

## Sharia Banking Strategy in Improving Gross Regional Domestic Products in Sambas District, Indonesia

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**Abstract:** The low contribution of Sharia Banking to the growth rate of Gross Regional Domestic Product for seven years is present among the people of Sambas District, which incidentally the majority of Muslims, so it requires an effort to be able to make a bigger contribution. This study aims to formulate any strategies required by Sharia banking to increase the Gross Regional Domestic Product of Sambas District with a descriptive quantitative approach. Based on the results of the SWOT analysis and continued with the Quantitative Strategic Planning Matrix (QSPM) analysis, obtained seven alternative strategic sector development priorities that can be carried out by Sharia banking to increase the Gross Regional Domestic Product of Sambas District. Based on the assessment of strategic attractiveness, it shows that the most attractive strategy to be implemented is to collaborate with local governments and institutions in society, then follow the strategy of improving the quality of human resources and technology in the second position and then socializing the advantages of Sharia banking to all society levels, expand networks, determine superior financing products, be active in financing management, and streamline educational, socialization and promotion activities to gather customers.

**Keywords:** sharia banking, GRDP, Sambas

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**Abstrak:** Rendahnya sumbangsih Perbankan Syariah terhadap laju pertumbuhan Produk Domestik Regional Bruto selama tujuh tahun hadir di tengah-tengah masyarakat Kabupaten Sambas yang notabene mayoritas beragama Islam, sehingga membutuhkan sebuah upaya agar dapat memberikan sumbangsih yang lebih besar. Penelitian ini bertujuan untuk merumuskan strategi apa saja yang diperlukan oleh perbankan syariah agar dapat meningkatkan Produk Domestik Regional Bruto Kabupaten Sambas dengan pendekatan kuantitatif deskriptif. Berdasarkan hasil analisis SWOT dan dilanjutkan dengan analisis Quantitative Strategic Planning Matrix (QSPM) didapatkan tujuh alternatif strategi prioritas pengembangan sektor usaha yang dapat dilakukan oleh perbankan syariah agar dapat meningkatkan Produk Domestik Regional Bruto Kabupaten Sambas. Berdasarkan penilaian daya tarik strategis menunjukkan bahwa strategi yang paling menarik untuk diterapkan adalah menjalin kerjasama dengan pemerintah daerah dan institusi-institusi yang ada di masyarakat, kemudian disusul strategi

meningkatkan kualitas SDM dan teknologi pada posisi kedua dan selanjutnya yaitu mensosialisasikan kelebihan bank syariah kepada seluruh lapisan masyarakat, memperluas jaringan, menetapkan produk pembiayaan unggulan, aktif dalam pengelolaan pembiayaan, dan mengefektifkan kegiatan edukasi, sosialisasi dan promosi untuk menghimpun nasabah.

**Kata kunci:** Perbankan Syariah, PDRB, Sambas

## INTRODUCTION

Sharia banking as part of the national banking system has an important role in the national economy. Basically, the role of Sharia banking in economic activity is not much different from conventional banking. The existence of Sharia banking in the national banking system in Indonesia is expected to encourage the development of the national economy. The fundamental difference between Islamic and conventional banking lies in the principles in financial and operational transactions.<sup>1</sup>

1) The objectives and functions of Sharia banking in the economy are: Widespread Economic Prosperity, Full Employment And Optimum Growth Rates.

2) Socio-Economic Justice And Equitable Distribution Of Income And Wealth.

3) Stable Currency

4) Mobilization And Investment Savings That Guarantees A Fair Return.

5) Effective Services.<sup>2</sup>

Since the rise of the Islamic economy in Indonesia in the 1990s marked by the establishment of Bank Muamalat Indonesia, studies of the Islamic economic model have mushroomed. The presence of the first sharia-based bank was followed by the presence of other Islamic financial institutions. Sharia banking comes with a good performance when conventional banking is hit by a crisis of confidence and a liquidity crisis. Coupled with the economic crisis since 1997-1998, trust in conventional banks and the capitalism system has weakened.<sup>3</sup> Such studies include those conducted by Muhammad Abduh and Nazreen T. Chowdhury who conducted a research on the role of

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<sup>1</sup>Sujian Suretno, 'Kepatuhan Syariah Pada Produk Musharakah Di Bank Syariah Indonesia', *JURNAL INDO-ISLAMIKA* 9, no. 1 (2019): 1-24. Abdul Ghofur Anshori, *Perbankan Syariah di Indonesia* (Yogyakarta: UGM PRESS, 2018). Patria Yunita, 'The Future of Indonesia Sharia banking Industry: Bankruptcy Analyzing the Second Wave of Global Financial Crisis', *International Journal of Islamic Economics and Finance (IJIEF)* 3, no. 2 (27 July 2020): 199-226. Rima Yunita, 'Faktor-Faktor Yang Mempengaruhi Tingkat Profitabilitas Perbankan Syariah Di Indonesia (Studi Kasus Pada Bank Umum Syariah Di Indonesia Tahun 2009-2012)', *Jurnal Akuntansi Indonesia* 3, no. 2 (2016): 143-60.

