SUMMARY

MUCHAMAD BACHTIAR. Differentiation Strategy of the Indonesian Islamic Banking Through Contract Types for Home Financing. Supervised by HERMANTO SIREGAR dan IMAM TEGUH SAPTONO.

Abstract. This study base on three main concern i.e (1) the growth of Islamic banks in the last 5 years has shown stagnation; (2) the people have not been able to feel the significant difference in benefits toward the existence of Islamic banks and (3) the financial performance of Islamic banks is worse than that of conventional banks. Bank Indonesia data shows that Indonesian Islamic banking should take consumer financing as primary business sector, especially home financing. Financial performance indicator of Indonesia Islamic banking relatively competitive compared with conventional banks. Meanwhile, data from Sarana Multigriya Finansial (SMF) shows high demand of housing in Indonesia. There are three main supporting factors home financing market is potential, ie (1) currently more than 13 million households do not have their own homes, (2) Indonesian population growth reaches 1.34% per year and (3) more than 75% newly house owned through both Islamic and conventional mortgage schemes.

The objective of the research is to select the best Islamic home financing contract as a differentiation strategy of Islamic banks in Indonesia. Each financing contract has its own risk character and potential of business growth. The selected contract is expected to accelerate Islamic banking market share, to improve financial performance, and to give more benefits to customers.

The analytical network process (ANP) method was applied to select one of the four Islamic home financing contract i.e. *musharakah mutanaqisah* (MMQ), *al-ijarah al-muntaqiyah bi al-tamlik* (IMBT), *murabahah wakalah*, and *murabahah haqiqi*. Product recommendations selected based on several criteria of perpetrators home financing industry point of view. The perpetrators are banks, housing developers, customers and regulators. The Bank’s criteria consider profitability, bank reputation, risk management, market share growth, human capital competency and third party funds growth. Developers’ criteria area business risk reduction, business expansion potential and potential revenue declining. Customers consider criteria of competitive pricing, service excellent and sharia principles, while regulators consider criteria of insider trading, banking business risk and inventory risk. The results indicate that *murabahah haqiqi* is the most recommended contract with highest weighted score.

Keywords: ANP, home financing, financing contract, Islamic bank, strategy