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EVALUATION OF DUAL BANKING SYSTEM IN BANKING IN INDONESIA

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Information	Abstract:
Article History: Received : 30.05.2020 Revised : 19.09.2020 Accepted : 22.10.2020 Keywords: Dual Banking System, Conventional Banks, Islamic Banks	<i>Evaluation of Dual Banking System in Indonesia. Dual Banking System is the application of two banking systems in one banking institution, namely conventional banking and Islamic banking. Indonesia can optimize the dual banking system through strength share and weakness cover, namely Islamic banks are generally superior in terms of a more stable system in the face of market changes but have deficiencies in infrastructure, whereas conventional banks have large market and capital access and more infrastructure complete, but very vulnerable to crises due to the negative factors of economic integration which are already very strong. The superiority of the dual banking system concept is seen in two separate systems that operationally do not affect each other, but have one common goal, namely financial stability that supports economic growth. So, to achieve this goal the two systems can work together in external factors such as access to capital, infrastructure, supervision or clearing systems that can help interbank liquidity.</i>

A. INTRODUCTION

Indonesia is a country that embraces the dual banking system (Ismail, Manzilati, & Kornitasari, 2015). It can be seen in the emergence of Law No.7 / 1992 regarding banking in Indonesia, then the Act was changed to Law No. 10 of 1998. This law was enacted by the government as the basis for the enactment of a dual banking system in Indonesia which was motivated by the monetary crisis in 1997-1998. The contents of the Law states that general or conventional banking are given permission to run in addition to the interest system also runs Islamic banking on an interest-free basis simultaneously in one banking institution. As stated in Law Article 6 Chapter 3, Part Two of Law No. 10 of 1998, namely "One of the commercial bank's businesses is to provide financing and or conduct other activities based on sharia principles in accordance with the provisions stipulated by Bank Indonesia". Furthermore, in law Article 8 Paragraph 1 and two, Part Two of Law No. .10 of 1998 that "In providing credit or financing based on sharia principles, commercial banks are required to have confidence based on in-depth analysis or good faith and the ability and ability of debtor customers to repay their debts or return the financing referred to as agreed. then "Commercial Banks are required to have and apply credit and financing guidelines based on sharia principles, in accordance with the provisions stipulated by Bank Indonesia."

Pursuant to the laws and regulations shows that the start of a new chapter, for the first time using a dual banking system in Indonesia, which began to be actively operated by the conventional banking and sharia banking systems, which synergistically and jointly meet the needs of banking products and or services and support financing in the economic sector. Generally, conventional banks that have controlled the market are then allowed to open businesses based on sharia principles by opening Sharia Business Units (UUS) (Lindiawatie & Muzdalifah, 2018). enactment of Law no. 10 of 1998, the name of the Islamic bank was formally used which replaced the name of the profit-sharing bank namely in 1992. In the opinion of (Solihin, 2010) dual banking is a banking system organized by conventional banks and Islamic banks that are run together at one time, to meet the needs of the community in banking products and services as well as in the economic sector for the community. Based on this, interest-based banking activities and profit-based banking can be done by the

bank at the same time. When using the conversion system of sharia, which is based on profit sharing, the implementation of the working mechanism of a bank refers to the principles of Islamic banking. However, when banks choose to run conventional banking and Islamic banking, the working mechanism of the bank follows the rules of the dual banking system, namely in general banking, it continues to run bank activities while still using the Interest system while in the implementation of technical Islamic banking, it uses a profit-sharing system. Therefore, even though the same banking, both can be distinguished in the implementation of how to manage and channel bank funds.

