

Determinant of Customers' Intention in Using the Islamic Banking (Case Study in Jayapura City)

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ABSTRACT

This research investigates the effect of faith, regulation, social influence, and bank functions on the intention of the customers for using the Islamic Banking services and products. The study used quantitative method and the collection of the primary data done by using questionnaires which have been proved to be reliable and valid. The sample consisted of 200 customers from one of the leading Islamic bank in Indonesia: Bank Mandiri Syariah in Jayapura city, the capital of Papua Province. The data were obtained by random sampling using through a face-to-face survey and analyzed with multiple regression linear. This research found that the intention of customers in using the Islamic banking was significantly affected by faith. Meanwhile, social influence, regulation, and bank functions did not show a significant influence on customers' intention in using the Islamic banking.

Keywords: Islamic Banking, Faith, Social Influence, Regulation, Bank Function

A. INTRODUCTION

The emerging of the Islamic banking in Indonesia was initiated by the operation of Bank Muamalat officially in 1992. However, at the beginning of its development, Islamic banking did not show good performance as well as conventional banking. (Rivai, V & Arfiyan, 2010) states that this is due to the regulation of Islamic banking that has

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not been well organized. (Anwar, 2016) argues that Indonesia is lagged in the preparation of special regulations for Islamic banking when compared to Malaysia. It is due to the Islamic banking regulations in 1992 was only based on Indonesia Banking Act No.7 in 1992 and Government Regulation No.72 in 1992. Meanwhile, the Malaysian government had prepared a special set of regulations regarding Islamic banking since 1983. However, the Islamic banking started to change better and become more confident to grow since the implementation of the Banking Regulation No. 10 of 1998 substituted the Banking Regulation No.7 of 1992. With the issuance of this regulation, Islamic banking was pushed to the public at large.

One of the most impressive things about Islamic banking is its resistance to the global economic crisis. The Central Bank of Indonesia explained that despite the financial crisis in 2008, the performance of Islamic banking in 2009 continued to show high performance, in addition to the channeling of funds carried out by Islamic banks consistently increasing. The Central Bank of Indonesia also stated that the stability of national financial system is supported by the Islamic banking.

The Islamic banking in Indonesia increasingly shows its existence since the legitimation of Islamic banking regulation No. 21 of 2008. It provides legal certainty and an adequate foundation to encourage its growth more quickly. One of the characteristics of Islamic Banking growth is the increasing of the commercial banks which run their operational business based on the Sharia compliance, as well as the rise of Sharia business unit total number. According to the (Amin, H & Rahim, A & Sondoh Jr, S & Ang, 2011), the Data of Sharia Banking Statistics shows that in 2008 there were only 5 Islamic Commercial Banks in Indonesia with 581 offices spread throughout Indonesia. Meanwhile, 27 conventional commercial banks run sharia business units with 241 offices spread throughout Indonesia. This number continues to increase until 2012 and 2017. Until August 2018, the data shows that Indonesia has 13 Islamic Commercial Banks, 21 Sharia Business Units and 101 Rural Banks.

In Indonesia itself, Islamic banks have many kind of banking services and products for making all the customers both Muslim and non-Muslim satisfied. However, each customer has a preference for choosing the Islamic banking services and products. The prior research hold by (Hirmawan, 2015), it is concluded that faith influenced the intention in using Islamic bank. Meanwhile, (Amin, H & Rahim, A & Sondoh Jr, S & Ang, 2011) suggested that religious obligation was insignificant, while social influence significantly has an impact towards the intention of the customers in Malaysia to use the Islamic personal financing.

In the effort to develop Islamic banking in Indonesia, the central bank of Indonesia has constructed a comprehensive strategy for developing the markets of Islamic Banking contains several aspects called The Islamic Banking Development Grand Strategy. One of them is by making new maps more accurately on the Islamic banking potential market which generally directs the provision of Islamic banking services as a universal bank for the entire levels and parts of the society and following the strategies of each Islamic bank. The segmentation of customers based on the purpose of using Islamic banks, namely: using the Islamic bank because of their faith, using the Islamic bank because they are involved, using the Islamic bank because of their functions, using the Islamic bank because they follow the regulation, and not users of Islamic banks because they have used conventional banks.

