



## Implementation of Islamic Marketing Ethics in Institutions Sharia Finance in Indonesia

Aan Fajar Wijaya<sup>1</sup>, Adib Khusnul Rois<sup>2</sup>, Icha Adelia Sufi<sup>3</sup>

<sup>1,2,3</sup> Muhammadiyah University of Ponorogo, Indonesia,

Article Info	Abstract
<p><b>Article history:</b> Received June 11, 2024 Revised July 01, 2024 Accepted August 29, 2024</p> <hr/> <p>*Corresponding author email: <a href="mailto:anfajareog@gmail.com">anfajareog@gmail.com</a></p> <hr/> <p><b>Keywords:</b> Islamic Marketing Ethics, Sharia Financial Institutions, Implementation of Islamic Marketing Ethics.</p> <hr/> <p>Page: 162-169</p>	<p>Islamic marketing ethics in Islamic financial institutions in Indonesia have an important role in increasing customer satisfaction and ensuring the continuity of ethical business. In this research, we will study how Islamic marketing ethics are applied in Islamic financial institutions in Indonesia and how this affects customer satisfaction. The research results show that Islamic marketing ethics applied in sharia financial institutions in Indonesia can increase customer satisfaction through the principles of honesty, equality and security. Therefore, the implementation of Islamic marketing ethics in Islamic financial institutions in Indonesia is very necessary to increase customer satisfaction and ensure the sustainability of ethical business.</p> <hr/> <p>AICIE with CC BY license. Copyright © 2024, the author(s)</p>

### INTRODUCTION

Economic problems on a practical level are problems faced by everyone without exception. This is because economic problems are directly related to the problem of fulfilling human needs to survive. (Zubair, 2012: 88-100) One part of the Islamic system that is applied to human life is worship, which increases human awareness of the presence of God. Adab influences human behavior so that life becomes better and better. Sharia also plays an important role in explaining what is haram and what is halal, upholding justice, and regulating human relations based on equality, justice, rights, and obligations. In this case, those who violate Allah's rules will also be punished. One of the important foundations in business is ethics, which every worker

must understand and apply. Basically, ethics are moral norms that define what is good and bad. Kant saw ethics as an effort to encourage human consciousness to act independently rather than heteronomously. Freedom and responsibility are the main elements of moral autonomy which is one of the main principles of morality, including business ethics. (Arijanto, 2011) Ethics in Islamic teachings guide all aspects of human life behavior, almost every individual is faced with various ethical problems whether running a business or carrying out daily activities. A healthy business is a business that is based on ethics, Muslim business people should have a strong business ethical framework so that business activities can be comfortable and blessed. (Muhammad, 2004)

Marketing is an integral part of business. Marketing is the activity of planning, implementing and supervising programs intended to produce transactions in target markets with the aim of meeting individual or group needs based on the principle of mutual benefit using products, prices, promotions and distribution. When humans try to fulfill their needs, there are those who ask and those who offer. Marketing attracts great attention from companies, institutions and international institutions. The marketing process is an important part of selling products to potential buyers. Businesses that have good marketing management will grow quickly. Marketing personnel are the spearhead of a company's business and the main means of connecting companies with consumers. Marketing goods and services certainly differ in the way they are used. Products and goods are often advertised in the media, but few services are morally and ethically advertised openly. Marketing techniques change and develop rapidly along with developments in information technology and business throughout the world. Marketing can be done through a variety of sources, including email and websites. for customers like personal services, SMS bank, internet bank etc. Apart from the technological side, banking companies are also competing to change their marketing strategies. Banks must be able to create marketing strategies that can provide personal service by creating two-way communication, creating and managing long-term and mutually beneficial customer relationships.

## **METHODS**

This research uses a literature review or library research with a descriptive approach which is part of qualitative. The data used is in the form of writing, graphs, images and numbers. Everything collected becomes the key to what is researched. This data comes from journals, books, websites and other official documents. This research aims to find out the application of Islamic marketing ethics to sharia financial institutions in Indonesia. The literature review stages begin with the process of identification, evaluation, and ending with synthesis. The research data used in the literature review comes from secondary data obtained from previous literature, books and other valid sources of information (Sugiono, 2021).

