

The Influence of Community Understanding in Interest of Transaction in Sharia Banking

Alam Firman Syah^{1*}

¹ Faculty of Islamic Studies, Universitas Muhammadiyah Surakarta, Surakarta, Indonesia

Abstract

Islamic banking has challenges in society's development. The small number of customers transacting in Islamic banking requires a special study to find solutions to developing public interest in Islamic banking. The purpose of this study is to determine the influence of public understanding of transactions in Islamic banking through various studies that have been conducted. The method used is analytical descriptive research with literature study. 8 (eight) articles are following the research. The study states that there is a relationship between public understanding/literacy and interest in transactions in Islamic banking.

Keywords: Understanding, transactions, sharia banking.

Introduction

The development of Islamic banking in Indonesia, which has been running for more than three decades since 1992, is considered by many to still be growing far below its potential. Although Islamic banking assets, both Islamic Commercial Banks (BUS) and Islamic Business Units (UUS), have reached IDR 785 trillion as of May 2023 or almost IDR 800 trillion, when viewed from the market share, the figure has only grown 2.3 percent over 10 years from 4.9 percent in 2013 to 7.2 percent in May 2023. This market share figure has also been assisted by converting several BPDs to the Sharia model and implementing the Islamic Financial Institution (LKS) Qanun in Aceh (Imam Teguh Saptono, 2023).

When compared globally, despite being in the top 10 major countries, the assets and market share of Islamic banking in Indonesia are far below other major countries, including Malaysia. As of May 2023, Islamic banking assets in Malaysia had reached around IDR 3,500 trillion (4.5 times larger than Indonesia), where the market share increased by 18 percent over 10 years from 28 percent in 2013 to 46 percent in May 2023. (Imam Teguh Saptono 2023).

At the bank level, the assets of the largest Islamic bank in Saudi Arabia (Al Rajhi) reached IDR 2,900 trillion, while in Malaysia (Maybank Islamic), it reached IDR 940 trillion, or many times greater than the assets of the largest Islamic bank in Indonesia (BSI) which amounted to IDR 305 trillion in 2022. This situation must be recognized as the backwardness of the Indonesian Islamic banking industry, which also represents the backwardness of the Islamic financial industry in Indonesia in general. (Imam Teguh Saptono 2023).

RootThis problem is most likely caused by the lack of knowledge about Islamic banking transactions in the Muslim community in Indonesia. Many Muslims still think that Islamic banks are the same as conventional banks, the difference between the two is only superficial, while the substance is the same. So, it is unsurprising that lay people think transacting in Islamic banks is no different from saving in conventional banks (Imam Teguh Saptono 2023).

Many still do not understand the systematics of Islamic economics and its terms applied to Islamic banks. This situation is truly unfortunate, considering that systematic Islamic banks have many advantages compared to conventional banks, both in terms of spiritual and rational aspects. In the spiritual aspect, of course, Islamic banks are following the spirit of Islam, while in the rational aspect, Islamic banks are more just and far from injustice. (Imam Teguh Saptono 2023). Islamic banking in Indonesia has continued to grow since its law was enacted in 2008. However, an increase in public understanding of Islamic banking has not accompanied it. This is indicated by the still low literacy index of the Indonesian people towards Islamic finance. Based on the National Literacy and Inclusion Survey (SNLKI) conducted by OJK in 2022, the Sharia financial literacy index only reached 9.14 percent, which is very far from the conventional financial literacy index, which reached 49.68 percent. (Anonymous 2023). This gap in the literacy index is thought to be the cause of the growth of the market share of Indonesian Islamic banking, which is still low when compared to the growth of the market

* Corresponding author: O200230007@student.ums.ac.id

share of conventional banking over the past 10 years. Literacy is the extent of a person's knowledge and understanding of something so that views and attitudes emerge toward something he already knows (Fauzi and Murniawaty 2020).

