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The role of Islamic rural bank in financing the SMEs: customer perspective analysis [case study of Amanah Ummah Bank in Bogor city, Indonesia]

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The Role of Islamic Rural Bank in Financing the SMEs: Customer Perspective Analysis (Case Study of Amanah Ummah Bank in Bogor City, Indonesia)[1]

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Abstract

One of the basic problems faced by small scale and medium enterprises (SMEs) in Indonesia is the availability of financing access provided by financial institutions including banking institution. There are three types of Islamic bank operating in Indonesia presently: Islamic commercial bank, Islamic banking unit and Islamic rural bank. Providing the SMEs with sufficient financing source is highly required. This paper attempts to observe empirically the role that have been played by Islamic rural bank in financing the SMEs, by taking case study of Amanah Ummah Bank, the best Islamic rural bank in the country. Thirty small and medium entrepreneurs have been selected as the sample of the research, and have been deeply interviewed on September and October 2008. Descriptive statistics, IPA (Importance Performance Analysis) and CSI (Customer Satisfaction Index) methods have been used as analytical methods. The results show that the financing given by the bank does really help the SMEs. There are three factors, which are important, and which have satisfied the SMEs. These are easiness of bank's requirements, the speed of financing approval, and bank's services. In general, the respondents are of the view that the bank has shown a good performance.

Keywords: SMEs, Islamic rural bank, customers' perception

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1. Introduction

Islamic banking industry has been showing a remarkable development for more than three decades. This can be considered as an indicator showing that there is a growing awareness throughout the world to implement Islamic-based banking system.

Although the world is now facing a huge financial turbulence which threatens a country's economic development, Islamic banking industry still offers good future prospect. It can also be the best alternative for the world financial system as UK Prime Minister Gordon Brown has called the world leaders to change the existing financial system.

The positive trend of Islamic banking growth also takes place in Indonesia. As of June 2008, Islamic banking asset has reached IDR 42.9 trillion[3] or equals to almost 2.5% from total banking assets. The number of people depositing their fund has increased for almost 50% since June 2007. This shows that the consciousness level of Indonesian people to use Islamic banking products and services has dramatically increased.

This condition is then strengthened when Islamic Banking Act is passed by the government and the House of the Representatives in the mid of this year. This Act is expected to be able to boost Islamic banking industry in the country. It is hoped that Indonesia can be the best destination for investment opportunity in the world. This law also in line with the unique character of Islamic bank which is real sector based.

Basically, Islamic bank in Indonesia can be divided into three parts. The first one is Islamic commercial bank, which is a full pledged bank that operates throughout the country. The second is Islamic banking unit, which is a special division established by conventional bank. It can also operate anywhere in the country. And the third is Islamic rural bank, or *Bank Pembiayaan Rakyat Syariah* abbreviated as BPRS[4], which operates in a specific rural and urban area, such as village, located in a city or regency. As of June 2008, Indonesia has 3 Islamic commercial banks, 28 Islamic banking units and 124 Islamic rural banks.

Given this progressive development, a number of challenges have also waited. At macro level, uncertainty in the global markets can possibly be the hardest obstacle that can reverse the progress of the nation's Islamic banking industry. At the micro level, Islamic bank is challenged to improve its product innovation and service excellence to its customers. These are very important issues that need to be addressed by all stakeholders. Moreover, Islamic bank is also challenged to give more contribution on the country's economic development.

One of the key players in Indonesian economy is small scale and medium enterprises, who have contributed 53% of the country's GDP in the year 2005. Majority of them are living in rural areas and 90% of them are Muslims (Beik and Idris, 2005). One of the basic problems faced by these SMEs is availability of financing. Therefore, this issue must be solved in order to increase the nation's economic growth which will create prosperity improvement in the people's life. This fact has opened the opportunity for Islamic rural bank to play more significant role since it is located in the rural areas.

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[3] This figure equals to USD 4.2 billion since USD 1 is equal to IDR 10,000.
[4] Before the Islamic Banking Act is passed, BPRS is known as *Bank Perkreditan Rakyat Syariah* or Islamic rural credit bank. The term 'credit' has been replaced by 'financing'. Hence its name is now *Islamic rural financing bank*.

