

# Integrating Local Culture to Work Ethics: A Holistic Approach to Mitigating Problematic Financing in Islamic Banks

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## ABSTRACT

**Purpose** – This study aims to explore the integration of *Siri'* culture, Islamic work ethic, and the 5C principles in preventing problematic financing in Islamic banks, particularly within the Bugis-Makassar community.

**Method** – Using a qualitative approach, the research employed interviews, document analysis, and field observations to gather data. Thematic analysis was conducted to identify patterns and insights related to the interplay of cultural, ethical, and technical frameworks in financing practices.

**Findings** – The results reveal that *Siri'* culture fosters high moral responsibility among customers, enhancing their commitment to fulfilling financial obligations. Islamic work ethic strengthens accountability and transparency among bank employees, while the 5C principles provide a structured framework for financing decisions..

**Practical implications** – Banks can incorporate cultural dimensions, such as *Siri'* values of honesty (*ada' tongeng*), respect (*sipakatan*), and adherence to principles (*getteng*), into their credit analysis frameworks. This approach can enhance the quality of financing decisions by integrating ethical and moral considerations with technical assessments..

**Originality/value** – holistic approach, integrating cultural, ethical, and technical dimensions to mitigate financing risks

## A. Introduction

The Bugis Makassar ethnic group hails from the South Sulawesi region, with a significant population residing in the central areas of the peninsula. The Makassar ethnic group, sometimes referred to as the Makassar people, resides in the southern part, whilst the Bugis ethnic group, popularly known as the Bugis people, occupies the western region of South Sulawesi Province. The majority of the Bugis Makassar population is Muslim (about 97%); nevertheless, they formerly adhered to a belief system known as Attorioloang / Attaurioloang (. et al., 2024; Wahyudi Gani & Abdul Gani, 2024).

The Bugis Makassar community steadfastly upholds a local culture rich in virtuous values. The Cultural Value System is the pinnacle of customs and is a notion within the Bugis Makassar community deemed desirable and significant for application in daily life. A cultural value of the Bugis Makassar community is the Siri' Culture. "Siri" signifies shame and is intricately associated with dignity and self-esteem as a human being (Abdullah et al., 2023).

A bank is an institution that gathers funds from the public and allocates them in the form of loans or equivalents, while also providing various services. The bank comprises Commercial Banks and People's Credit Banks. Commercial banks comprise General Conventional Banks and Islamic General Banks, whilst Rural Credit Banks consist of Conventional Rural Credit Banks and Sharia Rural Financing Banks. Conventional Banks operate under Law No. 10 of 1998 governing banking, but Islamic Banks are governed by Law No. 21 of 2008. A bank possesses a reference known as the Standard Operating Procedure (SOP), which is a systematic series of procedures containing standardized instructions that serve as recommendations for conducting operations within a corporation. (Ghannadian & Goswami, 2004)

Several aspects to consider when compiling a Standard Operating Procedure (SOP) include clarity and simplicity, effectiveness and efficiency, balance, dynamism, user orientation, adherence to applicable legal regulations, and measurability and certainty. In addition The Bank has policies and regulations that must be adhered to in conducting its operations. Commercial banks offer public deposits, including savings and current accounts, but the People's Credit Bank exclusively permits its own savings products, which comprise solely of savings and deposits; savings giro accounts are not permitted. Product financing at the Bank primarily include working capital financing, investment, and consumption. Financing for working capital purposes To finance, one requires variable costs such as inventory of goods, accounts receivable, trade payables, employee salaries, etc. Investment financing intended To finance, one requires investment terms for the acquisition or leasing of buildings, commercial vehicles, machinery, etc. Financing for consumptive purposes includes loans for personal vehicle purchases, personal homes, and employee loans. Banking services offered by general banks encompass transfers, clearing, collections, Letters of Credit (L/C), Bank Guarantees (BG), safe deposit boxes (SDB), among others (Zulkhibri & Sukmana, 2017).

Product bank finance at traditional commercial banks is typically referred to as term credit, whereas in general Islamic banks, it is termed financing. This indicates that in traditional banks, the relationship between the bank and its customers involves the bank as the creditor (the entity providing the loan) and the consumer as the debtor (the entity obligated to repay the loan). In Islamic banking, there exists a partnership model where the bank is referred to as the "prophet mall" (fund owner) and the entity receiving financing is termed "mudharib" (fund manager). There are similarities and distinctions between regular banks and Islamic banks. The parallels can be observed in the employed system. Denial is not an option. Islamic banking is not entirely a novel system; rather, it incorporates elements from the existing conventional banking framework. For

instance, terminology used in Islamic banks, such as 'tellers' and 'customer service,' is derived from conventional banks. Additionally, many employees in Islamic banks transition from conventional banking institutions. However, the distinction regarding the principles in Islam is that they are based on results, whereas traditional banks operate on the basis of interest. Sharia banks utilize Sharia contracts; nonetheless, the community's comprehension of these contracts requires enhancement (Yazdan & Mohammad Hossein, 2012).

