

Islamic Business Ethics on Customer Retention

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Abstract— The aim of this research is to test the effect of islamic business ethics that consist of unity/tauhid, equilibrium, free will, responbility, and truth towards customer retention of BMT UGT Sidogiri Cabang Tanah Merah Bangkalan. This research was conducted with an associative quantitative approach. Number of samples that used in this research is 98 respondents which came from active members 2018-2019 period and used accidental sampling technique. This research used a questionnaire that calculates with a likert scale and analyzed with SPSS 20. The result of this research shows that overall business ethic variable has a positive effect and significant to customer retention. Based on the partial test result business ethic variable has a positive effect and significant to customer retention of BMT UGT Sidogiri Cabang Tanah Merah Bangkalan. As for based on the coefficient of determination test's result, shows that business ethic variable have a big impact as big as 33,2% on loyalty of customer retention variable.

Keywords— *Baitul Maal Wat Tamwil, Business Ethic, Customer Retention*

I. INTRODUCTION

Baitul Maal wa Tamil (BMT) is a non-bank financial institution that is popular in the world of finance, according to PBMT data (Baitul Maal Wa Tamil Association) that in 2015 there are 4,500 BMTs with 3.7 million customers whose assets are Rp. 16,000,000,000. - run by approximately 20 thousand people. While information from the Ministry of cooperatives and SMEs shows the total cooperative business units in Indonesia as many as 150,223 units, and 1.5% of cooperatives that have KSP legal entities (Financing Savings and Loan Cooperatives). Baitul Maal wa Tamil (BMT) was formed and is present as a realization of the awareness of Muslims to help each other the economies of middle and upper middle class entrepreneurs and institutions that prioritize joint masalah, continue to develop solidarity in achieving prosperity. Regarding the role of Baitul Maal wa Tamil, Huda, et al. (2010: 365) argues "Baitul Maal wa Tamil (BMT) is a driver of the economy, a pioneer also a liaison of Islamic economics for the rich (aghnia) and the poor (dhu'afa), non-formal education media to create a new principle of life, ahsanu 'amal (the best practice) and greetings through spiritual communication with divine dzikir qalbiyah (heart remembering God). Distributing and collecting social funds which include: zakat, infaq and

shodaqoh is an effort carried out in BMT. The wheel of the economy that continues to spin and the level of public awareness of the Islamic economy makes BMT UGT Sidogiri Tanah Merah branch need a strategy to maintain its customers. In addition to avoiding losses on a large or small scale, business ethics is needed. Islamic business ethics in it contains Islamic rules, namely unity and integration, equality, intellectual, free will, responsibility & accountability, total surrender, justice, transparency, and virtue.

Examples of cases of Islamic business ethics "Advertising War Perspective on Islamic Business Ethics (Case Study of XL Cellular Operators {PT. Excelmindo Axiata Tbk} and other Cellular Operators {PT. Telkomsel Tbk}) by (Gani, 2012) with research results suggesting advertising wars between XL cellular operators and XL cellular operators in advertising their products using sarcastic words that overturn each other and defeat the very far from advertising ethics, giving rise to unhealthy business competition in Islamic business ethics. Bad talk about fellow businessmen is prohibited in Islam because it violates Islamic business ethics on indicators of honesty, fairness and responsibility. Edward (2017) in the news to Nusantara News reveals that the Lippo Group has succeeded in developing business work with a record of violating business ethics in the journey in which Lippo Bank has multiple financial reports (manipulation of financial deposits) and insider trading that affect the price of shares in the Jakarta Stock Exchange so that it is detrimental to investors.

Business activities that are justified in Islam are business activities with healthy competition. To achieve mutual benefit, the need to apply Islamic business ethics in the operation of Islamic financial services. In an effort to provide good service, Islamic business ethics can be made an advantage of sharia BMT cooperatives compared to conventional cooperatives.