Banks that are operated in a conventional system with the bank's main income come from interest calculated according to a certain percentage of the loan activities issued by the bank on the other hand, the bank is obliged to give a fee according to a certain percentage to the third party of the bank. Whereas in a bank that is run based on sharia rules, the acquisition of margins is obtained through profit share which is calculated through the proportion of borrowers of bank funds which then the results of operations are divided based on the agreement when it is in agreement when proposing for pre-approved financing in the form of a ratio. In addition, the bank has the responsibility to share the profits with the owner of the funds in the form of deposits to customers. Reviewed in practice in the field between conventional banks and Islamic banks, they are both lenders or financing to customers in a direct way or by microfinance in accordance with their respective banking targets, in this case between the two when using a dual banking system is still not clearly visible the difference between conventional and truly sharia principles. This must be clarified in the technical implementation so that the degree of bank security and management can be trusted. Therefore, this study will evaluate the use of the dual banking system in Indonesia, namely by looking at the potential of the dual banking system on the Indonesian economy and reviewing some of the advantages of this system to withstand the risks of domestic and international crises through a descriptive analysis approach.

B. LITERATUR REVIEW

Research that discusses the related dual banking system include research conducted by (Zahra, Ascarya, & Huda, 2018) which measures the stability of the dual banking system in Indonesia using the Markov Switching approach. In his research that is trying to analyze the effect of macro and microeconomic variables on the stability of dual banking in Indonesia and compare the level of stability of the two banking systems by using a comparison of two stability measurement models, namely the Z-score and the Banking Stability Index. The method used is VAR Markov Switching. The results of the study show that Islamic banking system has a higher level of stability compared to conventional banking systems, which means that Islamic banking is more stable than conventional banking.

On the other hand, (Chen, Liang, & Yu, 2018) shows that diversification generally has a negative effect on the performance of conventional banks, but minimal effects on Islamic banks. . Considering bank size, diversification positively influences the profitability of large Islamic and conventional banks, and such positive effects are more pronounced among Islamic banks. The research was produced by examining the effect of asset diversification on the performance of banks in three Asian countries with multiple banking systems from 2006 to 2012. While (Louati & Boujelbene, 2015) examined the efficiency of Islamic and conventional banks in the MENA and Southeast Asia zones during the 2005 period -2012. The results of the study concluded that increasing competition in the Islamic banking sector promotes overall banking stability. In addition, whether there is low or high competitiveness, the size of Islamic banks is positively related to financial stability. However, large conventional banks operating in markets with limited competitiveness are becoming more involved in risk behavior. The authors conclude that capitalization has a positive effect on stability only if competitiveness is low.

The study on stability was also carried out by (Ibrahim, Salim, Abojeib, & Yeap, 2019) who examined the relationship between competition and stability by introducing the interaction of diversification and competition using a sample of conventional and sharia banks from 14 multiple banking economies during 2005-2016. The results showed that competition had no impact on bank stability and diversification was not significant in the competition-stability nexus. Furthermore,

we find that concentration is beneficial for banking stability in both types of banks. In most of our results, we found no difference in the impact of competition and diversification on the stability of conventional and Islamic banks. To place our findings in a broader context, we argue that there is no difference between business models that can be considered as early signals of possible convergence between the two systems.

In addition, research on the dual banking system was also carried out by (Zulkhibri & Sukmana, 2017), namely about Financing Channels and Monetary Policy in a Dual Banking System: Evidence from Islamic Banks in Indonesia. The study used Indonesian Islamic banking data from 2003 to 2014 analyzed use the panel regression methodology to investigate the responses of Islamic banks to changes in the level of financing and monetary policy, which may differ depending on their characteristics. The results show that the level of financing has a negative impact on financing in Islamic banks, while the specific characteristics of banks have a positive effect on Islamic banks while the size and amount of capital have a greater impact than liquidity on financing in Islamic banks. However, changes in monetary policy are not significant in bank financing, which implies that the transmission of monetary policy through the sharia segment makes banking weak. In addition, the weak impact of monetary policy on bank financing can be explained by the dramatic expansion of Islamic banks during the sample period, which contributed to a substantial increase in deposit growth and high liquidity positions.

