

## **Factors That Influence Syariah Banking Does Not Dominate the Banking Market Share in Indonesia with The Majority of Islam**

**Yenni<sup>1</sup>, Darmadi<sup>2</sup>**

*Faculty of Economics, Gunadarma University, Indonesia)*

**ABSTRACT :** This study aims to determine the factors that influence Islamic banking not to dominate the banking market share in Indonesia, which has a Muslim majority population. Independent variables: Product, Profit Sharing, Promotion, Location, Knowledge of the law of usury in Islam, and Perception. The dependent variable: the lack of interest of the Indonesian Muslim community to become customers in Islamic banking, This study uses primary data in the form of a questionnaire with a Likert scale processed with SPSS 23 software, with a sample of 140 respondents randomly, using quantitative descriptive analysis techniques. The results showed that product, profit sharing, and perception variables had no significant effect on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking, while the variables of promotion, location, knowledge of the law of usury in Islam had a significant effect on the lack of interest of the Muslim community in Indonesia to become a customer in Islamic banking.

**Keywords** - Product, Profit Sharing, Promotion, location, Knowledge of usury Law, Perception.

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### **1. INTRODUCTION**

Based on data obtained from the financial services authority in the road map for the development of the Indonesian Islamic economy until 2019, the growth of Islamic banking in Indonesia only reached 27.98%. This percentage is very far when compared to the growth of conventional banks which skyrocketed to reach 94.67%. This is in contrast to the population of Indonesia, which is predominantly Muslim, which is 219.9 million people or 87.18% according to BPS data in 2010. When compared with other Islamic countries, such as Saudi Arabia, Iran, Malaysia, Qatar, Kuwait, Bahrain and Turkey, Indonesia's position is ranked 9th in the category of the largest Islamic financial assets in the world. (source: OJK snapshot june 2018)

In addition to being in the position of the largest number of Muslims in the world, the majority of the population of Indonesia is Muslim. Based on Table 1.2 which shows the total population of Indonesia by religion, as many as 87.18% of the total population of Indonesia is Muslim. As a country with a Muslim majority, Indonesian Muslims, of course, in carrying out their life principles must be based on Islamic rules. One of them is carrying out economic principles in accordance with Islamic law. So that to meet the community's need for a sharia-based financial system, Islamic financial institutions have developed in Indonesia. Islamic banking in Indonesia

continues to develop due to public demand for an alternative banking system that meets sharia principles and of course still provides sound banking or financial services.

The existence of Islamic Banking in Indonesia aims to accommodate the population in Indonesia in conducting social transactions according to the Shari'a (muamalah). Indonesians should use banking services that are Shariah in nature. However, of all types and models of financing offered by Islamic Bank financial institutions, the interest of the Muslim community to use it is still relatively low. In other words, there are still many Muslim communities who prefer to use the financing products offered by conventional banks rather than Islamic banks.

Based on the explanation above, the researcher wants to know the causes that influence Islamic banking in Indonesia not to dominate the market share of Islamic banking in Indonesia, which is predominantly Muslim. Where the variables to be studied are product, profit sharing, location, promotion, knowledge of the law of usury in Islam, and perception.

## 2. LITERATURE REVIEW

### 2.1 Products

Bank products are services offered to customers to get attention, to be owned, used or consumed to meet customer needs and desires. Bank products consist of savings products (current accounts, savings and time deposits), loans (credit) or other bank services such as transfers, clearing, collections, safe deposit boxes, credit cards, letters of credit, bank guarantees, traveler chaques, bank drafts. and other bank services (Wahjono, 2010: 15-16).

### 2.2 profit sharing

Profit sharing is the distribution of business results that have been carried out by the parties to the agreement, namely the customer and the sharia bank. In the event that there are two parties entering into a business agreement, the results of the efforts made by both parties or one of the parties will be divided according to the portion of each party entering into the contract agreement. The distribution of operating results in Islamic banking is determined by using a ratio (Ismail, 2011: 95).