Several previous studies have been done to investigate the customers' behavior and their intention to Islamic Banking. Mostly, researchers used the theory of Planned Behavior to explain individual's intention and behavior which is the renewal of the Reasoned Action Theory. It is explained by Reasoned Action Theory that subjective norms and the attitude toward the behavior are major variables that shaped the individual's intention and behavior. Meanwhile, the variable of perceived behavioral control is included in the TPB for explaining the behavior.

This study proposed to figure out the determination the intention of customers for using Islamic banking by adopting the Planned Behavior Theory modified with the Islamic Banking Development Grand Strategy. Therefore, this study used variables as follows: faith, social influence, regulation, and bank functions and determine their impact on customers' intention using the Islamic banking.

B. THEORITICAL

I. Strategy for Developing the Islamic Banking

The Islamic Banking Development Grand Strategy is an extensive strategy which is formulated by the government of Indonesia through Central Bank of Indonesia to realize a modern and universal Islamic banking system which opens to all Indonesians without exception. It is a concrete step to evolve the Islamic banking in Indonesia which consist of several strategies, namely: Introducing the 2010 vision as the foremost Islamic banking industry between the countries in the Southeast of Asia, creating new brand of Islamic banking with universal and inclusive characteristics, plotting the market more appropriate, creating a distinct product, increasing banking service, and creating a new strategy of communication for promoting Islamic banking as an extraordinary bank.

This strategy was designed to form a banking system that presents applicative forms of the concept of Islamic economics formulated with understanding, in the present context, which is debated by the Indonesian people, and with due regard to the socio-cultural nature in which the nation discusses its historical course. It is the way to introduce the system of Islamic banking as the fulfillment for several matters facing by Indonesia.

The Islamic Banking Development Grand Strategy consisted of six phases, namely:

- a. Implementing the development of Islamic Banking new vision.
- b. A new sharia banking imaging program including aspects of placing, distinction, and making a new picture of Islamic banking.
- c. A new mapping of market segmentation more accurate to the potential of the Islamic banking market which generally directs the provision of Islamic banking which is defining as a banking who serve everyone from all segments, not exclusively but universally.
- d. Developing the banking products.
- e. Improving the service quality with capable human resources and adequate technology of information so that it can result the customers' satisfaction and still meeting the principles that fit with the sharia compliance.
- f. Promotion and public education widely and efficiently using tools of communication directly and indirectly which purposed to increase people's awareness on the advantages of services and products provided by the Islamic banks so that people interested to use.

According to the concept of the Islamic Banking Development Grand Strategy, the Central Bank of Indonesia divided the customers of Islamic Banking into five segments, namely:

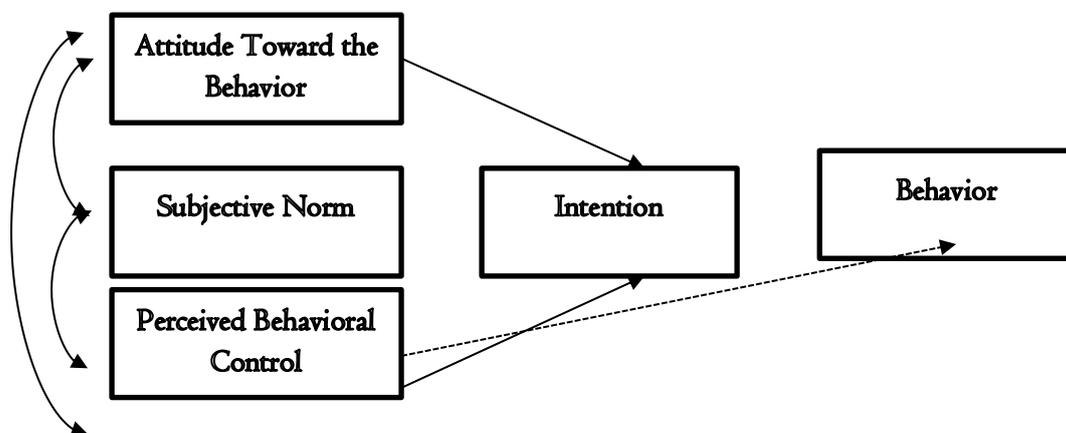
- a. Pure Sharia Customers.
In this segment, customers who under any circumstances still choose to use Islamic banking.
- b. Participatory Customers, namely customers who use Islamic banks because they are influenced by others. They use Islamic banks if they see many people use Islamic banking.
- c. Customers because of the benefits, namely customers who use Islamic banking based on the importance or advantages given by the Islamic banking.