One of the Islamic rural banks that have shown a notable performance is BPRS Amanah Ummah, which is located in Leuwiliang, Bogor district, Indonesia. It was launched on August 8, 1992 after getting permission letter from Finance Ministry and Bank Indonesia on December 19, 1991 and May 18, 1992 respectively. Its performance has been acknowledged by Bank Indonesia as one of the best Islamic rural bank that has been able to implement professional managerial skill and at the same time comply with the shariah. Its score was 97.46 (out of 100), which is the highest compared to the other Islamic rural banks[5]. Almost all of its financing customers are coming from small scale and medium enterprises.

Despite the crisis which is now attacking the real sector of the economy, the Non Performing Financing (NPF) of BPRS Amanah Ummah is only around 2.71% as of 2008. This can be taken as evidence proving that small scale and medium enterprises can fulfill their obligation. In the same year, FDR (Financing to Deposit Ratio) of the bank, which indicates the ability to perform intermediary function, is around 79.06%. This value is categorized as "good" by Bank Indonesia, and is still higher than the average LDR (Loan to Deposit Ratio) of the whole conventional banks in Indonesia which stands at 60%. Table 1 below depicts the complete figure from January 2009 to December 2009.

Table 1: NPF and FDR of BPRS Amanah Ummah for the period of January 2009- December 2009

No.	Months	NPF (%)	FDR (%)
1.	January	3,87	69,40
2.	February	3,82	71,84
3.	March	3,52	73,64
4.	April	3,43	74,19
5.	May	2,99	76,08
6.	June	2,60	79,57
7.	July	2,35	80,12
8.	August	2,15	84,54
9.	September	1,98	91,78
10.	October	2,10	82,11
11.	November	2,05	85,33
12.	December	1,71	80,09
	Total	32,57	948,68
	Average	**2,71**	**79,06**

Source: Annual Report of BPRS Amanah Ummah 2008

This paper, hence, tries to analyze the role that has been played by Islamic rural bank in financing the SMEs by taking BPRS Amanah Ummah as case study. This role will be observed from the angle of customers who have dealt directly with this bank. Understanding the perception and expectation of the SMEs is very important for betterment of the practice of the bank.

This paper comprises five sections including introduction as the first one. Section two will elucidate literature reviewed followed by research methodology that will be presented in the third section. Empirical findings and discussion will be discussed in the fourth section. Finally, conclusion will be put in the last chapter.

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[5] This score is given by Bank Indonesia as the assessment of the performance of Islamic rural bank. It is the score given in the year 2007.

2. Literature Review

Literally, Asian Development Bank defines microfinance as a provision of a broad range of financial services such as deposits, loans, payment services, money-transfers and insurances to poor and low-income households and their micro enterprises (Conroy, 2003). In spite of providing only loan services, from the stated definition, micro enterprises are supposed to attain the whole financial assistance package from the financial institutions. The focus is on low income people whose access to the formal financial institution is questionable. Thus, financial institutions should consider the supply of services to these people.

In Philippines, Hapitan (2005) recognized the access of SMEs to credit divided by two: those banks who are obliged to set aside a portion of their loan portfolios, and those institutions that have actively pursued direct financing program for SMEs. She studied thirty SMEs in Philippines to analyze whether credit access due to competition has indeed increased, furthermore, its impact on SME lending in terms of the number of credit facilities availability and quite possibly lower interest rates. Some worth noted from the observation are banks and other financial institutions should realize that many SMEs are not aimed to achieve stability in terms of operations and earnings rather opportunity taking. The situation occurred due to most of the SMEs are entrepreneurial-driven which had to enrich their product line or even change it from the original product. To fuel these opportunities, financial assistance and loans are needed. However, some SMEs do not realize that financial statement is not only a requirement but also as part of good governance. The non-provision of audited financial statements is one of the main reasons why many SMEs are unable to benefit financial assistance from banks and other institutions.

This is also note by Conroy (2005), he cited that general problem in the developing member economies of APEC is many lower-income households unable to meet lenders' requirements for formal physical collateral. This failure of financial access occurs in where the informal or un-itemized sector is of major importance as a source of both production and consumption of livelihood for the poor and the household. Considerations such as geographic isolation, low population density and gender also take part in determining patterns of unequal access whereby financial sector development is limited. Particular sectors, notably smallholder and peasant agriculture, with their associated post-harvest and off-farm economic activities, create special challenges for financial service provision.