Whereas (Adewuyi & Naim, 2016) investigated the existence of a long-term relationship between conventional interest rates (IR) and the rate of return of Islamic bank deposits in contemporary dual banking systems across countries. This study uses an autoregressive distributed lag (ARDL) modeling approach for cointegration analysis. This study found a long-term relationship between the rate of return on Islamic bank deposits and IR on conventional bank deposits during the 2007-2015 period. The study also found a two-way causal relationship between the rate of return of Islamic bank deposits and conventional IR. This study statistically provides empirical insight into the relationship between the rate of return of Islamic bank deposits and conventional IR across countries using the ARDL model.

C. METHODOLOGY

This research is a qualitative exploratory study in which the dual banking system variable in banking is the object of research exploration. The dual banking system needs to be studied comprehensively to determine the development of the dual banking regulations that have been implemented in Indonesia. On the other hand, this study is also comparative in nature because it compares the findings of several previous researchers that have similar relevance to the study, which then draws a conclusion on each of the research results. so that from each research contribution will be reviewed and will see the progress of the research examining the object to date. Therefore, it is hoped that the results of this study will provide a comprehensive picture of how the dual banking system has been implemented in terms of its advantages and disadvantages which can then provide a policy consideration for stakeholders and the competent authorities in taking a policy step.

D. RESULT AND ANALYSIS

Dual Banking System in Indonesia

The dual banking system is defined as banking activities that can carry out two activities at a time, where those activities are serving the banking system with an interest-based system and banks that carry out their banking activities with no interest or through a profit-sharing basis. UU no. 23 of 1999 concerning Bank Indonesia which states that the banking authority is carried out by BI which needs to be prepared by a set of rules and several supporting facilities in order to support the operation of Islamic banking in Indonesia, which is then replaced by Law no. 3 of 2004 that is in achieving and maintaining stability in the value of the rupiah carried out by BI and then banking is set in Law no. 21 of 2011 concerning the Financial Services Authority, which states that banks will be regulated and supervised by the OJK, thus the transfer of duties makes the focus of BI, which was originally regulated and supervised by BI, now on inflation control, namely on the regulation and maintenance of how a smooth payment system can run effectively and efficiently and monetary stability, namely by establishing and implementing banking monetary policy.

In principle, according to (Ascarya, 2009) there are some fundamental differences in the implementation of banking between Islamic banks and conventional banks, including the following:

Table of differences between conventional banks and Islamic banks

Difference Indicator	Conventional Bank	Islamic Bank
Functions and Intermediation, Financial activities of the Services bank	Intermediation, Financial manager, Investor, Social, Financial services	Investment manager, Investor, Social, Financial services
Mechanisms and business objects	Tends to practice Riba and <i>Maysir</i>	Avoid the practice of usury and <i>maysir</i>
The basic principle of operation	Value-free (Materialist Principle), money as a commodity, interest	Not free of value (Islamic sharia principles), money as a medium of exchange and a measure of value, profit sharing, buying and selling and rent.
Service priority	Individual interests	The interests of the <i>Ummah</i>
Orientation	Profit oriented	Profit and <i>falah</i> oriented
shape	Commercial bank	Multipurpose bank
Customer evaluation	Certainty of return on principal and interest	The precautionary principle in risk sharing
customer relationship	Debtor - creditor	Business partner
Source of short-term liquidity	Financial markets, central banks	Islamic money market, central bank
Loans provided	Commercial and non-profit oriented business	Commercial and non-profit oriented for-profit and non-profit
Dispute resolution agency	Court, arbitration	Courts, national sharia arbitration bodies
Business risk	Bank risk is not directly related to the debtor, the	Jointly borne by the customer and the bank with the principles of

	risk of the debtor is fairness and honesty, it is directly related to the impossible for a negative spread to bank, the possibility of a occur negative spread	
Supervisory organizational structure	Board of Commissioners	Board of Commissioners, Sharia Supervisory Board, National Sharia Board
Investation	Halal and or haram	Halal

Based on the table above shows that between conventional banking and Islamic banking is very visible difference, where in setting goals, Islamic banks not only pursue profit alone but rather to the common welfare means that success in congregation is preferred in economic activity. This is very different from conventional banks, which are purely pursuing profits in every business activity. By looking at the objectives of the bank it can be seen that conventional banks are very aggressive which will lead to exploitation and more to predators which are met with very large targets to achieve. This will oppress certain groups that use bank financing and enrich certain owners of capital.