- d. Customers because forced, namely customers who use Islamic banks because of demands from the surrounding environment, such as institutions or companies they worked, because of the payroll and business transaction.
- e. Pure Conventional Customers, namely customers who still choose to use conventional banks in any condition.

2. The Intention and Behavior Theory

Proposed by Ajzen (1985), the Theory of Planned Behavior (TPB) is the theory used to predict behavior more specifically. Initially, Ajzen and Fishbein (1975) built TPB from Reasoned Action Theory (Ramdhani, 2011). (Zhang, 2018) stated that TPB is a theory that describes how the individual made a decision by understanding and predicting their behavior, which is mainly determined by subjective norm and attitude, with additional variables namely the perceived behavioral control. Figure I illustrates the link between the variables influence the intention and behavior.

Figure I. Theory of Planned Behavior (Ramdhani, 2011)



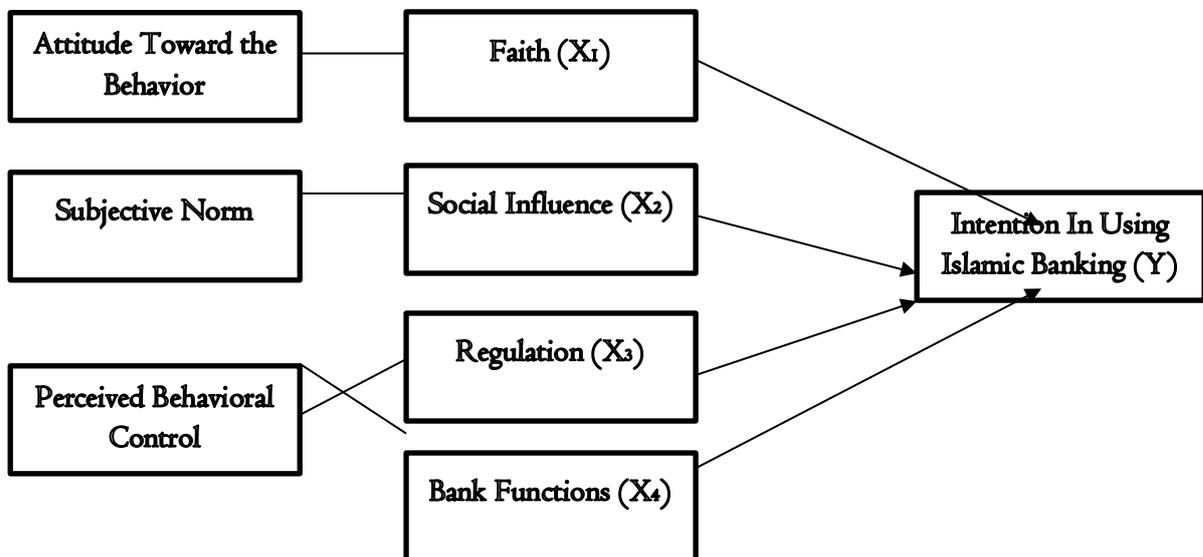
Various studies have been done to investigate the influence of these variables towards the Islamic banking customers' intention by implementing the theory. Study hold by (Aziz, S & Afaq, Z & Bashir, 2018) revealed that subjective norms, attitude, and perceived behavioral control are the essential variables of the Islamic banking adoptions in any community. (Amin, H & Rahim, A & Sondoh Jr, S & Ang, 2011), (Ahmad, 2014), (Idris, N. H & Salleh, N & Ahmad, N & Ismail, S & Yazid, 2014) and (Lajuni, N & Wong, W & Yacob, Y & Ting, H & Jausin, 2017) also suggested that both the variable of attitude, as well as social influence have significant impact on the intention.