The research identification process is the first step carried out by outlining the scope of the research by identifying relevant sources, the second step is an evaluation carried out by reviewing previous findings, and the synthesis process is carried out by writing a review in

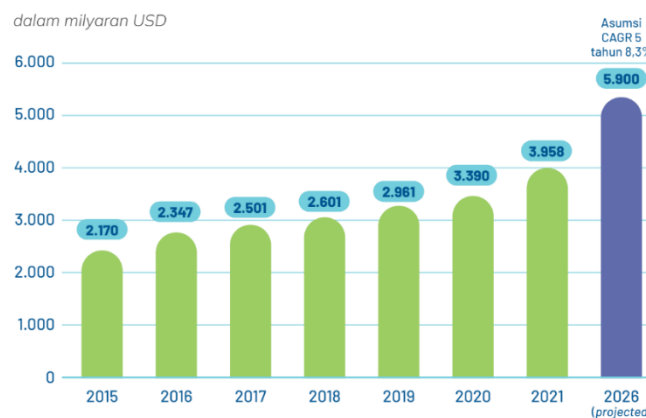
accordance with the research study. The research data analysis method is carried out using content analysis with the aim of obtaining in-depth information regarding research sources obtained in writing or printed in the mass media. It is hoped that the results of the analysis will dig deeper into the relationship between Islamic marketing ethics and Islamic financial institutions, thus providing a broader view for the development of businesses in accordance with Islamic ethics.

## RESULT AND DISCUSSION

### 1. Development of Sharia Financial Institutions in Indonesia

The Indonesian Sharia Financial Development Report (LPKSI) is a form of the Financial Services Authority's commitment to continue to encourage the development of the sharia financial industry by compiling complete and comprehensive information about the development of the sharia financial industry and the factors that influence it throughout the year. (<https://ojk.go.id/id/kanal/syariah/data-dan-statistik/report-perkembangan-keuangan-syariah-indonesia>). Through this report, we present various information about the implementation of OJK's duties in 3 (three) sharia financial sectors, namely sharia banking, sharia non-bank finance (IKNB) and sharia capital markets, which includes industrial performance, development policies and the achievement of the sharia financial roadmap. Apart from that, we also convey the steps taken by the OJK to increase literacy in the sharia financial services sector to all elements of society and information about the existence of Indonesia which is actively involved in sharia financial activities at the international level. At the end of this report, we present the OJK's prospects and strategic policy plans for each sharia financial sector. To date, LPKSI is the only report that contains comprehensive information on the development of Indonesian sharia finance. LPKSI contributors are not only internal to the OJK, but also from institutions related to sharia finance such as the Department of Sharia Economics and Finance (DEKS) of Bank Indonesia and the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance (Luthfi, 2019).

**Figure.1** Growth of Global Sharia Financial Assets

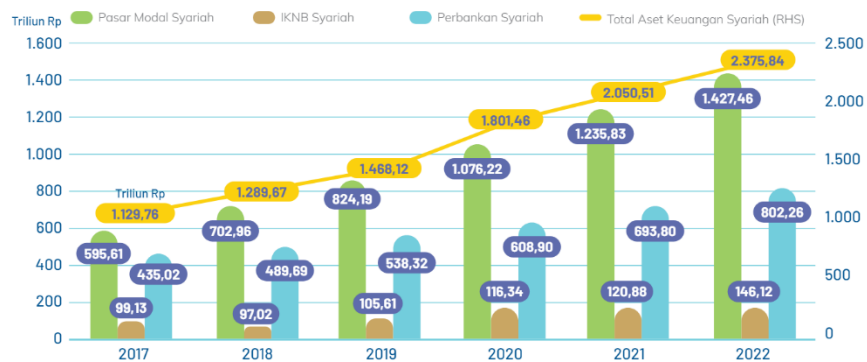


Data obtained from: <https://ojk.go.id/id/kanal/syariah/data-dan-statistik/report-perkembangan-keuangan-syariah-indonesia/Default.aspx>