Applications are acceptable at conventional banks and Sharia-compliant institutions. The 5 C principle comprises character, capacity, capital, condition, and collateral. The use of this 5 C idea is to enable the bank to assess the feasibility and funding potential of a firm. This, of course, requires a more in-depth description. Methods of bank implementation The 5 C idea in analyzing eligibility pertains to the effort that will be financed. If a firm is deemed worthy, financing will be approved; conversely, if it is regarded unworthy, financing will be denied. The 5 C principle is a method for evaluating funding conducted by bank personnel in relation to the finance sector. To minimize credit issues, the 5 C principle must be utilized to the fullest extent. The task of conducting financial analysis is performed by a bank account officer or an individual specially assigned to this responsibility. The analysis of financing encompasses further components, including appraisal, legal considerations, and financing permission, which will be determined by a committee chaired by the Branch Manager or Business Manager, in accordance with their authority boundaries about financing decisions (Hamid et al., 2019).

A bank officer engaged in the financing sector must possess a strong work ethic, including attributes such as honesty, integrity, fairness, and diligence, to ensure a favorable impact on the financing decisions they undertake. A bank employee involved in the financing process with a poor work ethic may introduce bias in the evaluation of financing applications from potential clients. A bad work ethic can foster an attitude focused on personal gain, disregarding the consequences of one's efforts. This may lead to problematic funding.

The Bugis Makassar community, being adherents of Islam, promotes a commendable work ethic. The Islamic work ethic promotes honesty, trustworthiness, and professionalism among its followers in their endeavors. Islam instills in its followers the assurance that their actions are directly overseen by Allah SWT and that they will be held accountable in the hereafter. In the realm of Islamic bank finance, problematic funding frequently arises, particularly due to consumer defaults. The quantity of problematic financing in Islamic banks is referred to as Non-Performing Financing (NPF). In April 2024, the non-performing finance (NPF) rate in South Sulawesi Province was 2.54%, remaining below the 5% threshold deemed acceptable. Problematic financing may arise from internal bank reasons, like inadequate work ethics among certain individuals and ineffective use of the 5 C principle, as well as external problems affecting consumers, such as diminished business capacity and natural disasters. The Islamic work ethic, which promotes diligence and perseverance in all circumstances, alongside the *siri'* culture that underscores shame and self-esteem, possesses significant potential and is crucial in mitigating

problems funding when applied effectively. The 5C principle in banking—character, capacity, capital, collateral, and condition—serves as a framework to mitigate financing risks; yet, some bank officials and clients fail to comprehend and implement this approach effectively. To further reduce problematic financing within the Bugis Makassar Community, it is essential to examine and assess the significance of Islamic Work Ethics, *Siri'* Culture, and the 5C Principle, ensuring they are effectively socialized, comprehended, and implemented to mitigate the incidence of problematic financing (Brodmann et al., 2018).

Sharia banking is characterized by principles that differentiate it from traditional banking, particularly in its partnership system and profit-sharing, rather than interest-based transactions. However, in practice, Islamic banks frequently employ traditional banking methods, including organizational structure and technical jargon. Convergence This creates a gap in the implementation of principles, ethics, and Sharia culture, which might affect risk assessment and sustainable finance. Cultural principles The implementation of '*Siri'*' and Islamic ethos, if executed well, has the potential to enhance accountability and foster a sense of responsibility for both the banking institution and the customer. Incorrect A framework utilized in evaluating risk finance is the 5 C principle, which includes character, capacity, capital, conditions, and guarantees (Khayatun et al., 2022). Fundamental tenets This tool is essential for banks to assess funding eligibility. Nevertheless, the use of the 5 C concept in Islamic banking frequently fails to align with local cultural norms and Islamic ethics. Previous research mostly concentrated on the operational and financial components of Islamic banking, while the integration of market culture and ethics within the 5 C framework remains infrequently addressed (Eprianti, 2019). This demonstrates the necessity of literature to bridge the existing gap.

This study aims to address existing gaps by exploring how the Islamic ethos, *Siri'* culture, and the 5C principle collectively tackle financing challenges in Islamic banks operating within the Bugis-Makassar community. By examining the interconnectedness of these three elements, the research seeks to illuminate their synergistic role in mitigating problematic financing. The findings are anticipated to provide actionable insights for practitioners and policymakers, fostering strategies to better align cultural, ethical, and technical dimensions in Islamic banking practices. Furthermore, this research aspires to develop an integration model that seamlessly incorporates local cultural values into sharia banking frameworks. Such a model could establish a more ethical and sustainable financial system that harmonizes global standards with local relevance, enhancing trust and accountability within the financial ecosystem. The proposed approach holds potential as a benchmark for adapting culturally responsive sharia banking solutions across other regions with distinct traditional values.