Difficulty in obtaining funding for businesses is still considered as the major problem of SMEs' operation as quoted by Joubert (1998). She conducted a case study to analyze the problems faced by SMEs in Swaziland. The result indicated that generally, the SMEs' owners believed that their successful business is mainly because they can manage to sustain them. However, the term success here differs from the widely used measurement of successful business, such as productivity level, profitability ratio, and rate of return.

A study done by Barbu and Vintila (2008) exemplified some ethic banks and social responsibility in financing in developed countries. Cooperative Bank of Great Britain offers innovative services with free credits or with zero rate of interest, prolongation of work program, and guaranteed level of services. This institution established some products after consulting the banks' customers and employees. The bank sent questionnaires to 2 million customers whose answers contributing to the revision of bank's ethical policy. The customers have requested that the bank should have a proactive policy based on selecting investments (bank's portfolios) through a direct argument between the deponents and the investors. Following the consultations, the bank's deposits have risen 5 times more in 2002.

Another bank in Swedish, EKOBANK, has been being transparent to its customers. The bank has actively assisted the customers to set the economic policy. The ones which invest in the bank may influence the bank's crediting policy, determining the type of project they wish to finance.

In Japan, credit cooperatives, which are named shinkin banks, accept deposits in the same way as commercial banks, but credits are limited, being given only to contributor members, the maximum level given to a single debtor not exceeding 25% of the capital level. The use of the credit is only accepted for local development, this fact contributing to the rapid growth of local enterprises and improving the quality of life in the particular residential area. Thus, shinkin banks represent an important support for the SME's within the community.

Karim and Affif (2005) have conducted the research in the specific field of perception and image of Islamic Banks in Indonesia. It was found that at least in the cities studies, consumers are aware of the existence of Islamic banks. This awareness is most likely the impact of growth, both the number of Islamic banks and the number of Islamic bank branches. In addition, the increase of advertising expenditure of Islamic banks in the last few years also supports the notion of increase awareness in the market. However, in the term of perception, besides the perception that an Islamic bank is a bank that operates under Islamic principles, including avoiding *riba*, other important perceptions that surface are banks that are especially for Islamic consumers only, have limited facilities compared to conventional banks and do not have a large costumer base. These findings show that even though awareness of Islamic banks may be quite high, the understanding of what Islamic bank is and is not is still lacking.

Hakiem (2007) has studied the perception of marketing employees and financing customers of Amanah Ummah Bank on the practice of *mudarabah* and *musharakah* financing. He found that there are three basic weaknesses of marketing employees understanding and knowledge which imply to their perception. These weaknesses include the basic knowledge on Islamic principles, particularly on Islamic jurisprudence, Islamic politics, marriage, *riba al-fadl* and *riba an-nasiah*; legal and regulation aspects, which consist of both positive legal as well as normative legal, since they have a limited knowledge and understanding about *mudharabah* and *musharakah* regulation from central bank and the verdict from Indonesian Council of Ulama (Majelis Ulama Indonesia), and one basic technical aspect, which is the calculation of loss, since one-third of them have a less understanding of this matter. But overall, they understand the concept of both *mudharabah* and *musharakah* financing products, since they are fueled by proper and adequate understanding and knowledge about these two products.

Hakiem (2007) also found that there are five basic weaknesses of financing costumers understanding and knowledge which imply to their perception. These weaknesses include basic knowledge on Islamic principles, especially on Islamic jurisprudence, riba *al-fadl* and *riba an-nasiah*, the concept of *mudharabah* and *musharakah*, particularly on similarity and differences between these two products. BPRS Amanah Ummah should put a big concern about this matter, since these are the basic knowledge about *mudharabah* and *musharakah,* legal and regulation aspects, especially on both Bank Indonesia regulation and verdict of Dewan Syariah National of MUI on these products, accounting aspect, particularly on calculation the loss and financial audit of these products, financing problems that consist of credit default in *mudharabah* and *musharakah* financings and arbitrage matter, especially on catering legal dispute of these two products. On the other side, it is very interesting to know that the level of sureness of financing costumers about these two products is very high, since the level of sureness is above 50%, particularly on the concept, the difference compared to conventional credit, and the quality of these two products.