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<sup>2</sup>Aziz Budi Setiawan, 'Perbankan Syariah; Challenges dan Opportunity Untuk Pengembangan di Indonesia\*', *Jurnal Kordinat* III, no. 1 (2006): 1-42.

<sup>3</sup>Noegraha, R. F., *Nuansa-Nuansa Ekonomi Islam* (Jakarta: Sejahtera, 2007). Mikhael Rajamuda Bataona and Atwar Bajari, 'Relasi Kuasa Dan Simbol Ekonomi-Politik Gereja Dalam Kontestasi Politik Lokal Provinsi NTT', *Jurnal Kajian Komunikasi* 5, no. 2 (2017): 121-35.

Sharia banking in economic growth in Bangladesh using the cointegration methodology.<sup>4</sup> Related research was also conducted by Khaled Abdalla who concluded that there was a statistically significant relationship between Islamic banks and Jordan's economic development.<sup>5</sup>

The same research in Indonesia itself was carried out by Muhammad Abduh and Mohd Azmi Omar who found evidence that in the long run, the development of Islamic finance has a positive and important role as well as the relationship with economic growth and investment.<sup>6</sup> In other words, Sharia banking has proven to be effective as a financial intermediary that facilitates the transfer of funds from "surplus households to deficit households". The relationship between Islamic

financing and economic growth in Indonesia has a role to stimulate economic growth and encourage the development of Sharia banking in Indonesia.<sup>7</sup>

In line with the research, Ali Rama tried to identify the problem of whether Sharia banking could affect the national economic growth (*finance-led growth hypothesis*), and or even national economic growth that affects the development of the Sharia banking sector (*growth-led finance hypothesis*). Granger causality test results showed the relationship pattern of *finance-led growth*. That is, Sharia banking is represented through total financing and third party funds is positively and significantly related to economic growth and *real output* in Indonesia in the long run.<sup>8</sup>

A similar study for cases in the regions or provinces was carried out by Zaini Ibrahim with the intent of knowing the contribution of Sharia banking to the increase in Banten Province's GRDP. Research conducted in the period 2009-2013 used multiple linear regression analysis. The results showed that DPK and financing had no partial

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<sup>4</sup>Muhamad Abduh and Mohd Azmi Omar, 'Sharia banking and Economic Growth: The Indonesian Experience', *International Journal of Islamic and Middle Eastern Finance and Management* 5, no. 1 (1 January 2012): 35-47, <https://doi.org/10.1108/17538391211216811>.

<sup>5</sup>Khaled Al-tamimi, 'The Role of Islamic Banks Operating in Jordan in Economic Development', *Journal of Economics and Sustainable Development* *Www.liste.Org ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)* 4 (1 August 2013): 14.

<sup>6</sup>Abduh and Azmi Omar, 'Sharia banking and Economic Growth'. 2012. Munawar Iqbal and Philip Molyneux, *Thirty Years of Sharia banking: History, Performance and Prospects* (Springer, 2016). Hans Visser, *Islamic Finance: Principles and Practice* (Edward Elgar Publishing, 2019).

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<sup>7</sup>Hasnil Hasyim, 'PERILAKU DEBITUR DALAM MENENTUKAN PEMBIAYAAN SYARIAH (STUDI KASUS PADA BEBERAPA BPRS DI WILAYAH TANGERANG DAN BEKASI)', *Ad-Deenar: Jurnal Ekonomi Dan Bisnis Islam* 1, no. 02 (2018): 194-201.

<sup>8</sup>Karunia Putri, 'Analisis Kontribusi Perbankan Syariah Terhadap Pertumbuhan Ekonomi Indonesia', *Skripsi: Fakultas Ekonomi Dan Bisnis Islam UIN Sunan Kalijaga Yogyakarta*, 2016.

effect on the increase in Banten's GRDP. However, the DPK and financing together / simultaneously affect the Banten GRDP.<sup>9</sup>

While for the West Kalimantan region, research on the relationship between the financial sector and economic growth has also been carried out by Rizieq and Zulfahmi, but this research was not focused on one of the sharia or conventional financial sectors. The results of the study indicated that the development of the financial sector did not cause or not a causality for economic growth, but instead economic growth is the cause or causality for the development of the financial sector in West Kalimantan.