## **B. Literature Review**

### **1. Work Ethics**

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Work ethic consists of two words, namely ethos and work, ethos comes from Greek (ethos) which means attitude, personality, character, character, and belief in something while work comes from Indonesian which means the activity of doing something, so that the two words, namely ethos and work when combined have their own meaning, namely attitude or character in doing every job. A good attitude or character in doing work will certainly lead to good results, conversely a bad attitude or character in doing work will certainly result in less than optimal work and tend to be less good (Nindyati & Ulfia, 2024).

The work ethic for Muslims is closely related to the values contained in the Koran which were revealed by Allah SWT through the Prophet Muhammad SAW and reflects the implementation of good work, which is an inner manifestation of a person who has positive constructive qualities and is very productive for the development of the company. As a holy book for Muslims, the Quran is a lot give inspiration about importance Ethos good job in do work in various field (Maqbool et al., 2024).

A person Muslim taught For do work with seriously, for Work hard in all thing. Because with Work hard, with Work in a way truly so hard work will become light and will get convenience from Allah SWT. However thus in fact life daily Still Lots found people who don't own Spirit Work abstinence surrender, that is when get exam from God tends blame circumstances, frustration and stress are used justification For being lazy. Such a nature must eroded finished so that what is left just Work hard Spirit abstinence surrender and give up all something as the Decree of Allah SWT. This is need Keep going promoted and socialized at each chance through preaching Islamic (Hajiha & Rajabdorri, 2024).

The concept of Islamic work ethic has been widely explored in Islamic studies, particularly in its role in shaping individual behavior and organizational outcomes. Previous studies, such as (Faliza et al., 2024), examined how Islamic work ethic influences employee motivation and organizational performance in various cultural contexts. Similarly, (Raza et al., 2024) focused on the relationship between Islamic work ethic and job satisfaction, emphasizing the values of diligence and sincerity in accordance with Quranic principles. In the context of Bugis-Makassar communities, research by (Marunta et al., 2023) highlighted the cultural concept of *siri'*, which embodies the values of self-respect, honor, and social responsibility. This cultural ethos aligns with Islamic teachings, fostering a unique blend of ethical frameworks that drive personal and communal behavior. Meanwhile, studies on the 5C principles in Islamic banking (Character, Capacity, Capital, Collateral, and Conditions) by (Eprianti, 2019) explored their implementation to minimize problematic financing.

The integration of Islamic work ethos, *siri'* culture, and the 5C principles presents a novel framework for understanding how these elements collectively mitigate problematic financing in Islamic banks. While existing literature addresses Islamic work ethic and *siri'* culture separately, few studies explore their intersection, particularly in the Bugis-Makassar community. This research fills



the gap by examining how these values synergize to create a robust ethical foundation for financial practices in Islamic banking.

The Quran serves as the core inspiration for Islamic work ethic. For instance, Surah Al-Inshirah (94:7) states:

فَإِذَا فَرَغْتَ فَانصَبْ

"So when you have finished [your duties], strive [toward the next task with diligence]."

This verse underscores the importance of perseverance and hard work. Such values resonate deeply with the siri' culture, where honor and dignity motivate individuals to fulfill their responsibilities with unwavering commitment. Together with the 5C principles, these frameworks create a holistic approach to addressing issues in Islamic bank financing.

This research contributes to the understanding of ethical and cultural influences in financial decision-making. By integrating Islamic work ethos and cultural values into banking operations, financial institutions can foster trust and accountability, ultimately reducing instances of problematic financing. Moreover, promoting these values through education and community engagement aligns with the broader goal of instilling an Islamic worldview in daily practices.

## 2. Cultural Values in Bugis Makassar

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The Siri' (shame) culture in the Bugis-Makassar community, also known as Siri'Na Pacce, is deeply ingrained in their daily life traditions. Siri' signifies shame and is closely associated with dignity and self-esteem as a human being. The values embedded in the Siri'Na Pacce culture emphasize having high self-esteem and feeling ashamed of dishonest actions. These cultural values are manifested in five principles: ada' tongeng (telling the truth), lempu (honesty), getteng (adhering to principles of belief), sipakatau (mutual respect), and mappisona ri dewata seuwwae (surrendering to the power of God Almighty).

Research on the Siri' culture has been predominantly focused on its role in shaping social and individual behavior in Bugis-Makassar communities. (Marunta et al., 2023) explored Siri' as a cultural framework that promotes self-respect and social harmony, emphasizing the interconnectedness between individual dignity and collective responsibility. Similarly, (Rahmi et al., 2023) examined Siri' as a motivational force that governs personal and communal conduct, particularly in maintaining social justice and ethical behavior. In the context of financial systems, prior studies, such as those by (Ratmadany et al., 2023), analyzed the application of local cultural values, including Siri', in fostering accountability in Islamic banking.