The Islamic financial system, including the Islamic banking system, is a financial system that bridges parties who need funds and parties who have excess funds through financial products and services that are following Sharia principles. All transactions that occur in Sharia financial activities must be carried out based on Sharia principles, namely those based on the teachings of the Quran and Sunnah. In Indonesia, Sharia Principles are the principles of Islamic law in banking and financial activities based on fatwas issued by the National Sharia Council (DSN).

The Islamic financial system is based on two main principles, namely the *svar'i* principle and the *tabi'i* principle. Among the sharia principles in the sharia financial and banking system are:

1. Freedom of transaction must be based on mutual consent, and no party is wronged based on a valid contract. In addition, transactions may not be made on haram products such as pork, human organs, pornography, and so on.
2. Free from *maghrib* (maysir, which is gambling; *gharar*, which is uncertainty/fraud; and usury, which is taking additional capital or principal in a *Batil* (illegal) manner).
3. Free from attempts to control, engineer, and manipulate prices.
4. Everyone has the right to obtain balanced, adequate, and accurate information to avoid ignorance when making transactions.
5. The parties to the transaction must consider the interests of third parties that may be affected. Therefore, third parties are given rights or choices.
6. Transactions are based on mutually beneficial cooperation and solidarity (brotherhood and mutual assistance).
7. Every transaction is carried out in order to realize human welfare.
8. Implementing zakat (Soemitro 2015).

Meanwhile, the *tabi'i* principles are principles produced by interpreting reason and science in running a business, such as capital management, basic technical analysis, cash flow management, risk management, etc. (Soemitro 2015). Thus, the Islamic financial system is formulated from a combination of two forces at once first, the principles of sharia taken from the Qur'an and Sunnah, and second, the principles of *tabi'i* which are the result of human reason's interpretation in dealing with economic problems such as management, finance, business and other relevant economic principles. The Islamic financial system is a flow of financial systems based on Islamic ethics. The Islamic financial system not only considers aspects of return (profit) and risk but also considers Islamic values. (Soemitro 2015)

This is not impossible by seeing the many advantages of the Islamic financial system. Indonesian Islamic banking market share figures can grow rapidly as long as a community literacy movement towards Islamic banking products accompanies them. Therefore, this study tries to conduct a literature review of the research results on Islamic banking literacy.

Method

This study uses a descriptive-analytical method with a qualitative approach. Data collection techniques are through literature studies. Research data is taken from secondary data using the Google Scholar search engine published in 2018 - 2023 with the keywords "understanding and Islamic banks." Supporting data related to Islamic economic literacy, especially in Islamic banking. The research stage is done through data inventory, classification, and interpretation.

Result and Discussion

Result

Eight studies are linear with the research taken. Literature studies were obtained through the Google Scholar search engine.

Table 1. Research results are based on literature studies on understanding and interest in Islamic banking.

Writer	Research Title	Method	Outcome
Zuhirsyan (2018)(Zuhirsyan and Nurlinda 2018)	The Influence of Religiosity and Customer Perception on the Decision to Choose Islamic Banks	Survey method to 100 respondents selected purposively.	There is a significant influence of religiosity on the decision to choose a Sharia bank, while customer perception has a positive but insignificant influence. Significant.