10

The presence of banking institutions, especially Sharia banking as an institution that collects and distributes funds to third parties is needed in an effort to drive the economy in West Kalimantan. In terms of number of offices, sharia banks in West Kalimantan in 2018 totaled 9 branch offices, 13 sub-branch offices and 1 cash office as well as 65 sharia service offices of sharia business units. Funds raised reached in the

form of current accounts, deposits and savings had increased from 1.315 trillion rupiahs in 2012 to 2.806 trillion rupiahs in 2018. While funds were channeled to various economic sectors through Islamic finance also increased, financing disbursed amounted to 1,740 trillion rupiahs in 2012 sloped upward to 4,454 trillion rupiahs in 2018. (BI, 2012-2013 and OJK, 2014-2018).

Although it continued to show an increasing development, the development of Sharia banking in West Kalimantan is still relatively small compared to national developments, even more so at the district level the development was still very low. As in Sambas, the presence of sharia banking only began operating in 2011, precisely on January 12, 2011 PT Bank Syariah Mandiri was inaugurated by Sambas Regent Ir. H. Burhanuddin A. Rasid, then followed the West Kalimantan Syariah Development Bank at the end of 2011, and continued by PT Bank Muamalat at the end of 2012. The three Islamic banks continued to compete in contributing to drive the economy of Sambas District through various products offered. The development of Sharia banking in Sambas District had enormous potential when viewed from the condition of the community, where the majority of the population was Muslim. These developments can be seen from the development of total assets, third marriage funds and the amount of funding disbursed to the

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<sup>9</sup>Zaini Ibrahim, 'Kontribusi Perbankan Syariah terhadap Perekonomian Banten', *Islamiconomic* 6, no. 1 (2015): 255720, <https://doi.org/10.32678/ijei.v6i1.32>.

<sup>10</sup>Zulfahmi, R. R., 'Kausalitas Pertumbuhan Ekonomi Dan Pembangunan Sektor Keuangan Di Kalimantan Barat', *Konferensi Internasional ASEAN Economic Community*, 2015.

community as can be seen in the following table:

**Table 1.1. Total Assets, Third Party Funds, Financing and FDR of Sharia Commercial Banks and Sharia Business Units in Sambas District**

Indikator	Milyar Rupiah						
	2012*	2013*	2014*	2015	2016	2017	2018
Aset	-	-	-	65	121	127	155
DPK	27	29	34	41	58	38	48
Pembiayaan	44	63	57	62	122	124	151
FDR	160,44%	220,97%	168,61%	150,92%	210,40%	327,06%	311,74%

Source: Statistics of Indonesian Islamic Banking 2012-2018  
\* Total asset data is not available

The purpose of establishing Sharia banking is not only for the benefits of the company but is also oriented towards creating prosperity in the community, besides it is expected to increase Gross Regional Domestic Products in Sambas District which reflects the growth of output per capita and increasing people's living standards. Gross Regional Domestic Products is part of Gross Domestic Products, which means if there is a change in Gross Regional Domestic Products at the regional level Gross Domestic Products will be affected.<sup>11</sup> The following table is the Sambas District GRDP Growth Rate for the past ten years.

**Table 1.2. Growth Rate of Gross Regional Domestic Products (GRDP) Sambas District in 2007 - 2017**

No.	Year	GRDP
1.	2007	2.491.360.000.000
2.	2008	2.628.632.000.000
3.	2009	2.771.435.000.000
4.	2010	2.934.449.000.000
5.	2011	3.101.958.000.000
6.	2012	9.576.456.000.000
7.	2013	10.167.416.000.000
8.	2014	10.715.966.000.000
9.	2015	11.226.112.000.000
10.	2016	11.815.057.000.000
11.	2017	12.419.529.000.000

Source: Sambas Regency Central Statistics Agency, 2008 - 2018

Looking at the table, it is clear that in the early days of the establishment of sharia banking in Sambas, there was a significant increase in the value of Gross Regional Domestic Products, from 3.1 trillion in 2011 to 9.6 trillion in 2012. This shows the enthusiasm of the community at the beginning of the establishment of Sharia banking in Sambas District. But over time until the seventh year there was only an increase in a relatively small amount. There are big signs of what caused this to happen? This condition is a reflection that the presence of Sharia banking in early 2011 to the seventh year in Sambas District did not significantly affect the growth rate of Gross Regional Domestic Products, inversely proportional to the expectations of various parties during the early establishment of Sharia banking, where the majority of Sambas District Muslims residents were expected to be a great opportunity for Sharia banking to become the economic driving force in Sambas District.

<sup>11</sup>Saberan, *Produk Domestik Regional Bruto* (Jakarta: Rajawali Pers, 2002).

In reality, however, the size of the Muslim community in Sambas District could not be fully utilized by Sharia banking that it could not be separated from various problems both from internal Sharia banking as well as external parties. From the external perspective, the problem faced was that community understanding about Sharia banking was still minimal that people considered Sharia banking and conventional banking were similar concepts. Besides, the appeal of conventional banking is the ability to meet every development of customers needs to be a concern of conventional banking. Internally, Sharia banking still has constraints in the form of lack of competent human resources, lack of technology that is always updated with the development of customer needs, as well as lack of education, outreach and promotion activities so that large opportunities that are wide open cannot be captured.