The integration of Siri' principles into financial practices aligns with the ethical imperatives of Islamic banking. This research expands on previous studies by exploring how Siri' culture can serve as a framework for addressing problematic financing in the Bugis-Makassar community. While

earlier studies have highlighted the moral and social significance of Siri', few have linked it directly to the practicalities of financial management in Islamic banks. By investigating this relationship, this study fills a gap in understanding the intersection between local cultural values and Islamic financial principles.

The relationship between the values of Siri' culture and financial accountability is rooted in the moral obligation it instills in individuals. Shame and self-esteem are viewed as positive forces that encourage individuals to uphold their financial commitments. This ethos resonates with Islamic banking's emphasis on trust, transparency, and ethical conduct. By embedding Siri' culture into financial practices, this study proposes a culturally sensitive approach to mitigating financial challenges in the Bugis-Makassar community.

Preserving the Siri' culture is essential to ensuring its continued influence in fostering ethical behavior. By reinforcing the values of self-respect and accountability, the Siri' culture contributes to creating a disciplined and morally upright community. In the context of financial systems, these cultural principles play a critical role in encouraging timely loan repayments and reducing instances of problematic financing. Integrating the Siri' culture with Islamic banking practices offers a unique approach to addressing financial challenges while preserving local traditions and values.

### 3. 5C Principles

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The 5C principles—Character, Capacity, Capital, Condition, and Collateral—are widely utilized by financial institutions to assess the feasibility of business financing. These principles are applied by conventional public banks, Islamic banks, and even non-bank financial institutions like pawnshops, cooperatives, and venture capital firms. By analyzing these principles, the credibility of prospective customers can be assessed, forming the basis for approving or rejecting financing applications.

*Character* assesses the personality traits of prospective borrowers or fund managers. Positive traits, such as honesty, trustworthiness, hard work, commitment, discipline, creativity, and politeness, are crucial for maintaining a smooth relationship between the bank and the customer. In contrast, negative traits, such as dishonesty, laziness, arrogance, and emotional instability, increase the likelihood of financing challenges. The bank's ability to identify and avoid customers with negative characteristics is vital in preventing problematic financing.

*Capacity* refers to the ability of prospective borrowers or fund managers to repay their obligations. This is determined by evaluating cash flow, profitability, debt levels relative to assets, and marketability of products.

*Capital* reflects the financial commitment of prospective borrowers in their projects. A higher proportion of self-financed capital demonstrates seriousness and allows greater flexibility in business development.

*Condition* involves the external factors affecting business operations, including economic, political, social, cultural, and security conditions. These conditions influence Islamic bank policies and require careful monitoring to adapt to potential risks.

*Collateral* serves as the security provided by customers to ensure financing repayment. It includes movable and immovable property, and its adequacy protects banks against defaults, making it the last resort in addressing non-performing loans.

Problematic financing in Islamic banks arises from internal and external factors. Internal factors include overly expansive financing without adequate monitoring, violations of standard operating procedures (SOPs), poor employee work ethics, and weak supervision systems. External factors often stem from customer business failures, sometimes caused by force majeure circumstances. By implementing the 5C principles effectively, Islamic banks can improve financing quality and minimize risks of defaults (Margono, 2021).

This study integrates Islamic work ethic, *siri'* culture, and the 5C principles to create a comprehensive framework for addressing problematic financing in the Bugis-Makassar community. Although existing literature has examined Islamic work ethic and *siri'* culture independently, little research explores their intersection, particularly within Islamic banking practices. This study bridges this gap by analyzing how these values synergize to form a robust ethical foundation in financial practices.

This research contributes to understanding the ethical and cultural influences on financial decision-making. By integrating Islamic work ethics and cultural values into banking operations, financial institutions can build trust and accountability, reducing the prevalence of problematic financing. Additionally, promoting these values through education and community engagement aligns with broader goals of embedding Islamic principles into daily practices.

## **C. Research Methods**

The employed research methodology is a qualitative descriptive approach utilizing both primary and secondary data. Primary data is obtained via interviews with relevant stakeholders, including three workers of Islamic banks, two problematic bank clients, and three specialists knowledgeable about the local cultural dynamics of the Bugis Makassar community and Islamic principles. Interviews were performed in an unstructured manner through the formulation of open-ended questions.

Thematic data analysis was conducted through the following steps: conducting interviews and observations, comprehending interview outcomes, recognizing emergent themes, categorizing the detected themes, and analyzing and interpreting the classified topics. Secondary data is derived from diverse literature, including academic journals, the Quran, hadith, and other sources deemed credible.



## D. Results

### 1. The Role of Islamic Work Ethic in Preventing Problematic Financing

The Islamic work ethic encompasses concepts derived from Islamic teachings that promote positive ethical conduct in work, resulting in advantageous outcomes for society. These qualities are especially crucial for personnel engaged in Islamic banking funding. Fundamental elements of the Islamic work ethic encompass integrity, authenticity, appreciation, acumen, and professionalism.

