

## **ANALYSIS OF THE PERFORMANCE EFFECTIVENESS OF CONVENTIONAL BANKS COMPARED TO ISLAMIC BANKS**

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### **ABSTRACT**

Indonesia occupies the first position of the country with the most Muslim majority in the world. The population of the Muslim community in the country is equivalent to 86.7% of the total population in Indonesia. However, it turns out that conventional banks are still the superior choice for the Indonesian Muslim community for various financial transactions or services compared to Islamic banks. Banks are financial organizations or companies that are close friends with the community, these two things are interdependent and need each other. From the title listed, of course we already know about conventional economics. The target to be achieved in this research is to find out whether there are special advantages or dissimilarities between these idealistic banks and Islamic banks, starting from the function of offering services and financial regulations. Here the researcher uses the literature study method. Conventional banks really spoil their customers by providing a number of tempting benefits, for example, getting interest from deposits that are deposited. But on the other hand, conventional banks led to the wrong path, namely usury, then the Indonesian Ulema Council (MUI) Banking issued the oldest sharia bank in this country, namely Bank Muamalat Indonesia. People still consider these two things.

**Keywords:** Muslim, Conventional Banks, Islamic banks

### **INTRODUCTION**

There have been many kinds of economic regulations in all countries in the world. Broadly speaking, economic regulation can be grouped into two angles, namely capitalism and socialism. In its progress there were other foreign regulations such as the welfare state, state capitalism, market

socialism, democratic socialism which initially worked in the realm of capitalism and socialism. Utilizing the potential that exists on this earth is a superior product in efforts to improve human welfare and the problems that arise are also the responsibility of humans to solve them. This is the power of Allah by giving Favors to His people, so that they can take advantage of means, ways, reason and examples to use and develop the potential and existing means to fulfill their life needs.

The majority of Indonesia's population adheres to the Muslim religion, but the economic system of this Garuda country leads to regulation or an economic pattern that refers to capitalists, including financial institutions. Banks are increasingly getting closer to humans, for all the demands and strategies for managing money and investments that are right, banks seem to be very attached to human life today, these two things are interdependent and need each other. Banks help the community in channeling and managing funds, the more customers who register with the bank, the more profits the bank gets. This is because customer money that enters bank data will then be managed and regulated in the next economic activity unit, for example a business activity unit. Later this will become a circulation of money that benefits the state and the banking institution itself. Then the benefits obtained from the results of this business activity unit will return to the public. It's like that all the time. Behind that, there is also the term Islamic bank turning the direction of conventional banks.

This commercial or conventional bank really spoils its customers by providing a number of tempting benefits, for example, getting interest from deposits that are deposited. But on the other hand, conventional banks led to the wrong path, namely usury, then the Indonesian Ulema Council (MUI) Team sparked an Islamic bank or the first Islamic bank in the country, namely Bank Muamalat Indonesia (BMI).

Occupying a position as a Muslim-majority country, the Islamic banking network in Indonesia has a great opportunity to gain development. From the facts that describe Islamic banks or Islamic banks, they only have a portion of around 6.7% in the market share among all the banking industries that have joined. This fact attracts attention to be discussed because the efforts made by the Islamic banking industry in Indonesia have been very maximal. However, there are several points that require more

effort in entering the competitive world of Islamic banking so that it can be successful if it competes fairly and makes it competitive with commercial banks or conventional banks. All efforts are accepted and undertaken to increase the competitiveness of Islamic banks. The hope is to increase the percentage of sharia banking market share.

## RESEARCH METHOD

On this occasion, the method used is library research or better known as library research. This method was created by collecting data from various articles, website pages, journals, to developing factual opinions. Studying reading theory is obtained from various literatures also related to related research. In this method there are four stages that need to be prepared with the necessary equipment and materials, preparing a bibliography, organizing time for reading, taking notes and dividing the structure of the tasks that have been managed.

Of course, this encounters difficulties, including that it will take time due to reading the data obtained many times and then also having to pay attention to sentences so that there is no wastage of words in typing. Not only reading, the writer needs to correlate the reading material with the title that has been adjusted. If it's different, it means the content is different. After that the writer must look for the structure of the language to make it easier for the reader to understand the sentences outlined.