### 2.3 Promotion

By Mahmud Machfoedz (2010), promotion is an effort made by companies/marketers to influence other parties to participate in the changes they make. Marketing uses various means to promote the products and services they offer. Besides advertising, they also use personal selling, public relations, and sales promotions to inform potential consumers. This combination of promotional tools is called the marketing mix. In the book by Siswanto Sutojo, promotion is an activity carried out to inform buyers about the existence of a product in the market or certain marketing policies that have just been established by the company, for example giving a purchase bonus or cutting prices.

### 2.4 Location

Whereas in bank marketing, location is a network (network) where bank products and services are provided and can be utilized by customers (Wahjono, 2010: 126). In general, the purpose of the location strategy is to maximize the profits obtained, location is one that influences customers to save at the bank due to the proximity between the customer's house and the bank's location and the location is easily accessible by vehicles and the condition of the building with the presence of room organizers, building maintenance so as to make customers feel comfortable (Yuliato, 2010).

## 2.5 Knowledge of the Law of Usury in Islam

"According to Hanabilah, usury is the addition of something specific." According to Law no. 21 of 2008 concerning Islamic Banking, usury is an illegal addition of income (batil), among others, in the exchange of goods of the same kind, quality, quantity, and time of delivery (fadhl) or in borrowing and borrowing transactions that "require the customer receiving the facility to return funds exceed the principal of the loan because of the passage of time (nas"ah)".

## 2.6 Perception

Humans have different perceptions of something whether it is seen from the knowledge factor or their experience of an event. Perception is an active process of each person paying attention, organizing, and interpreting all his experiences selectively (Mulyana, 1996: 39).

## 2.6 desire

Desire is a person's tendency to choose an activity among several other activities. Interest is described as a person's situation before taking an action, which can be used as a basis for predicting the behavior of the action. Interest means encouragement or driving force.

### 3. RESEARCH METHODS

The object of this research is Islamic Banking. The type of data in this study consisted of primary data and secondary data. This research is quantitative data where the data can be expressed in the form of numbers, it will be easy to apply to SPSS data processing. The SPSS used in this study is the SPSS 23 computer program. This analysis provides a description (description) of data which will then be interpreted in the discussion.

### 4. RESULTS AND DISCUSSION

#### 4.7.2. Partial Hypothesis Testing (T Test)

Partial testing is used to see the effect of the product, profit sharing, promotion, location, the law of usury in Islam and the perception of the lack of public interest in becoming a customer of Islamic banks in each variable. The t-table value in this study was determined by the t-table value of 1.977 which value was obtained from  $/2$  ;  $n-k-1 = 0.05/2$  ;  $140 - 6 - 1 = 0.025$  ; 133 with information ( is the error tolerance limit set with a value of 5% (0.05), n is the number of samples and k is the number of variables in the study), the following t-test table is generated:

Tabel 4.26: Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1	(Constant)	10,728	2,225		,000		
	Product	,220	,238	,087	,922	,358	,713
	Profit Sharing	-,114	,104	-,110	-1,097	,275	,633
	Promotion	,260	,092	-,301	2,819	,006	,555
	Location	,395	,139	,312	2,851	,005	,527
							1,897

Knowledge of the Law of Usury in Islam	,172	,066	,211	2,609	,010	,971	1,030
Perception	-,183	,125	-,140	-1,458	,147	,682	1,467

a. Dependent Variable: desire

Source: Results of 2019 primary data analysis

➤ Product (Ha1)

The significant value is  $0.358 > 0.05$  and the t-count value is  $0.922 < 1.977$ , so it can be concluded that Ha1 is rejected.

➤ Profit sharing

The significant value is  $0.275 > 0.05$  and the t-count is  $-1.097 < 1.977$ , so it can be concluded that Ha2 is rejected.

➤ Promotion

The significant value is  $0.006 < 0.05$  and the t-count value is  $2.819 > 1.977$ , so it can be concluded that the promotion variable Ha3 is accepted.

➤ Location

The significant value is  $0.005 < 0.05$  and the t-count value is  $2.851 > 1.977$ , so it can be concluded that the location variable (Ha4) is accepted.

➤ Knowledge of the law of usury in Islam

The significant value is  $0.010 < 0.05$  and the t-count value is  $2.609 > 1.977$ , so it can be concluded that the variable knowledge of usury law (Ha5) is accepted.

