Fiduciary Principle in Maintaining Islamic Banking Customer's Loyalty amidst the Covid-19 Pandemic

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Abstract

Islamic banks as intermediary institutions shall maintain and comply with sharia principles so that in carrying out their business, they will continue to gain trust from the community, especially during the Covid-19 pandemic. The principle that is highly fundamental for the existence of an industry including sharia banks is fiduciary principle. The purpose of this study was to examine the implementation of the fiduciary principle in maintaining customer loyalty amid the Covid-19 pandemic. The research method used in this study was descriptive analysis. The type of data used was secondary data, namely in the form of articles, magazines, research journals, books, and other sources relevant to this study. The data collection technique used was documentation technique. The results of the study showed that the trust given to customers by sharia banks can increase customer loyalty in conducting various transactions. In addition, various efforts also needed to be made by sharia banks in order to maintain customer loyalty in the midst of the current pandemic by improving service quality and maintaining customer perceptions regarding the image of the bank. Therefore, sharia banks must uphold this fiduciary principle in order to prevent banking risks that may occur amidst the COVID-19 pandemic.

Keywords: Fiduciary Principle; Customer Loyalty; Sharia Bank; Covid-19

1. Introduction

COVID-19 or what is known as Coronavirus Disease 2019 is an infectious disease that was firstly discovered in Wuhan, China at the end of 2019 (wellness). The spread of the corona virus is tremendously fast and even extends to various parts of the world. As of Tuesday afternoon on July 28, 2020, the total number of positive cases of corona infection in the world has reached 16,495,309 people with a death rate of 654,327. Based on that, WHO (World Health Organization) commands all countries to be aware of the corona virus transmission and warns that the scale of the corona pandemic occurring in the world will continue to increase and shows a graph that continues to increase.

Indonesia is also one of those affected by the pandemic. As of August 1, 2020, the total number of confirmed positive corona cases was 109,936 with a total recovery of 67,919;

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1 Addi M Idhom, “Tirto.”
while 5193 positive corona patients died. The ranking of provinces based the most-found cases can be seen in the table below:

<table>
<thead>
<tr>
<th>Province</th>
<th>Case</th>
<th>Recovered</th>
<th>Dead</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Java</td>
<td>22324</td>
<td>14877</td>
<td>1719</td>
</tr>
<tr>
<td>Special Capital Region of Jakarta</td>
<td>21767</td>
<td>13887</td>
<td>843</td>
</tr>
<tr>
<td>Central Java</td>
<td>9659</td>
<td>5620</td>
<td>637</td>
</tr>
<tr>
<td>South Sulawesi</td>
<td>9552</td>
<td>6553</td>
<td>321</td>
</tr>
<tr>
<td>West Java</td>
<td>6584</td>
<td>3985</td>
<td>210</td>
</tr>
<tr>
<td>South Kalimantan</td>
<td>6160</td>
<td>3449</td>
<td>295</td>
</tr>
<tr>
<td>North Sumatra</td>
<td>3962</td>
<td>1484</td>
<td>194</td>
</tr>
<tr>
<td>Bali</td>
<td>3448</td>
<td>2924</td>
<td>48</td>
</tr>
<tr>
<td>South Sumatra</td>
<td>3427</td>
<td>1826</td>
<td>163</td>
</tr>
<tr>
<td>Papua</td>
<td>3087</td>
<td>1375</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: (Ministry Of Health Of The Republic Of Indonesia, 2020)

The current Covid-19 epidemic with cases increasing every day has had a significant impact, not only on the health sector, but also on economic development, including in the sharia banking sector. As a result of the lockdown or Large-scale Social Restrictions (PSBB) policy, there were policies related to postponement of installment payments for customers. This has triggered concerns about liquidity where the supply of funds to banks is decreasing and at the same time, the demand is getting bigger. Liquidity that occurs will certainly affect third-party fund collection (DPK). As the results of previous research with the object of several sharia banks stating that the impact of the pandemic on intermediation activities showed turmoil, including in the side of fund collection (DPK). Meanwhile, it is known that DPK (third-party funds) affects the trust of the public which in this case is the customer. If public trust increases, absolutely, third-party funds to the bank will also increase.