3. Research Methodology

Methodology is defined as a general approach to conduct this particular research topic. In this regard, it is a system of explicit rules and procedures upon which research is based and against which claims knowledge are comprehensively evaluated (Imaduddin, 2006). This part will explain the methodology used in the research.

3.1. Types and Source of Data

There are two sets of data used in this study. The first set of data is primary data while the second one is secondary data. Primary data is obtained through survey and interview with the selected samples, while secondary data is obtained through literature survey and accessing the data of BPRS Amanah Ummah and other relevant institutions.

3.2. Place and Time of Research

The research takes place in the BPRS Amanah Ummah, which is located in Leuwiliang, western part of Bogor district, Indonesia. The survey has been conducted on September-October 2008.

3.3. Population and Sampling Methods

Population of this study is defined as the group of small scale and medium entrepreneurs that have received financing from the BPRS Amanah Ummah. Meanwhile sample is defined as the group of people selected to represent the population. This study has selected 30 samples that were asked by using in-depth interview technique. This technique helps researchers in digging the knowledge and perception of the respondents deeper.

Furthermore, this research employs purposive sampling method, where the samples are selected based on two basic criteria. These criteria are: (i) they have become customers using bank's products for, at least, the last three years; and (ii) they have experience and understand the basic concept of Islamic banking product. For the second criteria, they were asked some basic definition and practice of Islamic financing product, especially murabahah and mudarabah since these two are widely used by the bank. Interview was continued when they were able to answer this question.

3.4. Analytical Method

This paper uses descriptive statistics, Important Performance Analysis (IPA) and Customer Satisfaction Index (CSI) as its analytical methods.

3.4.1. Importance Performance Analysis (IPA)

Irawan (2002) stated that customer satisfaction indicators are tangibles, reliability, responsiveness, assurance, empathy and product facilities. These dimensions are made in the form of questionnaire which measure customer's satisfaction. Definitions of these attributes are as below:

- Tangible: physical performance, equipment, personnel, and communication material.
- Reliability: ability to provide promised services accurately.
- Responsiveness: willingness to assist customer and to give fast information and services.
- Assurance: knowledge, workers' hospitality and ability to create trust on customer.

- Empathy: worker's willingness in serving and showing concern to the customer without any discrimination.
- Product facilities: providing supporting facilities, such as present or discount.

Customer satisfaction assessment using Important Performance Analysis (IPA) model aims at measuring the importance level of work implementation. According to Simamora (2002), IPA model is a technique which is used in order to measure attributes or dimensions from various importance levels with customers' expected performance, and it is useful in building effective marketing strategy. IPA analysis also becomes foundation for management in their decision making process aiming at enhancing company's performance so that customer's satisfaction can be maintained.

The obtained data will be analyzed by IPA method in order to find out which product which is considered as the most important one by customer. In this method, the performance giving customer's satisfaction is symbolized with X, while Y shows importance level of the customer. To asses performance and importance level of customer Likert scale is used. This scale allows the respondents to express intensity and their feelings on a certain characteristic of a product.

Likert scale shows customer response on available choices which are made in order started from lower priority to higher priority. These scales consist of not important/satisfied, less important/satisfied, important/satisfied enough, important/satisfied and very important/satisfied. These five scales are depicted in the Table 2 below.

Table 2: Assessment of Performance and Importance Levels

Scales	Performance (X)	Importance (Y)
1	Not satisfied	Not important
2	Less satisfied	Less important
3	Satisfied enough	Important enough
4	Satisfied	Important
5	Very satisfied	Very important

These importance and performance levels will be analyzed by comparing the scores of performance and the scores of importance level. This comparison will determine priority list of the factors affecting customer satisfaction. The formula used is as depicted below.

$$T_{ki} = \frac{X_i}{Y_i} \times 100\%$$

where :
T_{ki} = compliance level
X_i = assessment score for performance
Y_i = score for importance assessment

Horizontal axis (X) will be filled with performance scores and vertical axis (Y) will be filled with importance scores. In simplified formula, each factor will influence customer satisfaction using the following formulas:

$$\overline{X_i} = \frac{\Sigma X}{n} \qquad \text{and} \qquad \overline{Y_i} = \frac{\Sigma Y}{n}$$

Where:

