



## Global Journal of Engineering Science and Research Management IN SEARCH OF COMMUNITY PERCEPTION ON SHARIA BANKING IN DEVELOPMENT COUNTRY (LITERATIONS STUDIES AND COMMUNITY PREFERENCE IN JEMBER, INDONESIA)

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### ABSTRACT

Various research and literature has discussed the islamic banking, where one of the criticisms of the concepts associated with the conventional banking methods and its product in convetional banks. This study aims to determine the understanding and preferences regarding Islamic Banking in Jember. Unlike other studies, this research use comparative study between the public understanding of Islamic Banking is influenced by several factors. This research use sampling ammount 200 people who have a different backgrounds. Existing data were analyzed using Structural equation models (SEM). The result showed that there is a level of understanding and customer preferences of Islamic banking influenced by several factor.

### INTRODUCTION

Economic activity in the field of sharia (islam) in Indonesia has developed quite rapidly in recent years. This matter can not be separated from the increasing application of sharia in economic activity. Among sharia banks, capital markets and other types of sharia-based businesses.

Criticism of conventional banking in sharia is related to the violation of some Islamic principles such as al kharaj bi al dhaman ie in the shariah explain that the results of the undertaken will be followed by the costs that arise. The second principle is al ghunmu bi al ghurmi ie the principle that explains the benefits gained in a business will arise with the existense of risks in the business. In relation to conventional banking products such as interest payments on deposits, credits, savings, current accounts, and financing, conventional banks charge fees or interest predetermined at the start of the agreement and the amount is fixed. On the customer side, customers also get a profit that amount is also fixed even in reality, in running the business there is still a risk of failure or profit fluctuate.

Islamic banking is a banking alternative that applies Islamic concept where sharia banking in its product use different working system with conventional bank that is base of profit sharing not based on interest charged to customer but using profit sharing system or better known as mudaraba concept. The gains or ratios earned must be shared by both parties and the proportion of the profits should be explained at the beginning of the contract and its amount based on the proportion of profit gained.

Akad or agreement of both parties can occur if it fulfills some rukun and terms. Rukun akad is an element that must exist in the contract and must be met, while the more requirements to the nature of the rukun will be but not the essence of the contract.

Various studies related to public perception of the concept of sharia is still limited. However, some of these studies illustrate that the community has a diversity of perceptions of sharia banking products as presented by Wibisana (1990). In the study explained that the general public is not very understanding of sharia banking. Other studies that show similar things, but more emphasis on community motivation. Most people still have a profit oriented motive than religious motives (Erol and El Bdour, 1989).

Antonio (1999) describes the various challenges faced by sharia banking. Some problems that are often faced by



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the public have a low understanding of sharia banking is caused by the number of banks dominated by conventional banking. In addition, the number of sharia banks in Indonesia is still considered less than the number of conventional banking so that people have difficulty to transact or use sharia banking. This is causing the low public understanding of sharia banking.

Based on these ideas, further research is needed related to the literacy and preference of the community towards sharia banking.

This research aims to know the literacy and preference of the community regarding sharia banking and describe the factors that influence the literacy and preferences of the people in choosing Islamic banking.

### LITERATURE REVIEW AND HYPOTESIS

In accordance with the purpose of research is to determine some factors that affect the understanding of society and the preferences of the community in choosing Islamic banking products, then this research tries to identify these factors which will be explained in the following literature review.

#### The Development of Sharia Banking

Internationally, Indonesia is seen as a strength and has great potential of global sharia finance where Indonesia is in the order of 9th negara. (World Islamic Banking Competitiveness report, 2014-2015). Indonesia has gained international recognition which is in the position of to offer lessons with UAE, Saudi Arabia, Malaysia and Bahrain countries, for the development of Islamic finance to other countries. In addition, Indonesia is also regarded as the driving force of Shari'a finance in the future.

In Indonesia, despite its development, sharia banking is experiencing a slowdown in growth. This is a concern for syariaah banking in Indonesia. The causes of the growth slowdown are spelled out in several strategic issues (Sharia Banking Department, 2016). First, the lack of government coordination and harmony of vision and authority in the development of sharia banking. Secondly, insufficient capital in which the scale of industry and individualal banks is still small and has a low level of efficiency. Third, the cost of funds is expensive so that the impact on the limitations of the financing segment. Fourthly, the products are still considered less varied and services that are not in accordance with the expectations of society, fifth, quantity and quality of human resources that have not been adequate and information technology that has not been able to support sharia banking products and services. Sixth, low understanding and public awareness of sharia banking. Seventh, the regulation and supervision are still not optimal.

