

Implementation of Business Ethics in Shariah Banking at Bank Syariah Indonesia of Kaliurang Region

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Abstract

Purpose - This study aims to determine the implementation of business ethics in Islamic banking services and the usefulness of business ethics in Islamic banking services.

Design/methodology/approach - This research is included in field research. Data collection was carried out through interviews, documentation, and observation. Data analysis techniques were carried out using descriptive analysis methods. The subjects in this study were customers and employees of Bank Syariah Indonesia of Kaliurang Region who were selected using a purposive sampling technique.

Findings and Discussion - The study results show that Bank Syariah Indonesia of Kaliurang Region has implemented the principles of Islamic business ethics, namely honesty, equality, justice, and truth. The Bank through its employees has also been able to be friendly, polite, and courteous to customers and stakeholders which largely contributes to customers' high level of satisfaction with their services, trust in their guarantee of confidentiality and assets safety, while being able to act fairly by providing adequate service regardless of customer status and class, leading to customers loyalty to the bank.

Conclusion - Bank Syariah Indonesia of Kaliurang Region has proved to be a good embodiment of bringing the value of business ethics as it is told within the Shariah concept, and it also confirms the theory of business ethics that such a good performance in this department can be highly influential to an institution's wellness of performance.

Keywords: Ethics Business, Syariah Banking, Company, Performance Business

Introduction

Economic and financial developments in the financial institution sector, especially banking, both conventional banks and Islamic banks are currently growing rapidly. This development was accompanied by the development of information technology in the banking industry which increasingly supports the creation of a rapid economic system accompanied by changes in people's economic behavior. The development of Shariah banking is directed at providing the greatest benefit to society and contributing optimally to the

national economy. Public acceptance of the existence of Islamic banks in Indonesia continues to grow well and positively because people are aware of doing business in Shariah mostly due to their religious considerations as well as their relatively safe business and financial practice and/or principal.

As it is known that Islamic banking was developed as an alternative to conventional banking practices, where in conventional banking there are still elements of usury, gambling (maysir), uncertainty (gharar), and falsehood. By prohibiting these elements in Shariah banking transactions, the implementation of Shariah bank transactions is carried out by applying business ethics in accordance with Shariah contracts or principles. Islamic banks must be able to compete with conventional banks while still adhering to business ethics in accordance with Shariah principles that are in accordance with the needs and desires of the community.

Despite their naturally stricter ethics compared to traditional banks, Islamic banks have established themselves as competitive alternatives in the global financial industry, offering a wide range of frequently disparate products and services (Wajdi Dusuki, 2008). According to an Ernst & Young report, the compound annual growth rate of global Islamic banking assets from 2009 to 2013 was 17.6%. By 2018, an average annual growth rate of 19.7% is recorded (EY, 2014). Many Western banks, such as HSBC, Citibank, and Bank of America, have established their own Islamic banking branches in various countries (F. Khan, 2010). Surprisingly, Islamic banks were unaffected by the recent financial crisis as well.

Religions construct the framework for people's sense of what is right and evil. The basic ideals of religion are frequently the foundation for ethical behavior (Parboteeah, Hoegl, & Cullen, 2007). Because Islamic banks' business models are based on Islamic law, Shariah, which portrays religious principles, is frequently regarded as having its own ethical character. This stems primarily from the fact that Shariah principles were developed not only to foster religious devotion, but also to promote social welfare and justice (Haniffa & Hudaib, 2007). Islamic banks, for example, force social purposes such as charity donations and benevolent loans to socially underprivileged people (Haniffa & Hudaib, 2007). The religious foundation on which the Islamic notion is based differs greatly from a standard economic foundation.

The recent global financial crisis, as well as the resulting demand for sustainable alternatives to traditional banking, explain and support the previously noted huge growth rates. Islamic banking is a good option not just in Muslim countries, but it is also a developing financial alternative in many Western countries due to ethical and moral principles as well as the presumed increased risk awareness (Jawadi, Jawadi, & Louhichi, 2014). However, not only has the demand side altered, but the institutions themselves have taken numerous steps to make Islamic banking more appealing to the general public (Rethel, 2011). Nonetheless, few people are aware of the history of this fast-expanding industry (Ahmed, 2010).