(Muhammad, 2004: 38) in his opinion suggested that the function of Business Ethics is controlling (rules) in economic activities. Islamic business ethics is a business element that has ethical and spiritual values. In intense competition, financial institutions must be able to provide services, develop business ethics that can be excellence so that they can survive and be strong. Some researchers argue that there are several business ethical principles which are ethics axioms which include monotheism, balance, free will, ihsan (feeling always in supervision of God) and Responsibility (Muhammad, 2004: 53). The extent of violations of business ethics as the case mentioned above occurs in various industries, especially the financial

industry, which is certainly not in accordance with Islamic sharia. Violations that occur result in reduced trust and loyalty in the financial institutions or give a bad image. This is the reason BMT UGT Sidogiri Tanah Merah Bangkalan Branch as a sharia-based non-bank financial institution needs to prioritize Islamic business ethics in all activities to be able to obtain Allah's blessings and the trust of members. Every activity carried out by BMT must be in accordance with Islamic Shari'a (law) and not only oriented towards obtaining as much profit as possible so that it can harm other parties in their acquisition. Tight competition makes the company must prioritize customer desires and needs in its orientation to satisfaction as the main goal. Orientation of customer custom retention is a strategy needed by companies and financial institutions in the face of intense competition in the financial industry. This encourages BMTs as non-bank financial institutions to create ways and thoughts to retain customers so that customers do not switch to other competing companies. The importance of customer retention can be proven from the case examples (Setiawan and Rahayu, 2017) "With the results of the research, Blue Bird uses a database strategy by running a customer retention program that is tactical, such as the use of the my blue bird application where loyal ones get free vouchers, concert tickets and others.

Maintaining existing customers and building strong customer relationships is an internal cost effective approach rather than continuing to find and obtain new customers (Anderson & Mittal, 2000). Loyalty that is created makes the customer will not prioritize prices and express the good image of the company in the surrounding environment so that this will be profitable for the company, especially in improving marketing cost efficiency. Customer loyalty is a measure of the customer's brand, this will make customers repurchase or reuse a brand so that customers automatically participate in providing profits to the company.

According to Griffin (2003: 5) that Customer retention explains the length of the relationship with the customer. The level of customer retention is the percentage of customers who fulfill a number of repeat purchases over a limited period of time. At present the problem is the easier the community gets financing because of the many institutions that offer financing and financial activities especially in conventional finance, and the development of the era of globalization. 5 other BMT cooperatives and other conventional cooperatives in the city of Bangkalan are competitors so that the creation of competitive conditions in developing their business. Customer loyalty is formed due to a sense of security, comfort and trust in sharia operations. The form of customer loyalty that is formed from customer retention is the purchasing power of customers with the increased frequency of purchases for the sale of services / products offered. Customers will remain customers for a long period of time.

II. METHOD OF RESEARCH

This research is a type of quantitative method research with a descriptive approach. The primary data of the study was obtained through answers from questionnaires that were filled out by active members of BMT UGT Sidogiri Tanah Merah Bangkalan Branch while

secondary data was obtained from data of the last 2017-2019 active members and company profiles obtained through BMT UGT Sidogiri official website Tanah Merah Bangkalan Branch

The population in this study was 6,300 people. The sampling technique used was probability sampling using accidental sampling technique. As for determining the number of samples carried out using slovin formula. From the calculations obtained by the Slovin formula, the number of samples in this study was known to be 98 active members.

The method of data collection in this study used a questionnaire or questionnaire that was distributed to active members. Data analysis techniques in this study used a test of measuring instruments (validity and reliability testing), multiple linear regression analysis and hypothesis testing consisting of t test, test f and coefficient of determination. Data is processed using the SPSS version 20 application.