Implementation of Dual System Banking in Indonesia

Another problem in Indonesia that can influence the development of Islamic banks is the unclear model that impacts on Islamic banking itself by not placing the two banking systems as alternatives or choices. In reality all this time, the existence of a dual banking system in Indonesia has the goal of: creating risk diversification that can reduce the problem of systemic risk during a financial crisis because it has a limited financial relationship with one another. The implementation of the system is a banking restructuring, because a strong or weak banking indicates the economy of a country. The implementation of dual banking system for sharia banks in Indonesia through the Sharia Banking Law as the main legal basis for the establishment and activities of sharia banks, is more defined as the conversion of conventional banks to sharia banks or sharia commercial banks into conventional commercial bank

subsidiaries, or can also be conventional banks opening Islamic Window or Sharia Business Unit.

The existence of a double banking system policy in Indonesia on one hand opens up space for Islam in banking, namely the establishment of a Sharia Commercial Bank (BUS) or at least there is a Sharia Business Unit (UUS) in every conventional banking as the parent, on the other hand causes Islamic banking cannot progress and develop as its parent and make Islamic banking under its parent, namely at the second-class level. The development of sharia banks has also become less significant due to the many perceptions of people who equate sharia banks with conventional commercial banks, which makes the development of sharia bank market share so far, the growth is only around 5 percent.

The concept of dual banking system that applies in Indonesia, in addition to causing complex problems, also raises doubts in terms of whether or not to separate sharia banking and conventional banking, as well as issues regarding legislation that are regulated or applied differently. The enactment has caused a separate problem in the harmonization of the supervision system conducted by the Sharia Principles supervisory agency. Another issue concerns the form of business entities that are used in the form of Limited Liability Companies (PT) as well as conventional banks. This affects the objectives of Islamic banks that are set on Islamic principles, namely, the determination of choices of products that have benefits for the company. Another problem in Indonesia that can influence the development of Islamic banks is the unclear model that impacts on Islamic banking banks themselves by placing the two banking systems as alternative choices. The approach based on the majority Muslim population in Indonesia is not a determining factor for the rapid development of Islamic banks.

Overall, data shows that the total assets of the financial system in Indonesia are still dominated by banks, which is 80.75% of the total assets of financial institutions in Indonesia (Zahra et al., 2018):

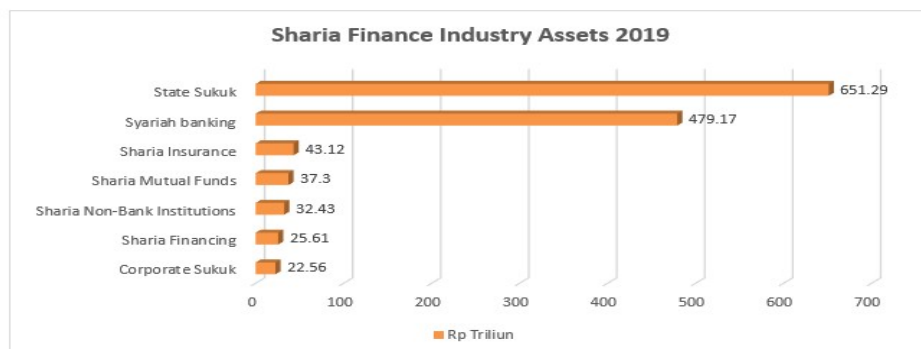
Table of Total Financial System Assets in Indonesia