➤ Perception

The significant value is  $0.147 > 0.05$  and the t-count is  $-1.458 < 1.981$ , so it can be concluded that the perception variable (Ha6) is rejected.

#### 4.8 Data Analysis Results

The process of data analysis resulted in several research conclusions that emerged from the hypothesis statements that had been tested. The presentation of the discussion is grouped into each variable consisting of 6 variables, namely product (X1), profit sharing (X2), promotion (X3), location (X4), knowledge of the law of usury in Islam (X5), and perception (X6) . The findings are discussed in detail below.

##### Factors influencing product variables on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking

The t-test carried out in this study on the product variable (X1), obtained the t-count value  $< t\text{-table}$ , namely  $0.922 < 1.977$  and the significance value of  $0.358 > 0.05$ , this means that the independent variable, namely the product does not have a positive effect on the lack of interest of the Indonesian people to become customers in Islamic banking, and the results of the product variable research (X2) are not in accordance with the hypothesis which states that the product has an effect on the lack of public interest in becoming customers in Islamic banking. from the results of this study it can be concluded that the product factor in Islamic banking is not what causes the Islamic community in Indonesia to be reluctant to become customers in Islamic banking.

##### Factors influencing the profit-sharing variable on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking

The t-test conducted in this study on the profit-sharing variable (X2), obtained the t-count  $< t\text{-table}$ , namely  $-1.097 < 1.977$  with a significance value of  $0.275 > 0.05$ , based on this value it can be interpreted that the independent variable is for the results also do not have a positive effect on the lack of interest of the Indonesian

people to become customers in Islamic banking, and the results of the research on the profit sharing variable (X2) are also not in accordance with the hypothesis which states that the product has an effect on the lack of public interest in becoming customers in Islamic banking. From the results of this study it can be concluded that the profit sharing factor applied to Islamic banking is not the cause of the lack of interest of the Islamic community in Indonesia to become customers in Islamic banking.

#### **Factors influencing the promotion variable on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking**

The public will be more familiar with and know a product that is owned by a bank if the bank can promote its products properly and optimally. The more attractive the promotion, the higher the customer's interest in saving. Promotion in this modern era is not only using print media but also entering the realm of the digital world, which certainly every home and community has it.

The results of the T-test on the promotion variable (X3) in this study obtained the t-count > t-table, namely  $2.819 > 1.977$  and a significance value of  $0.006 < 0.05$  which means that the independent variable, namely promotion (X3) has a positive influence on the variable. dependent, namely the lack of interest (Y, and the results of the research on the promotion variable (X3) are in accordance with the hypothesis which states that promotion affects the lack of public interest in becoming customers in Islamic banking, from the results of this study it can be concluded that one of the causes of the lack of public interest in Indonesia is To become a customer in Islamic banking is due to the lack of promotions carried out by Islamic banking banks in Indonesia, both promotions in print media and promotions in digital media.

#### **The factor of the influence of the location variable on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking**

Determining the location of a bank is a very important policy. Banks located in strategic locations make it very easy for customers to deal with banks. In addition to a strategic location, another thing that also supports this location is the layout of the building and the layout of the bank's room. That is, in determining the correct and proper layout of the room, it will increase customer convenience in dealing with the bank. A good and strategic bank location should fulfill common considerations such as: close to the market, close to consumers, close to housing, close to offices, close to industry and public attitudes. This is certainly very important to consider in determining the location of Islamic banks because if this is not considered, it will have an impact on the development of Islamic banks themselves. The choice of location has a strategic nature because it determines the achievement of the business entity. According to Kotler (2002:60) one of the keys to a successful business is location. Location has an influence on consumer purchasing decisions.

