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Factors Determining the Effectiveness of Sharia Bank Marketing Management During the Covid 19 Pandemic in Gorontalo Province

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ABSTRACT

The Covid-19 pandemic brings a significant impact on the revenue of the banking industry in addition to new challenges and risks. The micro, small and medium enterprise sector feels its great effects as the pandemic affects the ability of Islamic banks to obtain deposits from them and the level of demand for financing for productive business investments through Islamic banks. This study analyzes various determining of the effectiveness of Islamic banking marketing management in Gorontalo Province. This paper applied a qualitative method with a descriptive-analytical approach, verification, and exploratory by collecting the primary data from unstructured interviews to information sources (key informants and informants). The data was analyzed by a qualitative descriptive model in the form of data collection, data reduction, data display, and conclusions. Besides, to deepen the results of the study, a Focus Group Discussion (FGD) was conducted with all relevant competent stakeholders. The results of the study are expected to be used by local governments and Islamic banking actors in Gorontalo Province.

Keywords: Covid 19, Islamic Banking, Marketing, Micro, Micro and Small Enterprises (SMEs), Small and Medium Enterprises (MSMEs)

INTRODUCTION

The Covid-19 pandemic affects Indonesia's economic life. One of the most affected business sectors is Islamic banking. Responding to the pandemic, the government policies lead to the instability of various sectors of life, including the economic and business sectors. Everyone has to stay, work, study, make transactions, even worship at home. This affects some business actors, especially Micro, Small and Medium Enterprises (MSMEs), Micro and Small Enterprises (SMEs), and large-scale businesses. After more than a year of the pandemic, the government began to take steps for a gradual economic recovery.

In economic activity, the terms marketing and sales have different orientations. Sometimes the two terms are considered the same, but actually have differences. Levitt (1960) illustrates the contrast between the concepts of selling and marketing.



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Sale orientation lies in the needs of sellers, while marketing focuses on the needs of buyers. Sale is concerned with sellers' need to convert their product into cash, while marketing has the idea of satisfying customer needs through the product and the goods associated with creating, delivering, and consuming. The study of marketing management is beneficial for marketers, prospects, and academics. Among the abundant marketing management literature, few discussions arise specifically about the marketing management of Islamic banks. The Islamic banking system in Indonesia began in 1992 after the enactment Law No. 7/1992 allowing banks to run their business operations with a profit-sharing system. Subsequently, Law No. 10/1998 enforces a dual banking system and allows Islamic banking to begin to develop.

Niswatin in Arini, Maharani, and Juliardi (2020) emphasized that Islamic banks are a unique entity with distinguishable characteristics from conventional banks, acting as a business, social, and da'wah organization. As a business organization, they occupy a significant role in complying with sharia regulations and rules within their management (Arini et al., 2020).

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There are four marketing principles of Islamic Banks. They are theistic (*rabbaniyah*), ethical (*akhlaqiyyah*), realistic (*al-waqi'iyyah*), and humanity (*al-insaniyya*). The theistic refers to a condition where is no element of compulsion but departs from an awareness of religious values, which are considered important, and color marketing activities so as not to fall into actions that harm people. Marketers must develop a marketing strategy, by highlighting the uniqueness of their company. In addition, they must be able to explain the marketing mix in their product design, pricing, placement, and promotions, imbued with religious values.

The ethical is about the nature of prioritizing moral issues (morals/ethics) in all aspects of activities. It is derived from the theistic nature. Thus, sharia marketing emphasizes moral and ethical values since they are universal values of all religions. The realistic underlines that sharia marketing is not an exclusive, fanatical, anti-modern, and rigid concept. It is flexible, as is the breadth and flexibility of the Islamic sharia underlying it. The humanity suggests that sharia is created for humans to get their degrees raised, their human nature created and maintained. This value makes humans who are controlled and balanced, not humans who are greedy and justify all means to achieve the greatest profit. Islamic Sharia is created for humans with capacities regardless of race, color, nationality, and status. This is what makes sharia universal in nature.

The Covid-19 pandemic has caused challenges for the world (Chaurasiya et al., 2020). It has reduced income from financing distribution. One of its disadvantages is that income is lost since there are no sales, but there are expenses to make (Hadiwardoyo, 2020). In Indonesia, the spread of Covid-19 has weakened the performance and capacity of Islamic banks, especially debtors. Weak debtor performance increases credit risk and disrupts banking and Islamic banking financial stability (Disemadi & Shaleh, 2020).



Gorontalo Province is also affected by Covid 19. As the MSME sector feel its biggest impact, the ability of Islamic banks to obtain deposits from MSMEs and the demand level for financing productive business investments through Islamic banks are reduced. However, the government has sought economic recovery which is expected to slowly revive economic activity, including the Islamic banking effectiveness of marketing management. On this basis, this paper investigates the determining factors of the effectiveness of Islamic banking marketing management during the Covid-19 pandemic in Gorontalo Province.

A specific understanding of Islamic bank marketing management has not been found in some literature. One definition of management is the effective use of resources to achieve goals. The definition of marketing is the process, method, act of marketing a commodity, and the matter of disseminating it to the community. Sharia Bank marketing management is a bank's business that carries out its activities based on sharia principles to select target markets and obtain, maintain, and grow customers in the community.