III. RESEARCH RESULTS

T Test (Partial Test)

The T test in this study was used to determine the effect of each independent variable on the dependent variable. Can be said to have an effect if the significance value is <0.05 and the value of t is calculated $> t$ table. the results of the calculation of the t test on Islamic business ethics variables. Then the calculation of the t test can be concluded as follows:

The significance value of the business ethics variable is 0,000 and the value of t count is 7.018. Then, H_1 is accepted and H_0 is rejected. This means that the variable Islamic business ethics has a significant effect & has a positive direction on customer retention at BMT UGT Sidogiri Tanah Merah Bangkalan Branch.

F Test (Simultaneous Test)

The F test in this study is used to determine the overall effect of the independent variable on the dependent variable. Can be said to have an effect if the significance value is <0.05 and the calculated f value $> f$ table. the significance value is 0,000 and the calculated f value is 49,251. This value indicates that the independent variable (Islamic business ethics) influences overall or simultaneously on customer retention dependent variables at BMT UGT Sidogiri Tanah Merah Bangkalan Branch.

Determination Coefficient (R^2)

The coefficient of determination (R^2) in this study is used to determine how much influence the independent variable has on the dependent variable. Based on calculation, it shows that the value of R Square is 0.332, meaning that Islamic business ethics variables have an effect of 0.332 or 33.2% on customer retention dependent variables. Furthermore, for the remaining 66.8% it is

influenced by variables or other factors not examined in this study.

IV DISCUSSION

Islamic business ethics at BMT UGT Sidogiri Tanah Merah Bangkalan Branch has an effect on customer retention which respondents 23 people are male and 75 female which means the respondents in the study were mostly female so that in accordance with the answers of the average respondent who answered agree and strongly agree. Characteristics of respondents based on age showed that the majority of respondents aged 31-40 years were 47%. This is because at the age of 31-40 years is a mature age to make decisions in improving the quality of lifestyle by investing through savings and financing products. At the age of 31-40 years, life needs increase. From the characteristics of the respondents based on education the majority of respondents were from high school / vocational education as many as 62 respondents because the public was more aware of the importance of education in supporting life. As for the characteristics of respondents based on work more dominant members have Private / Entrepreneurial jobs which are as many as 68 respondents because this work becomes a support in managing members' income well.

Based on this study it can be seen that the results show that Islamic business ethics variables have an influence on customer retention variables. In the calculation of the regression coefficient shows 0.218 shows that if Islamic business ethics is increased by 1%, it also increases customer retention by 21.8%. Calculations on the statistical value of t indicate that the Islamic business ethics variable has a significant probability value of 0,000 <from customer retention that is equal to 0,005. Then the submission of the initial hypothesis in this study was declared acceptable, which means that the Islamic business ethics variable has a positive effect on the customer retention variable at BMT UGT Sidogiri Tanah Merah Bangkalan Branch. The f test results show a significant value <0.05, the indicators in free variables (Islamic business ethics) are stated to have a simultaneous influence on the dependent variable (customer retention). From the results of the determination test obtained determination R² of 0.332. This means that 33.2% customer retention variables can be explained by Islamic business ethics variables. According to Islamic business ethics (Muhammad, 2004: 38) is a business combination with ethical values coupled with spiritual value. Islamic Business Ethics according to Aziz, 2013: 45-47 concludes that there are basic principles used to measure Islamic business ethics, namely unity (Unity / Tawheed), balance (equilibrium), free will (Free Will), responsibility (Responsibility), and truth.

BMT UGT Sidogiri Tanah Merah Bangkalan Branch is indicated by the facilities and infrastructure owned, namely a strategic location because the location of BMT UGT Sidogiri Tanah Merah Branch is a highway lane which is the main crossing point and near the economic center of the community namely Tanah Merah market. In addition, it also has facilities in the form of clean, neat, safe and comfortable buildings so that it can facilitate members in obtaining the desired product or service.