Growth in each sharia financial sector was recorded in double digits in 2021 as in the previous year. The Islamic Funds sector recorded the greatest growth compared to other sectors with an increase of 33.7% followed by the Takaful sector with an increase of 17.7% in 2021. Even though it has the greatest growth, 81% of the total assets of Islamic funds are only focused on 3 countries, namely Iran, Saudi Arabia and Malaysia. Meanwhile, the sharia banking sector with a portion of 70% of total sharia financial assets recorded growth of 17% in 2021. Apart from improving performance, the sharia banking sector also presents new markets with high growth such as Tajikistan (84%), Burkina Faso (27%), and Ethiopia (26%). (<https://ojk.go.id/id/kanal/syariah/data-dan-statistik/report-perkembangan-keuangan-syariah-indonesia>).

The digitalization of sharia banking will continue in 2021, for example, Bank Negara Malaysia which approved the establishment of 2 (two) digital sharia banks. Apart from that, the digitalization trend is also moving to the sharia insurance sector, such as Pakistan which is studying the establishment of digital takaful. Even though the Islamic finance industry has managed to overcome the economic slowdown caused by the COVID-19 pandemic, Russia's invasion of Ukraine which resulted in an increase in global commodity prices is also a challenge for the Islamic finance industry. Several countries with significant Islamic finance industries, such as Iran, Pakistan, Sudan, and Turkey, experienced currency depreciation. With the tightening of state budgets, sukuk issuance has become the instrument of choice for countries in Southeast Asia and Pakistan (Maryusiana, 2023)

**Figure 2.** Development of Total Industrial Assets Sharia finance in Indonesia



Data obtained from: <https://ojk.go.id/id/kanal/syariah/data-dan-statistik/report-perkembangan-keuangan-syariah-indonesia/Default.aspx>

The Indonesian Sharia Financial Services sector consists of 3 subsectors, namely Sharia Banking, Sharia Non-Bank Financial Industry (IKNB) (consisting of Insurance, Financing Companies, Other Sharia Non-Bank Institutions), and Sharia Capital Markets (consisting of State Sukuk, Corporate Sukuk, and Sharia Mutual Funds).

## **2. Implementation of Islamic Marketing Ethics on Sharia Financial Institutions in Indonesia**

Islamic marketing is worship-based marketing (in accordance with the purpose of human creation). Every aspect of muamalah must be in accordance with the guidance of the Shari'a which has been explained through the Qur'an and hadith and if this is done it will become worship for a Muslim even though what he does is muamalah which is not directly related to the mahdah worship. Simply put, Islam requires that trade transaction activities not only involve sellers making a profit from their merchandise and buyers getting the goods they buy, but trade in Islam will become worship if it adheres to the guidance of the Shari'a as stated in the Koran and Hadith.

Combining ethics and business in a common concept can be interpreted as applying religious norms to the business world, integrating economic systems and laws based on religious values, interpreting codes of ethics in business professional ethics, and managing relationships safely and fairly (Muhammad, 2013). The Islamic perspective views business not just for momentary gain, but as a sustainability effort that must be carried out without harming anyone. Therefore, ethics and business are integrated into a unity in an effort to meet needs, seek profits, and maintain or create the benefit of the people. Businesses need reliable marketing strategies to be able to compete in the economy. Islamic marketing ethics is an important part of the unity of ethics and business. (Abbas et al., 2019) states that the essence of Islamic marketing ethics lies in the principles of equality, justice and maximizing value for the welfare of society. Islamic values are also applied in the concept of sharia banking which meets the management needs of society according to Islamic law. The development of modern sharia banking also faces challenges from conventional banks which tend to modify activities according to the latest trends. Regarding business ethics in sharia financial institution transactions referred to in the introduction above, you can read below.