Tabel 1. Islamic Work Ethic			
Principle	Description	Supporting Evidence	Impact on Islamic Banking
Honesty	Alignment between words and actions; truthfulness without deceit. Honesty ensures trustworthiness in employees.	<i>Hadith</i> : "You should always act honestly, for honesty leads to goodness, and goodness leads to paradise." (Bukhari)	Builds trust between bank and customer; prevents misinformation, enabling effective decision-making.
Working with Full Sincerity	Performing tasks wholeheartedly, without ulterior motives, to achieve maximum results.	<i>Quran</i> : "Except for those who repent and amend their ways, and hold steadfastly to Allah with sincere faith." (An-Nisa' 4:146)	Encourages dedication and prevents fraudulent behavior, fostering organizational trust.
Working with Gratitude	Recognizing and appreciating outcomes of work; avoiding dissatisfaction.	<i>Quran</i> : "Seek sustenance from Allah, worship Him, and be grateful to Him." (Al-Ankabut 29:17)	Creates a positive work environment; reduces dissatisfaction and promotes ethical behavior.

<b>Working Smart and Professional</b>	Combining diligence with intelligence and skillfulness; striving to achieve excellence in all endeavors.	<i>Hadith</i> : "Allah loves a servant who is creative, skilled, and strives to earn a living for their family." (Ahmad)	Enhances productivity and service quality; ensures efficient operations and customer satisfaction.
<b>Cultural Integration</b>	Values like <i>siri'</i> (shame) in Bugis-Makassar emphasize dignity and accountability, encouraging repayment of debts and disclosure of financial issues.	Bugis-Makassar culture fosters shame for failing to fulfill financial obligations, motivating individuals to maintain trustworthiness.	Strengthens ethical behavior among customers, reducing risks of problematic financing.
<b>Corporate Implementation</b>	Core values adopted by Islamic banks (e.g., AKHLAK in BSI: Amanah, Kompeten, Harmonis, Loyal, Adaptif, Kolaboratif).	BSI, Bank Muamalat, and Panin Dubai Syariah integrate these principles into codes of conduct and employee ethics.	Promotes organizational integrity; aligns employee performance with Islamic and corporate ethics.

**Source:** Author Compilation

#### a. Integrity

Honesty signifies the congruence between verbal expressions and acts, demonstrating a dedication to veracity devoid of deception. It is an essential prerequisite for every employee, as no organization can prosper without it. Assessing honesty can be difficult, as it is frequently evaluated throughout extended career durations or in the face of financial demands. Prophet Muhammad (saw.) underscored the significance of honesty in a hadith recorded by Bukhari:

One should consistently act with integrity, as honesty fosters virtue, and virtue culminates in paradise. A person who continuously demonstrates honesty will be regarded by Allah as an honest individual.

In the Bugis-Makassar community, the cultural notion of *siri'* (shame) is fundamental to integrity. Individuals experience profound humiliation when they fail to fulfill their obligations, such as loan repayments. This inherent desire corresponds with Islamic banking norms, guaranteeing transparency between financial institutions and clients. Research indicates that truthful clients provide precise information and report any challenges, allowing banks to make educated decisions and reduce the risks associated with non-performing loans.

#### **b. Engaging with Utmost Integrity**

Authenticity in labor guarantees that assignments are executed with full commitment, producing optimal outcomes. Disingenuous efforts frequently provide inferior results. The Quran places significant emphasis on sincerity, as illustrated in Surah An-Nisa' (4:146):

“Excluding those who repent, rectify their conduct, and adhere firmly to Allah with genuine faith.” For them, a substantial prize exists.

Research indicates that employees who are diligent are less prone to commit fraud, as they appreciate their compensation and strive for a greater cause. This ethical standard diminishes occurrences of financial wrongdoing, hence fostering confidence and productivity in Islamic banking operations.

#### **c. Appreciation**

Appreciation for one's labor and its results is fundamental to Islamic doctrine. Allah instructs His followers to convey thankfulness, as stated in Surah Al-Ankabut (29:17):

“Therefore, pursue sustenance from Allah, venerate Him, and express gratitude towards Him.” To Him alone shall you return.

Appreciative employees establish a constructive workplace atmosphere and are less prone to experience discontent or partake in unethical behavior. This disposition improves both individual and organizational performance, consistent with the principles of Islamic banking.

#### **d. Efficient and Professional Practices**

Prophet Muhammad (saw.) and his companions demonstrated astute and proficient labor, merging dedication with expertise. A hadith reported by Ahmad asserts:

“Certainly, Allah favors a servant who is innovative, proficient, and endeavors to provide for their family, as such an individual resembles a Mujahid in the path of Allah.”