Without making intensive and integrated efforts, Sharia banking as a newcomer to the world of banking in Sambas District will not be able to make a large contribution to the growth rate of Gross Regional Domestic Products, but it will also not be able to compete with conventional banking which has been able to win public hearts and trust. This is proven in the Muamalat bank case where in April 2016 the new Muamalat bank which was established at the end of 2012 was declared closed and withdrawn to the provincial branch office. It is a

reflection that the growth of sharia banking in Sambas District seems to be running on the spot and had even declined. However, it cannot be denied that the two sharia banks which are still operational until now will continue to contribute to driving the economy of the Sambas District community and in the end will have an impact on increasing the gross regional domestic product of Sambas District. These various economic phenomena are one of the reasons this research was conducted, through this research, strategies are needed by Sharia banking to increase productivity will be discovered.

## LITERATURE REVIEW

### **Relationship between the Financial Sector and Economic Growth**

In actual economic activity, economic growth means the development of the fiscal economy that occurs in a country such as an increase in the number and production of industrial goods, infrastructure, an increase in the number of schools, an increase in the production of economic activities and several other developments. There are at least four possible approaches that can explain the causal relationship between the financial sector and economic growth, namely.<sup>12</sup>

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<sup>12</sup>Putri, 'Analisis Kontribusi Perbankan Syariah Terhadap Pertumbuhan Ekonomi Indonesia'.

First, finance is a determining factor for economic growth (the finance-led growth hypothesis) or "supply-leading view". This theory generally assumes that the financial sector is what drives economic growth. This theory is basically looking for the relationship between finance and economic development. Adherents of this theory believe that the existence of the financial sector which acts as an intermediary institution between those who are excess capital (surplus units) and those who lack capital (deficit units) will provide efficient allocation of sources of funding which will drive economic sectors in the future. The results of empirical research conducted by <sup>13</sup>, <sup>14</sup> and <sup>15</sup>, show that financial system expansion has a positive relationship to economic growth.

Secondly, finance follows economic growth (the growth-led finance hypothesis) or "the demand-following view". The essence of this hypothesis is that the development of the financial sector follows economic growth or entrepreneurial activity (enterprise) encourages the

growth of the financial sector. If the economic sector expands, the demand for banking products and services will also increase, therefore the banking sector will automatically increase as well. There have been many empirical studies supporting this hypothesis. <sup>16</sup> in their research in seven Asian countries found that Malaysia, Nyamar and Nepal supported the "growth-led-finance" hypothesis and only the Philippines supported the "finance-led growth" hypothesis.

The third approach is the interplay between finance and growth (the bidirectional causality view). This school of economic thought describes a two-way relationship or mutual influence between the financial sector and economic growth. This hypothesis states that a country that has good financial sector development will encourage a high level of economic expansion through technological advances and product and service innovation. This condition will then create a high level of demand for banking products and services.<sup>17</sup> If the banking institution responds effectively to these requests, then this response will stimulate higher economic performance. The

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<sup>13</sup>Zhenhui Xu, 'Financial Development, Investment, and Economic Growth', *Economic Inquiry* 38, no. 2 (2000): 331-44.

<sup>14</sup>Philip Arestis and Panicos Demetriades, 'Finance and Growth: Institutional Considerations and Causality', *Available at SSRN* 35996, 1997.

<sup>15</sup>Martin MG Fase and R. C. N. Abma, 'Financial Environment and Economic Growth in Selected Asian Countries', *Journal of Asian Economics* 14, no. 1 (2003): 11-21.

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<sup>16</sup>Muzafar Shah Habibullah and Yoke-Kee Eng, 'Does Financial Development Cause Economic Growth? A Panel Data Dynamic Analysis for the Asian Developing Countries', *Journal of the Asia Pacific Economy* 11, no. 4 (2006): 377-93.

<sup>17</sup>Ross Levine, *Financial Development and Economic Growth: Views and Agenda* (The World Bank, 1999).

financial sector and economic growth are each related positively and this relationship occurs in two directions.

*The fourth* approach is that finance and growth are not related (the independent hypothesis). This hypothesis was introduced by Robert E. Lucas Jr<sup>18</sup> who argues that the financial sector and economic growth do not have a mutually influencing relationship.<sup>19</sup> examined the relationship between the financial sector and economic growth for the country of Cyprus from the period 1986 to 2004. The results indicated that the economic sector had no influence on economic growth in Cyprus. In the Islamic financial system, research conducted by Mahmood Yousefi, Sohrab Abizadeh, and Ken McCormick,<sup>20</sup> found that there was no empirical evidence which could show the advantages and stability of the non-usury banking system compared to banks that used usury (interest based

banking system).<sup>21</sup> In his research on the contribution of Sharia banking to the Malaysian economy found a significant relationship between economic growth and third party funds collected by Islamic banks. Meanwhile in the Indonesian context, a research conducted by Siti Hidayati,<sup>22</sup> who investigated the causal relationship between the financial sector and Indonesia's economic growth using the banking sector and the capital market as a representation of the financial sector. Hidayati used the impulse response function and variance decomposition and found that changes in the banking sector played a more important role in explaining changes in economic growth than changes in the capital market. Meanwhile, the Granger causality result showed the existence of a bi-directional causality between economic growth and the development of bank credit volume, as well as a one-way causality between the development of stock market capitalization and economic growth.

