

**CONSUMER PERCEPTION AND EXPECTATION ON
SHARIA BANK'S PRODUCT DIFFERENTIATOR
A STUDY FOR BANK DKI SYARIAH**

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ABSTRACT

The aim of this study is to find some uniqueness of Sharia aspects which are expected by consumer to be embedded into a Sharia Banking's product. This study will analyze Sharia Banking Consumer perception attitudes toward Sharia funding product in Indonesia by using the sources of research data from a well known regional Sharia retail bank in Indonesia, Bank DKI Syariah which is keen to grow their funding business as much as possible.

The project research's output is expected to recommends Bank DKI Syariah as the subject of this study, to initiate any further research and review their strategic business plan by using this particular consumer perception result on the raised issues. The finding hopefully can eventually be utilized in forming new Sharia Banking product models that are more sustainable to support the industry trend to a leading position in the new economic era of Islamic finance in Indonesia.

Keywords: consumer expectation and perception, sharia banking, value proposition, innovation and business model, bank DKI syariah.

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INTRODUCTION

This study is made in order to fulfil the requirement for accomplishment of degree in Magister Management majoring General Management. It was prepared during the month of October 2009 up till February 2010, composed based on an in-depth fieldwork and desk survey. The research has been undertaken as a complimentary effort in finding the right methodology for finalizing the main objective of this study. The major content of this study aimed to show some different approaches in exploring ideal business strategy model that can be useful in developing new Sharia Banking product which is different from other Conventional Banking product.

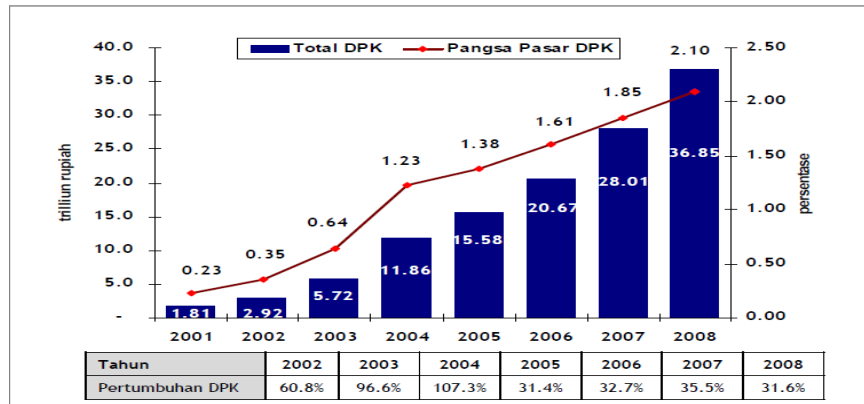
The subject of this survey is a medium sized Provincial Regional Bank namely Bank DKI with their Sharia Banking Division known as Bank DKI Syariah. As one of the most promising local government financial institution, currently the Bank aims to grow their Sharia business units more aggressively in order to win bigger market share in Indonesia. In order to assist the management of the Bank we create this study as a base to give them insight and inspiration on how to initiate sharia business differently through the eyes of their consumers. To create differentiator perspective of Sharia Banking services, an extra-ordinary approach will need to be driven out from a basic original idea in order to accommodate its customer's concerns and aspirations as to create positive perception toward the Bank's products. Therefore the main topic of the study will be aligned with Islamic of "*Maqasid al Sharia*" which are known as 5 (five) basic sharia values regarding human actualization in Islam.

The consumer perception will then be tested into any common expectation of our survey respondents, and analyzed whether some similarities could be detected as a conclusion triggered by the basic concept. The study was fully supported by some strategic management tools and theories that have been confirmed to match with the actual sources taken from reliable literatures. The survey findings will be checked through some other findings and observation found within the Bank. All of the facts were wrapped up in a simple yet useful conclusion and recommendations. Thus, the objectives of this study were (i) to assess the profile and prior knowledge of customers about Bank DKI Sharia's product benefits; (ii) to know

what type of benefits and features in Sharia's contexts motivates the consumer to open an account and banking with Sharia Bank; (iii) to know the customers' priority values in the perspective of '*Maqasid al-Sharia*' and the ranks of each values; (iv) to analyze the crucial concerns that influence the customers decision making process in regards to their financial dealings with Sharia Bank; (v) to indicate the product dimension gap occurred between Conventional Bank and Sharia Bank's product. Whilst, the benefit of the project is to provide beneficial information that can be leveraged to enhance Sharia Banking business in Indonesia, especially for the Bank DKI Syariah as the surveyed institution hopefully will get insight of what kind of product and business model innovations which feasible to be developed, and also as a reference to develop breakthrough business strategy in the future as well as for the academic world whereby as centre of education BINUS Business School with all related academic stakeholders will gain a better understanding on Sharia Banking business implementation which has been tested on the field, although in just using a simple approach such as our project.

PROBLEM IDENTIFICATION

The Sharia finance system was first introduced in the country since more than 20 years ago. It has grown tremendously during the relatively short period not only in banking sector but also in insurance and mutual fund sectors. The first Sharia finance institution in banking sector was pioneered by Bank Muamalat Indonesia back in 1991. However, after the development stage of more than 18 years in Indonesia, despite the leapfrogging growth of 35.6% annually with overall assets valued at Rp 49.5 trillion in assets, the progress of achieving the acceleration program to reach targeted percentage from the total Banking market share nation-wide by the end of 2008, has not been successful. As at December 2008 Sharia Banking market share growth remains small, and only reaching 2,14 % of the overall banking assets. (Bank Indonesia, *Laporan Perkembangan Perbankan Syariah*, 2008, quoted from <http://www.bi.go.id>).



Picture 1. Share Growth Acceleration of Sharia Bank’s Third Party Fund Market

(Source: KARIM Business Consulting – Market Analysis 2010)

As of today Bank Indonesia has created concrete efforts formulated as ‘Grand Strategy of Islamic Banking Market Development’. This is basically a comprehensive strategy of market development covering strategic aspects, by determining the vision of 2010 as to make Indonesia as the leader in Islamic Banking industry in ASEAN, by way of:

- Creating the new image of inclusive and universal Islamic banking,
- Mapping a more accurate market segment,
- Developing more various products,
- Improving services
- Adopting new communication strategy of Islamic banking by positioning it as a beyond banking position. (“Islamic Banking is more than just a bank”).

(Directorate of Islamic Banking, Bank Indonesia, *Grand Strategy of Islamic Banking Market Development*, Juli 2008, quoted from <http://www.bi.go.id>)

Hence, as the implementation stage of the Grand Strategy of Islamic Banking Market Development, two most important initiatives from Bank Indonesia’s concrete programs that will need to be performed are including but not limited to:

1. Assigning a new vision of Islamic banking development on phase I in 2008 to build understanding in Islamic banking as Beyond Banking by reaching an asset target of Rp 50 trillion and industrial growth of 40%, phase II in 2009 with the objective of positioning Indonesian Islamic banking as the most attractive one in ASEAN. Phase III in 2010 will have the objective of attaining Indonesian Islamic banking as a leading Islamic Bank in ASEAN. (please see Appendix 1)
2. Creating new image program of Islamic banking that includes positioning, differentiation and branding aspects. The new positioning of Islamic bank as banking that provides mutual benefits to both parties, differentiation aspect with competitive advantages with various products and schemes, transparency, competent and ethical finance, updated and user friendly information technology as well as qualified investment expert of Islamic finance. Branding aspect will be represented by 'Islamic bank, more than just a bank' that creates image of 'beyond banking'.

With these two policies is mind, all Banks which have opened Sharia Banking Units such as Bank DKI Syariah will need to expand and broaden their product and marketing strategic plan to be able to cope with the new challenge given by Bank Indonesia. The Bank's management must be able to out of the box and taking lot of consideration that the services they will in the future provide must be able to take the Bank forward by keep searching for the new image building of 'beyond banking'.

LITERATURE REVIEW

A research done by Business Week in year 2006 stated that : Sharia Banking, that also commonly known as 'Islamic Banking', which was started in 1975, is now having a significant share in the global financial market. As at 2006 there were more than 265 Islamic Banks operating in more than 40 countries and the total worth of their assets during the year was more than US\$ 265 billion. Now there are Islamic banks and other financial institutions in 70 countries, including some

in which the Moslem are not a majority.³ The principal reason behind this success is revival of fundamental Islamic values in all over the world during the past two decades. Moslem of the world were estimated as much as 1.2 billion inhabitants, which are nearly 25% of the world's total population in the respective year. In broad terms, the Moslem population can be divided into three segments:

1. The strict or pious Moslem who totally avoid the interest-based or Conventional Banks,
2. The less devoted or less strict Moslem who hold accounts both in Islamic and Conventional Banks; and
3. The least strict Moslem who have accounts only at conventional banks no matter the Islamic bank are available in their surroundings.