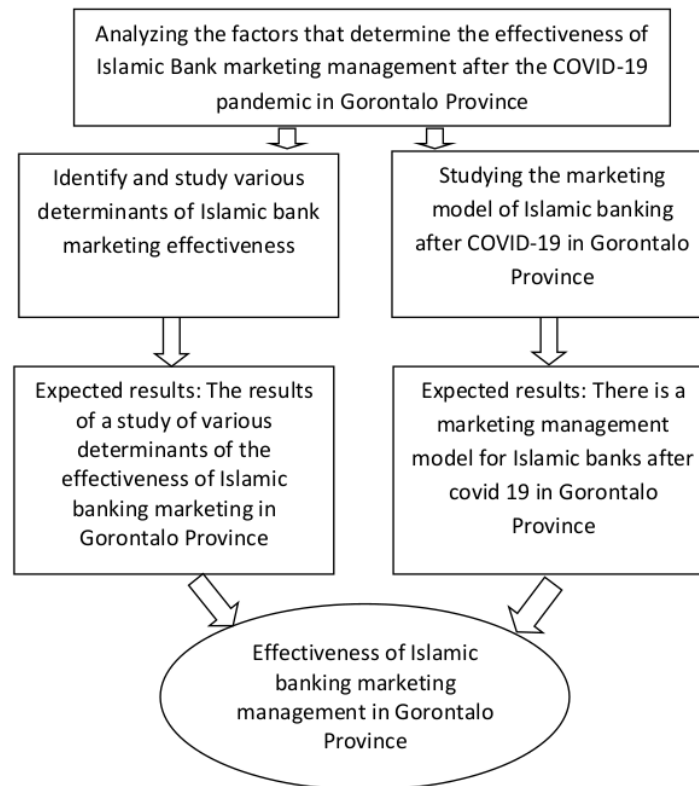
The Committee for Social and Communications of the Association of Indonesian Sharia Banks (ASBISINDO) suggested five strategies by Islamic banks to enter a new normal. First, Islamic banks will continue to mitigate risks, to restructure financing due to the Covid-19 pandemic which has an impact on the real sector interfering with the debtor's ability to pay. The banks will map out which debtors are eligible for restructuring and which are not. Second, they will continue to spur growth because, on the other hand, banks must also incur interest costs that must be paid to depositors. Third, it is the digitalization of banking services. Banking digitization has indeed been carried out before the outbreak occurred. However, now is a momentum to test whether bank-owned digital banking will be utilized by customers or not. Fourth, They must provide assistance to MSME actors by helping digitize to maintain their business sustainability. The assistance can be provided through a corporate social responsibility (CSR) program. Fifth, the Islamic banks must innovate as to enter the new normal banks cannot use the old way of doing business, including providing services to customers.

RESEARCH METHOD

Based on the background, focus, and objectives of the research, an appropriate research method is needed. The method used is a qualitative method with a descriptive-analytical approach, verification, and exploratory. The collected data is primary data obtained from unstructured interviews to information sources (key informants and informants). The data analysis technique is a qualitative descriptive model in the form of data collection, data reduction, data display, and conclusions. Figure 1 presents the research flow chart analysis of the factors that determine the effectiveness of Islamic Bank marketing management after the COVID-19 pandemic in Gorontalo Province.



Figure 1. Research Flowchart



RESULTS AND DISCUSSION

Many banks develop various strategies to increase their third-party funds. Strategy can be defined as the art and knowledge of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its goals. However, the effectiveness of Islamic banking marketing management entering the Covid-19 pandemic is determined by various factors. Before describing these various factors, it is necessary to describe the process of STP (segmenting, targeting, and positioning) as a reference in implementing marketing management in increasing third-party funds.

Segmenting in general is to classify consumers spread out in the market. It is useful for grouping them into a single unit. The grouping becomes the focus of the target. With



this, several advantages can be obtained, such as knowing the audience specifically including their characteristics and needs. Sharia banking segmentation in Gorontalo Province is students, companies, micro small and medium enterprises, institutions, and families. The segmenting is based on the type of product issued by Islamic banking.

Targeting is an effort to determine the target market. This is the stage of the continuation of the segmenting stage. The product of targeting is the target market, which is one or several market segments that will be the focus of marketing activities. The target consumers targeted by Islamic banking in Gorontalo Province are customers who want to apply sharia principles in their finances without any element of usury.

Positioning requires the right strategy because positioning is closely related to how we communicate to the public so that a certain image is embedded in the minds of the people. Customers who want to apply sharia principles position their company image as a sharia-based financial institution, so that the application of usury, which remains in conventional banks is no longer applied in sharia banking in Gorontalo Province.

The determinants of the effectiveness of marketing management in increasing third-party funds by Islamic banking are competitions. According to Mishkin (1996), increased competition can increase moral hazard incentives for banks to take greater risks. Decreased profits as a result of increased competition can be a note of bankers' encouragement to increase the risk to maintain previous profit levels. In Indonesia, the number of emerging banks can no longer be dammed as bank growth is quite rapid. Although Islamic banking is still considered a newly established Islamic bank, the development of Islamic banks is also not inferior to the growth of other banks.