The study conducted by (Francis, R. I & Jasin, D & Mohan, 2019) aims to understand the influence customer intention in Islamic Banking products using the

Theory of Planned Behavior and the result proves the positive and significant relationship of attitude to behavior and perceived behavioral control on consumer intention to use Islamic products in banking service.

Ayyub et al. (2019) also suggest that perceived usefulness and perceived behavior control are the most significant variables of the intention to use Islamic banking, although attitude and the subjective norm has no significant effect on the intention on Islamic banking. Meanwhile, studies conducted by (Ali, M & Syed, R & Chin-Hong, 2015) added another variable namely religious obligation and found to have a significant impact towards the intention in use Islamic personal financing. (Astuty, 2018) also find that religiosity affected the saving interest in Islamic banking. According to Tara et al. (2014), religion becomes the basis of reasoning, principles, belief systems, and behavior that someone holds with devotion and faith.

Therefore, this study is conducted with several hypotheses, as follows:



H1: Faith significantly affects the intention of the customers for using Islamic banking.

H2: Social influence significantly affects the intention of the customers for using Islamic banking.

H3: Regulation significantly affects the intention of the customers for using Islamic banking.

H4: Bank functions significantly affect the intention of the customers for using Islamic banking.

C. METHODOLOGY

The method used in this research was a quantitative method with primary data which is collected by using the questionnaires that have been tested for its validity and reliability. This study used simple random sampling and as much as 200 customers of Bank Mandiri Syariah Jayapura took part in this survey. Meanwhile, the respondent's answer is measured by Likert scale namely 1= strongly disagree, 2= disagree, 3= netral, 4= agree, 5= strongly agree. According to Roscoe (Sekaran dan Bougie, 2016), the sample size larger than 30 and less than 500 are sufficient for studies.

Data was analyzed by the multiple linear regression. This study consisted of two variables, namely the dependent variable (intention to use Islamic Banking) and independent variable (faith, social influence, regulation, and bank functions). Below is the regression model for this research.

$$\text{Intention to use Islamic Banking} = \alpha + \beta_1 \text{ Faith} + \beta_2 \text{ Social Influence} + \beta_3 \text{ Regulation} + \beta_4 \text{ Bank Function} + e$$

D. RESULTS AND DISCUSSION

I. Demography Characteristics

The research was held in the capital city of Papua Province, Jayapura City, which has a minority of Muslim population. There were 200 questionnaires were distributed to customers in Bank Mandiri Syariah Jayapura and all the questionnaires could be used in this study with the characteristics as shown by Table I.

Table I
Demography Characteristics

Karakteristik	Frequency	Percentage
Religion		
Muslims	195	97,5 %
Other than Muslims	5	2,5 %
Total	200	100%
Age		
15-25 years old	155	77,5%
25-35 years old	27	13,5%
35-45 years old	14	7%
45-50 years old	4	2%

Total	200	100%
Gender		
Female	134	67%
Male	66	33%
Total	200	100%
Marriage Status		
Married	46	23%
Not Married	154	77%
Total	200	100%
Employment		
Government Officer	15	6,5%
Entrepreneur	41	20,5%
Farmer	1	0,5%
Housewife	13	6,5%
Student	132	66%
Total	200	100%
Level of Education		
Secondary School	7	3,5%
Senior High School	43	21,5%
University	150	75%
Total	200	100%
Income		
Below Rp 1.000.000	112	56%
Rp 1 Million - Rp 5 Million	41	20,5%
Above Rp 5 Million	34	17%
Total	200	100%