$\overline{X_i}$ = average score for performance

$\overline{Y_i}$ = average score for importance level

n   = number of respondent

Furthermore, after the values of $\overline{X_i}$ and $\overline{Y_i}$ are obtained, Cartesian diagram is made. This diagram is also reflecting the values of $\overline{\overline{X}}$ and $\overline{\overline{Y}}$.

$$\overline{\overline{X}} = \frac{\sum_{i=1}^{n} \overline{X}}{k} \qquad \text{and} \qquad \overline{\overline{Y}} = \frac{\sum_{i=1}^{n} \overline{Y}}{k}$$

where:

$\overline{\overline{X}}$ = average score of performance of all components or attributes of services quality.

$\overline{\overline{Y}}$ = average score of importance level of all components or attributes of services quality.

k = the number of attributes of services quality which affect customer satisfaction.

This diagram is divided into four quadrants, and each of it shows different condition. The strategies that can be made are based on the position of each attribute in these four quadrants. The details are as depicted below (Rangkuti, 2003):

1. Quadrant I (top priority): it contains variables which are considered important by the customers, but in reality are still not satisfying them.
2. Quadrant II (maintain the achievement): it contains variables which are considered important and satisifed by the customers.
3. Quadrant III (low priority): it contains variables which are considered not important and not satisfied by the customers.
4. Quadrant IV (excessive): it contains variables which are considered not important by the customers, but satisfying them, and these variables are felt to be excessive. For the details of this IPA diagram, let's take a look at Table 3 below.

Table 3: IPA Diagram

Quadrant I Top Priority	Quadrant II Maintain Achievement
Quadrant III Low Priority	Quadrant IV Excessive

3.4.2. Customer Satisfaction Index (CSI)

Irawan (2003) said that CSI measurement is needed since its result can be used as indicator determining future target. It is also needed by top management to determine certain goals in order to increase customer satisfaction. Dickson in Phebruanti, 2004 stated that there are four steps in calculating the CSI:

1. Calculating *Mean Importance Score* (MIS) and *Mean Satisfaction Score* (MSS). These values are obtained from average importance level and average performance of each respondent:

$$MIS = \frac{\sum_{i=1}^{n} Y_i}{n} \quad \text{and} \quad MES = \frac{\sum_{i=1}^{n} X_i}{i=1}$$

n = number of respondent
Yi = importance value of *i*th attribute
Xi = performance value of *i*th attribute

2. Determining *weight factor* (WF), which is the percentage of MIS value per attribute on total MIS of all attributes.

$$WF = \frac{MIS}{\sum_{i=1}^{n} MIS_i} \times 100\%$$

where:
P = number of importance attributes (k=24)
I = *i*th service attribute

3. Determining *Weighting Score*
This score is obtained from multiplication between *Weighting Factor* (WF) and *Mean Satisfaction Score* (MSS).

Wsi = Wfi x MSSi
where : I = attribute of service

4. Calculating CSI
Customer satisfaction scale used in the index interpretation is from zero to one or zero to one hundred.
CSI formula:

$$CSI = \frac{\sum_{i=1}^{n} WS_i}{5} \times 100\%$$

The whole customer satisfaction can be seen from criteria of customer satisfaction mentioned in the table below.

Table 4: Customer Satisfaction Index values

No	Index value (%)	Note
1	81 – 100	Very satisfied
2	66 - 80.99	Satisfied
3	51 - 65.99	Satisfied enough
4	35 - 50.99	Less satisfied
5	0 - 34.99	Not satisfied

Source: Survey guidance for customer satisfaction of PT Sucofindo *in* Phebruanti, 2004

4. Research Findings and Discussion

4.1. Descriptive Statistics

Table 5 below shows demographic information of the respondents.