The current pandemic condition is certainly a challenge itself for sharia banks, so that various efforts need to be made to maintain customer loyalty. Trust is a banking principle that is highly important in determining the sustainability of a bank, without trust, it is very difficult for banks to get savings fund which will be used to manage the operational activities. Therefore, fiduciary principle is the basis of all banking activities. Trust given to customers will also gain trust to the bank, because the trust carried out becomes a belief that the bank can provide the best service to its customers, which in the end, the forms of services gain loyalty to the bank.

References:

2 Ibid.
3 (Ministry Of Health Of The Republic Of Indonesia, 2020)
Based on aforementioned, it can be understood that customer loyalty will be realized if the customer has high trust in sharia banks. Therefore, customers tend to stand for long-term and do not terminate their cooperation, especially in the current conditions.

It is clear that loyalty includes trust factor, so it is impossible to form loyalty without trust value. The relationship built between the bank and the customer is a psychological relationship, meaning that there is a reciprocal relationship that occurs. If the customer is satisfied with the services provided and the products offered, the customer will continue to make repeat and consistent transactions. It is shown as in the research results which states that customer loyalty will be formed from the trust that has been made previously. Loyal customers will certainly not move to other banks, they will even keep their funds and invest them. The results of this study are also in line with the research conducted by stating that service quality has a positive effect on customer loyalty through customer trust. The better the quality of services provided by the bank, the more increasing customer's trust which have an effect on customer loyalty.

2. Research Methodology
The research method used in this study is descriptive analysis, which is to analyze fiduciary principle related to the problems that occur. The type of data used is secondary data, namely in the form of articles, magazines, research journals, books, and other sources relevant to this study. All these materials are used as the basis of the writer in analyzing things related to the fiduciary principle and loyalty of customers amidst the Covid-19 pandemic. The data collection technique uses documentation technique by collecting data from various reference sources and then interpreting and connecting any literature that has been found.

3. Result and Analysis

Principle is the basis of a rule or a foothold in running something. While trust is a general expectation maintained by an individual towards a speech or action from one party. Dwiana defined fiduciary as the desire that someone will get what they want.

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Meanwhile, 14 defines fiduciary as a condition when one of the parties involved in the exchange process is sure of the condition and integrity of the other parties. Therefore, it can be concluded that fiduciary principle is one of the legal principles that underlies an activity.

In relation to Islamic bank, the fiduciary principle must be applied in all forms of banking activities. Previously, it is explained that Islamic banks are banks that operate based on Islamic principles. This means that all banking activities must be based on Islamic concepts. Fiduciary or in Islam, it is called trust (amanah) which must be the main foundation which includes honesty, integrity, capability, and consistency. 15. This aims to avoid the possibility of the emergence of risks that can cause loss of customer trust or the possibility of customers turning to other banks.

Islamic banks are banks that work based on public trust and function as fund collectors and fund distributors based on sharia principles 16. Therefore, in order to make a healthy banking system, in carrying out its operational activities, banks must run it based on fiduciary principle. With fiduciary principle, the parties working together, in this case the bank and the customer will receive legal protection. As stated by 17 that fiduciary principle is used as indirect protection by the banking sector towards the interests of customers who save their funds and all risks that arise in a business activity carried out by the bank. The implementation of these principles is an effort to prevent internal deviation.

As stated in Law no. 21 of 2008 article 4 concerning Islamic bank, it is stated that the function of Islamic banks is to collect funds and distribute them. Then, it is also stated in Article 19 that collecting funds is carried out in the form of deposits and investments in the form of demand deposits, savings or other forms and distributing profit-sharing financing based on contracts that do not conflict with sharia principles. Based on these functions, Islamic bank should have implemented it based on fiduciary principle. Although this principle is not explicitly regulated in legislation, based on article 24 in Law no 21 of 2008, it is stated that Islamic bank must implement governance which includes the principles of transparency, accountability, responsibility, professionalism, and fairness in carrying out their business activities. Furthermore, Article 35 also states that Islamic banks in carrying out their business activities must be based on the principle of prudence. Based on these two articles, it is clear that everything is related to trust, so fiduciary principle must be used as a basis for acting and maintaining the trust that has been given by the customer.