Employees in Islamic banking are urged to embrace professionalism and proficiency in their duties. Bank Syariah Indonesia (BSI) underscores its fundamental principles using the acronym AKHLAK, representing Amanah (Trustworthy), Kompeten (Competent), Harmonis

(Harmonious), Loyal (Loyal), Adaptif (Adaptive), and Kolaboratif (Collaborative). These ideals demonstrate a dedication to service excellence and compliance with Islamic teachings.

At Bank Muamalat Indonesia, the Islamic work ethic is incorporated into a Code of Conduct that regulates employee conduct and conforms to Good Corporate Governance (GCG) principles. The code encompasses adherence to Islamic principles, guaranteeing halal income sources, enforcing discipline, keeping ethical standards, protecting bank and customer confidentiality, and averting infractions.

Panin Dubai Syariah Bank similarly advocates fundamental principles like Integrity (honesty and ethics), Collaboration (synergy and proactive solutions), Accountability (measurable and accountable acts), Respect (empathy and humility), and Excellence (speed and accuracy). These principles direct employees towards ethical behavior, bolstering company integrity and mitigating financial issues.

2. The Role of Local *Siri'* Culture in Preventing Problematic Financing

The study results indicate that if the *siri'* culture is thoroughly explored and appropriately implemented, it can effectively prevent problematic financing. The *Siri'Na Pacce* culture is grounded in five fundamental principles: *ada' tongeng* (telling the truth), *lempu* (honesty), *getteng* (adherence to belief principles), *sipakatau* (mutual respect), and *mappisona ri dewata seummae* (surrender to the power of God Almighty).

Tabel 2. Cultural Values of Bugis Makassar			
Cultural Value	Description	Application in Islamic Banking	Impact on Preventing Problematic Financing
Ada' Tongeng (Telling the Truth)	Speaking truthfully and consistently, reflecting honesty and integrity. Includes intentions, true expressions, and responsibility for one's words.	Employees with Ada' Tongeng values will reject financing proposals that are not feasible. Customers disclose accurate data.	Builds trust and ensures informed decision-making in financing approvals, reducing risks of dishonesty or misinformation.
Lempu (Honesty)	Highly respected value	Employees ensure	Encourages transparency,

	emphasizing honesty in speech and actions.	feasibility assessments are honest, and customers provide accurate information to the bank.	ensuring both parties act responsibly and ethically in the financing process.
<b>Getteng (Adherence to Belief Principles)</b>	Strengthening the principles of honesty (lempu) and truth (ada'). Actions are carried out with full confidence and commitment.	Employees and customers demonstrate unwavering commitment to ethical principles in financing decisions.	Reinforces consistency and confidence in maintaining ethical standards.
<b>Sipakatau (Mutual Respect)</b>	Respecting and appreciating others as fellow human beings.	Rejections of financing proposals are communicated courteously, maintaining prospective customers' dignity and respect.	Ensures rejection processes do not harm relationships, fostering mutual respect and positive customer relations.
<b>Mappisona ri Dewata Seuwwae (Surrender to God)</b>	Reflecting gratitude and surrendering results to God Almighty after maximum efforts have been made.	Employees and customers show humility and gratitude, prioritizing ethical practices over selfish interests.	Reduces ego-driven decisions, fostering a cooperative and ethical banking environment.

**Source:** Author Compilation

**Ada' Tongeng** represents the value of always telling the truth, particularly in speech. It encompasses the integrity of intentions, expressions that reflect genuine thoughts, and the courage to take responsibility for one's words, regardless of the risks. This value is instilled from childhood to adulthood, forming the foundation for honest behavior. In Islamic banking, employees embodying *ada' tongeng* principles will confidently reject financing proposals deemed unfeasible, while prospective customers adhering to this value will provide accurate and unaltered information to the bank.

**Lempu**, the value of honesty, holds a revered place in the Bugis-Makassar community. This principle obligates Islamic bank employees to conduct thorough and honest credit analyses. Feasible financing must be approved, and unfeasible financing must be rejected without bias. Prospective customers, influenced by *Siri'Na Pacce*, are expected to present truthful and accurate information, ensuring a transparent interaction with the bank.

**Getteng**, or adherence to belief principles, strengthens the values of truth (*ada' tongeng*) and honesty (*lempu*). This principle reflects unwavering confidence in upholding ethical practices without hesitation. In Islamic banking, this cultural value reinforces the consistent application of principles, ensuring decisions are made firmly and ethically.

**Sipakatau** emphasizes mutual respect and recognition of human dignity. Within the financing process, this value manifests in courteous communication, particularly when rejecting proposals. Employees maintain respect for prospective customers, ensuring their dignity is preserved. This approach upholds the spirit of mutual respect and appreciation, strengthening relationships even during difficult decisions.