Sharia Banking Definition: according to the board term of “The International Association of Islamic Bank”, an Islamic Bank (usually called also as: Shari’ah Bank) is defined as: “An Islamic Bank is a Banking company which implements a new banking concept in that it adheres strictly to the rulings of Islamic Shari’ah in the fields of finance and other dealings”.

However the term of Islamic Bank may be distinct in some diverse explicit term according to the territorial composition of the country or region. In sight of the objective from an Islamic bank, people can also define Islamic bank as: “A banking institution which conducts all its operations conforms to Shari’ah, without involving itself and its clients in *Riba*⁴ (interest) in any way”. Thus the performance of Islamic bank is evaluated not just in financial terms, but also by the principle that its profit should be justifiably Islamic. As a Banking institution prevention of *Haram*⁵ is a general goal of Shari’ah Bank and it applies to all areas and subjects of their transactions.

Development of Sharia Bank in Indonesia: the awakening era of Islamic Banking and Finance also happened in Indonesia. Basically, the term “Bank Syariah” is only used in Indonesia, while in other countries such a term is called “Islamic banking”. Islamic Banking is banks which operate courses of business based on Islamic principles.

³ Warde, p. 2

⁴ See Glossary

⁵ See Glossary

It is a contract rule based on Islamic law between a bank party and other party in saving fund and other work payment which is in line with Sharia⁶. (Rivai, Veithzal, Bank and Financial Institution Management, Jakarta: Rajagrafindo Persada, 2007, p. 733). The development of Islamic banking in Indonesia cannot be detached from the government's supports which one of which is represented in banking policies which issued by the government. The Islamic banking phenomena in Indonesia began in 1992 when Bank Muamalat Indonesia was established. It is not only the first Islamic banking but also the first economic institution which implements *sharia* system but becomes a monumental symbol of the awakening of Islamic economic system in Indonesia. However, the existence of Islamic banking has not been optimally noticed in the order of national banking industry. From the law perspective, the Islamic banking is only categorized as a bank with the profit sharing system and there are no detailed argumentations of *sharia* law and kinds of business which are permitted. It is clearly reflected in the Law No. 7 year 1992 that Islamic banking is understood as a bank with a profit sharing system which in turn must go behind the conventional banking rules. Since then, people's demands on the banking product which in line with Islamic law cannot be fully satisfied because there is still a limitation on product variants which are commonly similar to those in conventional banking which has been "Islamized" (Zubair, Muhammad Kamal, Acceleration Of The Growth Of Islamic Banking In Indonesia-A lecturer in Sharia program at STAIN Parepare and Post Graduate Program of UIN Yogyakarta, www.journal.uin.ac.id/index.php/Millah/article/view/427/34)

In conjunction to the context of funding product differentiator in Islamic Bank (Sharia Bank), it is noted that most of the saving products incurred in Islamic Bank in Indonesia are mobilized through three types of accounts, namely *Wadia (Wadi'ah)*⁷ current account, *Mudaraba (Mudarabah)*⁸ savings account, and *Mudarabah* investment account. *Wadi'ah* current account or trust account is a current account based on Islamic principle of *Wadi'ah* (trust). Under this mechanism, the deposits are held as trust and utilized by the bank

⁶ See Glossary

⁷ See Glossary

⁸ See Glossary

at its own risk. The depositor does not share in the risk or return in any form. Any profit or loss resulting from the investment of these funds accrues entirely to the bank. Another feature of such deposits is the absence of any condition with regard to deposits and withdrawals. *Mudarabah* accounts, in contrast, are account based on *Mudarabah* (profit-loss-sharing) contract. Under *Mudarabah* principle, depositors (*Sahib al-mal*) deposit their fund to bank as *Mudarib* or fund manager, which later invest the funds into shari'a compliance business activities or projects and share the profit/loss with the depositors. The difference is that, under the *Mudarabah* savings account, the depositor can withdraw their funds at any time. Meanwhile, under the *Mudarabah* investment account, they can only withdraw the funds at the maturity period (1, 3, 6 or 12 months). If we have to put it in the conventional bank's perspective, *Mudarabah* savings account is similar to savings account. While *Mudarabah* investment account is similar to time deposit, yet both are based on the Islamic principle of *Mudarabah* (Bank Indonesia, 2008), *Kodifikasi Produk Perbankan Syariah [Codification of Islamic Banking Product in Indonesia]*

The Understanding of *Maqasid Al Shariah* : *Maqasid al-Shari'ah*, or the goals and objectives of Islamic law, is an evidently important and yet somewhat neglected theme of the *Shari'ah*. Generally the *Shari'ah* is predicated on the benefits of the individual and that of the community, and its laws are designed so as to protect these benefits and facilitate improvement and perfection of the conditions of human life on earth. (Kamali, Mohammad Hashim, *Maqasid al-Shariah Made Simple*, International Institute of Advanced Islamic Studies /IAIS, Malaysia). The Qur'an has expressed it in numerous places and a variety of contexts. Based on its rationale, purpose and benefit of its law becomes characteristically goal-oriented, and the feature of its laws commonly divided into two:

1. All civil transactions (*Mu'amalat*⁹)
2. All devotional matters (*Ibadat*).

In the area of commerce and *Mu'amalat*, the Qur'an forbids exploitation, usury, hoarding and gambling which are destructive and would jeopardize the objective of fair dealings in human life. The underlying topic in almost every broad spectrum from Islamic law is

⁹ See glossary

the realization of benefit (*Maslaha*)¹⁰ as a general interest, which is regarded as the influence of the *Maqasid al-Sharia*. The *Maslaha* therefore become another name for *Maqasid al-Sharia* and the *ulama* have used the two terms almost interchangeably.

Maqasid have also been classified into two:

1. The primary objectives (*maqasid al-asliyyah*): refers to the primary and normative goals that the Lawgiver has originally intended and they constitute the basic purposes of the laws of Shari'ah in the evaluation of human acts and conduct.
2. Subsidiary goals (*al-maqasid al-tab'iyyah*): refers to those which complement and support the primary ones.

The essential interests are enumerated at five, namely:

1. Faith, (*al-Muhafazhah ala al-Diin*)
2. Life, (*al-Muhafazhah ala an-Nafs*)
3. Lineage, (*al-Muhafadzah ala an-Nasl*)
4. Intellect, (*al-Muhafadzah ala al-'Aql*)
5. Property, (*al-Muhafadzah ala al-Mal*)

The Value Proposition Framework: According to Sydney Finkelstein, Charles Harvey, Thomas Lawton, in their book "Breakout Strategy"; deep customer focus is especially about becoming a magnet company, one that attracts customers to its unique offerings. Based on such book, the breakout strategy absolutely requires companies to take hold of their value propositions and actively manage them as a core strategic function. Active management of a value proposition involves three related requirements (Finkelstein, Harvey, Lawton, 2007):

1. *Explain what you are and what you offer.*
An effective value proposition makes clear to customers what it is that you are offering them. It ensures that the tangible and intangible benefits exceed the price paid.
2. *Ensure clarity and consistency to the customer.*
It is critical that the company consider each of the six pillars from a customer perspective and align them to ensure that the customer's need and expectations are met. If a consumer looks at

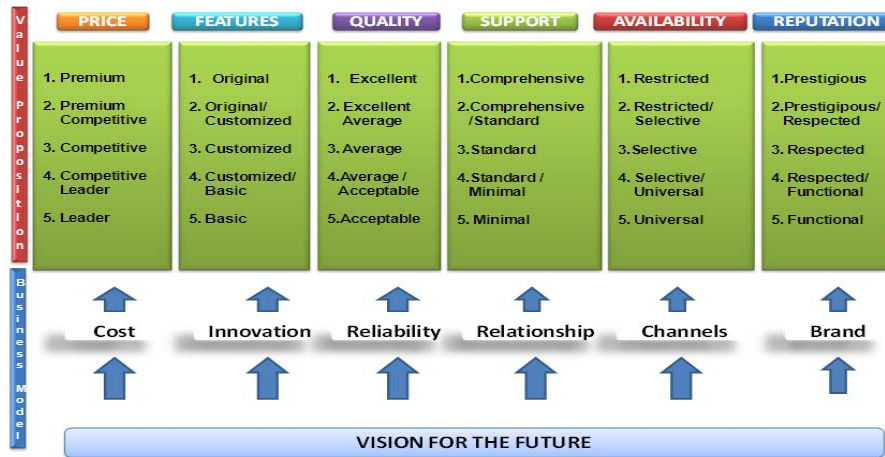
¹⁰ See Glossary

a company and sees the highest-priced-premium-provider, then he or she will expect certain value offerings to offset the above average price.