#### Consumer Decision

Consumers choosing to use a product or service will be influenced by various factors both external factors derived from the environment and individualal factors themselves (Assael, 1998). in line with Assael, a study that states the same is also put forward by Mateja (2009), where in his research suggests that consumers take a decision to have a good impetus derived from the internal individualal and external. Related to this research, both of these research explain how consumer in choosing banking also have motivation or motivation either from inside individualal or external individualal.

#### Individual

Purchasing decisions will be influenced by factors that come from within the individualal itself (Schiffman, 2007). In the context of this individualal relationship, each individualal or consumer has a mental that will be affected by the affective and cognitive stimuli that surround it (Peter-olson, 1999). Furthermore, Solomon (1999) explains in detail about individualal factors more referring to the traits or characteristics of individuals responding to their surroundings. These individualal factors can be speci fi ed into job types, and lifestyles and income levels (Jhingan, 2000).

*H1: Individualal factors will influence consumer preferences to choose Sharia banking*

#### Marketing

In addition to individualal factors, people's preferences in choosing a product and also understand about a product can be influenced by marketing factors. Marketing is useful for introducing a product to the community and aims



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to convey the message and meaning of the service and control the target market (kotler, 2000).

*H2: Marketing will affect the preferences in choosing Sharia banking*

### **Socio-cultural**

Socio-cultural factors are external factors that affect the understanding and preferences of consumers to consumer decision making of a product or service. Socio-cultural is a pattern of cultural ebrs existing and prevailing in society (Macionis, 1996). Characteristics of socio-culture is basically an understanding that emphasizes the application of litrasi regarding consumer preferences in decision making in accordance with the characteristics of culture that leads consumers of products or services in accordance with the characteristics of the culture of each consumer.

Silva (2010) explains that the kind of beliefs and cultures that a person possesses will have an impact on the tendency of one's behavior. Thus an organization should understand the socio-cultural values in making decisions in understanding consumer preferences and how well the organization incorporates that understanding into the organization's strategic plan (Leo, 2005)

*H3: Socio-cultural affects consumer preferences in choosing Sharia banking.*

### **Consumer Preferences**

Consumer preferences in this study is intended to explain how the public tendency in sharia banking. Consumer preferences will be closely related to how the assessment made consumers, thus showing a sense of satisfaction or not. This is in line with opinions expressed by Tjiptono (2008) where in his opinion menjelskan that satisfaction or dissatisfaction society or consumers of products or services offered will affect consumer decision making. Preference will indicate the level of preference or tendency of society or consumer in choosing a product or service offered. This preference will also be influenced by various factors such as internal and external factors from consumers.

*H4: Consumer preferences will influence consumers' decision to choose Shariah banking.*

## **METHODOLOGY**

This study uses a quantitative approach. Data types used are primary and secondary data. Primary data were conducted through interviews and questionnaires, while secondary data were obtained from relevant sources. The sampling of the research was conducted in Jember with consideration of the potency of the majority population of religion (Islam) and have culture that still attached with religious and have potential of economic factor. The sample used in this study were 200 respondents who came from several different backgrounds. The respondent's taking was done by accidental sampling technique. To test each variable in this study validity and reliability test. Then the data is processed by using structural equation models (SEM) using AMOS program.

## **RESULTS**

### **Public Preference for Banking**

#### **Use of sharia and conventional banks**

The use of banking in Jember is dominated by conventional banking. This can be seen from the characteristics of banking users in the region of Jember who became respondents in this study.

Users of Islamic Banking in Jember who became the sample in this study the majority of female sex, ie as much as 19 percent while the male by 19.5 percent. While the majority of conventional banking users of female sex that is as much as 33 percent and male sex of 28.5 percent.

Based of the work types from samples that have employment as a student and private are 8 percent using sharia banking. As for the conventional banking users the majority have a private type of work that is equal to 12 percent. Based on that most respondents who own and choose Islamic banks have income between Rp. 5.000.00 - Rp. 6.000.000 as much as 17 percent. So also respondents who own and choose the conventional banking majority have income between Rp. 5.000.00 - Rp. 6,000,000 at 19.5 percent.

### **Society Literacy Against Sharia Banking Preference**



**(1) Individualals**

Based on lifestyle, the user community mostly considers that lifestyle is an important factor in choosing the banking community. These results show that people in Jember have the view that lifestyle influences them in choosing sharia banking.

Based on the personality, sharia banking users mostly see that personality has an important role in choosing a bank. These results show that people in Jember have the view that personality influences them in choosing sharia banking

**2) Marketing**

Based on sharia banking products, syariah banking users mostly know the sharia banking products well, while the rest only know but not specifically sharia banking products. These results indicate that people in Jember have the view that the understanding of the product sharia banking is very important before choosing sharia banking.