Table 5: Demographic Characteristics of the Respondents

Demographic Characteristics	Frequency	Percentage
Sex		
Male	25	83.33
Female	5	16.67
Age		
15-30 years old	8	26.67
31-45 years old	14	46.67
46-60 years old	6	20
Above 60 years old	2	6.67
Education		
Never goes to school	0	0
Elementary School	2	6.67
Junior High School	1	3.33
Senior High School	12	40
Diploma/undergraduate	13	43.33
Postgraduate	2	6.67
Business Types		
Fish Farm	1	3.33
Mushroom farm	1	3.33
Contractor and general trade	6	20
School bus service	1	3.33
Medical store	1	3.33
Trade	2	6.67
Clothing and accessories shop	2	6.67
Mobile phone	2	6.67
Retail	2	6.67
Furniture	2	6.67
Clothing convection	1	3.33
Jewelry	3	10
Toy store	1	3.33
Agriculture	1	3.33
Dump truck	1	3.33
Food	1	3.33
Consultant	1	3.33
Catering	1	3.33
Monthly Income[6]		
Below IDR 500,000	0	0
IDR 501,000-999,000	3	10
IDR 1,000,000-1,999,999	6	20
IDR 2,000,000-2,999,999	2	6.67
IDR 3,000,000-3,999,999	1	3.33
IDR 4,000,000-4,999,999	1	3.33
Above IDR 5,000,000	17	56.67

Source: Authors' own

According to the table above, it is obvious that majority of the respondents are male (83.33%). Most of the financing customers, with respect to their age, are in between 31-45 years old. Its percentage reaches 46.67%. There are only 6.67% of the respondents whose age is above 60 years old. This indicates that majority of the respondents are in a very productive age.

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[6] To simplify calculation, it is assumed that USD 1 equals to IDR 10,000. Therefore, below IDR 500,000 is equal to below USD 50, and so on.

Regarding educational background, it is interesting to note that majority of the respondents are bachelor/diploma certificate holders (43.33%). This figure depicts that most of the financing customers of the BPRS Amanah Ummah are educated people. At the second place, senior high school's graduates reaches 40% of the respondents. None of them is uneducated person.

Furthermore, business type of the respondents is diverse. There about 20% of the respondents who have construction business as well as general trade followed by 10% who has jewelry business.

Most of the respondents, i.e. 56.67%, are able to earn more than Rp 5,000,000. This figure shows that business managed by the small scale and medium entrepreneurs is able to give them a very good income level. It is only 10% of them that earns less than Rp 1,000,000 but still above Rp 501,000. From this figure, it can also be distinguished that those who earn above IDR 5 million are basically medium scale entrepreneurs while the rests are small scale entrepreneurs.

Based on the information depicted in the table above, hence, it can be concluded that most of the respondents are male and in productive age, bachelor/diploma certificate holders, having various business types including construction, general trade and jewelry, and earn more than Rp 5 million per month or USD 500.

Furthermore, Table 6 below depicts the motivational factors of the customers to apply financing from BPRS Amanah Ummah.

Table 6: Motivation of Financing Application

Motivational Factors	Percentage
Strategic location	13.51
Competitive profit margin	12.16
Competitive profit sharing ratio	8.11
Service excellence	14.86
Religious/spiritual motivation	27.03
Easy to apply	14.86
Better than conventional bank	8.11
Others	1.35

Source: Authors' own

According to the table above it seems that religious or spiritual factor is the most driven factor influencing customers in applying financing from BPRS Amanah Ummah. It shows that religiosity is still affecting Indonesian people in their engagement with Islamic bank including Islamic rural bank.

In addition, both service excellence and the ease of application process are the other motivational factors affecting customers' financing application.

Moreover, when the respondents were asked about the parties encouraging them to apply, most of them replied that it is self motivation that has encouraged them to apply. 43.33% of the respondents are of this view. There are only 36.67% encouraged by their family. The rest 20% said that they are encouraged by their colleagues. Table 7 below depicts this finding.

Table 7: Who is encouraging respondents to apply?

Indicator	Percentage
Colleagues	20.00
Family	36.67
Self-motivation	43.33

  Source: Authors' own

Regarding the amount of financing that the respondents ask, most of them have applied for financing amount exceeding IDR 100 million (USD 10,000). Their percentage is about 53.33%. This finding is inline with the fact that majority of respondents, i.e. 56.67%, are in the category of medium scale entrepreneurs as can be seen from their monthly income depicted in the Table 5. The rest, i.e. the small scale entrepreneurs, have applied for financing amounted from IDR 500,000 until IDR 100 million (between USD 50 until USD 10,000). The exact figure can be observed in the Table 8 below.