2. Test of Validity and Reliability

In this survey, instrument used for gathering data was questionnaire. However, it is an obligation for testing the validity and reliability before given to the respondents. The test of validity was organized to ensure that the instrument can be used to gauge what is going to be measured. Meanwhile, the reliability test was done to confirm that the questionnaire used several times in the same object will produce the consistent result (Sugiyono, 2016). The Pearson Moment Correlation method used in this study to identify the validity by using the r counts value of each corrected item and r table value.

If the value of r-counts is higher than the value of r-table, thus the indicator stated valid. Table 2 shows the result of the validity test of each indicator in the questionnaire. There were 22 indicators and five of them were not valid.

Table 2
Validity Test

Statement Number	r-counts	r-table	Validity	
			Valid	Not Valid
1	0.277	0.3		√
2	0.410		√	
3	0.323		√	
4	0.355		√	
5	0.220			√
6	0.244			√
7	0.253			√
8	0.326		√	
9	0.420		√	
10	0.478		√	
11	0.309		√	
12	0.528		√	
13	0.461		√	
14	0.744		√	
15	0.594		√	
16	0.455		√	
17	0.284			√
17	0.396		√	
19	0.380		√	
20	0.510		√	
21	0.465		√	
22	0.559		√	

The result for reliability test indicated that the measurement is reliable when the value of Cronbach Alpha value range from 0.60 – 0.70 (Sekaran, 2003) or more than 0.70 (Nunnally, 1994). Table 3 revealed that the instrument used in this study was reliable, because the score of Cronbach's Alpha is 0.709.

Tabel 3
Reliability Test

The Value of Cronbach's Alpha	The value of Cronbach's Alpha Based on Standardized Items	Number of Indicators
0.709	0.706	22

3. Multicollinearity and Heteroscedasticity Test

In multiple regression linear, there are several classical assumptions as the requirements before conducting the analysis, so that the interpretation is unbiased. The Multicollinearity test is one of the tests which proposed to indicate a correlation among the independent variables in estimated regression model. Moreover, there is heteroscedasticity test which is conducted to satisfy that the residuals have a constant variance.

By the result of Multicollinearity, it can be concluded no multicollinearity based on the assumption that if the value of tolerance is more than 0.1 or the VIF value is under 10. Table 4 displays the result of Multicollinearity test and it figured out that the regression model used in this study has no multicollinearity problems because the result match the requirement.

Table 4
Multicollinearity Test

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
Faith	0.828	1.207
Social Influence	0.654	1.529
Regulation	0.602	1.662
Bank Functions	0.747	1.339

Meanwhile, the Glejser test used to figure out the heteroscedasticity problem identified that there is no heteroscedasticity because the value of significance is higher than 0.05.

4. Regression Result

a. The R Square Value (R²) or Coefficient Determination

Table 6 illustrates the result of the coefficient determination. It can be assumed that the dependent variable, namely the customers' intention using the Islamic Banking can be determined as much as 40.9% by the independent variables including faith, social influence, regulation, and bank functions, while the 59.1% may be revealed by the other determinations which are not involved in this study.

Table 6
Coefficient of Determinant Result
Summary of the Regression Model

R	R ²	Adjusted R ²	Standard Error of the Estimate
0.639a	0.409	0.396	0.77256

a. Independent Variables, Faith, Social Influence, Regulation, Bank Functions

b. Dependent Variable: Intention of the customers for using the Islamic Banking

b. Hypothesis Test

The Table 7 below illustrates the result of multiple regression analysis. Based on table result, it can be indicated that the variable of faith has a significant effect to customers' intention for using the Islamic Banking, because the significance value of faith variable is $0.000 < 0.05$. Meanwhile, the variable of social influence, regulation, and bank function significantly did not influence the intention of the customers for using the Islamic Banking in the level significance of 5%. The significance value of social influence is $0.071 > 0.05$, while bank functions is $0.090 > 0.05$, and regulation is $0.980 > 0.1$. Therefore, the hypothesis I is accepted while the rest hypotheses are rejected.