Given the current conditions, the fiduciary principle is the key to maintain the stability of the banking industry. In addition, the fiduciary principle must be used as a principle in carrying out business activities, especially when a crisis occurs. The various impacts that have occurred due to the Covid-19 pandemic including on the economic system in Indonesia in which it affected the aspects of banking activities. It not only occurs in conventional bank, but also in Islamic banks. It can be seen that from the statistical data of Islamic banks in March 2020, it was stated that on the side of fund collection for Islamic commercial banks, nationally it decreased from 236,447 to 234,240 billion. This has also been predicted by Adiwarman who stated that Islamic banks will begin to be depressed in July 2020 and August is the peak, because in that month, Islamic banks lose income from financing and profit sharing because customers enter the fourth and the fifth month of default. This condition made the regulator issued a policy to minimize the impact of Covid-19 through the issuance of Financial Services Authority Regulation (POJK) No. 11/POJK.03/2020 regarding various policies that can be carried out by Islamic banks. In addition, the most important thing that needs to be maintained is the fiduciary principle. As Yuliza stated that the level of customer trust can be seen from the number of accounts and third-party customer funds. If the number of accounts and third-party funds increases, customer trust in the bank will also increase. Likewise, if the number of accounts and third-party funds decreases, customer trust in the bank will be decreased.

Based on the explanation above, one of the relationships that underlies the bank and the customer is a relationship of trust which is the beginning of a sustainable interaction formation. If the initial process of the relationship is interrupted, the relationship between the two cannot be continued. However, if the fiduciary principle becomes the principle in the relationship, there will be further interactions followed by other relationships based on law. Thus, the fiduciary principle must be able to be applied by Islamic bank to be as maximum as possible, especially in the COVID-19 pandemic which could cause a significant risk to the bank if public trust has been lost. This needs to be avoided for the sake of the stability of the Indonesian economy.

3.2 Islamic bank efforts in maintaining customer loyalty amidst the Covid-19 pandemic.

Islamic bank is all things related to sharia banks and sharia business units including institutions and business activities as well as methods and processes in their implementation. The Islamic bank is a bank that carries out its business activities based on the principles of sharia by referring to the Al-Qur’an and hadith. Another definition also states that Islamic bank is a bank whose activities do not contain usury and do not

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rely on interest. Accounting principles are used in maintaining accountability. The sharia principle is a rule based on Islamic law that is free from things that are forbidden and can harm other parties. Thus, it can be concluded that what is meant by Islamic bank is a business entity that functions as an intermediary, namely collecting funds and channeling them back or providing rewards based on sharia principles.

Islamic bank exists as a response from a group of people or Muslim practitioners who expect products and services, as well as transactions that are in line with Islamic law. In addition, its presence can also anticipate the needs of the community by providing a sense of security and excellent service to customers, far from elements of usury, maisir, gharar (Apriyanti, 2018). This is a solution to increase public trust in Islamic bank.

The function of Islamic banks according to include the function of the bank as: 1) investment management in which the bank as the recipient of the trust in investing in the flow of funds entrusted by the account holder based on the profit sharing principle; 2) as an investment manager for funds had by the owner of the funds; 3) as a service provider; 4) lastly, as the manager of social functions, in this case as the manager of zakat funds and the place where they are distributed.

The function of Islamic banks above illustrates that Islamic banks have multiple roles and functions that are different from conventional banks. With its complex functions, Islamic banks are faced with various challenges in the midst of the competition they face. Not only that, seeing the current pandemic, absolutely, Islamic banks must make various efforts to survive and remain a trusted partner of the community.

Banking activities cannot be separated from customers. Customer is a person or legal entity that has a bank account, either a savings account or a loan at the bank, so that the customer is a person who is usually associated with or becomes a bank customer. To maintain, the bank must be able to provide satisfaction to customers. Customer satisfaction must be accompanied by customer loyalty. Meanwhile, loyalty is related to what the customer does after carrying out a transaction process or banking service process.