3. *Leverage up to gain competitive advantage.*

Leveraging up refers to enhancing one or more of six pillars in ways that can further strengthen your value proposition at the expense of competitors.

The following is the Framework of the six pillars of Value Proposition by Finkelstein, Harvey, Lawton, 2007, as follows:



Picture 2. Aligning the Business Model and the Six Pillars Value Proposition

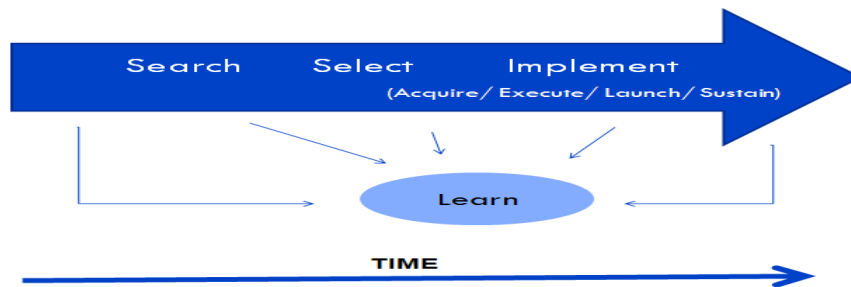
Based on the above-figure, each aspect of value that a customer perceives is a function of a specific corporate activity. Thus, price is a function of cost, product or service features are a function of innovation, quality is a function of reliability, customer support is a function of relationship, availability is a function of channels, and reputation is a function of brand. In this study, such above-framework literature could put in to account in analyzing and recommending the survey result more feasible and beneficial to product differentiator producer.

Managing Innovation Concept : in view of getting one organization to start managing their innovation in view of their effort to conduct a value proposition process, we would suggest Bank DKI to follow the steps learnt from the ‘Managing Innovation’ theory (Tidd, Bessant,

Pavit, 2005, p.89). According to them, there are 3 (three) steps in order to initiate an implementation plan of an innovation.

Those three steps are:

1. **Search:** In this stage we might be able to answer questions about: How can we find opportunities for innovation? During this phase innovation involves detecting signals in the environment about potential for making a change
2. **Select:** In this stage, we might be able to answer questions about: What are we going to do and why? The purpose of this phase is to resolve the inputs into an innovation concept which can be progressed further through the development organization
3. **Implement:** In this stage, we might be able to answer questions about: how are we going to make it happen? Having picked up relevant trigger signals and made a strategic decision to pursue some of them, the next key phase is actually turning those potential ideas into some kind of reality.



Picture 3. Innovation Process Model

The above mentioned framework known as the Innovation Process Model ((Tidd, Bessant, Pavit, 2005) which are essential as a road maps for companies like Bank DKI Syariah to be successful in making an innovation initiative workable for them and their customers. By dealing with the above elements, based on the above theory, eventually Bank DKI Syariah will be able to answer the basic questions existed within their internal such as:

- Do we have a clear innovations strategy?
- Do we have an innovative organization?



Picture 4. The benefit of Innovation Process Model

The Innovation process must be managed properly. In this context, it must be implemented through a “Search, Select and Implement” stages. Such literature theory can be used for deriving the management in delivering the decision strategy to promote the R & D and experience input from other perspectives.

METHODOLOGY

Research Design: we pre-designed our research in such a way that it can be utilized as interaction tools for a direct approach with Bank DKI Syariah’s customer. Since the objective of this project is to seek insights on general nature of consumer behavior at a relatively small-sized Regional Sharia Bank, a qualitative research approaches have been chosen as the most suitable to obtain the outcomes. As we know there are two different research design used by many researchers, namely the exploratory and conclusive research design. We choose the exploratory research design since it only includes two different approaches which is secondary data analysis and qualitative research. By definition, qualitative research is an unstructured, exploratory research methodology based on small samples which provides insights and understanding of the problem setting. (Maholtra, Das, 2007, page 140). We choose this approach since we only work on limited research variables.

Research Methodology: the research methodologies that were used in this Group Field Project are basically a combination between:

1. Field Research: In field research, we were basically looking for primary data that can be provided through questionnaires as well

as interviews with executives and related employees. By using pre-designed questionnaires, we formatted our research in a simple way that it can be distributed among front-liner staffs in Bank DKI Syariah. We handed out the prepared questionnaires to those who work as Customer Service Staff or Customer Service Supervisors only. The reason was because they are actually the ones who great and meet the Bank's customer or general public at the banking hall.

2. Literature Research: Besides data gathered from the questionnaires and interviews, we also collect additional data from:
 - Bank DKI financial report and other company record and documentations,
 - Books and academic literatures.
 - Other information available in public sources, media as well as internet

Literature research is meant to collect secondary data which related and support the primary data (also known as Desk Research)

GFP Study Framework: In developing the study for this project, we have done preliminary documents and literatures reviews as well as internet research to collect all relevant data associated to the issues brought up and the subject company which is Bank DKI Syariah, then list down some questions related to the topic for creating the questionnaires. Following the preliminary research, we made an appointment with Bank DKI's Director of Business whose looking after Bank DKI Syariah: Mr. Muhamad Irfandi and Human Resources Division Head: Ms. Enny Rantih. This approach is to gain buy-in for the topic given, as well as obtain the necessary support in taking forward the field-based research within the Bank's office location around Jakarta area.

Location and Period : using the questionnaires we deliberately distributed our survey as a means to gain some samples of existing consumers (who have been dealing and doing transactions with Bank Sharia) as well as samples of potential consumers (who have not been dealing with Bank Sharia). By this method, data is collected from 8 (eight) branch offices of Bank DKI Syariah throughout DKI Jakarta area. During the distribution 400 hundred questionnaires were

prepared to be filled-up by consumers. We involved 20 (twenty) Customer Service personnel from those Branches as follows:

No.	Type of Branch	No. of unit	Branch Name and Location
1	Main Sharia Branch	1	Juanda
2	Sharia Branch	2	Wahid Hasyim and Pondok Indah
3	Sharia Sub-Branch	5	Matraman, Depok, Bekasi, Krekot, and Senen

Within only 10 (ten) days period we could receive back 109 filled questionnaires, or equal to 27 % of the total questioners distributed. We presume with such a short period the sample size of the questionnaires were enough for us to prepare this study, although this would mean that the data collected provide only an approximation of the entire population. This fieldwork was conducted during the months of November 2009 – December 2009. Further to that we continue to finalize the desk research up till February 2010.

Research Construction: based on the different objective we have prepared 2 (two) different kinds of questionnaires as follows :

- Questionnaires A: aimed to be distributed to the existing Bank DKI Syariah' consumers (who have been dealing and doing transactions with Bank Syariah)
- Questionnaires B: aimed to be distributed to the potential Bank DKI Syariah' consumers (who never been dealing and never done any transaction with Bank Syariah).

Both of these questionnaires were distributed evenly, 200 sets for each type of questionnaire. We designed the questionnaires in a way that we can analyze the perceptions built in the Bank DKI Syariah Consumers' mind as well as their expectation on Sharia Bank's product differentiator aspect.

Research Approaches: We conduct primary data collection through the Customer Services Staff who obtained the information directly from walk-in customers by filling up questionnaires. Before the 20 Customer Services staffs were given the questionnaire, first they were invited by Bank DKI's Director of Business in a gathering arranged by HRD Division head to have an overview briefing with us. After

that a following interviews with the relevant Bank's authorities both from Bank DKI and its Sharia Division as well as society representatives and common citizen opinion on the subject will also be done as complementary to the questionnaires' research. We analyzed the answered questions by our self to bring out the hidden perceptions of both the existing and potential banking customers towards Sharia Banking product and services in Bank DKI Syariah. During first 30 days after all of the data and information collected, the inputs were being analyzed and statistically tabulated to be used in further analysis. We asked some customers on the spot and tried to perceive their views on the survey given.