Literature Review

Ethics is one of the important things in the development and sustainability of a business. Business ethics is used to distinguish between what is moral, responsibility, and justice (Yusuf, 2016). Ethics comes from the Latin word 'ethica', and the Greek word 'ethikos' which means norms, values, standards for good behavior (Suwito, 2004). Ethics is defined as a reference that states whether human actions, activities, or behavior can be considered good or not (Tyas & Ali, 2016). Therefore, business ethics refers to the good or bad actions of a business activity, because in essence the business that is carried out must be based on ethical values that apply in society. Ethics is an important issue in today's business activities, even ethics is the center of attention in contemporary business (Caza, et.al, 2004). Ethical issues are the basis for every business person to set good and correct standards or morals.

In Islamic teachings, ethics guides all aspects of human life behavior, both in daily life and business activities. Good business is a business that is based on ethics, Muslim business people should have a strong business ethics framework so that they can create good and blessed business activities (Hamid & Kamal, 2019). The main objective regarding ethics is to influence and encourage human will to lead to what is beneficial and useful for fellow human beings (Ningsih, 2017). There are 3 main principles of Islamic values that form the basis for Islamic banks (Dewi, 2005), namely: (1) Honesty (Honesty, Ash – Shidq), (2) Equality, Faithful (Al Musawah), (3) Justice and Truth (Justice and Equity, Al-Adialah). Ethics in Islam has the function of harmonizing and harmonizing various interests in the business world, changing awareness for the public about business, especially Islamic business, and providing solutions to various modern business problems that are increasingly far from ethical values.

Bank is an institution that withdraws money from the community and distributes it to the community. The main factor of the transaction is the presence of trust. Trust from customers and stakeholders is the key to smooth banking operations. In addition, ethics is also closely related to growing public trust. Bank/banker employees have a major role in fostering public confidence in the company's business continuity. Bank employees/bankers are required to apply business ethics in carrying out their work, both in terms of honesty, welfare, and fairness and truth. In this case, banks are required to have adequate human resources because these human resources will be a reflection of the company's self.

Based on research conducted by Khusnul Khotimah (2017) "Implementation of the Principles of Islamic Business Ethics at Aflah Bakery Yogyakarta" it was found that Islamic business ethics applied to Aflah Bakery Yogyakarta have not run optimally due to limited human resources. Human resources are important in the process of implementing business ethics in a company. In addition, research conducted by Evi Susanti (2017) related to the application of Islamic business ethics at CV. Jati Karya Palembang, the results show that there are still unfriendly and impolite employees, and defective products are still found and it noticeably impacted the customers'

low rate of satisfaction, leading to a low rate of customer retention and a weak customer base. The importance of applying business ethics in a company will be able to minimize problems that may arise and be able to have a positive effect on company profits. This is supported by research conducted by Faisal Yusuf Saputra (2016) which shows the results that the variable application of Islamic business ethics makes an effective contribution of 31.4% to business profits and the remaining 68.6% is influenced by other factors.

Methods, Data and Analysis

This research is field-based research using a qualitative descriptive research type. Qualitative research is research that aims to understand the phenomenon of what is experienced by research subjects, holistically, and by means of descriptions in the form of words and language, in a special natural context, and by utilizing various natural methods (Moleong, 2013). Qualitative data is data in the form of words, not in the form of numbers (Sugiyono, 2013). Qualitative data were obtained from various data collection sources, namely interviews, document analysis, and observations as outlined in field notes. This study describes the implementation of business ethics in Islamic banking. Data collection was carried out through interviews, documentation, and observation. Observations were made to see whether the implementation of business ethics in this company was carried out properly or not.

The subjects in this study were customers and employees of Islamic banking in Sleman Regency, with a sample of 5 customers and 7 employees of Islamic banking at Bank Syariah Indonesia of Kaliurang Region who were selected using a purposive sampling method. The sample criteria used are:

- 1) Aged 20-35 years;
- 2) Users of Islamic banking services at Bank Syariah Indonesia of Kaliurang Region;
- 3) And domiciled in the Sleman Regency area.

This study uses primary and secondary data sources. Primary data sources were obtained from interviews using several question items, and secondary data sources were obtained from relevant literature, such as journals, books, articles, and financial reports. Data analysis was carried out using the descriptive analysis method, in which the researcher described the results of data processing obtained from primary and secondary sources. This research does not only take from the field but combines it with theory.