**Mappisona ri dewata seuwwae**, or surrendering to the power of God Almighty, reflects humility and gratitude. After exerting maximum effort, individuals relinquish the outcome to divine will, suppressing ego and fostering a sense of gratitude. This cultural value inspires employees and customers alike to prioritize ethical behavior and accept results with humility.

When applied effectively, these cultural values form a robust framework within Islamic banking, promoting ethical practices and reducing the risks of problematic financing. The integration of *Siri'Na Pacce* values ensures transparency, mutual respect, and accountability, fostering trust and cooperation between banks and customers

### 3. The application of the 5C principles

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The application of the 5C principles varies slightly among banks, particularly in system usage and documentation. However, the objectives remain the same: to assess whether prospective borrowers or fund managers are eligible for financing. Below is an overview of the process banks follow when implementing the 5C principles:

#### a. Character Analysis

The bank investigates the character of prospective borrowers or fund managers through various methods such as reviewing financial history (e.g., SLIK or BI Checking), conducting interviews, cross-referencing with neighbors or associates, and searching for relevant information online.

#### b. Capacity Analysis



Capacity evaluates the ability of the borrower or fund manager to repay loans. It involves assessing the duration and management of the business, location, competition, cash flow, and financial ratios such as Debt Service Ratio (DSR) and Times Interest Earned (TIE).

**c. Capital Analysis**

Capital analysis determines the borrower’s financial strength by evaluating leverage ratios such as Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER), which indicate the business’s reliance on external financing compared to its assets or equity.

**d. Condition Analysis**

This involves examining macroeconomic factors, including political, economic, and social conditions, as well as industry-specific risks such as pandemics or market saturation.

**e. Collateral Analysis**

Collateral serves as the second line of protection against default. It includes assessing the type, value, marketability, and legal status of the collateral, ensuring it is free from disputes and adequately insured.

Tabel 3. 5C Principle			
5C Principle	Description	Analysis Techniques	Impact on Financing Decisions
Character	Assessment of borrower’s integrity and reliability. Includes checking financial history and behavior.	- SLIK or BI Checking for loan collectibility. - Interviews to observe honesty and consistency. - Cross-checking with neighbors and online searches.	Ensures trustworthiness and reduces risks of default by rejecting borrowers with poor credit history or questionable character traits.
Capacity	Evaluation of repayment ability based on business performance and financial management.	- Analyze business duration, management skills, location, and competition.	Determines the feasibility of the borrower’s repayment capability and sustainability of the business,

		<ul style="list-style-type: none"> <li>- Calculate DSR and TIE ratios.</li> <li>- Assess profitability and liquidity ratios.</li> </ul>	ensuring effective allocation of funds.
Capital	Assessment of the borrower's financial strength and equity contribution.	<ul style="list-style-type: none"> <li>- Analyze leverage ratios (DAR and DER).</li> </ul>	Ensures the borrower's financial stability, indicating a lower reliance on external financing and better ability to manage potential risks.
Condition	Examination of external factors such as macroeconomic and industry-specific risks.	<ul style="list-style-type: none"> <li>- Assess political, economic, social, cultural, and health-related conditions.</li> <li>- Evaluate industry trends and vulnerabilities (e.g., pandemics or market downturns).</li> </ul>	Helps anticipate external risks that might impact the borrower's business performance, reducing exposure to adverse conditions.
Collateral	Evaluation of assets pledged by the borrower as security for the loan.	<ul style="list-style-type: none"> <li>- Assess marketability, strategic location, and legal status.</li> <li>- Verify documents and ensure proper insurance coverage.</li> <li>- Conduct periodic reviews of the collateral.</li> </ul>	Provides a safety net for the bank in case of default, ensuring recoverability of funds through assets that are easy to liquidate and free from disputes.

**Source:** Author Compilation

## E. Discussion

This study illustrates that Siri' culture, the Islamic work ethic, and the 5C principle significantly contribute to mitigating problematic funding in Islamic banks, particularly within the Bugis-Makassar community. Siri's culture promotes a strong sense of moral responsibility among consumers, shown in their dedication to meeting financial responsibilities. The Islamic work ethic promotes accountability among banking personnel, guaranteeing that funding procedures are equitable and transparent. The 5C principle functions as a robust framework for assessing finance eligibility, while its use frequently prioritizes collateral over partnership values. The amalgamation of Siri, Islamic work ethic, and the 5C principle provides a comprehensive strategy for alleviating funding issues. Nonetheless, difficulties remain in instilling these principles within customers and staff. This underscores the necessity for a methodical strategy to enhance the integration of cultural and sharia principles in Islamic banking practices.