Limitation of Research: besides the significance of this kind of unique study to answer the hypothesis, there were several following limitations of the application of this study, which are:

1. Limited period of time and relatively small sample size. Results may not be indicative for the target respondents at large.
2. Some respondents, who have limited knowledge of Sharia banking or no knowledge about the financial modes of conventional and Sharia banking, can also answered the questions; hence the replies of some questions may be based on their own imagination or thoughts.
3. Although majority of our respondents of Bank DKI Syariah questionnaire were existing customers and potential customers of Bank DKI Syariah, however some of our respondents also had accounts in other Sharia and/or Conventional bank too. So the results of this study are assumed not fully representing Bank DKI – Jakarta only.

Research Variables: the method of analysis of this study is by implementing a qualitative methodology, whereas we as the researcher analyzes the real situations by reviewing the answers form filled-up questionnaires and then matched it with the theory given to get conclusion for solving the problem which has been identified. As a framework of thinking, 5 complimenting research variables that are also reviewed are as follows:

1. Previous research literatures and papers on Islamic Banking
2. Primary documents related to Bank DKI Syariah

3. The theory of *Maqasid Al-Sharia*
4. The theory of Value Proposition (Finkelstein, Harvey, Lawton, 2007)
5. The theory of Managing Innovation (Tidd, Bessant, Pavit, 2005)

In short, this research's output about consumer perception and expectation on Sharia Banking product differentiator should be taken only as indicative and perceptive rather than conclusive. However, it should be able to give enough hints for the management of Bank DKI Syariah on what should be included in their business strategy, we remain.

RESULT AND DISCUSSION

Company Background: PT Bank DKI is basically a regional government bank, owned by Regional Government of DKI Jakarta. The Bank's scope of activities is to engage in general banking activities. On November 30, 1992 the Bank obtained the approval to operate as a foreign exchange bank from Bank Indonesia. The Bank started its Sharia Banking activities since January 13, 2004. The Bank commenced the operational activities based on Sharia Banking Principle in March 2004. The Bank's Head Office is located on Jl.Ir.H.Djuanda III/7-9, Jakarta. The Bank has Branches, Sub-branches, Cash Office and ATM as follows :

	2008	2007	2006	2005
Conventional Branch Offices	11	11	11	11
Conventional Sub Branches	30	30	27	27
Conventional Cash Offices	70	68	61	60
Payment Points	22	2	1	2
Sharia Branches Offices	2	1	1	1
Sharia Sub Branches Office	1	-	-	-
Sharia Cash Office	5	5	4	1
Sharia Services Office	36	-	-	-
ATMs	72	63	48	48

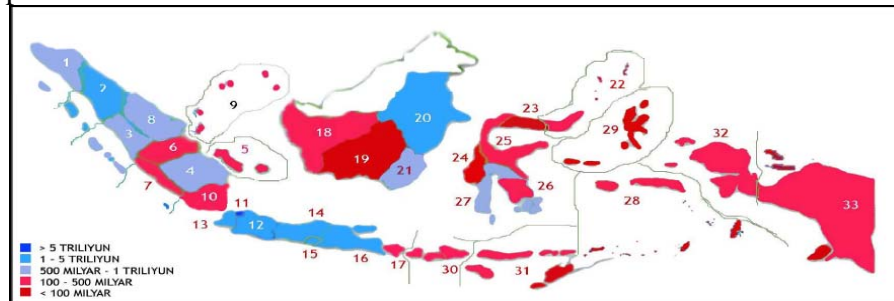
The current shareholders of PT Bank DKI is 99.83% (Rp 599,325 million) owned by the Provincial Government of DKI Jakarta, while the remaining 0.17% (Rp 1 billion) owned by PD Pasar Jaya. Board of

Commissioners and Directors as follows : President Commissioner : Suryo Danisworo, Commissioners : Idris Kadir and Joni Mulyanto. President Director : Winny Erwindia Hassan, Compliance Director : Aris Anwari, Marketing Director : Muhamad Irfandi, Financial Director : Mamad Sachroni, Operational Director : Ilhamsyah Joenoes. From our examination on the data gathered, we could see that the growth directions of Bank DKI relatively positive or growing. A growing company is defined as a company whose rate of growth significantly exceeds that of the average in its field or the overall rate of economic growth (Morris, 2000). If we take a look at the audited financial statement of PT Bank DKI from the year ended of 2004 – 2008, the growth of Asset and Revenue have almost increased by 100% and 90% respectively. At the same period of time, its Sharia Unit (Bank DKI Sharia), the growth of Asset and Revenue have significantly increased by 1,887% and 9,856%. Such numbers have shown to us that the growth made by Bank DKI and its Sharia Unit has been above industry average. Bank DKI (including its Sharia Division) consist of 1,635 permanent and 1,438 contract employees as of December 31, 2008 and 2007 (unaudited). In order to know the real condition of Bank DKI Syariah deeper, we have examined some information taken from Bank DKI and its Sharia Division's financial data as of 2004 up till 2008.

Developing the business and achieving Sharia business strategy and targets relies very much on Human Resources. At the end of December 2007, Bank DKI Syariah HR grew to 72 people, this is due to the organization structure change and the opening of new offices, HR currently comprises of 19 managerial level, 16 analysts and 37 administration personnel. It is commonly understood that in Indonesian Sharia economic industry Human Resources are still considered as inadequate. Therefore the development of Sharia products are still depends on the sufficient competency level of Bank DKI's staff. Since 2004, Bank DKI has developed a Syariah banking unit that continues to grow encouragingly over the years, including in the year 2007. Due to the commitment and hard work of all personnel, the total assets of Bank DKI Syariah have grown by 285%, comprising mainly on Syariah financing. Total funds acquired until end December 2007 amounted to Rp155,62 billion increasing 384,44% compared to December 2006 or Rp32.12 billion. Since 2004, total deposits continued to grow, although in 2004-2005 the increase

was not too high reaching 14,77% compared to the increase in 2005 – 2006 of 97.94%. The highest growth in deposits was achieved by *Mudharabah (Mudaraba)*¹¹ Deposit of 726.83% from 2006 amounting Rp11.41 billion in 2007 grew to Rp94.33 billion. The *Wadiah (Wadi'ah)*¹² Demand Deposit grew 200,50% in 2006 increasing Rp9.03 billion in 2007 to Rp27.14 billion. The *Mudharabah Savings* has increased 172.01% in 2006, or Rp11.68 billion in 2007 to Rp 31.78 billion with an equivalent rate of 5.94%. In 2007 Bank DKI Syariah initiated the *Wadiah Savings*. Funds acquired from the *Wadiah Savings* amounted to Rp2.36 billion.

As the official Government Regional Bank for DKI Jakarta province, Bank DKI has many privileges to fund raise from 3rd party (consumer) compare to other province. From the statistics provided by Bank Indonesia as shown below in Figures, more than 5 trillion Rupiahs potential market can be leveraged by Bank DKI Sharia from the province.



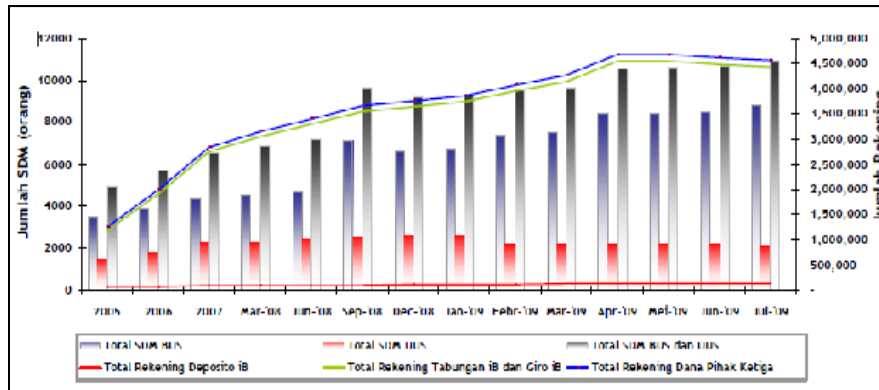
Picture 5. Sharia Bank Provincial Funding Distribution Map in Indonesia

(Source: Sharia Banking Statistics, Bank Indonesia, August 2009, KBC Analysis)

From the study done by KARIM Business Consulting since year 2005 up till 2009, the overall growth of actual third party funds raised by all Sharia Bank in Indonesia in comparison to the number of employees of the Banks, we should also be convinced that there is still big market potential that Bank DKI Syariah could grow even further.