The rapid growth of Islamic banks makes fierce competition to be unavoidable. Each bank is competing to create the best strategy. In addition, competition between banks is still in the normal category because the actions taken by banks are still under government regulations. The competition only lies in the products offered and the marketing between the bank's sales marketing. However, if Islamic banking does not move quickly in the competition, as Islamic-based financial institutions they will be left far behind from other banks.

In addition to the competition, profit sharing also determines the sharia banking marketing management effectiveness. Profit-sharing provided by Islamic banking is also less competitive with other banks. It can influence the increase of third-party funds. Since the savings and time deposit products use a *mudarabah* contract, the results given to customers are profit sharing. If the profit-sharing is less competitive, this will affect the increase of third-party funds. Also, Islamic banking as one of the major banks in Indonesia should be able to reach all customers to bring Islamic banking closer to the community. This usually facilitates bank activities such as promotional activities in places or other activities. However, for sales marketing employees, two cars are considered inadequate because sometimes all of the cars are



used. This interferes with sales marketing tasks in achieving the targets set by the Bank.

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The last factor is human resources. According to Antonio (2001), constraints in the field of human resources in the development of Islamic banking arise because this system has not been developed for a long time. In addition, academic institutions and training in this field are highly limited. There is very few educated and experienced personnel in the field of sharia, both from the implementing bank and the central bank (bank supervisors and researchers). The development of human resources in the field of Islamic banking is extremely necessary because the success of developing Islamic banks at the micro level is largely determined by the quality of management and the level of knowledge and skills of bank managers. Human resources in Islamic banking must have extensive knowledge in the field of banking, understand the implementation of sharia principles in banking practice, and have a strong commitment to applying them consistently.

In terms of developing Islamic banks by converting conventional banks into Islamic banks or opening sharia branch offices of conventional commercial banks, this problem becomes more important because a change in mindset is needed from a bank business system that operates conventionally to a bank that operates with sharia principles. Sharia banking employees are required not only to know the procedures for serving customers but also to know the application and contract used in every product owned by the bank. Trainings have also been carried out by the bank to train and provide understanding to Islamic banking employees in managing and applying the contracts used. However, with the short training period, many employees still do not understand the contracts used by Islamic banks, implying that the recruitment of professional employees in Islamic banking is highly needed.

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As several business sectors have been affected by the coronavirus (Covid-19) pandemic, including the banking sector, to continue to exist amid the pandemic, the banking sector must carry out risk mitigation carefully, and use creative strategies to deal with current uncertain conditions. Islamic banks are banks that operate without relying on interest yet with a profit-sharing and margin system.

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Michael E. Potter, one of the leading experts in the field of competitive strategy, said in his book "Competitive Advantage" that there are three generic strategies for achieving above-average performance in an industry: cost advantage, differentiation and focus (Potter, 1980). The focus strategy is further divided into two variants, namely cost focus and differentiation focus. In Islamic banks, profit sharing is applied according to the portion agreed at the beginning of the contract and will be carried out until the end of the agreement. The profit in Islamic banks depends on the profits obtained from the bank, and the ratio will increase along with the increase in the profits of the Islamic bank.



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 In the midst of the pandemic, banks must manage risk mitigation appropriately. Banks must also have a new navigation map and manage risk mitigation appropriately to deal with existing crises. The debtor mapping process for the restructuring process must run immediately and clearly so that the bank's cash flow is visible after treatment. Focusing on industries with financing prospects is also beneficial. Banks must be selective in the business sector that exists and develops in the midst of the corona outbreak. Also, digital banking is of importance. Products and services must be converted into digital banking. The process must be gradual and the initiation is carried out continuously. Besides, bank innovation and creativity are a must. Corona requires banks to be more innovative. For example, the current bank does not only demand payment of installments and credit interest by the debtor. However, banks must also consider helping customers, by selling their products.

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 Additionally, use the zoom tool for On The Spot (OTS). When the government requires social distancing or physical distancing, it is hoped that the bank's response is to enforce credit guarantee verification in the field or OTS through video calls or zoom. Business assistance and consulting are vital. MSME customers whose business has been disrupted due to Covid-19 receive business assistance and consultation by bank staff, namely relationship managers (RM) spread throughout Indonesia. The role of RM is to provide assistance as well as a consultant when a customer loan is restructured until the restructuring process runs smoothly. Finally, the corporate social responsibility (CSR) program through online education and training for MSME actors is also crucial. Banks can organize online education and training programs of Bank Virtual Training and Education which are carried out through the MSME Go Online application.

CONCLUSIONS

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 Based on the results of the research and discussion above, it can be concluded that several factors determine the effectiveness of Islamic banking management in Gorontalo Province. They are competition, profit sharing, facilities and infrastructure, human resources, proper risk mitigation, focus on industries that are process-specific to be financed, digital banking, the use of zoom tools for On The Spot service.

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