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<sup>18</sup>Robert E. Lucas Jr, 'On the Mechanics of Economic Development', *Journal of Monetary Economics* 22, no. 1 (1988): 3-42.

<sup>19</sup>Ali Acaravci, Ilhan Ozturk, and Songul Kakilli Acaravci, 'Finance-Growth Nexus: Evidence from Turkey', *Available at SSRN 1104693*, 2007.

<sup>20</sup>Mahmood Yousefi, Sohrab Abizadeh, and Ken McCormick, 'Monetary Stability and Interest-Free Banking: The Case of Iran', *Applied Economics* 29, no. 7 (1997): 869-76. Remali Yusoff and Rodney Wilson, 'An Econometric Analysis of Conventional and Islamic Bank Deposits in Malaysia', *Review of Islamic Economics* 9, no. 1 (2005): 31.

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<sup>21</sup>Hafas Furqani and Ratna Mulyany, 'Sharia banking and Economic Growth: Empirical Evidence from Malaysia.', *Journal of Economic Cooperation & Development* 30, no. 2 (2009).

<sup>22</sup>Siti Hidayati, 'Analisis Hubungan Kinerja Sistem Keuangan (Perbankan Dan Pasar Modal) Terhadap Pertumbuhan Ekonomi Indonesia Periode 19990-2008', 2009.



### **The Role of the Banking Sector in Encouraging Economic Growth**

According to Pohan in the context of macroeconomic development planning, the economy is grouped into four sectors, namely the real sector, the external sector, the government sector (fiscal) and the monetary sector. The four sectors have an interplaying relationship, in which aggregate demand growth is reflected in consumption, investment and net exports which are closely related to growth in bank credit, capital inflows, government spending and other factors.<sup>23</sup> Thus it is clear that the banking sector has a role to play in economic development planning, where economic development planning begins with projecting economic growth by taking into account the foreign sector and potential government budgets. To analyze the role of the banking sector in economic development, there are four pathways that can be used. The four pathways are called the substitution effect, the interest rate effect, the wealth effect, and the society's expectation effect.<sup>24</sup>

The substitution effect occurs because the law of diminishing marginal utility, which applies to the consumption of goods and services, also applies to the use of

money. The more money a person receives, the less utility-added value that person can get for the money received. The more money a person receives, the greater the person's desire to exchange his money for goods or services that can provide added value for greater use. The substitution effect is a link between the monetary sector and the real sector. Increased activity in the real sector will increase economic growth and expand employment opportunities. However, the increase in production will not continue indefinitely. At some point it will reach saturation point. When the economic capacity reaches saturation point and available capital becomes limited, the economy will no longer be able to increase production and expand investment. The impact that followed was no longer an increase in production but an increase in the price of goods and services, known as inflation. This condition is believed by Milton Friedman that monetary expansion in the long run will not encourage economic growth and expand employment opportunities, but will only increase inflation.<sup>25</sup>

The interest rate effect arises because it affects people in choosing the form of wealth they want to have, whether in the form of money, financial assets, or real objects such as land, houses, gold and so on. Which gives the higher yield will be more desirable. In addition to

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<sup>23</sup>Aulia Pohan, *Kerangka Kebijakan Moneter Dan Implementasinya Di Indonesia* (Jakarta: Raja Grafindo Persada, 2008).

<sup>24</sup>Aulia Pohan, *Potret Kebijakan Moneter Indonesia* (Jakarta: Raja Grafindo Persada, 2008).

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<sup>25</sup>Pohan.

encouraging people to exchange their money for goods and services, monetary expansion can also encourage people to exchange their money into financial assets. The public's preference to buy financial assets results in an increase in the prices of these financial assets, which means a decrease in interest rates for these financial assets. A reduction in interest rates will reduce the cost of capital and in turn will encourage production and investment activities, thereby increasing economic growth and expanding employment opportunities. On the other hand, a reduction in interest rates can encourage the movement of capital abroad or capital flight, especially to countries where the interest rate is more favorable. Capital flight in turn will be detrimental to the balance of payments, the balance of payments will illustrate the amount of exports, imports, services, and traffic from and to a country.<sup>26</sup>

An increase in the price of goods or inflation, for some people who have wealth in real terms such as land, buildings, gold, etc., will cause an increase in the nominal value of their wealth. For example, land that originally cost IDR 100 million, with the increase in prices, the land value increases to IDR 120 million. Nominally, the landowner's wealth has increased. This increase in nominal wealth will make people feel richer than before inflation. This feeling will encourage people to

increase their consumption. In monetary theory, this condition is known as the wealth effect, which has the same monetary effect as the substitution effect and interest rate effect.