Based on the location of sharia banking, the community of syariah banking users viewed the location of sharia banking in jember is quite adequate, but for some users, the location of sharia banking in Jember is still relatively small. This result shows that the community in Jember has the view that the location of sharia banking in Jember is relatively easy to find.

Based on the promotion of sharia banking, the community of sharia banking users viewed the promotion of Islamic banking in jember at the usual level, but for some users, the promotion of sharia banking in Jember is still relatively less than the number of users who view promotion which is done sharia banking is good. These results show that people in Jember have the view that the promotion of sharia banking in Jember is relatively sufficient but there are still many users who feel the lack of promotion made by sharia banking .

**3) Social and Cultural Values**

Based on Culture, the user community mostly considers that culture is an important factor in choosing the banking community. This result shows that people in Jember have the view that culture influences them in choosing sharia banking.

Based on social class, the user community mostly considers that social class is the important factor of society in choosing banking. This result shows that people in Jember have the view that social class influences them in choosing sharia banking.

Based on graph 8 on reference group, the user community mostly considers that social class is an important factor of society in choosing banking. This result shows that the community in Jember has the view that the referral group influences them in choosing sharia banking.

Based on the family, the user community mostly considers that the family is an important factor in choosing the banking community. These results show that people in Jember have the view that families influence them in choosing sharia banking.

**Structural Equation Model (SEM)**

**Validity and Reliability test**

Prior to testing the research model then tested the validity and reliability of research instruments. The test results can be seen in the following table

*Table 1. Validity testing result*

VARIABLE	P-value	Information
Individual	0,002	Valid
Marketing	0,004	Valid



Socio and culture value	0,000	Valid
Customer preference	0,003	Valid
Customer decision	0,001	Valid

Source: running data 2017

Table 1 shows the test results of the validity of the research instrument. The results show that each good indicator of the exogenous and endogenous variables has a p-value less than 0.05. These results indicate that the instrument used has shown a good degree of validity, or is in accordance with what will be measured.

After testing the validity, then the reliability test is done by using Cronbach's Alpha method to determine whether each research instrument used has a level of reliability or not.

**Table 2 reliability testing result**

Variable		Alpha Cronbach	information
Exogenous	Individual	0,631	Reliabel
	Marketing	0,751	Reliabel
	Socio and culture value	0,702	Reliabel
Endogenous	Customer preference	0,742	Reliabel
	Customer decision	0,682	Reliabel

Source: running data, 2017

Table 2 shows the results of the reliability testing of research instruments. The results show that all research variables have alpha cronbach greater than 0.6. So it can be said that all research instruments used in this study reliable.

### Measurement Model Variable Research

In this study used 3 (three) exogenous variables and 2 (two) endogenous variables. Prior to testing the research model, Confirmatory Factor Analysis (CFA) was tested. The CFA results can be seen in the following table.

**Table 3. Goodness of Fit**

Goodnes Of Fit Indices	Cut Off Value	Individual marketing	Socio culture value	Customer preference	Customer decision	
X2 Chi Square	Diharapkan kecil	0,00	3,607	0,00	1,304	
Probabilitas	$\geq 0,05$	0,367	0,165	0,57	0,472	0,063
CMIN/DF	$\leq 2,00$	1,120	1,447	1,247	1,298	2,866
GFI	$\geq 0,90$	0,984	0,953	0,978	0,994	0,941
AGFI	$\geq 0,90$	0,967	0,992	0,981	0,971	0,945
TLI	$\geq 0,95$	0,984	0,965	0,958	0,964	0,955
CFI	$\geq 0,95$	0,995	0,972	0,953	0,985	0,950
RMSEA	$\leq 0,08$	0,018	0,009	0,121	0,017	0,043

Based on the results of CFA testing in table 6 shows that all criteria have been met. Thus it can be said that the variables used in this research are fit or appropriate and meet the criteria.

### Hypothesis Testing Research

Based on the research model developed in this study, then we perform hypothesis testing by using the coefficient of influence in the model of structural equation (SEM). The test results can be seen in the following table.