From the interview that was done with the sample of those 12 people, the author can sum it up that the bank through their employees has rigorously implemented their ethical principles in conducting their business and services based on Islamic teachings (Shariah rules). Such a finding was easily concluded by how high the convergence of answers amongst the sample that comes from the bank's employees' side. It is noticeable how they have clearly understood the bank's principles and how disciplined the supervision system is within the bank that not implementing those principles is not even a choice if they want to sustain their job there. They

also have seamlessly articulated some of the most notable principles that speak about how well the body's value is being fully grasped and embodied by their employees. Values like constantly trying to give the best customer experience by carefully displaying decency that is truly one of the teachings of Islam, or how to be completely trustworthy in keeping the trust that is given both by the company and customers in handling their responsibilities seem to be grasped to such an extent by the bank's employees that they had no difficulty in recalling it, indicating how well the bank's values have distributed as the norms of their employees that it almost becomes their second nature.

Such a finding then was approved by the samples that were gained from the customers' side. As five of them all spoke about their general satisfaction of being the bank's customers. They told me how responsive and courteous the tellers are, how they are always full of smiles and speak with warmth and a friendly tone to hear even when some of those customers asked a lot to them due to some confusion on some occasions. They have also spoken about how the bank has generated trust and loyalty in them as they believe that the bank will always keep their confidentiality regarding their personal data and always try to do their best in keeping their financial health in good condition so that their saved assets are safe there. Those certain safety feelings that were radiated by the bank mean that the bank has done a good job in presenting themselves in such a way that has been carried over to customers' trust and safety feeling to be their customers. They have also said how they feel more in tune with their religious belief by doing the financial transactions in Bank Syariah Indonesia of Kaliurang Region as it is suggested within their religion (Islam).

These findings prove that the theory that is used to analyze this study is right, that Islamic Banks in general proved to be more trustworthy in keeping their financial mechanisms within the law's corridor of Islam with its Shariah principles. And how much credibility and high-quality services in conducting their business and operation are vital in gaining customers while maintaining their loyalty toward the bank.

Results and Discussion

The implementation of the application of business ethics in Islamic bank services in practice must be based on the principles of shariah: (1) Honesty, (2) Equality, Faithful (Al Musawah), (3) Justice and Equity, Al-Adialah). This must be fulfilled as a guideline for Islamic religious law and as a differentiating identity between Islamic banks and conventional banks. Business ethics has an important role because the success of a company is determined not only based on good morals and management, but also must have good business ethics. Since its establishment, Bank Syariah Indonesia (BSI) has had the vision to become a Top 10 Global Islamic Bank, with missions:

- a. Providing access to Islamic financial solutions in Indonesia;
- b. To be a big bank that provides the best value for shareholders;

c. To be the company of choice and the pride of Indonesia's best talents. Based on the results of interviews conducted with customers and employees of Bank Syariah Indonesia of Kaliurang Region, the results show that:

- a. Bank Syariah Indonesia of Kaliurang Region has implemented the principles of Islamic business ethics, namely honesty, equality, and fairness and truth;
- b. Bank Syariah Indonesia of Kaliurang Region has been able to be friendly, polite, and courteous to customers and stakeholders;
- c. Bank Syariah Indonesia of Kaliurang Region is committed to maintaining the confidentiality of customer data;
- d. Bank Syariah Indonesia of Kaliurang Region is fair by providing adequate services regardless of customer status and class.

The implementation of business ethics at Bank Syariah Indonesia of Kaliurang Region can be carried out properly because a healthy banking business climate is formed, there is synergy between the principles of Islamic business ethics, namely honesty, equality, and justice and truth. The attitude of being friendly, courteous, and polite in serving customers is packaged well and supported by the rapid application of information technology so that customers can make transactions quickly, easily, comfortably, and safely. Bank Syariah Indonesia of Kaliurang Region is committed to maintaining the confidentiality of customer data. This is an attitude of honesty and compliance with applicable business ethics standards so that a sense of trust grows between banks and customers. Bank Syariah Indonesia of Kaliurang Region is also fair by providing adequate service regardless of customer status and class, this will foster mutual respect between the bank and the customer. Customers will be served satisfactorily by bank employees/bankers without any conflict of interest.