Public expectations of rising prices will in turn drive interest rates up. If the interest rate increases less than the price increase, in real terms the return on financial assets owned will decrease. This decline will encourage people to shift their wealth from financial assets to real assets. Thus, if the public or company can make good use of various information or monetary data so that they can predict inflation, they will increase the price of the goods they produce. On the other hand, workers will also demand higher wages in advance of the inflation they expect to see. If this anticipatory action is carried out by the majority of the public, it will have two monetary implications, namely monetary policy to be ineffective because monetary policy does not change the real sector and public expectations of inflation will result in inflation which was originally only a conjecture, but becomes a reality.

## RESEARCH METHODS

This research was conducted in Sambas City, West Kalimantan Province in 2018 using a quantitative descriptive approach. The main objective of this research was to formulate the strategies needed by Sharia banking in order to improve the GRDP of Sambas

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<sup>26</sup>Pohan.

District. Determination of the sample using the method of *purposive judgment sampling* with criteria, namely Sharia Banking practitioners, Sambas District Government and academics who were considered experts and could understand sharia economics as well as conventional banking, while questionnaires were used to collect data.

Quantitative analysis started from weighting and calculating the scores of each internal and external environmental strategy factors, followed by calculating *attractive scores* (AS) from each alternative strategy obtained from the IE matrix and SWOT matrix analysis. The process of data analysis was carried out through three stages, namely, the input stage using the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrices, then matching the stage using the External Internal Matrix (IE) and SWOT Matrix, and the last was a decision making using the *Quantitative Strategic Planning Matrix* (QSPM).<sup>27</sup>

## RESEARCH RESULTS AND DISCUSSION

### *Internal Factor Analysis Evaluation Factor*

The IFE matrix was used to summarize and evaluate the internal factors of Sharia banking related to strengths and weaknesses that were

considered important in developing the business sector in order to improve the Gross Regional Domestic Product of Sambas District. The results of the IFE matrix analysis can be more clearly examined in the following table:

**Table 4.1. Sharia Banking Strategic IFE Matrix in Improving Gross Regional Domestic Products of Sambas District**

Internal Factor		Weight	Rating	Score
<b>Kekuatan</b>				
A.	Islamic based bank	0.093	4.000	0.374
B.	Ease of financing distribution mechanism	0.094	3.800	0.358
C.	Funding is based on the principle of partnership	0.081	3.200	0.261
D.	The concept of Islamic financing in accordance with the needs of the development of the business sector	0.095	3.800	0.360
E.	Promotional activities that are always done	0.090	3.800	0.342
<b>Weakness</b>				
F.	Lack of Human Resources	0.081	2.800	0.226
G.	Not yet identified a model of strengthening the customer's financing business	0.083	2.800	0.232
H.	Has not provided guidance to the business of financing customers	0.077	2.320	0.178
I.	Business capital financing products are less well known to the public so they are less desirable	0.075	3.200	0.241
J.	The number of networks is still small	0.072	3.000	0.217
K.	Sharia system that is not as flexible as a conventional bank	0.080	3.400	0.271
L.	Sharia supervision is not optimal (sharia complaints)	0.078	2.000	0.157
<b>TOTAL</b>		1.000		3.217

Source: Secondary data processed, 2019

### *External Factor Evaluation Matrix Analysis*

The EFE matrix was used to summarize and evaluate external factors of Sharia banking related to external opportunities and threats that were considered important in developing the business sector in order to improve the Gross Regional Domestic Product of Sambas District. The results of the EFE matrix analysis can be more clearly observed in the following table:

<sup>27</sup>Freddy Rangkuti, *Analisis SWOT Teknik Membedah Kasus Bisnis* (Gramedia Pustaka Utama, 1998).