## **3. Sharia Banking**

Sharia banking is the most familiar sharia financial institution highlighted by many parties. Apart from this institution which has mushroomed in quantity, perhaps even to the sub-district level, the community is also generally closer to this institution. For this reason, one of the profit sharing based financial institutions was used as the main aspect in starting this presentation. In simple terms, it can be understood that sharia banking ethics can be seen from the relationship between sharia banks and their customers. That the relationship between the two is a partnership relationship. This is different from the relationship between conventional financial institutions and their customers. Where the relationship between the two is limited to creditor and debtor. Partnership (partnership) occupies the sharia bank as

the owner of the funds (shahibul mal) and the customer as the manager of the funds (mudharib). This means that there is a close relationship between the two parties. As a business partner, shahibul mall should be happy to serve various mudharib complaints. Guidance including periodic training may often be provided in order to achieve a high level of profitability for customers which ultimately also has implications for the profits of shahibul mal, sharia banks. Things like that certainly don't happen to creditors and debtors, because the relationship between the two is limited to debts and receivables. In this case it can be judged that sharia banking is more ethical than conventional banking. Apart from that, ethical values can be seen from sharia banking principles such as prohibiting interest, equal distribution, money as potential capital, prohibiting gharar (speculation), sacred contracts, and approved sharia activities (Bahri, 2012).

#### **4. Sharia Pawnshop**

Pawnshops themselves are permitted in Islam (mubah), because they are based on a hadith from 'Aisyah ra. and narrated by Imam Bukhari that the Messenger of Allah. once pawned his armor to a Jewish trader. This means that as long as the pawning process is running properly, there is no ethical violation in this practice. The pawnshop scheme is qardh for the consumptive category and profit sharing (mudharabah) for the productive sector.<sup>9</sup> This means, similar to the explanation of sharia banking above, that the relationship is between the person who pawns an item (rahin) and the person who receives the item (murtahin) is a partnership relationship that is considered more ethical, which is certainly one of the principles of sharia pawnshops (Nadhiran, 2023).

#### **5. Sharia Insurance**

Sharia insurance (ta'min, takaful; or tadamun) is an effort to protect each other and help each other among a number of people/parties through investment in the form of assets and/or tabarru' which provides a return pattern to face certain risks through a contract (engagement) that in accordance with sharia. If understood simply, the funds of sharia insurance polish holders will be divided into two, the first part for investment with a tijarah pattern (mudharabah) and the other part as benevolent funds (tabarru') in the form of grants which will be distributed by the sharia insurance company to customers who submit claims. This is a form of mutual assistance in sharia insurance. In accordance with the hadith of the Prophet Muhammad saw. from Abu Hurairah which means: "Whoever removes a Muslim from a difficulty which is the difficulties of the world, Allah will remove him from the difficulties of the Day of Resurrection and Allah will help His servant while His servant helps his brother (Abdullah, 2018).

#### **6. Sharia Capital Market**

Shares in a company have the status of ownership of the company. In the concept of Islamic economic law, company ownership is described through shares, which are then transferred to other people through buying and selling transactions. Thus it is clear that shares

are not currency that is traded, but shares are capital participation (ownership) that can be transferred to other people (Ali, 2016).

An investor who invests in shares with the aim of dividends is permitted because the principle of investing in shares of a company in the capital market is the same as in companies in Islam (syirkah). Syirkah itself linguistically means cooperation between two or more parties which has legitimacy in Islamic law. As in a Qudsi hadith where Allah swt. states that He is with those who enter into cooperation (syirkah) as long as one of them does not betray the other.

## CONCLUSION

In its basic order, there are no ethical violations in the operations and transactions of sharia financial institutions. All systems conceptually originate from the Koran and al-Hadith, which are believed to be true until the end of time. If later there are various violations related to ethical issues, it does not mean that the inequality comes from Islam, but of course from the perpetrator. As an institution that is increasingly developing from time to time and is always the focus of attention of various parties, sharia financial institutions and their various problems are certainly interesting to continue to study. For this reason, further scientific studies are highly hoped for, so that the banner of Islam returns to its homeland.