Every bank employee in Indonesia is required to manage a bank in a healthy manner and respect the prevailing norms, adhere to all values as a basic guideline in determining attitudes and actions. The banking norms that are recognized, accepted, and adhered to are contained in the Code of Ethics for Bankers in Indonesia, including (Kasmir, 2000):

- a. A banker must obey and adhere to the provisions of the applicable laws and regulations;
- b. Make correct records of all transactions related to bank activities;
- c. Avoiding unhealthy competition;
- d. Do not abuse authority for personal gain;
- e. Avoid being involved in decision-making in the event of a conflict of interest;
- f. Maintain customer and bank confidentiality;
- g. Can take into account the adverse impact of each policy set by the bank on the economy, social, and environment;
- h. Do not accept gifts or rewards that enrich themselves or their families;
- i. Do not commit disgraceful acts that could harm the image of the profession.

If an Islamic bank has been able to implement business ethics adequately, this means that the bank has been able to create and carry out business ethics standards according to shariah principles properly in all its operational lines. The application of business ethics in Islamic banking operations is an important thing that must always be carried out, so that there are special institutions that provide support for the application of Islamic business ethics in the Islamic banking industry at national and international levels, including at the international level, namely Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), and the General Council of Islamic Bank and Financial while at the national level include the National Shariah Council-Indonesian Ulema Council (DSNMUI), Shariah Banking Committee, and Shariah Supervisory Board (Putritama, 2018). The existence of these institutions is expected to be able to oversee and support the implementation of business ethics according to shariah principles in the shariah banking industry.

The implementation of business ethics at Bank Syariah Indonesia of Kaliurang Region is carried out to examine and control banking operational service activities so that they comply with business ethics based on shariah principles. With a high awareness of implementing business ethics in Islamic banking services, the business being run is less likely to cause harm to those involved in it, because true business ethics are applied to avoid things that are bad or detrimental to the company. Banking business ethics can be divided into 5 uses, namely: 1) Banking ethics in the field of public trust, 2) Shareholder ethics, 3) Banking ethics in the relationship between management and employees, 4) Banking ethics in the relationship between bankers and customers, 5) Banking ethics others include keeping bank secrets, reporting to BI, and reporting the annual balance sheet.

The success of Islamic banking operations cannot be separated from the role of the employee/banker. The use of business ethics in Islamic bank services is to foster an attitude of honesty, trustworthiness, responsibility, and fairness. The implementation of business ethics in Islamic banking is also aimed at enhancing the company's positive image and maintaining customer loyalty, and all of these qualities based on the author's findings from the research that has been conducted have been implemented really well at Bank Syariah Indonesia of Kaliurang Region that it has generated a high level of trust, satisfaction, and loyalty amongst their customers.

Religion and ethics go hand in hand. People's religious attitudes shape their perceptions of what is right and wrong. To some extent, religion influences an individual's moral values, which determine ethical behavior (Hossan Chowdhury, 2011). As an alternative, ethical banks focused on saving and credit provision were established as early as the 1980s (Paulet et al., 2014). Since the start of the global financial crisis, investors have paid more attention to ethics in the financial sector. In addition to prioritizing their primary business, ethical banks, as opposed to Islamic banks, place a strong emphasis on their partners' business models.

Conclusion

Islamic banking is a financial institution that has an important role in the Indonesian economy. Shariah banking is required to have a professional attitude based on business ethics based on Shariah principles. Not only are the products shariah-compliant, but the business practices that are carried out must also comply with applicable business ethics provisions. This study shows that the implementation of business ethics in Islamic banking in accordance with Islamic principles is an important matter in Islamic banking operations to achieve the goal of benefiting the people. The implementation of business ethics at Bank Syariah Indonesia of Kaliurang Region can be carried out properly because a healthy banking business climate is formed, and there is synergy between the principles of Islamic business ethics, namely honesty, equality, justice and truth. These three components need to be continuously developed by Islamic banking in order to enhance the company's positive image and maintain or even increase customer loyalty.

Limitation

Despite how well this research has been conducted with its relatively seamless process, the author is fully aware that there are still many aspects that cannot be covered with this research. The sample of data that might be still somewhat premature, or the finding of this research that might be still can be explored more without leaving the initial objectives of the research. Based on all of the findings, the author thinks the following topics should be given great priority within this scope of topics: 1) Enhancement of regulatory framework/establishment of a regulatory body, 2) Adherence to Shariah rules, 3) Comprehensive application of ethical norms, 4) Derivatives / Islamic hedging instruments. The author is fully receptive if there are suggestions to develop and deepen this research and furthermore, if any parties are interested in this research and willing to give advice to the author, then the author would love to listen to it and make necessary amends to this writing of thesis in another occasion.

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