**Table 4.2. Sharia Banking Strategic EFE Matrix in Improving Gross Regional Domestic Products of Sambas District**

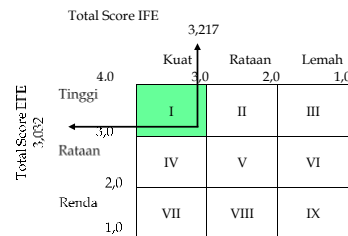
External Factors		Weight	Rating	Score
<b>Opportunity</b>				
A.	Most of Sambas people are Muslims	0.116	3.600	0.418
B.	The opportunity to distribute financing is very large	0.113	3.400	0.383
C.	There are no other Islamic Financial Institutions in Sambas	0.081	2.600	0.210
D.	BUMDES began to appear which can be targeted as partners	0.081	2.600	0.211
E.	The economy continues to grow	0.095	3.600	0.340
<b>Treats</b>				
F.	The number of conventional banks is greater than Islamic banks	0.081	2.600	0.210
G.	Lack of support from differentiators for the use of Islamic banks in developing people's Businesses	0.087	2.800	0.242
H.	More business actors are dominated by non-Muslim communities	0.075	2.600	0.195
I.	The notion of a Sharia bank is the same as a conventional bank by most Sambas Muslims	0.100	3.200	0.320
J.	The central government program in the form of People's Business Credit (KUR) only exists in conventional banks	0.078	2.800	0.217
K.	The Sambas Muslim community has not been able to distinguish the profit sharing system from the interest system	0.095	3.000	0.286
<b>TOTAL</b>		1.000		3.032

Source: Secondary data processed, 2019

### Internal-External Matrix Analysis (Internal-External Matrix)

The IE matrix is based on two key dimensions which are a combination of the two matrices, namely the IFE weighted total score and the EFE weighted total score. The purpose of using this matrix was to obtain a more detailed development strategy by Sharia banking in developing the business sector in order to improve the Gross Regional Domestic Product of Sambas District. The results of the IE matrix analysis can be more clearly observed in the following figure:

**Picture 4.1. Strategic Internal-External Matrix of Sharia Banking in Increasing Gross Regional Domestic Products in Sambas District**



Source: Sekunderly Data process, 2019

### SWOT Analysis

Preparation of the strategy on the SWOT matrix made in accordance with the results obtained from the matrix IE (*Internal-External*), where the position of Sharia banking in developing the business sector in order to increase the Gross Domestic Product Sambas district is located on the cell I, which is the position in which the need to pursue growth or *Growth* in intensive and integrated. Based on the results of the evaluation of the IE matrix for the next SWOT matrix is compiled wherein the SWOT matrix produces four types of strategies that can be done, namely SO, ST, WO and WT strategies. The results of the SWOT analysis can be seen in the following table:

**Table 5. Matriks SWOT**

		Strengths (S)	Weaknesses (W)
Internal factors		<ul style="list-style-type: none"> <li>Islamic based bank</li> <li>Ease of financing distribution mechanism</li> <li>Funding is based on the principle of partnership</li> <li>The concept of Islamic financing in accordance with the needs of developing the business sector</li> <li>Promotional activities that are always carried out</li> </ul>	<ul style="list-style-type: none"> <li>Lack of quality human resources</li> <li>Have not yet identified a model for strengthening customer financing businesses</li> <li>Has not yet provided guidance to customers' financing businesses</li> <li>Business capital financing products are not well known to the public, so they are not desirable</li> <li>The number of networks is still small</li> </ul>
	External Factors		<ul style="list-style-type: none"> <li>Inflexible Sharia System in Conventional Banks</li> <li>Supervision of sharia is not optimal (sharia complaints)</li> </ul>
<b>Opportunities (O)</b>		<b>S-O Strategy</b>	<b>W-O Strategy</b>
<ul style="list-style-type: none"> <li>Most Sambas people are Muslim</li> <li>The opportunity to distribute financing is huge</li> <li>There are no other Islamic Financial Institutions in Sambas</li> <li>Start BUMDES that can be targeted as partners</li> <li>A growing economy</li> </ul>		<ul style="list-style-type: none"> <li>Making education, outreach and promotion activities effective to bring customers together. (S1, S2, S3, S4, S5, O1, O2, O3, O4)</li> <li>Establish superior financing products (S1, S2, S3, S4, O1, O3, O4, O5)</li> </ul>	<ul style="list-style-type: none"> <li>Aktif dalam pengelolaan pembiayaan. (W1, W2, W3, W4, W6, O1, O2, O3, O4)</li> <li>Memperluas jaringan. (W1, W5, W7, O1, O2, O3, O4, O5)</li> </ul>
<b>Threats (T)</b>		<b>S-T Strategy</b>	<b>W-T Strategy</b>
<ul style="list-style-type: none"> <li>The number of conventional banks is greater than Islamic banks</li> <li>Lack of support from local governments for the use of Islamic banks in developing people's businesses</li> <li>Business actors are dominated by non-Muslim communities</li> <li>The assumption of a Sharia bank is similar to conventional bank by most Sambas Muslims</li> <li>The central government program in the form of People's Business Credit (KUR) only exists in conventional banks</li> <li>The Sambas Muslim community has not been able to distinguish the profit sharing system from the interest system</li> </ul>		<ul style="list-style-type: none"> <li>Socializing the advantages of Sharia banks to all levels of society (S1, S2, S3, S4, S5, T1, T3, T4, T6)</li> </ul>	<ul style="list-style-type: none"> <li>Improve the quality of human resources and technology. (W1, W2, W3, W4, W5, W6, W7, T1, T2, T3, T4, T5, T6)</li> <li>Establish cooperation with local governments and institutions in the community. (W4, W5, T2, T5)</li> </ul>