Loyalty means faithful or also as a form of loyalty. Meanwhile, stated that loyalty is the behavioral motivation to make repeat purchases and build customer loyalty through products and services. In line with this, then a measure of customer (consumer)

engagement to a product and the desire to buy repeatedly even though situational influences and marketing efforts cause behavior to turn to other parties. Based on some of the definitions above, it is understood that loyalty is closely related to faithfulness. Loyalty shows willingness without coercion, so that customer loyalty is customer commitment, where customers do not want to switch to products or services to other banks, but actively recommend it to others.

Customer loyalty for banking is extremely important, so that banks should maintain the continuity of their business activities. Loyal customers are those who are very satisfied with a certain product or service and enthusiastic to introduce it to anyone. Likewise according to 30 that maintaining customers is much more efficient than having to find new customers, and to maintain them, it is necessary to do it in various ways; one of which is to instill trust in the customer in the ability of a bank to provide satisfaction.

In relation to the current situation, the efforts of Islamic banks to maintain customer loyalty can be done in several ways, namely;

a. Service Quality

Service quality is closely related to customer loyalty. The forms of services and programs offered are not only limited to meeting customer satisfaction that can only last for a short period of time, but also must be able to produce loyal customers who can last for a long time. 31 Therefore, customers need superior service that is different from others. Superior service quality can be in the forms of: 1) physical form and can be seen and perceived directly by customers; 2) reliability in providing services to customers; 3) responsiveness and empathy as well as special attention given to customers by the bank 32. Thus, the bank not only provides the products needed by customers, but it also must pay attention to the form of services provided.

Regarding the current Covid-19 pandemic, making all banking activities and all types of transactions requiring face-to-face compliance must comply with Large-Scale Social Restrictions (PSBB) procedures such as physical distancing and restrictions on operational services, so that under these conditions, Islamic banks must continue to provide the best services to customers, namely by maximizing the use of technology such as digital mobile banking facility. The mobile banking facility must have features that can support all transactions desired by customers. For example, opening an online account, facilitating all forms of payment including the payment of zakat, infaq, and alms as a form of concern for the Covid-19 pandemic, and e-commerce transactions. In addition, customers affected by Covid-19 get concessions on financing facilities in the form of payment delays or reduced profit sharing within a certain period with conditions that are adjusted to current economic conditions.

Not only that, all forms of customer complaint handling at the bank must be served quickly and well. Because if the customer feels that he/she is not getting the best

30 Jill Griffin, Customer Loyalty (Jakarta: Erlangga, 2005).
service in delivering his/her complaint, the customer will easily turn to banks that can fulfill what he/she wants. Customer complaints handling is the key to maintain customer loyalty

b. Bank Image

Image is a public image or perception regarding service, product quality, or individual behavior in business activities. The success of a bank can be seen from its ability to make and build something that is fun and can attract customers, both new and existing customers. The image of a bank is formed through a process, both in its success in the financial sector, good industrial relations, an influential reputation and social responsibility as well as commitment in carrying out all banking activities. This shows that the image of a bank is tremendously important in the sustainability of a bank, because customers will tend to collaborate if they have had a picture of what they experience and feel. The picture is obtained through various sources of information both printed and online, or even through other people's experiences. Therefore, to maintain the image or reputation of Islamic banks, the banks must be able to maintain compliance with sharia principles in bank operations, so that in the current new normal, Islamic banks must be more productive by maximizing the various existing facilities as a form of image preservation of Islamic banks.

4. Conclusion

Based on the analysis related to the fiduciary principle in maintaining customer loyalty, it can be concluded that a very fundamental principle for the existence of an industry, including Islamic banks, is fiduciary principle. The fiduciary principle must be implemented by Islamic banks as much as possible, especially in the COVID-19 pandemic, which can cause a significant risk to banks if public trust is lost. In addition, various efforts also need to be made by Islamic banks in order to maintain customer loyalty in the midst of the current pandemic through service quality, namely by maximizing technology in the form of mobile banking facilities and maintaining customer perceptions regarding the image of the bank. For this reason, Islamic banks must be more productive in the new normal time.

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