Table 7
Regression Result

Independent Variable	Coefficient of Regression	Standard of Error	t-value	Significance
Constanta	0.097	0.337	0.287	0.775

Faith	0.213	0.025	8.660	0.000
Social Influence	0.056	0.031	1.817	0.071
Regulation	0.001	0.024	-0.025	0.980
Bank Functions	0.023	0.013	1.706	0.090

5. Discussion

From the result, it is known that faith significantly affect the customers' intention for using the Islamic Banking. (Ramdhani, 2011) stated that in the TPB, the attitude towards behavior is determined by beliefs about consequences of behavior. It is related to individual subjective valuation and their understandings, as well as benefits and the negative impact that might be obtained if done or not. This explanation related with the result of this study, where it can be assumed that individual's belief will be able to encourage their intention on Islamic bank. Someone who believes that Islamic banks are in accordance with their faith, then their intention will increase as well. This study also has similarity with the study from (Hirmawan, 2015) and (Samsudin, 2017) which stated that faith and religiosity affect the interest in Islamic Banking. In addition, the research held by (Astuty, 2018) also in line with this study which suggested that religiosity has a significant impact on saving interest in Islamic Bank.

Meanwhile, the research revealed that social influence significantly did not affect the intention of the customers for using Islamic banking. This result has a similarity with (Wahyuni, 2012) whom suggested that social influence had no a significant impact on the customers' intention towards Islamic bank. In other side, this study contradicted with the research conducted by (Reni, A & Hayati, 2016), (Idris, N. H & Salleh, N & Ahmad, N & Ismail, S & Yazid, 2014), and (Lajuni, N & Wong, W & Yacob, Y & Ting, H & Jausin, 2017), as well as the theory of behavior (TPB) which postulate that subjective norm affects the intention. (Ramdhani, 2011) stated that subjective norm is personal perception of the expectation from significant people in someone's life regarding do or not to do certain behaviors. It implies that the assumption or expectation from other people who are significant to the customers does not have any effect to the they intention for adopting the Islamic Banking.

Moreover, the variable of regulation and bank function proved to have no significant effect on the intention of the customers for using the Islamic Banking. This

study proved to have the same conclusion with the result suggested by Amin et al. (2011) which figured out that the government support insignificantly influences the intention using the Islamic personal financing. Octarina et al. (2019) also found that perceived behavioral control had no significant influence on the intention to purchase sharia mutual products. According to the theory of Planned Behavior proposed by Ajzen and Fishbein, perceived behavioral control is determined by individual beliefs about the availability of the resource that support or inhibit behavior and the size of the impact of the resource in realizing behavior. This result indicates both the bank function and the presence or absence of regulation that supports the use of Islamic Banking and does not affect the intention of customers to use Islamic Banking products means that the opinion of the people who are close to the potential consumer is also important in de-veloping a positive intention for the adoption of Islamic banking services.

E. CONCLUSION

The objective of this study is to analyze the factors affecting the intention of customers' for using the Islamic Banking. The variables are derived from the theory of Planned Behavior modified with the Islamic Banking Development Grand Strategy proposed by Central Bank of Indonesia, namely faith, social influence, regulation, and bank functions. The findings of this study concluded that faith significantly affects intention of the customers for using Islamic Banking, while other factors including social influence, regulations, and bank functions significantly did not affect the intention of the customers for using Islamic Banking. This study recommends to the Islamic Bank for expanding their scope of services, increasing the promotion as a universal banking which giving service inclusively for all people and all segments in accordance with the strategies of each Islamic bank.

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