Source: data process, 2019

### Quantitative Strategic Planning Matrix (QSPM) Analysis

Based on the calculation results of the *Quantitative Strategic Planning (QSP)* matrix, it is obtained the sequence of sharia banking strategies in developing the business sector in order to improve the Gross Regional Domestic Product of Sambas District. The assessment of strategic attractiveness shows that the most interesting strategy to implement is establishing cooperation with local governments and institutions in the community. The priority strategy sequences obtained are as follows:

- a. Establish cooperation with local governments and institutions in the community;

- b. Improve the quality of human resources and technology;
- c. To socialize the strengths of Islamic banks to all levels of society;
- d. Expanding the network;
- e. Establishing superior financing products;
- f. Active in financing management;
- g. Making education, outreach and promotion activities effective to bring customers together.

Sharia banking is an institution that has a strategic position in meeting capital needs in the business world because the bank functions as an intermediary institution,<sup>28</sup>in addition to being a financial institution that also raises funds from the public. Sharia banking in its operational activities applies the principle of profit sharing that is fair in every transaction, so it does not burden the business sector in terms of business financing.

Reflecting on the economic crisis that proves the resilience of Sharia banking, Sharia banking and the business sector should always work together to develop and move the economy of a region or a country. In addition to the Sharia banking industry, the process of channeling financing is provided to the business sector, especially small and medium-sized businesses, is

<sup>28</sup>Hani Werdi Apriyanti, 'Model Inovasi Produk Perbankan Syariah di Indonesia', *Economica: Jurnal Ekonomi Islam* 9, no. 1 (2018): 83-104.

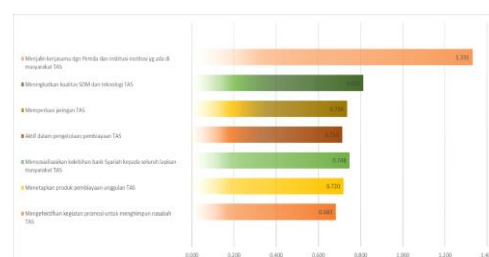
more profitable. Because the sector has stronger business resilience.<sup>29</sup> Besides that, other supporting factors which will also benefit sharia banking are related to financing in the real sector, which is currently receiving a customized allocation of aid from the government, is one form of effort to develop small and medium enterprises. The sizable funding allocation was born and was driven by the desire that the national banking industry, which in this case includes Sharia banking, has a greater role in spurring the increase in Gross Regional Domestic Products in the regions.

Many things can be done by Sharia banking in determining strategies to develop the business sector in the Sambas District, one way is to do a SWOT analysis. Based on the results of the SWOT analysis and followed by a *Quantitative Strategic Planning Matrix* (QSPM) analysis, seven alternative priority strategies for the development of the business sector can be carried out by Sharia banking in order to improve the Gross Regional Domestic Product of Sambas District Based on the assessment of strategic attractiveness shows that the most interesting strategy to be implemented is to collaborate with local governments and institutions in the community, then in the strategy to improve the quality of

human resources and technology in the second position and subsequently to socialize the advantages of Islamic banks to all layers of the public, expanding the network, establishing superior financing products, being active in financing management, and making effective education, outreach and promotion activities to bring customers together.

The order of priority strategies can be seen clearly in the following figure:

**Picture 4.2. Sequence of Priority Strategies Based on QSPM**



Source: Data processed, 2019

## CONCLUSION

As explained in the introduction, the main objectives of this research are to formulate several new strategies that can be implemented by Sharia banking in improving the gross regional domestic product of Sambas District. By using a SWOT analysis this research has succeeded in identifying seven sharia banking strategies in developing the business sector in order to increase its profits in Sambas District. The strategies include 1) Collaborating with local governments and government and private institutions in the city of

<sup>29</sup>Suretno, 'Kepatuhan Syariah Pada Produk Musharakah Di Bank Syariah Indonesia'.

Sambas 2) Improving the quality of human resources and technology, 3) Promoting the advantages of products owned by Sharia banking 4) Expanding the network, 5) Establishing superior financing products, 6) Being active in financing management, and 7) Making education, socializing and promoting effective activities to bring customers from the city of Sambas and its surroundings.

The seven results of this study are expected to be able to apply sharia banking as well as possible in order to improve their regional broto domestic products by strengthening mutual cooperation with various parties, especially with the local government of Sambas District and educational institutions and other private institutions, so that the presence of Sharia banking in Sambas District can provide a greater role in developing the business sector so that it can increase the Sambas District Gross Regional Domestic Product as expected.

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