## RESULTS AND DISCUSSION

Conventional banks are financial institutions that provide many services to their prospective customers. Including savings accounts, loans, and other financial products provided by various conventional bank names. Of course, this agency already has someone to supervise it, namely a government institution that operates on a legal basis and statutory regulations. The rise of various conventional bank names has made this institution grow more rapidly as well. There are many branch offices and ATM machine facilities that can be used by the public for financial transactions with bank staff directly. Plus, in this instant era, time effectiveness and mobility are needed, that's why this feature is always increasing its users every month. Mobile banking or better known as m-

banking is a hero for customers who are categorized as millennials. Because thanks to m-banking, all transactions can be resolved personally in the grip of just one device. This is often used for e-commerce transactions or online shopping to transfer money without having to look for an ATM. This feature is people's favorite in facilitating their lives, especially in terms of fast transactions.

Conventional banks benefit from the cost burden of various services. For example cash fees, transfer administration, and interest earned in the form of savings and loans. We need to know the types of conventional banks that we have used so far, including (1) Retail; offers to individuals or groups of small businesses. This offer is in the form of checking account savings, loans, mortgages, credit cards to other financial service products. (2) Commercial; provision of services as a business matter, one of which is loans, lines of credit and other payments. This includes cash and foreign exchange management. (3) Investment; special services that guarantee securities and facilitate capital market activities, from mergers and acquisitions, to corporate restructuring. (4) Private; offering wealth management deals to a person or group of high income earners. This service is in the form of recommending customized investment sites, housing purchase plans, and other financial management. (5) Cooperatives; banks owned by customers or bank employees themselves, although they also serve retail banks, they are still structured and have different priorities.

**Table 1. General Comparison of Conventional Banks and Sharia Banks**

BANK KONVENSIONAL	BANK SYARIAH
Investasi yang halal maupun non-halal	Melakukan investasi yang halal
Memakai perangkat bunga	Peraturan bagi hasil, jual beli dan sewa
Berorientasi pada profit	Bergantung pada keuntungan dan kesejahteraan dunia hingga akhirat
Nasabah disebut kreditur-debitur	Nasabah disebut mitra
Tidak ada pengawas sejenis	Menghimpun dan menyalurkan dana mesti akurat dengan pengawas islamiah

For example, taking and lending interest is included in the *riba* category. Investment for businesses in the form of investment is also prohibited by religion, including usury.

**Table 2. Comparison of Financing Products from Conventional Banks and Sharia Banks**

BANK KONVENSIONAL	BANK SYARIAH
Memberi kredit (uang) kepada nasabah	Menjual barang kepada nasabah
Hutang nasabah sebesar kredit + bunga	Hutang nasabah sebesar harga jual (tetap) selama jangka waktu Murabahah
Tidak ada analisis <i>supplier</i>	Ada analisis <i>supplier</i>
Bunga berdasarkan rate pasar yang berlaku	Margin berdasarkan manfaat/value added bisnis tersebut

Even so, there are still many ordinary Muslim people who choose conventional banks over Islamic banks, which is clear that this is haram. In addition, the weakness of Islamic banks is that they are always prejudiced against all of their customers. With assumptions like this, people are getting excited to carry out evil intentions in the future. Islamic banks are very vulnerable in terms of fraud. With this, special additional supervision is needed. Both of these must require very complicated calculation patterns. Especially taking into account the minimal user benefits and agile bank savings points. Things like this cause miscalculations from Islamic banks, whereas for problems like this conventional banks are superior and careful. Furthermore, because this Islamic bank carries the principle of fair profit sharing, this Islamic bank requires potential and professional staff to manage everything that is done and wants to be designed.

Another more striking difference between the two is profit sharing. In general, we know that conventional banks completely systematically establish a system of interest and usury. This is due to being a condition or mediator between the customer and the bank. There are two types of interest

that we need to know that are given by banks, namely deposit interest given by banks as remuneration for customers who have entrusted their finances and assets to be deposited with the bank concerned. The second is the interest difference between deposit interest and loan interest. The point here is that the owners of funds can benefit from interest without interference or direct involvement with the business they own. Of course, the bank also does not feel the profit or loss of the customer's business.