The Untamed (2020)(Blessings 2020)	The influence of knowledge on the interest in saving among Islamic boarding school communities in Islamic banks.	This research's primary data source is data from teachers and students. Data collection techniques are carried out using documentation techniques.	Knowledge partially positively and significantly influences the Interest in Saving in Islamic Banks studied.
Dayan, 2019(Dayyan, Riza, and Ridwan 2019)	Analysis of public understanding of Islamic banking on interest in saving.	The research involved 11 respondents who were interviewed in-depth (in-depth interviews).	Most respondents do not understand Islamic banking (products, strengths, and weaknesses). Only two out of 11 respondents have savings in Sharia banks.
Dayan, 2019(Iqbal 2019)	Analysis of public understanding of Islamic banking on interest in saving.	Qualitative descriptive research method. The study involved 13 respondents from entrepreneurs and Civil Servants (PNS). Data collection was carried out using observation, interview, and documentation techniques.	There are three categories of respondents, namely understanding, less understanding, and not understanding Islamic banking, as assessed from transactions and understanding of contracts/processes in Islamic banking.
Ismanto, 2018(Ismanto 2018)	Community Literacy and Its Impact on Interest in Becoming a Sharia Bank Customer	Primary research data were obtained through questionnaire distribution and interviews. The questionnaire was filled out by 17 respondents randomly.	Respondents have general knowledge about Islamic banks but do not know the details of the muamalat contracts in Islamic banking products. Sharia compliance and personal reasons are the main factors that contribute to their interest in becoming Islamic bank customers.
Mary 2018(Ulva 2018)	Public Understanding of Islamic Banking (Case Study in Adi Jaya Village, Terbanggi Besar District, Central Lampung Regency)	Research with qualitative descriptive methods. Sources of primary data and secondary data sources. Qualitative data analysis techniques using inductive methods.	Most people do not know what products and services are available at Islamic banks.
Ruwaidah, 2020(Ruwaidah 2020)	The Influence of Sharia Financial Literacy and Shariah Governance on Students' Decisions in Using Sharia Banking Services	The research used quantitative methods, and samples were taken from students using convenience sampling.	Sharia financial literacy influences students' decisions to use Sharia banking services.
Hasibuan, 2020(Hasibuan and Wahyuni 2020)	The Influence of Public Knowledge and Interest in Applying Islamic Values on the Decision to Use Islamic Banking Savings (Case	This research uses an approach method Quantitatively. Consisting of 100 respondents. Data collection techniques using	Public knowledge influences decisions using Islamic Banking savings products.

Discussion

According to Zuhirsyan's research (2018), BRI Syariah bank customers KC. S. Parman Medan, as respondent, will determine the influence of religiosity and customer perceptions on the decision to choose a Sharia bank. The results of the study showed that simultaneously, the aspects of religiosity and customer perceptions significantly affected the decision to choose a Sharia bank. (Zuhirsyan and Nurlinda 2018). Nurbaiti's research (2020) used the Ar-Raudatul Hasanah Islamic Boarding School Community, Medan, North Sumatra, as a sample to determine how much knowledge influences the interest in saving in Islamic banks. The study's results showed that knowledge significantly positively influenced the interest in saving in Islamic banks. (Blessings 2020). Dayyan's research (2019) used the community in Gampong Jawa as a sample to analyze the community's understanding of Islamic banking and its interest in saving. The study results stated that the understanding of the Javanese Gampong Community regarding Islamic banking is directly proportional to the interest in saving. (Dayyan, Riza, and Ridwan 2019).

Suppose we pay close attention to the results of the three studies above. In that case, they all show that the level of literacy significantly influences increasing public interest in Islamic banking products. Meanwhile, education about Islamic banking has not been serious so far, so the results are less than optimal. The marketing strategy of Islamic banks is not yet fundamental, precise, and accurate on target. Practitioners who do not come from a background of ulama/Islamic boarding schools do not yet understand the psychology of Islamic economic preaching. Although there are seminars, articles, and various explanations, none of them are yet optimal and have not yet sharply explained to the public rationally the advantages of Islamic banks and the injustices of conventional banks. The material of the ulama's lectures is still mostly emotional and religious. This means inviting the public to transact with Islamic banks just because of the Islamic label. In fact, what should be prioritized is an objective, rational approach that Islamic banks are truly "superior and create the welfare of humanity. On the other hand, the usury system has caused damage to the world economy and society. For that, we need to create Ustaz/dai/ulama of Islamic banks that have sufficient knowledge to preach Islamic banks.

So it would be very appropriate if in 2023, OJK focuses on Building Financial Literacy in Village Communities Through Strategic Alliances with Related Ministries/Institutions, Village apparatuses, Village PKK drivers, and KKN Students. This is stated in the Strategic Direction of Financial Literacy in 2023, where the priority targets for financial literacy in 2023 are students/Islamic boarding school students, MSMEs, people with disabilities, and communities in 3T areas (Frontier, Outermost, and Disadvantaged) (Anonymous 2023).

Conclusion

There is a relationship between public understanding/literacy and interest in transacting in Islamic banking.

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