¹¹ See Glossary

¹² See Glossary



Picture 6. Indonesian Sharia Banking 3rd Party fund Growth History
 (Source: KARIM Business Consulting Analysis, 2009)

As a balance to their funding business growth, at the financing side total Bank DKI Syariah’s financing portfolio by the end of December 2007 amounting to Rp301, 43 billion as follows:

(as of December 2007)

No.	TYPE OF PRODUCT	AMOUNT (in billions Rp)
1	Murabahah	173,02
2	Isthisna	0,03
3	Mudharabah	70,49
4	Musyarakah	37,69
5	Ijarah	20,19

Composition of Sharia Product Portfolio in Bank DKI Syariah

How Bank DKI and its Sharia Division grew and what methods or strategy they have made in particular in order to expand, has exposed that they have grown based on the combination of :

1. **Portfolio momentum:** which is the organic revenue growth a company achieves through the market growth of the segments represented in its portfolio, and
2. **Share gain:** which is the organic growth a company achieves through gaining or losing market share from its competitors (Viguerie, Smit, Baghai, 2007, page: 34).

Bank DKI (Sharia Unit) has successfully implement the Sharia Office Channeling program, currently they have opened 36 offices located in the conventional Bank DKI, as well as one additional Sharia Branch Office in Pondok Indah and one Sharia Sub-Branch Office in Matraman. The Bank had provided customers with great benefits, due

to the flexibility that has been granted to them by Bank Indonesia to provide sharia services counter in the conventional branches located at many Bank DKI Jakarta offices.

In addition to that, the development of Information Technology has also been essential for the Bank to help improve services facilities to customers, as well as enhancing operational efficiency. This development has also increase business productivity. Since 2008, Bank DKI Sharia ATM's were not only provide facilities for cash withdrawal, balance inquiry, and inter-bank transfers, but also can be used to top up pre-paid cellphone credit and to pay out monthly post-paid cellphone bills throughout the 'ATM Bersama' network. etc.

Data Analysis : In conjunction to information gathered from Bank DKI, we take a look on the data collected from our questionnaires in order to find a correlation between the Bank's business actual plan and what has been responded by the customer. These data were summarized according to the numerical order of the questionnaires and analyzed according to the importance and needs of the study. Due to the requirement of the study, some of the questions need to be analyzed further in details while some of them did not. We divided the distribution of two types of questionnaires (A and B) by half (50 % - 50 %) as follows:

- A. 200 sets of questionnaire A : aimed for the Existing Customers of Bank DKI Syariah: the customers who have been dealing and made transaction with Bank Syariah)
- B. 200 sets of questionnaire B : aimed for the Potential Customers of Bank DKI Syariah: the customers who have not been dealing and made transaction with Bank Syariah)

All 400 questionnaires had been distributed to 8 branches of Bank DKI Syariah within a period of 10 (ten) days, from 6 Nov 2009 till 16 November 2009. The summary and consolidation of filled questionnaires (both A and B) which have been collected from Bank DKI Syariah within this period was totaling 109 respondents, which consisted of:

- Questionnaire A =56 respondents (28 % from total Questionnaire A)
- Questionnaire B =53 respondents (26.5% from total Questionnaire B)

In order to make it easier for the respondents to understand, language used in the questionnaires is Indonesian. For this study, we have tried to carefully translate each of the questionnaires into English and consolidated all of the validities and the sampling errors which might be incurred.

The Questionnaire's Result : hereby are the summary and consolidation output taken from distributed questionnaires A and B which have been collected from Bank DKI Syariah. Out of total 400 questionnaires that had been distributed in Bank DKI Syariah, the sent back forms are coming from 109 respondents which consisted of : A questionnaire =56 respondents, and B questionnaire =53 respondents. We have tried to carefully translate the answer of each questionnaire in to English and consolidated all of the validities as well as the sampling errors which might be incurred. Here are the details:

- 1. Customer's Understanding of Sharia Banking Concept :** from 109 respondents who answered question regarding this it shows certain understanding of all respondents on the concept of Syaria Bank. The illustrates a high percentage of the Sharia bank existing customers (A) who were well aware of the Sharia banking concepts representing 73.21%. On the other hand, as oppose to our expectations there are 26.79% of the Sharia bank respondents who did not understand nor aware of the concepts of the Islamic banking. Whilst, the majority of potential customers (B) also understand the concept of Sharia Bank (66.04%), and the remaining do not understand the concept (33.96%).
- 2. Customer's Understanding on Riba Concept :** It shows how far is the customer understanding on the concept of interest income (usury) is classified as *Riba* as forbidden in Al-Qur'an. Existing customer of Bank DKI Syariah, as compare to potential customers, mostly know that payment or income from interest or usury is classified as *Riba* and was forbidden by Al-Qur'an. A total of 46 (82.14%) out of 56 A respondents, and 39 (73.58%) respondent out of 53 B respondents understand the concept *Riba* . While only 10 out of 56 A respondents and 14 out of 53 B respondents did not know that income from interest is classified as *Riba*. This results, perhaps, is also give us hints on the

commitment of Sharia banks' customers towards Sharia compliance which classified *Riba* as forbidden by Al-Qur'an.

3. Customer's Convenience to use Bank DKI Syariah's Product :

It answers that the majority of respondent A (75%) and respondent B (83.02%) feel convenient using the Sharia Banking products as long as such products were offered more or less at the same standard as conventional ones. The response on this particular query is understandable, since the existing and potential customers have so far been familiar with Conventional Bank in Jakarta instead of the Sharia bank (in this case is Bank DKI Syariah). Thus, the Sharia bank's products would be considered new to them and they tend to feel unfamiliar to those products although they are interested. This also showed us that there are still gaps between the service standard as well as the standard quality of feature being offered by Sharia Bank in comparison to the Conventional Bank's product. This issue raised because of Bank DKI Syariah is still considered new in operations (compare to Bank DKI) and run with just limited staffs who basically also a group of new- hired from fresh graduates with not enough skills and experience to tackle problems occurred from customer service standards.

4. The Customer's Family Profile : In order to understand Bank DKI's customer family profile, we had asked in the questionnaire such questions: "How many children do you have aged under 18 years old?". The answer shows that the majority of respondent A =62.50% and B =49.06% has no children under 18 years old. In reality, based on other questionnaire's result of the survey, the majority of respondent A and B with age group below 40 years old are above 75%. This can also means that whether majority of them are still single or married without children.

5. The Customer's Funding Profile : In order to know the profile to the above matter, we asked the customer the question as follows: "Do you have fund/money in the form of Time Deposit?". The answer has showed that majority of respondent both A and B has no sufficient fund to be saved in the Bank by the form of Time Deposit (above 70% has no Time Deposit in the bank). This result shows us that the majority respondent has no

idle money to place with certain period of time, in a Bank, which means that their fund are fully utilized on productive purposes or might also be taken to other bank. The responses of A respondents (only 25%) clearly indicate that they have placed time deposit in some banks ranging amount from: Rp. 10 million – Rp. 100 million. Such banks that they have chosen to place their time deposit are Bank DKI Syariah, BTN Syariah, BMT, Bank Artha Graha, Bank Mandiri. Whilst, the responses from B respondent (only 26.42%) clearly indicate that they placed their time deposit in some banks ranging in amount of: Rp. 1 million – Rp. 125 million. Banks that they have chosen to place their time deposit are Bank DKI Syariah, Bank Muamalat Indonesia, Bank Danamon, Bank Syariah Mandiri.