In the same table, it can also be observed that majority of respondents, i.e. 50%, have used murabahah financing. There are only 26.67% who used mudarabah and 16.67% who used musharakah financing schemes. If the two is combined, then the figure is higher than national figure in which the use of mudarabah and musharakah is still less than 30%.

When they were asked about the reason of selecting this kind of financing scheme, most of the respondents answer that it is because of the fast process and procedure (34.88%). The other 18.60% are of the view that the requirements are easier. These findings are summarized in the Table 8.

Table 8: Financing Schemes used by the respondents

Indicator	Percentage
Amount of Financing:	
Below IDR 500,000	0.00
IDR 500,000-5,000,000	20.00
IDR 5,000,001-20,000,000	10.00
IDR 20,000,001-50,000,000	10.00
IDR 50,000,001-100,000,000	6.67
Above IDR 100,000,000	53.33
Types of Financing Scheme:	
Mudarabah	26.67
Musharakah	16.67
Murabahah	50.00
Istisna	3.33
Ijarah	3.33
Others	0.00
The Reason why taking this financing:	
Faster process	34.88
Easy requirement	18.60
Good profit sharing	11.63
Lower profit margin compared to interest rate	16.28
Others	18.60

Source: Authors' own

4.2. Importance Performance Analysis (IPA)

Figure 1. Quadrant of Importance and Satisfaction of the Attributes according to the customers of BPRS Amanah Ummah
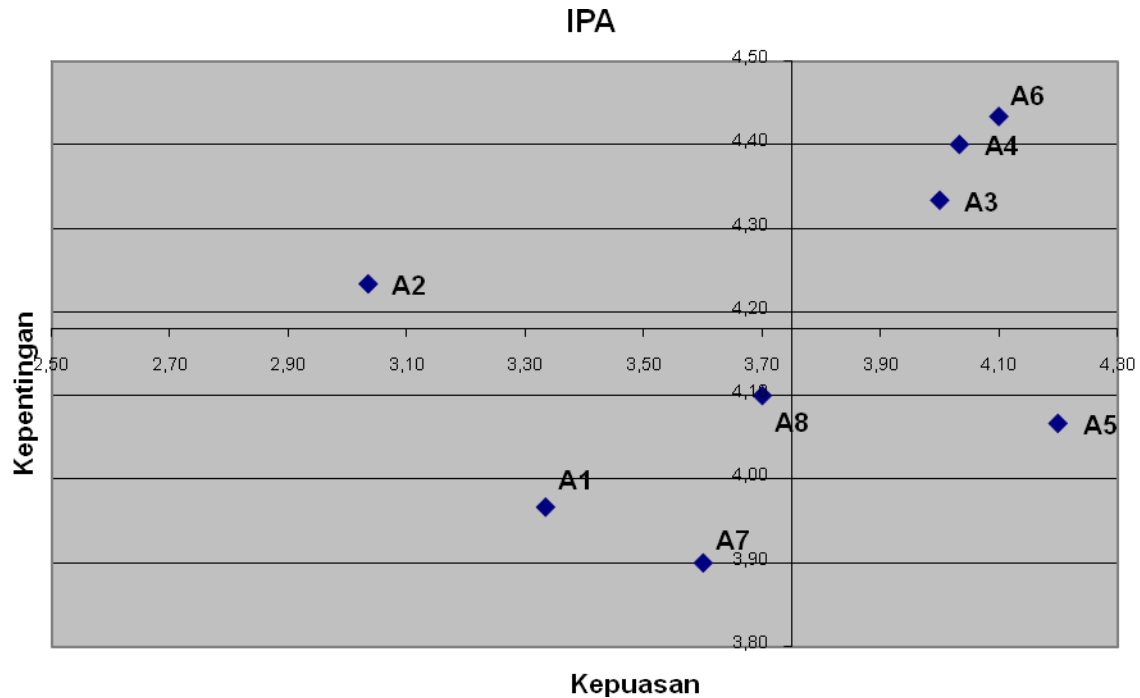
Source: Authors' own

Notes:

X axis	: Satisfaction
Y axis	: Importance
A1	: Profit sharing for customers
A2	: Profit margin paid by customers
A3	: easiness of bank's requirements
A4	: speed of financing approval
A5	: types of financing proposed
A6	: Bank's service
A7	: Comprehension on Islamic bank concept
A8	: Strategic location

From IPA method above, the attributes which are considered as important and which have given satisfaction to the customers are easiness of bank's requirements, the speed of financing approval, and bank's services. It is because these three attributes are in the second quadrant (important and satisfied).