**Table 3. Hypotesis testing**



HIP	Variable Exogenous	Variable Endogenous	Direct effect			Informasi
			Standar dize	CR	p-value	
H1	Individual	Customer preference	0,302	2,810	0,032	Significant
H2	Marketing	Customer preference	0,420	2,342	0,027	Significant
H3	Socio and culture values	Customer preference	0,266	2,437	0,015	Significant
H4	Customer preference	Customer devission	0,408	2,391	0,003	Significant
<b>Indirect effect</b>						
	Variable Exogenous	Variable Endogenous	Variable Intervening	Standardize		Informasi
H1.	Individual	Customer decission	Customer preference	0,225		Significant
H2.	Marketing	Customer decission	Customer preference	0,324		Significant
H3.	Socio and culture values	Customer decission	Customer preference	0,361		Significant

#### **The Influence of Individuals on Consumer Preference and Consumer Decision**

Table 3 shows the hypothesis testing where the results obtained show that the first hypothesis in this study is accepted and has a positive effect. This result indicates that the individual influence factor has an influence on consumer preference. these results also explain that individual factors will be able to shape consumer preferences. A person's personality is a form of individual identity will determine their behavior in this case the consumer to make decisions according to emotional considerations or lifestyle and personality that will affect their preferences. The results of this study prove that the personal aspects of lifestyle and keprobadian will affect the preferences of the community in choosing the bank. Lifestyle is seen to be able to influence the preferences because people view the banking that they choose by considering how the prospects in the future. In sharia banking, customers generally still think that the prospect of sharia banking in the future is not yet equal to what is offered by conventional banking only a small part of the customers who viewed sharia banking will have a bright prospect in the future. In addition, the community also views the existing social issues as a factor influencing their preferences in choosing banks. As for the personality, most people assume that it does not significantly affect their preferences in choosing a bank.

#### **Influence of Marketing Aspect to Consumer Preference and Consumer Decision**

Table 3, shows the results of hypothesis testing that explains that there is a positive effect of marketing aspects on consumer preferences. this result explains that the second hypothesis in this study is accepted. Marketing aspects will be able to influence consumer preferences in making decisions.

The result of research proves that marketing aspect done by banking plays an important role for both sharia and conventional banking. Marketing aspect in the form of offered product, affordable location and intensity of promotion in giving information to society will influence consumer preferences in choosing banking. In this study also shows the lack of information or marketing aspects undertaken by sharia banks led to low literacy of the community related to sharia banking. The community is more familiar with conventional banking because it has a relatively large and accessible location. From the product aspect, the lack of promotion also has an impact on the unfamiliarity of the society towards sharia banking products so that the tendency of the people prefer conventional banking. The role of promotion and promotion channel also plays an important role in providing information, sharia banking is seen less in promoting both in terms of specificity, uniqueness and attractive promotion of Islamic banking than conventional banking.

#### **The Influence of Socio-Cultural Value to Consumer Preference and Consumer Decision**

Table 3 shows the hypothesis testing that the third hypothesis in this study is accepted and has a positive influence. This indicates that socio-cultural factors consisting of existing cultural values in the community, reference group, family role, social status affect consumer preferences in making decisions.

The results of this study prove that the social cultural niai that exist in the community will affect consumer preferences in choosing banking. In this social and social value, the community is concerned with various aspects such as the culture that exists in society, social class, referral group and family in making decisions. Some respondents viewed that in observing religious values. This is the target for sharia banking to get customers, but



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in addition to the religious aspect, the community also pay attention to some information or input from the referral group or family. In this study also shows that some customers of sharia banking view that social and cultural values aspect will influence their tendency in choosing banking.

### **The Influence of Preferences on Consumer Decisions and Consumer Decisions**

Table 3 hypothesis testing shows that the third hypothesis in this study is accepted and has a positive influence. these results suggest that consumer preferences will influence consumer decisions. decisions that will be taken by consumers will be influenced by how consumer preferences are formed from how the consumer is getting information, input, and filtering the information that will be described with how the attitude of consumers after obtaining information and the possibility of actions taken by consumers.

The results of the study prove that, the public preference of input origin, the process of information screening, the formation of attitudes, and the possibility of action to be taken will influence their decision in choosing the bank. Public preference in sharia banking is still considered quite low compared to their preference for conventional banking. This is because most of the inputs and information they receive about sharia banking are considered minimal compared to conventional banking. So they are more familiar with conventional banking, because the information they obtain then become input and will shape their attitude in making decisions.

### **CONCLUSIONS, IMPLICATIONS, AND RESEARCH LIMITS**

This study looks at community literacy and preference and decision making against sharia banking. The conclusions obtained from this study indicate that public preference will influence decision making in choosing banks. While the preferences of people in choosing a bank is influenced by personal aspect factors, marketing aspek, and social and cultural values that exist in the community. From these three aspects, the marketing aspect has a dominant position in shaping people's preferences in choosing banks. This is evidenced by the high coefficient of influence that shapes consumer preferences.

The implication of this research is syariah banking besides considering social culture value, syariah banking also need to pay attention to marketing aspect in the form of product, location, and promotion so that society can get better information and get service and easiness in reaching syariah banking. Therefore the essence of literacy and public preference towards sharia banking can be better by considering the factors discussed in this research.

The limitation of this study is that further research is needed specifically related to sharia banking products and services compared to conventional banking with a wider scope.

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