- 6. The Customer's Income Profile :** To understand the income profile we have asked question like: "How much salary do you earn in yearly basis before tax?". The result of this question shows us that the majority respondent for both A and B have annual income that are in the lower-level groups, which ranging between Rp. 20 million – Rp. 60 million net per annum. This showed us that the customers who are willing to fill up our questionnaire and / or who had been dealing or coming to Bank DKI Syariah were considered now still at the medium to low income level. i.e. in the range of Rp 20.000.000,- - Rp 60.000.000,- / year. This profile has been represented by the highest percentage of respondent which is 75% and 66.04% respectively. It can also shows us that there are customers who have the income of Rp. 61 million – Rp. 100 million per annum whereby respondent A =12.50% and B =16.98% respectively, but not many of them touched by the survey. The remaining group were also insignificant for the survey which is represented by A =7.14% and B =11.32% as having an income level of Rp. 101 million – Rp. 150 million, even none of the respondents who have an income of more than Rp. 201 million per annum.
- 7. The Customer's Eagerness to Have Specific Sharia Product :** Below are a series of questions which are direct questions asked to the customers regarding their interest to get specific Sharia Banking product which related to *Maqasid al-Sharia* values, as follows:

- a. “Do you think that you are going to try to use Bank DKI Syariah’s services, if : Bank DKI Syariah has a product which could make you easier in managing your Zakat and fund for pilgrimage to Mecca (Al-Hajj)?” The answer showed that the majority respondents are indeed expressed their need to such products, and it was represented by respondent A by 94.64% and respondent B by 84.91%, respectively.
- b. “Do you think that you are going to try to use Bank DKI Syariah’s services, if: Bank DKI Syariah has a product which could make you easier in paying your children’s monthly school-fee at reputable Islam School?” The result shows us that the majority respondent for both A and B firmly needs such products whereby considered the highest percentage of respondent which is A (82.14%) and B (73.58%) respectively.
- c. Do you think that you are going to try to use Bank DKI Syariah’s services, if: Bank DKI Syariah has a product which could make you easier in accessing or having privilege of discount to get health-facility in Islamic hospital or Medical Center? The result shows us that the majority respondent for both A and B firmly needs such product whereby considered the highest percentage of respondent which is A (85.71%) and B (81.13) respectively.
- d. Do you think that you are going to try to use Bank DKI Syariah’s services, if: Bank DKI Syariah has a product which could make you easier in providing your monthly life or asset protection insurance premium? The result shows us that the majority respondent for both A and B firmly needs such products whereby considered the highest percentage of respondent which is A (82.14%) and B (71.70%) respectively.
- e. Do you think that you are going to try to use Bank DKI Syariah’s services, if: Bank DKI Syariah has a product which could make you enjoy the special discount and privileges for attending or Islamic events, seminar, training or buying Islamic books? The result shows us that the majority respondent for both A and B firmly needs such products whereby considered the highest percentage of respondent which is A (83.93%) and B (71.70%) respectively.

8. “Is there any other comments for Bank DKI Syariah’s products?” Response to this question that there are 22

respondents A (39.29%) writes down some comments and suggestions for the above-question. And 34 respondents A (60.71%) do not write anything. Whilst, there are 15 respondents B (28.30) writes down the comments and suggestions for the above-question, and 38 respondents B (71.70) do not write anything. The comments and suggestions are varies such as: products should be innovative. Bank DKI Syariah should expand its ATMs in many-places, socialization of syariah products should be implemented intensively, etc.

9. The Customer's Gender Profile : In view to understand the respondent's gender distribution a questions regarding this has been asked. From the responds it shows that respondents in A were mostly Male (62.50%) and the rest is female (37.50%). While for both kind of customers in respondent B were proportionately whereby Male (49.06%) and Female (50.94%) respectively. This analysis showed that Sharia Bank is equally popular amongst male and female customers. For this reason, we think that the target customers of Bank DKI Syariah's product and service will be both gender and their needs must be equally disbursed in a balanced way.

10. The Customer's Age Profile : The result of questionnaires asking on the above matters showed that the bigger portion of the questionnaire is given to younger group of respondent. Having said this we can prove it from the result that most of them are still below 40 years of age (more than 75% of respondent A and B were considered at this age classification)

11. The Customer's Background of Education Profile : The result shows that majority of customers A and B is equally come from popular highly educated class of the society. From University graduates (S1) respondents are represented by A =42.86% in the existing customer group, and by B = 49.06% in the potential customer group. While, high school graduate (SMA) respondent represented by A =33.93% and by B =26.42%.There are also respondent with Master Degree represented by A =7.14% and by B =7.55%, respectively. Over-all, these results showed that majority respondents are highly educated customers.

- 12. The Customer's Profession Profile :** The result shows that private employees and government employee are more in numbers in both A (78.57%) and B (83.02%) proportionately. While the numbers of students and entrepreneurs are smallest portion.
- 13. The Customer's Usage of Sharia Bank Service :** The result shows that majority of Sharia Bank's services usage for investments are perceived by A (62.50%) more as compare to B (13.46%). While majority of respondent B used the service for other purposes (55.77%). This result shows a low percentage of investment in Sharia Bank by respondent B.
- 14. The Customer's Understanding of Riba :** the survey result revealed that majority both customers A =85.71% and B =81.13% understand Riba.
- 15. The Customer's Account in Conventional Bank's :** the result shows that the majority respondent for both A and B have another account at Conventional Banks whereby A =71.43% and B =64.15%) respectively.
- 16. The Customer's usage of Conventional Bank's account :** the result shows that there are 18 A respondents who do not fill up any-responses in this context, while 36 A respondents stating that they use conventional bank's account for salary account purposes, pay the monthly-electricity and investment purposes, etc. This indeed shows the lack of sufficient mode of service from the Sharia Bank. While 71.43 percent respondents are existing customers (A) they are actually having another account at Bank DKI Syariah instead of B, which exactly shows us that most of the respondent both A and B having accounts at conventional bank. Or we can say that the services of Sharia Bank are more limited to account holders as compare to conventional banks. Conventional banks are also serving those who are in fact Sharia bank's customer. This result shows that there is a room for Sharia Bank to concentrate their business strategy towards services provision to their customers.
- 17. The Customer's Referral Program to Open an Account in Bank DKI Syariah :** We tested customer willingness to introduce

Bank DKI Syariah, by asking belows question: “Do you feel assured you could refer your friends to Bank DKI Syariah Customer if ONE or ALL of the Advantages/Benefit stated-below will clearly be given”?

Advantages	Details of Benefit
Increasing the Quality of Relegion	Discount of pilgrimage to Mecca (Umroh/Haj) Discount of ESQ seminar/training
Increasing the Quality of Health and Life	Discount of Doctor and Hospital’s expenses Discount of Fitness Centers
Increasing the quality of education	Discount of Islamic School upfront fee Discount of facilities for Islamic books
Increasing the quality of Family	Discount of Family financial consultancy Discount of “Parenting” Courses
Maintaining and Increasing the wealth and prosperity	Discount of Seminar “Wealth Management of Shariah” Discount for Home Insurance

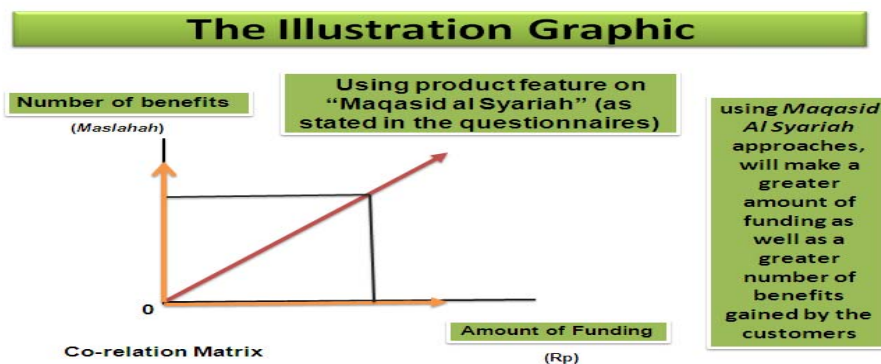
The result shows that majority of the respondent A and B saying Yes to this context represented by above 55% (A) and 47% (B) respectively.

18. The Customer’s Priority Value in Dealing with Bank DKI Syariah : To understand the customer priority values in banking with Bank DKI Syariah we asked the respondent to fill up below queries : “Kindly stated your opinion based on your priority of values in dealing with Bank DKI Syariah (from 1 = the most important up to 5 = the least important)”

- 1. Religion
- 2. Health
- 3. Education
- 4. Family
- 5. Wealth

The result shown that majority of respondent A (82%) have chosen “Religion” as the most important things when dealing with Bank DKI Syariah. Whilst, 64% of respondent A chooses “Wealth” as the least important thing in their priority of values dealing with Bank DKI Syariah. So is the respondent B whereby the majority of respondent B (75.47%) also chooses “Religion” as the most important thing when they deal with bank DKI Syariah. Whilst, majority of respondent B had chosen “Wealth” as the least important thing to bank with Bank DKI Syariah . This result showed us that the strategy of Bank DKI Syariah in designing the funding products should put in to account that “Religion” is the most popular and most important to the majority of respondent A and B when they deal with Bank DKI Syariah.