The amalgamation of cultural, ethical, and technical frameworks substantially aids in risk mitigation within Islamic banking. The Siri culture prioritizes integrity and accountability, urging customers to meet their commitments publicly. The Islamic work culture, founded on honesty and trustworthiness, guarantees that bank personnel comply with ethical standards. The 5C principle enhances these ideals by offering a systematic framework for financing assessments. Nevertheless, the over focus on collateral in certain banks diminishes the significance of partnership embedded in sharia principles. The results indicate that although cultural and ethical principles improve operational efficiency, their use necessitates extensive training and ongoing reinforcement. Furthermore, the distinctive function of local culture, shown by Siri', enhances the ethical and moral aspects frequently neglected in universal frameworks. These insights highlight the intricacy of amalgamating cultural, ethical, and technical components in banking (Rahmi et al., 2023; Ratmadany et al., 2023).

These findings correspond with the maqasid sharia framework, which emphasizes fairness (adl), mutual benefit (maslahah), and collaboration (taawun) within Islamic economic systems. The focus on Siri's culture aligns with the goal of safeguarding wealth (hifzh al-mal) through the promotion of financial accountability (Firdaus & Ahmad, 2023; Rosyadi, 2012). The Islamic work ethic establishes a strong ethical framework that bolsters operational integrity, guaranteeing that employees' conduct adheres to sharia norms. The 5C principle is global, and its adaptability to sharia-based frameworks illustrates its alignment with Islamic principles when suitably modified. These results indicate that the integration of cultural and ethical considerations is crucial for fulfilling the goals of Islamic banking, especially within local contexts. The results also demonstrate that systematic reinforcement of these values is essential to guarantee their efficacy in practice.

This study underscores the significance of maqasid sharia in promoting justice, mutual benefit, and wealth protection, offering a pragmatic framework for the implementation of these principles in Islamic banking. It also endorses Friedman's ("Maslahah as an Islamic Source and Its Application in Financial Transactions," 2014; Rosyadi, 2013) viewpoint on the necessity of amalgamating legal frameworks, cultural values, and social conventions to establish efficient financial systems. The

research enhances existing theories by emphasizing the crucial significance of local cultural components, such as *Siri'*, in reinforcing the application of sharia principles. The results indicate that local cultural integration both complements and enriches the universal tenets of Islamic banking. The study enhances comprehension of sustainable financial practices in Islamic banking by highlighting the interplay among ethical, cultural, and technical components.

The results correspond with previous studies highlighting the significance of cultural and ethical values in mitigating problematic finance. (Tohari, 2017) emphasizes the 5C principle in financing risk analysis, although neglects the aspect of local cultural integration. Likewise, Nurhayati (2022) investigates the function of *Siri'* culture in fostering social trust, although does not analyze its implementation within banking situations. Hadi (2021) examines the Islamic work ethic's influence on enhancing operational methods but fails to provide a cohesive perspective on its interplay with cultural norms. This paper addresses these gaps by illustrating the dynamic relationship between *Siri'*, Islamic ethics, and contemporary banking practices. It offers a comprehensive approach that integrates technological, ethical, and cultural aspects, presenting an innovative framework for sustainable Islamic banking activities.

These results hold considerable significance for practitioners, policymakers, and scholars. Practitioners must emphasize specialized training for bank personnel to assimilate *Siri'* culture and Islamic work ethic into their everyday operations. Policymakers can develop policies that facilitate the incorporation of local cultural and sharia norms into banking processes. Public awareness campaigns are crucial for educating consumers on the significance of cultural and ethical principles in Islamic finance. This study provides opportunities for additional investigation into the integration of local cultures within Islamic banking systems across various areas. The findings also establish a basis for creating risk models grounded in cultural and ethical criteria. Collaborative strategies among banks, communities, and governments are essential for creating inclusive and sustainable financial systems.

## F. Conclusion

This study reveals three main findings: (1) the *Siri'* culture enhances moral responsibility and customer trust in fulfilling financial obligations, (2) Islamic work ethic strengthens accountability among bank employees in financing processes, and (3) the 5C principle provides an effective framework for evaluating financing eligibility. The integration of local culture, Islamic ethical values, and technical banking principles creates a holistic approach to preventing problematic financing in the Bugis-Makassar community.

**The strength of this study** lies in its multidimensional approach, which simultaneously incorporates cultural, ethical, and technical elements. It successfully demonstrates how local values, such as *Siri'*, can reinforce sharia principles in banking practices. As such, this study offers an innovative framework for culturally grounded financial risk management.

**The limitations of this study** include its generalizability. While it provides in-depth insights into the Bugis-Makassar community, its application to other regions with different cultural contexts may require adaptation. Additionally, the study lacks empirical testing to quantitatively demonstrate the effectiveness of this integration in reducing non-performing financing rates.

**Future research directions** should focus on testing this integration model in other local cultural contexts to understand its cross-cultural relevance. Further studies could develop risk models based on cultural and Islamic ethical values, accompanied by empirical testing to measure the impact of this integration on the overall performance of Islamic banks. Collaboration among academics, practitioners, and policymakers may also enrich these findings to support financial inclusion and sustainability

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