**Table 3. Comparison of Savings Products form Conventional Bank and Sharia Banks**

	BANK SYARIAH	BANK KONVENSIONAL
Neraca	<ul style="list-style-type: none"> <li>➤ Pembiayaan yang diberikan</li> <li>➤ Giro wadiah</li> <li>➤ Tabungan mudharabah</li> <li>➤ Deposito mudharabah</li> <li>➤ Pembiayaan yang diterima</li> </ul>	<ul style="list-style-type: none"> <li>➤ Kredit yang diberikan</li> <li>➤ Giro</li> <li>➤ Tabungan</li> <li>➤ Deposito</li> <li>➤ Pinjaman yang diterima</li> </ul>
Laporan perhitungan laba rugi dan saldo laba	<ol style="list-style-type: none"> <li>1. Pendapatan bagi hasil <ul style="list-style-type: none"> <li>- Margin dan bagi hasil</li> <li>- Provisi dan komisi pembiayaan</li> </ul> Jumlah pendapatan margin dan bagi hasil </li> <li>2. Imbalan bagi hasil <ul style="list-style-type: none"> <li>- Imbalan bons dan bagi hasil</li> <li>- Imbalan lainnya selain bonus dan bagi hasil</li> </ul> Jumlah beban bonus dan bagi hasil </li> </ol> Laba/rugi sebelum pajak penghasilan dan zakat Laba/rugi tahun berjalan sebelum zakat	<ol style="list-style-type: none"> <li>1. Pendapatan bunga <ul style="list-style-type: none"> <li>- Hasil bunga</li> <li>- Provisi dan komisi</li> </ul> Jumlah pendapatan bunga </li> <li>2. Beban bunga <ul style="list-style-type: none"> <li>- Beban bunga</li> <li>- Komisi dan provisi</li> </ul> Jumlah beban bunga </li> </ol> Laba/rugi sebelum pajak penghasilan dan zakat Laba/rugi tahun berjalan

Quoting from the online site Good Stats, the largest financial magazine from America, Forbes, published The World's Best Banks, namely the Best Banks in the World in 2022. A number of nominations for

the best banks can be assessed and appointed from 27 countries around the world. Over the last four years, this report has been running regularly. This designation is taken from a general satisfaction scale for customers, for example customer trust in related banks, financing, digital-based application services, and recommendations related to finance. To determine the determination of the Best Bank in the World requires a survey of less than 45,000 bank users around the world. In each country, the assessment is taken by 5 – 75 banks from each country.



Figure 1. Top 10 Best Banks in Indonesia

Bank Central Asia, owned by Jahja Setiaatmadja, won the main position as the World's Best Bank according to Forbes. This blue bank has beaten 20 other conventional Indonesian banks. Headquartered in Jakarta and employing approximately 24,000 employees, BCA officials must have good management. Not to be outdone, the Islamic bank whose name is already familiar, namely Bank Syariah Indonesia (BSI), has been recognized as part of The World's Best Bank or the Best Bank in the World as researched by Forbes, the largest financial print magazine from America. Forbes also places BSI in the category of the 5 best banks in Indonesia. This achievement is the motivation for the company to always continue to improve services to attract and retain customers and the public who will

become customers in the future. This also influences the development of the Islamic economy for the welfare of the people in the future. Forbes' assessment of the best conventional banks and the best Islamic banks is seen from the scores achieved, the evaluation results collected, the number of active banks in certain countries to the large number of users of each bank. In accordance with its sharia name, BSI will continue to carry financial agendas such as village economic programs, food security, embracing MSMEs that play an active role in the progress of the bank.

## CONCLUSION

In short, the differences between the two banks are in the form of business, the supervisory board, the target customers, the vision and mission, and different principles, of course. However, both have the same role and position in the hearts of their loyal customers, thus the public has the right to choose and trust which bank will be their loyal friend in terms of deposits, investments and other banking services. Dare to take risks needs to be applied before becoming a customer at each related bank. Whatever the risk is, it is their initial choice before filling out the customer registration form. The profits obtained by commercial banks are obtained from the costs of various services. For example cash fees, transfer administration, and interest earned in the form of savings and loans. Types of conventional banks can depend on the services and products they specialize in, as well as the customers they serve. Plus, in this instant era, time effectiveness and mobility are needed, that's why this feature is always increasing its users every month. Mobile banking or better known as m-banking is a hero for customers who are categorized as millennials. Because thanks to m-banking, all transactions can be resolved personally in the grip of just one device.

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