Source: Bank Indonesia Financial Stability Review Report

Based on the diagram above shows that the majority of the compilers of Indonesia's total assets are supplied from a combination of conventional banks and Islamic banks, followed by insurance companies at 10.28% and the lowest is the guarantor company at 0.15%. This shows that public access to banking institutions is more than other financial services. This means that many individuals who use the banking system as a tool to store wealth and or use it as a support for economic activities that function to make it easier in entrepreneurship or business to develop their business. One thing that is the focus of attention is on the banking system that is like what many people are interested in doing economic activities. Do people prefer Islamic banks or instead entrust their finances to conventional financial institutions? Based on sharia financial data for the sharia financial industry, the Financial Services Authority notes that sharia banking assets are in the second position at 479.17 Trillion or equivalent to 37.1%.

Table Islamic Finance Industry in Indonesia



Source: Financial Services Authority Financial Services Asset Review Report

Based on the data above shows that the inclusion of Islamic banking is ranked second among Islamic financial institutions in Indonesia and state sukuk is still at its peak while corporate sukuk is at the lowest point with the acquisition of assets of 22.56 trillion rupiah. This shows that among Islamic financial institutions, banking still gets a pretty good sequence to develop banking in the sharia line. But the ratio of Islamic banking assets is still far compared to conventional banking assets. OJK notes that the ratio of Islamic bank assets to commercial banks is in the range of 5.73%. this shows that customer loyalty to conventional banking is still relatively high and has not entrusted its finances to Islamic banking institutions, even if it is reviewed that 85% of Indonesia's population is Muslim, but the fact is that people prefer conventional banking.

Polemic on Islamic Banks and Conventional Banks

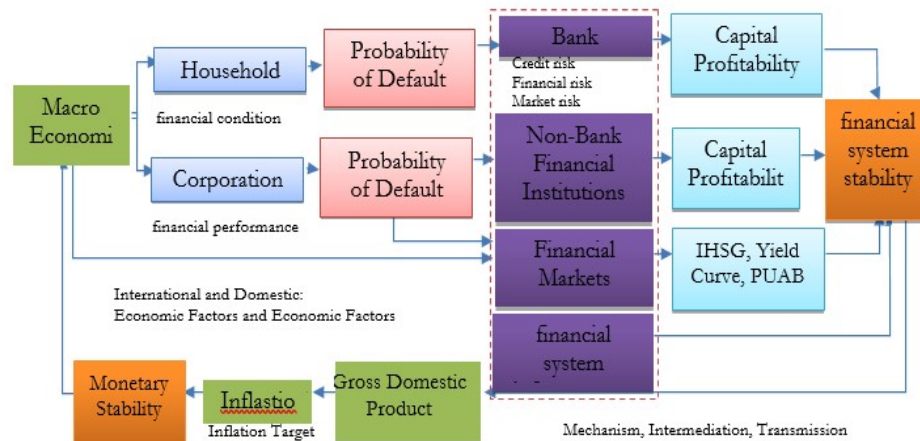
The existence of a dual banking system developed in parallel which also has a fairly limited financial relationship between one and the other is very hopeful to provide risk diversification aimed at minimizing the existence of systemic risk problems when a financial crisis occurs. Efforts to establish a dual dual banking system is an effort to maintain banking in all conditions, learning from experience when Indonesia was hit by a monetary crisis, marked by fluctuating rupiah exchange rates which showed that the rupiah currency was falling in the international balance of payments and also soared high interest rates world bank. Such conditions cause conventional banking to experience major problems because the system used is based on interest resulting in chaos in the banking line in Indonesia, while Islamic banking is present and is quite resilient in difficult conditions during the crisis, this shows that Islamic banks are considered to be quite good applied in Indonesia for being able to survive even in extreme circumstances. In addition, the majority of Indonesian people are occupied by Muslims, of course this will greatly support the development of Islamic banking.