By using the concept of *maqasid al sharia* in creating the product differentiator to the customers (the proven result of the survey confirmed), then it is positively understandable that the customers both existing and potential (majority respondents) will transfer their fund to and join with Bank DKI Syariah as long as Bank DKI Syariah will provide them with the products and services incurred the Islamic value with religion aspect as the most important thing upfront in their features and services. We do believe that by using such concept, the funding side of Bank DKI Syariah would increase tremendously in the coming years. The following is the illustration graphic would be : ‘The greater number of product features using *Maqasid Al Syariah* approaches, will make a greater amount of funding as well as a greater number of benefits gained by the customers’ (see the graph below)



Picture 7. Illustration Graphic

In this context, definitely the Bank would first calculate the cost and benefit analysis first prior to response this challenge. But we are sure that such concept would be the best strategy to accommodate the perception and expectation of consumer in the growth strategy of Bank DKI Syariah in order to increase market share in the funding side. it is clearly documented that Bank DKI Syariah's religion profiles of all customers are as follows :

CUSTOMER PROFILE							
No	Religion Profile of Customers	Total Customers			Numbers of Customers	%	
1	Islam	16.839			Customer Profile less than 40 years old	12.679	
2	Kristen	357					
3	Catholic	233					
4	Budha	47					
5	Hindu	17					
Total		17.493			17.493	100.00	
Customer Profile less than 40 years old							
		Male	%	Female	%	Total Male + Female	
						%	
	Islam	7.205	95.56	4.871	94.78	12.076	95.24
	Non Islam	335	4.44	268	5.22	603	4.76
	Total	7.540	100.00	5.139	100.00	12.679	100.00

Picture 8. Customer Profile

In addition, as specifically mentioned based on the above-question (both forms) it shows that the portion of customer A and B is equally concentrated in younger population which consisted of peoples whom considered as below 40 years old. This means that more than 75% of respondent A and B were considered younger generation. If we take a look at the entire of Bank DKI Syariah customers, then the survey and research is confirmed and valid to realize that 72.48% of Bank DKI Syariah total customers profiles were considered as young and yet productive. Therefore, it is suggested that Bank DKI Syariah should take a new step in re-arrange a strategy to design new product development in particularly to boost the funding side, using the approach of *maqasid al shariah* concept to the existing and potential customers with this result survey.

CONCLUSION AND RECOMENDATION

This survey-based study has tested a number of consumer's perceptions on Sharia Banking Product by using two pre-designed questionnaires which are: form A (aimed to be distributed to the existing Bank DKI Syariah' consumers who have been dealing and doing transactions with Bank Syariah); and form B (aimed to be distributed to the potential Bank DKI Syariah' consumers who never been dealing and never done any transaction with Bank Syariah). Thus, we have classified the respondents into groups: A and B. After scrutinizing the answers of all respondents following points can be summed-up as conclusion whereby the goal of this project has been revealed through the survey resulting answers of the project objective stated in the preface, as follows:

- (1) Objective no.1: To assess the profile and prior knowledge of customers about Bank DKI Sharia's product benefits.

Our conclusion is the majority of respondent of form A and form B understand the concept of Sharia Banks and *Riba*. Bank DKI Syariah (Sharia Bank) is more popular in younger age group of customers which are distributed proportionately between male and female. The majority of consumers are below 40 years old, highly educated and come from the lower income society. Their occupations mostly are private employees and they mostly do not have any children below 18 years old. This may also means that either most of them are single, or married with no children.

- (2) Objective no.2: To know what type of benefits and features in Sharia's contexts motivates the consumer to open an account and banking with Sharia Bank;

Our conclusion is the majority of both respondent A and B felt convenient in using the Sharia Bank's products as long as such products were given more or less the same as Conventional Bank. Thus, we can conclude that in the mind of Bank DKI Syariah's customer, the feature of product from Bank DKI Syariah is merely the same as what has been offered by Bank DKI, only the level of standard somehow is different. The majority of respondent A and B did not have time deposit in the Bank. Only few respondents (25%) have a time deposit, whether in the Sharia Bank as well as in the Conventional Bank.

(3) Objective 3: To know the customers' priority values in the perspective of '*Maqasid al-Sharia*' and the ranks of each values.

Our conclusion is the majority of respondents A and B indicate that they are willing to deal with Sharia Bank like Bank DKI Syariah, as long as the product differentiator created and designed by the bank which will give more benefit and advantages in view of the giving benefits related to following quality values, such as: religion, health, education, family and wealth. If they could see these values up front, then they will assure themselves even others to bank or open an account with Bank DKI Syariah. In answering the question as to what value is the most important to them, majority of respondents A and B have chosen "Religion" as the most important consideration for them when they deal with Sharia Bank like Bank DKI Syariah. Whilst, in the contrary "Wealth" is the least important aspect in their priority of values that can drive them to bank with Bank DKI Syariah. As we noticed from the perspective of the majority of respondents, we can conclude that the strategy of Bank DKI Syariah to design a new products, should put into account that "Religious-driven product" (such as: *Tabungan Zakat, Tabungan Haji / Umroh*) might be more popular and attractive to majority of the customer as can be seen from input of respondent both A and B. Eventhough the variety of product offered by Sharia Bank would be considered new and limited in Indonesia, but the majority of respondent both A and B expect that Sharia Bank's product and service offering should include all values in '*Maqasid al-Sharia*' as the ultimate objective for getting personal benefit and advantages , which must be rank in order of importance as follows: the quality of religion, health, education, family and wealth/prosperity.

(4) Objective 4: To analyze the crucial concerns that influence the customers decision making process in regards to their financial dealings with Sharia Bank

Our conclusion is existing customers of Bank DKI Syariah use their account for investment purpose greater than for saving-borrowings or other-bank facilities purposes. On the other hand, Bank DKI Syariah potential customers use their Conventional Banks account more for banking services, other facilities as well as saving-borrowings purposes. There was an opposite perspective between the existing and potential customer of Bank DKI Syariah in making use of their banking products and services. The trend

analysis in this study showed that majority of existing and potential customers of Conventional Banks will transfer their financial assets to Bank DKI Syariah if certain benefit opportunity provided to them. Some of the potential products example incurred, but not limited to: (i) Easier way to pay Zakat; (ii) Facility on Islamic school monthly fee payment; (iii) Easier facilities and access in getting a discount for health treatment in Islamic Hospital or Medical clinic; (iv) Easier access for pay insurance premium installments; (v) Easier access on privileges or discounts for buying Islamic Books and attending Islamic Seminars. However, although they have expressed their interest on Bank DKI Syariah's product ideas, only few of the respondents comment and share their views on Bank DKI Syariah's existing products. The result also has shown that majority of respondents in Jakarta are risk taker in the view to their investment appetite towards Sharia Bank. The reason behind this consent may be the Sharia Bank's investment philosophy whereby the investor might be participative in risk and loss. On the other hand, there were significant respondents who are willing to continue investments with Sharia Bank as long as such bank would provide the products and services with *Maqasid al-Sharia* concept where they put first priority on religion, health, education, family and last wealth; as the Sharia Bank's product differentiator to their consumers whom believes that these values is the source of Islamic way of life.

- (5) Objective 5: To indicate the product dimension gap occurred between Conventional Bank and Sharia Bank's product.

Our conclusion is the majority of respondents A and B have been dealing with and having accounts at Conventional Bank. But they use Conventional Bank's services only for salary account purposes, or payment of monthly bills (i.e telephone and electricity), besides investment and other benefits purposes. We presumed that the services of Sharia Bank are more limited to account holders as compare to Conventional Bank. Even, Conventional Banks are serving all the services to those who did not open any account in the particular Bank. This result showed that there is a room for Sharia Bank to give more focus in how to give more service benefit to the consumer.

This research-based study is basically a result of qualitative fieldwork conducted in a very short time in Bank DKI Syariah Jakarta. Therefore, the results should be taken only as indicative and perceptive rather than conclusive. It is hoped that further empirical or theoretical studies will be done to draw more definitive realities. Lastly, we are aware that our questionnaires do not show the real Bank's consumers in Jakarta, except that Sharia Bank was seen to be more helpful in the economic development and community balance, rather than individual prosperity.