On the unity indicator (Unity / Tawheed) BMT UGT Sidogiri Tanah Merah branch conducts transactions according to Islamic principles by applying sharia contracts on products offered and employees of BMT UGT Sidogiri Tanah Merah branch is obedient in worship such as obligatory prayer and sunnah worship as a form taqwa to Allah SWT. This makes members able to instill a sense of trust and confidence in the institution and employees in it because muamalah activities are always based on piety and worship to Allah SWT. In addition, it can create high competitiveness, especially in retaining members

On the balance indicator (equilibrium), BMT UGT Sidogiri Cab.Tanah Merah employees provide fair services to members. This is evidenced by serving according to the queue, emphasizing the professionalism of work and employees of BMT UGT Sidogiri Cab.Tanah Merah provides a share of results according to the contract so that the application of a fair attitude can create a good relationship between the institution and members. Good relationships that are created can instill loyalty to members.

On the Indicator of free will (Free Will), employees of BMT UGT Sidogiri Tanah Merah branch provide clear and easy to understand information. In addition, accept criticism and suggestions given by members then follow up so that members will not hesitate in transacting or choosing products that are suitable for members' needs.

On Indicators of responsibility (Responsibility), Customer Service BMT UGT Sidogiri Tanah Merah branch responds quickly & responsibly in member complaints and provides annual financial reports to members. This can eliminate doubts and provide security for members.

The truth indicator is proven by no interest taken or given to the financing or savings product or the absence of fraudulent acts committed by BMT UGT Sidogiri Tanah Merah branch. This can instill loyalty and loyalty to the institution.

Customer retention at BMT UGT Sidogiri Tanah Merah branch is evidenced by the use of e-mobile to tailor the members' needs (such as: paying for electricity, paying cellphone prepaid, transfers, etc.) so that members feel easier, faster in transactions and choose products or needs present and future. In addition, employees provide satisfying services (such as: neatly dressed, being honest, polite, friendly and communicative) so that members feel satisfied, safe and comfortable in making transactions and giving rewards or prizes so that I as a member will remain faithful as an active member and will use other products produced by BMT

Based on the results of the analysis on the calculation can be known t count 7.018 > 1.984 so it can be concluded that the variable Islamic business ethics affect the customer retention variable. Islamic business ethics has an important role in creating customer retention. The existence of customer retention at BMT UGT Sidogiri Tanah Merah branch Bangkalan due to the application of good Islamic business ethics.

This research is in line with research from Vivi Indah Lestari (2017) which states that Islamic business ethics has a significant influence on customer retention. However, the case in Zahrotul Wakhidah (2017) differs that the truth dimension has a small influence between other

dimensions of customer retention so that Islamic business ethics is one of the factors associated with customers. Islamic business ethics is a positive behavior that will be diverted by members in conducting transactions and other muamalah activities so that members will feel loyal and loyal to BMT UGT Sidogiri Tanah Merah Bangkalan Branch. This is in line with customer retention, which is a consumer's decision to stick to a product or service that feels certain value.

V.CONCLUSION

Based on the results of the study, provide conclusions that partially the variable Islamic business ethics has an influence on the customer retention variable. Then the submission of the initial hypothesis in this study was declared acceptable, which means that the Islamic business ethics variable has a positive effect on the customer retention variable at BMT UGT Sidogiri Tanah Merah Bangkalan Branch. This means that BMT UGT Sidogiri Tanah Merah Bangkalan Branch has applied the principles of Islamic business ethics such as unity (Unity / Tawheed), balance (equilibrium), free will (Free Will), responsibility (Responsibility), truth. BMT UGT Sidogiri Tanah Merah Bangkalan Branch has implemented a piety attitude towards Allah SWT, giving fair treatment to members, giving freedom to members in choosing products, being responsible for all activities and prohibiting usury on its products. BMT UGT Sidogiri Branch Tanah Merah Bangkalan should enhances the quality of the Islamic business ethics and service process provided to members in order to maintain customer retention of members at BMT UGT Sidogiri Tanah Merah Bangkalan Branch. In addition, for further researchers it needs to provide more extensive explanations and reveal other factors besides Islamic business ethics that can affect customer retention.

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