As a consequence of the implementation of the dual banking system, those who act as monetary authorities must monitor and control the development of Islamic financial and banking institutions. In addition, the competent authority also has the

obligation to develop a set of policies and several monetary instruments that are in accordance with Islamic banking, because this is very important for Islamic banking, considering that the Islamic institution is also a financial institution that has the principal business of providing credit and services in payment traffic and circulation of money transacted using sharia principles. Therefore, the existence of Islamic banking is considered important in order to transmit monetary policy issued by the central bank that is useful to achieve the ultimate goal of maintaining the stability of the rupiah and balance of payments. For this reason, it is important to issue a monetary instrument that supports the existence of Islamic banking so that the institution can contribute to Indonesia.

But in its development to date, the competent authority does not yet have a standard monetary instrument standard used to transmit monetary policy from the center to Islamic banking. This is different from conventional banking which already has standard monetary policy transmission standards from the central bank. The success of a financial system according to (Ascarya, 2009) can be seen from the stability of the financial system in dealing with shocks originating from the financial sector, namely nonperforming loans / nonperforming finance and macroeconomic sectors which are more due to significant changes in exchange rates. The standard definition in interpreting financial system stability is actually no one has agreed universally, for that many definitions will be found in interpreting financial system stability. Simply put, Bank Indonesia (2019) means that in understanding the stability of the financial system by examining the determinants that can cause instability in the financial sector. The identification of sources of financial system instability is generally more forward looking for this to determine the potential risks that will arise and affect future financial system conditions. Based on this it can be illustrated in the following scheme:

Table of Relationship between Financial System Stability and Monetary Stability



Source: Bank Indonesia Financial System Stability Data

In general, the function of the financial system is to allocate funds from the surplus to the deficit. When this does not work efficiently, fund allocation instability will occur which will result in stunted economic growth. Based on the experience of the crisis in 1998 which showed that financial system stability is a very important aspect in shaping and maintaining economic sustainability. When the conditions do not reflect stability, they will tend to be vulnerable to various shocks that cause economic disruption. Instability in the financial system can affect adverse conditions including:

1. Transmission of monetary policy does not function normally so that monetary policy becomes ineffective.
2. The intermediation function cannot run as it should due to improper allocation of funds that hinders economic growth.
3. Public distrust of the financial system which will generally be followed by panic behavior of investors to withdraw funds so as to encourage liquidity problems.
4. Very high costs of saving the financial system in the event of a systemic crisis.

Overcoming instability and some extreme conditions in banking according to (Zahra et al., 2018) Islamic banking is more stable than conventional banking. In general, Islamic banking is considered to be more stable in dealing with macro and

micro economic shocks than conventional banking. On this matter, government policies that continue to support in increasing the market share of Islamic banking are needed, therefore a monetary policy is needed to support the development of Islamic banking which is useful for strengthen the institution. Apart from the existence of moral hazard and adverse selection in the Islamic banking industry, the results also show that the functions of Islamic banks have unique structural and operational constraints when facing policy shocks.

Analysis of Conventional Banking and Islamic Banking

After the monetary crisis that shook the Indonesian economy to a downturn valley, now with the presence of Islamic banking at least the Indonesian economy is slowly improving. However, it must be re-realized that the Islamic banking system is a new system implemented in Indonesia so that many adjustments ranging from operations, policies to mechanisms in its implementation but do not rule out the possibility that the existence of Islamic banking will outperform conventional banking which has already been used and is more common in the environment Public. Therefore, it is necessary to have an analysis study to review how much the potential of each system can provide a positive atmosphere in the country's economy.

The analysis that will be used is SWOT analysis where S and W will describe the internal condition of the two banking systems which are viewed from the perspective of the strengths and weaknesses of each bank. This identification will illustrate how much strength is owned when juxtaposed with the weaknesses of the bank. on the other hand that O and T will show which banking system has succeeded in reading whether this is categorized as an opportunity or entered in a business threat from banking. This will also illustrate that the visionary and professionalism of the banking system will be tested, that is whether it will be able to pass an external analysis of the system's running.