The results of the T test on the location variable (X4) in this study obtained the value of t-count > table, namely  $2.851 > 1.977$ . The significance value is  $0.005 < 0.05$ , which means that the independent variable, namely location (X4) has a positive influence on the dependent variable, namely lack of interest (Y), and the results of the research on the location variable (X4) are in accordance with the hypothesis which states that location has an effect to the lack of public interest in becoming customers in Islamic banking,

From the results of this study, it can be concluded that the lack of interest of the Indonesian people to become customers in Islamic banking is due to the location of Islamic banking Islamic banks which are far from people's residences and the location of Islamic banking ATMs is still very limited. This is reinforced by the previous research of Muhammad Abdullah Irsyad which stated that around 65% of the respondents studied stated that they did not want to save in Islamic banks because of their location far from their place of residence. Therefore, the proximity of Islamic bank offices to community settlements should be a consideration for Islamic banks, because people tend to prefer to save in banks that are close to where they live.

### **Factors influencing the knowledge of usury law in Islam on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking**

The variable understanding of the law of usury in Islam (X5) based on the t-test, the value of t-count > table is  $2.609 > 1.977$ . The significance value is  $0.010 < 0.05$ , which means that knowledge of the law of usury in Islam has a significant effect on the lack of interest of the Indonesian people to become customers of Islamic banking (Y). This is in accordance with the hypothesis which states that knowledge of the law of usury in Islam has an effect on the lack of interest of the Indonesian people to become customers in Islamic banking.

This shows that the more knowledge of usury law in Islam a person has, the higher the public's interest in using Islamic banking institutions. This also applies when a person's lack of knowledge of the law of usury in Islam, the lower one's interest in becoming a customer of Islamic banking.

### **Factors influencing the perception of variables on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking**

Variabel persepsi (X6) berdasarkan uji t diperoleh nilai t-hitung < tabel yaitu  $-1,458 < 1,977$ . Nilai signifikansi sebesar  $0,147 < 0,05$ , yang berarti bahwa persepsi tidak berpengaruh signifikan terhadap kurangnya minat masyarakat muslim indonesia untuk menjadi nasabah di perbankan syariah (Y). penelitian ini tidak sesuai dengan hipotesis yang menyatakan bahwa persepsi berpengaruh terhadap kurangnya minat masyarakat Indonesia untuk menjadi nasabah di perbankan syariah. Dari hasil penelitian ini dapat disimpulkan bahwa faktor persepsi yang selama ini beredar di masyarakat bukanlah juga sebagai penyebab dari kurangnya minat masyarakat islam di indonesia untuk menjadi nasabah di perbankan syariah..

## **5. CONCLUSIONS AND RECOMMENDATION**

### **Conclusion**

Based on the research on the factors that influence Islamic banking not to dominate the banking market share in Indonesia, which has a Muslim majority population, it can be concluded that:

1. The product has no positive and significant effect on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking, this is indicated by the value of tcount < ttable ( $0.922 < 1.977$  and a significant value of  $0.358 > 0.05$ ).
2. Profit sharing has no positive and significant effect on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking, this is indicated by the value of tcount < ttable ( $-1.097 < 1.977$  and a significant value of  $0.275 > 0.05$ ).
3. Promotion has a positive and significant effect on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking, this is indicated by the value of tcount > ttable ( $2.819 < 1.977$  ) and a significant value of  $0.006 > 0.05$ .
4. Location has a positive and significant effect on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking, this is indicated by the value of tcount > ttable ( $2.581 < 1.977$  ) and a significant value of  $0.005 > 0.05$ .
5. Knowledge of the law of usury in Islam has a positive and significant effect on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking, this is indicated by the value of tcount > ttable ( $2.609 < 1.977$  ) and a significant value of  $0.010 > 0.05$ .
6. Perception has no positive and significant effect on the lack of interest of the Muslim community in Indonesia to become customers in Islamic banking, this is indicated by the value of tcount < ttable ( $-1.458 < 1.977$  and a significant value of  $0.147 > 0.05$ ).

## Recommendations

1. On the part of Islamic banking players, in order to increase all kinds of promotions, be it print media, digital media and banking players can add branch offices and sub-branch offices in all corners of Indonesia by increasing the number of ATM outlets which are currently very limited.
2. So that all scholars, scholars, teachers and Islamic religious leaders are very serious together to provide an understanding of the law of usury and the threat of usury to all Muslims, be it through educational institutions, assemblies, or through written writings.

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Corresponding Author: **Yenni, Faculty of Economics, Gunadarma University, Indonesia.**

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