This finding means that BPRS Amanah Ummah is able to provide easy requirements that must be fulfilled by the SMEs. This finding also rejects the common notion saying that bank is not friendly with the SMEs since it always asks for difficult requirements.

The bank also has simple bureaucratic process which eases the fund to be cashed by the customers, and has served its customers excellently. These three factors must be maintained by the bank as competitive power in its competition particularly with its conventional counterpart.

Furthermore, the attribute which is in the first quadrant (important but not satisfied) must be the bank's top priority for further improvement in the future. This attribute is the amount of profit margin paid to the bank[7]. The customers are of the view that this profit margin is still high, and therefore, the bank should lower its rate. This will increase bank's competitiveness in the future.

Meanwhile, factors which become low priority of the bank are the amount of profit sharing for the customer, comprehension on Islamic bank concept, and strategic location of the bank. They are in the third quadrant (not important and not satisfied). The customers feel that these factors are not important and in fact, performance of these factors is not special.

In addition, the attribute which is too excessive and needs to be reduced is types of financing offered. This attribute is in the fourth quadrant (not important and satisfied). It is better for the bank to concentrate more on its top priority.

4.3. Customer Satisfaction Index (CSI)

From the result obtained from IPA method above, customers' satisfaction can be yielded by finding IPA's derivatives using CSI method. Table 6 below depicts the CSI Index.

Table 9: CSI Calculation

	X	Y		
A1	3,33	3,97	0,118644	0,39548
A2	3,03	4,23	0,12662	0,384081
A3	4,00	4,33	0,129611	0,518445
A4	4,03	4,40	0,131605	0,530808
A5	4,20	4,07	0,121635	0,510867
A6	4,10	4,43	0,132602	0,543669
A7	3,60	3,90	0,11665	0,41994
A8	3,70	4,10	0,122632	0,453739
		33,43		3,757029
			CSI	75,14%

Source: Authors' own

From the table above, the value of CSI index is at 75.14%. Given the explanation from the methodological part, it can be concluded that this value is in the category of "satisfied". Meaning that, the customers in general are satisfied with the performance of BPRS Amanah Ummah. This proves that the bank's performance is good based on customers' perspective.

For the bank itself, these results should be considered as mirror reflecting its performance and achievement so far. The bank needs to improve itself so that its competitiveness level can be increased in the future.

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[7] This is especially related with murabahah financing.

5. Conclusion

Islamic banking has been showing a remarkable development for the last three decades. Although the world is facing global crisis caused by financial turbulence, Islamic bank still offers good future prospect.

Similar condition also takes place in Indonesia, the most populous Muslim country in the world. This situation is then strengthened when Islamic Banking Act is passed by the government and the House of the Representatives in the mid of this year. It is expected that the performance of Islamic commercial banks, Islamic banking unit, and Islamic rural bank in the country will increase.

This paper tries to analyze specifically the role that has been played by Islamic rural bank by taking case study of BPRS Amanah Ummah, one of the best Islamic rural banks operating in the country. It departs from the fact that small scale and medium enterprises have given significant contribution on the country's economic development. Since most of them are living in the rural areas, hence, the role of Islamic rural bank cannot be ignored. This research tries to find out from the SMEs angle on how they view the performance of BPRS Amanah Ummah, whether or not this bank has met their expectation.

In this study, 30 SMEs have been selected and interviewed using in-depth interview technique. The results show that there are factors which are important and which have given satisfaction to the customers. They are easiness of bank's requirements, the speed of financing approval, and bank's services. BPRS Amanah Ummah must maintain these factors in order to maintain its competitiveness level compared to other banks including conventional ones. However, there is one factor that must be given strong attention. It is profit margin paid by the customers. Since murabahah is the most widely used financing, profit margin becomes a key issue. The customers view that the profit margin is still high. It is a future challenge of the bank to reduce its rate, so that the customers can pay lower profit margin.

In general, it can be concluded that the customers of BPRS Amanah Ummah are satisfied with the performance of the bank. In other words, the bank has met the needs of SMEs and has played important role in assisting the SMEs.

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