## REFERENCES

- Abdullah, Junaidi. 2018 "Contracts in Sharia Insurance." TAWAZUN: Journal of Sharia Economic Law 1.1: 11-23.
- Abu Bakar Jabir al-Jazari, 1991. *Minhājul Muslim*, translated by Rahmat Djatnika and Ahmad Sumpeno (Bandung: PT. Rosdakarya)
- Agus Ariyanto, *Business Ethics for Business People* (Jakarta: Rajawali Pers, 2011), p. 22
- Ali, Fajri. 2016. "Sharia capital market." *Financial Services Authority* 3.1: 1-10.
- Bahri, Saiful. 2012. "Business Ethics of Sharia Financial Institutions." *IQTISHADUNA: Our Scientific Journal of Economics* 1.2: 233-244.
- Basu Swasha and Irawan, 2005. *Modern Marketing Management*, Yogyakarta: Liberty
- Dimyauddin Djuwaini, 2008. *Introduction to Muamalah Fiqh* (Yogyakarta: Student Library, 2008), p. xx
- Haris, Abd. 2007. *Introduction to Islamic Ethics*, Sidoarjo: Al-Afkar
- Hatif Hadikusumo, "Sharia Banking Development Policy in Indonesia", National Seminar on Sharia Bank Development in Community Economic Empowerment, STAIN Mataram, September 21, 2000
- Kadir, A. 2010. *Sharia Business Law in the Koran*, Jakarta: Amzah
- Kadir, *Sharia Business Law in the Koran*, (Jakarta: Amzah, 2010) p. 47
- Luthfi, Nur Aini Ahmad. 2019. "Analysis of the Role of Sukuk in the Development of Sharia Finance." *Al-Mizan: Journal of Sharia Economics* 2.2: 29-50.

- M, Syafii Antonio, 2001, *Islamic Banking from Theory to Practice* (Jakarta: Gema Insani Press)
- Maryusiana, Irsya Tania, and Zaida Hanani. 2023, "The Rise of Sharia Finance: How Sharia-Compliant Banking is Reshaping the Global Economy." *Religion: Journal of Religion, Social and Culture* 1.5 : 348-361.
- Muhammad, *Islamic Business Ethics* (Yogyakarta: UPP-AMP YKPN, 2004), p. 95.
- Murti Sumarni and John Soeprihanto, *Introduction to Business, Basics of Corporate Economics*, Yogyakarta: Liberty, 2010.
- Nadhiran, Hedhri. 2023. "Credit System in Shopee Paylater Hadis Perspective." *Al-Shamela: Journal of Quranic and Hadith Studies* 1.2: 161-180.
- O.P. Simorangkir, *Business Ethics*, (Jakarta: Rineka Cipta, 2003) p. 82
- Pagut Lubis, 2012. *Big Indonesian Dictionary*, Indonesian Language Center, (Jakarta: PT Gramedia Pustaka Utama, 2012), p. 1027.
- Sadono Sukirno, et. all, *Introduction to Business*, Jakarta: Prenada Media, 2004
- Shihab, M. Q. 2011. *Successful Business in the Hereafter*, Ciputat, Indonesia: Lentera Hati
- Soemitra, Andri. 2016. *Sharia Banks and Financial Institutions*, Jakarta: Kencana Prenada Media Group, 6th printin
- Sugiyono, Sugiyono, and Puji Lestari. 2021. "Communication research methods (Quantitative, qualitative, and easy ways to write articles in international journals).
- Syamsul Anwar, *Problems with Sharī'ah Bank Products: A Study of Bai' Mu'ajjal*, (P3M, IAIN Sunan Kalijaga Yogyakarta, 1995), 44, see also his article, "Operational Fiqh Muāmalat Māliyah in Indonesia", unpublished paper, 17.
- Veithzal Rivai, et al., 2012. *Islamic Business and Economic Ethics*, (Jakarta; Bumi Aksara, 2012), p.3
- Warkum Sumitro, 1997. *Principles of Islamic Banking and Related Institutions (Bamui and Takaful) in Indonesia* (Jakarta: PT. Raja Grafindo Persada)
- Zubair, Charis, Achmad. 1995. *Ethics Lecture*, Jakarta: Rajawali Press
- Zubair, M. K. 2012. *Ethical Axioms in Islamic Economics*. *EKBISI*, 7(1), 88-100.