Comparison table of the banking system using SWOT analysis

SWOT Analysis	Islamic Banking	Conventional Banking
Strengthens	Finance to Deposit Ratio (FDR)	The majority of bank service

during 2018-2019, the value is above 100% with the acquisition of Non-Performing Financing (NPF) under 3% which indicates that it has a high level of liquidity. (OJK, 2019)

users make it easier for funding, lending and service. Because it is universal where the system is implemented almost entirely in parts of the world making it easier to save and borrow money.

Resilience in dealing with various crises, namely the low level of speculation of thin economic integration. Business allocation is more directed at financing the real sector so that it is resistant to crises stemming from external economic factors.

Standing long enough so that a lot of experience is used as lessons for bank improvement where to strengthen the management and structure of the bank.

Potential to gain market share in Indonesia with a majority Muslim population and government support through an increasingly echoed Islamic banking policy.

Weakness

The quality of human resources which is still the main record in the priority of research and development in banking.

The basic reference used is the dollar where the movement is always volatile, causing susceptibility to various risks in foreign transactions.

The unfamiliarity of the concept of profit sharing in the

The banking base is based on global monetary conditions so it

	community assuming the risk is highly dependent on the experienced will be higher and outside world which results in the profit received will decrease. banking uncertainty.
	Coverage and placement of Islamic banks that are still global monetary conditions so it difficult or very rare in the community so that it is event of a global economic hampered to access them. turmoil.
Opportunities	<p>It has been proven that Islamic banks were able to survive in the unfavorable conditions of the monetary crisis a few years ago and become a hope to recover the country's financial stability that is sinking.</p> <p>Opportunity to gain national market share that is predominantly Muslim and has quality international services.</p> <p>Balance in the real sector and the financial sector so that it does not cause a higher economic bubble and minimized speculation.</p>
Threats	<p>In facing competition, modification and innovation that reduce the value of sharia in banking products.</p> <p>The number of cases that occur causes the customer's trust and loyalty to decrease.</p>

The threat of negative spreads is that the FDR level exceeds third party funds that have risks in the event of default, while banks have limited fund reserves when withdrawals occur.

It is very easy to be entangled in a crisis caused by the global monetary base which is very quickly felt.

Conventional bank owners are dominated by foreign ownership which is very wide for foreign use.

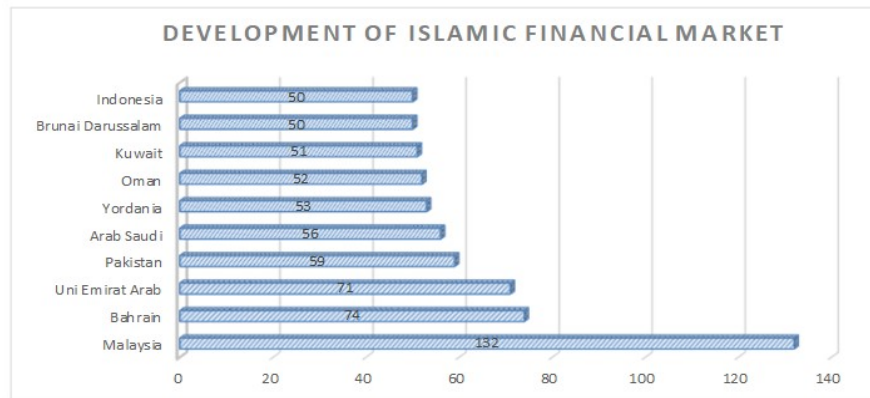
Based on experience that has taught a lot on unfavorable conditions for the economy in Indonesia, so it requires synergy between the two banking systems. Therefore, the presence of the dual banking system is expected to better maintain domestic economic conditions in dealing with various economic problems. Because, if viewed from the SWOT analysis above, both in the conventional banking system and Islamic banking each has advantages and disadvantages, and between opportunities and threats faced are also different from one another so that when the two form a synergy to build state monetary, of course this will strengthen the finance and economy in Indonesia. but in reality, that conventional banking feels that it is the first and most senior in banking and has adopted sharia banking so that financial service activities, both business and development, want to be brushed off without the rest of them. This is what causes conventional banking as a predator in banking.