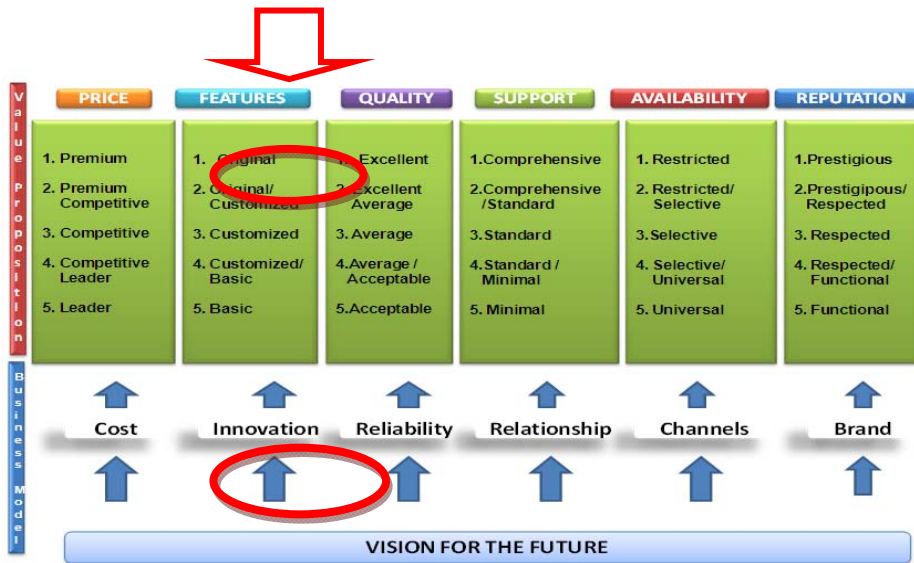
Recommendation

It is strongly recommended that Bank DKI (including its Syariah Division) need to consider the following suggestions, as follows:

1. Cleared Value Proposition:

- a) Bank DKI Syariah or Syariah Unit has to do the utmost to analyze further its value creation and proposition to their customers, particularly the typical Banking products and services. It should be differentiated and based on higher principal based on 5 major aspect of *Maqasid al-Sharia* as human actualization values in Islamic concerning: Religion, Health, Education, Family, and Wealth, with the right priorities as mentioned herein.
- b) By using the framework theory from the book on "Breakout Strategy" by Sydney Finkelstein, the six pillars element essentials to make overall value propositions can be followed up to start building a new Sharia Business Model for Bank DKI Syariah. Hence we can identify the frame of thinking as follows:

Based on this framework, it is obvious that any value propositions can be started from only one source element which is "THE FEATURE". From there we can define whether the ideas offered to the customer came from a basic and "ORIGINAL" idea, which basically coming from a vision which is clear and consistent for the customer. After originality of the idea has been cleared by the Bank, a subsequent "INNOVATION" process will need to be managed. In this part initiative must be done through a 'Search, Select and Implement' stages. Clearly if we talk about innovation management, we need to elaborate more on how we do what we plan and how we optimize the result in the implementation process.



Picture 8. The Six Pillars of a Value Proposition aligning the Business Model
 (Source: Finkelstein, Harvey, Lawson, 2007)

c) With the right start and comprehensive approach, the whole business model involving other 5 elements which consisted of: Price, Quality, Support, Availability and Reputation can be further reviewed. In this context, the value proposition that Bank DKI Syariah can offer is very simply, because it came only from 1 (one) pillar which is the FEATURES. This aspect will define what is it that so appealing about Bank DKI Syariah's feature to the market and to the customers (existing as well as potential customers). Not only what appeals, but what is it that makes the product features that Bank DKI Syariah offers would be seen more attractive, more magnetic than any of the competitors? The idea has been cleared that we specifically recommend a value proposition in particular to funding features products that both draws in new customers and maintains the existing one to attached to Bank DKI Syariah. To reposition its brand strategy in particularly funding, it seems that the product features which are most important to Bank DKI Syariah customers at this time is all product that using the original values contented in: *Maqasid al Syariah* concept. Based on the six pillars concept especially regarding value proposition of features, for example Tabungan iB

Taharoh, whereby the product features is merely to facilitate the customers' need to al-hajj pilgrimage, yet also combined with life insurance. Other features such as benefit and advantages that originated from *Maqasid al Sharia* concept can also be delivered in the form of: discount for attending Islamic Educational program, free booking on Islamic Health Hospital, or getting discounts for Islamic Events, Conference or Seminar etc.

- d) The survey research has shown to us that the existing and potential customers will choose the funding products as long as Bank DKI Syariah can provide the advantage and benefit incurred by the *Maqasid al-Sharia* concept. It also confirmed that the rank of wealth is not considered as number one priority nor the most important to be chosen by customer. In other word, it is suggested that a more strategic funding product features should be made based that reason.
- e) The last stage is to review business model definition and creation. From what we see that this can be done basically by digging information from the Bank internal and within its supply chain, in order to understand the real operation condition. Considering the Bank's longtime experience in the market, the management of Bank DKI Syariah should be eager to become pioneers in delivering new promises to the customer.

2. Product Innovation and Development:

- a) If Bank DKI Syariah wishes to retain and develop existing and potential as well as loyal customers, Bank DKI Syariah should commit to their product feature and services, must resolve conflicts in a manner that will eliminate unimportant loss and inconvenience to customers. Therefore, Bank DKI Syariah must be well aware of the want and needs of the customers. Based on such research survey, customers nowadays are demanding more not only based on the features of product but they demand the way they are treated. Once they are satisfied with the features and services that were provided by the Bank DKI Syariah, they will share positive news about Bank DKI Syariah or product to the other customers. At the same time it will attract new customers for the Bank DKI Syariah and may even increase their funding growth, revenue and profit at the end. Perception and expectation

from customers (existing and potential) in our survey can also serve as useful sources of new features and product or service ideas.

- b) Similarly, customers' expectations are more likely to remain with the organization as a result of decision-making process that relies on affective states rather than on more objective means. These customers become advocates to the organization with the intention to increase the level of business they conduct with the organization and consider the organization as their first choice for new business requirements. Overall, based on the findings of this research it is recommended that banks should put more effort to attract customers especially in factors related to *Maqasid al-Sharia* concept with its values rank expression. In order to gain, Bank DKI Syariah must recognize that many of their core features and services attributes are necessary, but not sufficient for both existing and potential customer. Furthermore, the Bank must maintain a strong connection with its customers in order to reach customer satisfaction or loyalty. A strong professional relationship creates an advantage that can keep the customer from switching to a competitor.
- c) The creation and innovation for a new frontier of funding product and its features with incurring the *maqasid al sharia* might still be seen as 'Blue-Ocean' strategy for Sharia banking, in particularly Bank DKI Syariah. Some people might feel negative from the beginning or some other might be thinking about high cost products and less return. However the positive paradigm is needed in this context, whereby such ideas were expected by the consumer. We do believe by including those values from *Maqasid al Sharia* concept into such product features in Bank DKI Syariah, will allows the Bank an easier access in grabbing more customers in the funding side.

3. Other Business Consideration:

- a) Sharia Banking industry in Indonesia particularly the ones with smaller in size like Bank DKI Syariah could not rely only on organic growth for expansion of their asset on the Funding side. The industry also needs a lot of non-organic growth in order to be competitive. One of such initiative could be by acquiring

conventional banks to be converted into Sharia Banks. Or based on a new regulation of the central bank, it is easier to establish a Sharia Bank through spinning off Sharia Division / Units into independent Sharia Banks. Under the regulation, establishing a Sharia Bank through spin off will need a capital of only Rp. 500 billion. Earlier the minimum capital was set at Rp. 1 trillion. On top of the above-perspectives, in order to give a positive image to communities and investors in particularly muslim community, then it is better for Bank DKI Sharia to do a spin-off or conversion of its Sharia Division into Sharia.

- b) As it is understood that Sharia Division or Sharia Business Unit (Unit Usaha Syariah/ UUS) is not the same as Full-fledged Sharia Bank (Bank Umum Syariah/ BUS). The difference is mainly in status and the independency of their operations. BUS is independent and not under control of bank except Bank Indonesia. While UUS is not independent and its operation is still controlled or under the management of conventional bank, which still receives and pays interest (usury).
- c) Besides innovation of the product feature using *Maqasid al-Sharia* concept, it is also recommended for Bank DKI (at the benefit of Bank DKI Syariah) to do an acquisition whereby is a relatively rapid stepping stone for creating growth. Since Bank DKI has a huge of fund and envisions to be a dominant bank in the most potential region such as DKI Jakarta, then it is proposed to do a spin-off in order to make the bank grow as soon as possible to become a wakening giants to answer the challenging competition with companies alike.

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