of Sharia funds, we look for prospective customers with good character, which is shown by good intentions in developing their business, maintaining the quality of the products or services produced, and having a commitment to paying loan installments. For example, honest character as evidenced by a statement letter accompanied by complete business documents. This study found experience with Customer X who owned business A who then showed the legality of ownership of X to business A, acknowledged the problematic circumstances he faced in managing business A, and then submitted a plan to manage Sharia funds in the development of business A. Second, capacity. This criterion includes the ability of potential customers to manage a business, which includes management skills, experience, and skills. In the application of this criterion, seeing and asking for proof that prospective customers have the ability to manage efforts, such as understanding the production process, managing finances, and maintaining good relationships with customers. The Marketing Team sees or asks how many customers there are in the business of potential customers, when the situation of the number of customers can increase, when the situation of the number of customers can decrease, and so on. Third, capital, This criterion includes financial resources owned by potential customers, both in the form of assets, investments, and the funds themselves. In the application of this criterion, ensure that prospective customers have sufficient liquidity capabilities to develop their business, including in paying loans smoothly. The Marketing Team digs into the

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financial information of potential customers, such as the amount of cash inventory, business turnover per month, expenses, and input from other sources.

Fourth, the condition of economy. This criterion refers to economic conditions that affect the business of prospective customers, such as market conditions, competition, and central and regional government policies. In the application of this criterion, it must ensure that prospective customers have a good understanding of the economic conditions that affect their business and how to anticipate it to manage risks. The Marketing Team also provides education and information about the latest economic conditions and their impact on prospective customers' businesses. The Marketing Team also maps potential customers who do or do not have the ability to prepare financial reports to be followed up to adjust customer needs to be eligible for Sharia financing and can minimize financing risks to maintain the quality of the Sharia portfolio. Fifth, collateral. This criterion is an asset that is used as collateral in the loan application, which can be taken over by the bank if the prospective customer is unable to pay the financing installments. In the application of this criterion, it must be ensured that prospective customers provide sufficient guarantees as a form of financing risk mitigation. The Marketing Team will ask prospective customers to provide collateral in the form of productive assets that can be used as collateral such as equipment or production machinery. By providing sufficient collateral, it can minimize financing risks and ensure that prospective customers will repay the financing funds in accordance with the agreement. Sufficient collateral will also increase trust in prospective customers, making it easier to approve financing. The analysis used in this study to map the Sharia marketing strategy is a SWOT analysis as shown by Table 1. SWOT analysis is a technique that can be used to develop strategic planning in various business cases by measuring and evaluating strengths, weaknesses, opportunities, and threats to a company or business venture [10]. This analysis tool is also carried out by other regions in identifying strengths, weaknesses, opportunities, and threats from potential customers [1

Table 1. SWOT Analysis

Strength Analysis	Weakness Analysis
1. Product - Easy and fast process. - Free administration fee. - Various schemes according to the productive needs of customers. - Light installments.	1. Product - Lack of understanding of Sharia products for the public - Some people do not know about the changes in various policies along with the change in legal entities.
2. Marketing function	2. Distribution and inventory

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- Promotions are carried out using according to the times, for example through Whatsapp social media (WA Blast) to several customers
- Staff who serve Sharia products are competent in offering or distributing brochures to the public.
- The increasing processing of submission files makes the queue time for Sharia services to prospective customers longer
- The growth of Sharia requests or applications by customers is not followed by the growth of equivalent Sharia funds.

### 3. Community service

- Friendliness of service to customers is a priority for even if customers are just looking for information about Sharia financing
- Provide service options through social media such as Whatsapp atau langsung datang ke kantor cabang

Opportunity Analysis	Threat Analysis
<p>1. Marketing opportunities</p> <ul style="list-style-type: none"> <li>- The majority of prospective Sharia financing customers are MSME actors who need business capital.</li> <li>- Access and information about Sharia financing is easily accessible through Micro Staff when conducting promotions, both online and offline (go directly to the field)</li> </ul> <p>2. Product diversification is a major player in Sharia.</p> <p>3. Community response The MSME community is enthusiastic about KUR Syariah financing products and is excited to apply for a loan</p>	<p>1. Competitors</p> <ul style="list-style-type: none"> <li>- The increasing number of online loan service providers that offer convenience and very fast processes.</li> <li>- The large selection of financing products from other banks that have comparative and competitive advantages.</li> </ul> <p>2. Market opportunities The public's interest in conventional banks is still higher.</p> <p>3. Reputational risk The existence of cyber attacks on technology systems also affect the trust of prospective customers in Sharia products.</p> <p>4. Community literacy</p> <ul style="list-style-type: none"> <li>- The level of sharia financial literacy of the community in the regions (sub-districts) tends to be lower than the level of</li> </ul>

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community literacy in the district/city capital.

- The Marketing Team must work harder in socialization and education when targeting regional areas (sub-districts).

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Source: Observations, discussions, and interviews

Based on the results of the SWOT analysis, it is known that Sharia distribution carried out by banks to strengthen and complement the established marketing strategies, also applies a number of local strategies to adjust to field conditions. Referring to the mapping results of the SWOT analysis, the strengths and obstacles that banks have are greater than the weaknesses and opportunities. Not all of these mapping results can be followed up by banks. There are areas where banks can execute, but there are also areas that are the execution areas of the central bank office. However, of course, the results of this analysis can be a guide for implementing a local marketing strategy for Sharia financing. Although there are no official figures or data on the level of Islamic financial literacy, through the PAR technique, it can be felt that public literacy towards Islamic finance is still low. This is also what causes the obstacles faced to be greater and wider than the existing opportunities. Through the PAR technique, the collaboration of banks with universities (academics and students) can reduce these obstacles through education and assistance to communities, agencies, schools, especially the MSME community.

## CONCLUSIONS

Based on the results and discussions, it can be concluded that the Sharia marketing strategy carried out by the bank is in line with and strengthens the marketing strategy that has been set by the Central Government nationally, both in traditional marketing and marketing that utilizes social media. There is a strategy carried out by branch offices following the marketing strategy of the head office, namely in determining Sharia products: Small, Micro, and Micro. Meanwhile, the strategy is local as a development of namely when marketing Sharia to the MSME community. Next, in selecting prospective customers, applying standardized and applicable techniques.

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