Potential Sharia Banking System

It seems, without the introduction and development of markets for Islamic monetary policy instruments, such as short and medium-term Islamic instruments for liquidity and portfolio management for Islamic banks, the objective of smooth and effective monetary policy transmission through Islamic finance channels will be difficult to understand given the rapid growth in the Islamic banking sector and the excess liquidity facing the industry. A complete Islamic financial system with identifiable instruments and markets must be developed to enable Islamic banks to provide a complete alternative to conventional finance. Many problems and

challenges related to Islamic instruments, financial markets and regulations must be overcome and resolved. In practice, it would also be a good idea for Islamic banks to gradually move away from the restructuring of conventional banking products, which are mainly concentrated in debt-based instruments and markup models but have switched to the PLS model.

Table of Developments in Islamic Banking



Source: Reuters Services Indonesia, PT (Reuters Ltd.)

The data shows that Indonesia is among the ten countries with the fastest development of sharia banking, but on the other hand it is still very far behind that of neighboring countries in sharia banking. The perception of the Muslim middle class towards the existence of a dual banking system in shaping the strength of the sharia banking brand in Indonesia is positive and can be categorized as moderate ((Lindiatatie& Muzdalifah, 2018). Although the existence of dual banking systems in shaping the strength of the Islamic banking brand "Islamic Bank (IB), more than just a bank", has not been running optimally for 25 years (1991-2016), nevertheless the middle-class Muslim community places great hopes in the form of a desire to be able transact with sharia banking both Sharia Business Units (UUS) or Sharia Commercial Banks (BUS) wherever and whenever. The enactment of Law No.21 of 2008 concerning Sharia Banking issued on July 16, 2008, the development of the national Islamic banking industry increasingly has an adequate legal basis and will encourage its growth even faster. With its impressive progress in development, which has achieved an average asset growth of more than 65% per year in the last five years, it is hoped that the role of the Islamic banking industry in supporting the national

economy will be even more significant. The development of sharia banking is directed to provide the greatest benefit to the community and contribute optimally to the national economy. Therefore, the direction of developing national sharia banking always refers to other strategic plans, such as the Indonesian Banking Architecture (API), the Indonesian Financial System Architecture (ASKI), and the National Medium-Term Development Plan (RPJMN) and the National Long-Term Development Plan (RPJPN). Thus, the development of Islamic banking is a part and activity that supports the achievement of strategic plans on a larger scale at the national level.

As a concrete step in the efforts to develop Islamic banking in Indonesia, Bank Indonesia has formulated a Grand Strategy for Sharia Banking Market Development which is then followed by the Financial Services Authority, as a comprehensive market development strategy that includes strategic aspects, the formation of a new image of national Islamic banking. inclusive and universal, more accurate market mapping, more diverse product development, improved services, and new communication strategies that position Islamic banking more than just banks.

E. CONCLUSION

Based on a descriptive analysis of the above problems, it can be concluded that the potential of the dual banking system in Indonesia can be optimized through strength sharing and weakness cover, where Islamic banks generally have advantages in terms of a more stable system in the face of market changes but have shortcomings in terms of infrastructure, whereas Conventional banks have large market and capital access and more complete infrastructure, but are very vulnerable to crises due to negative factors that are already very strong economic integration. The superiority of the dual banking system concept is seen in 2 separate systems which operationally do not affect each other, but have one common goal, namely financial stability that supports economic growth. So, to achieve this goal the two systems can work together in factors that are external such as access to capital, infrastructure, supervision or clearing systems that can help interbank liquidity.

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