

## Decisions about lack of interest in financing at Islamic banks (Case Study of Communities in Pemalang)

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**ABSTRAK:** Penelitian ini bertujuan untuk mengidentifikasi dan menguji variabel-variabel yang berkontribusi terhadap rendahnya tingkat suku bunga tabungan di bank syariah. Penelitian ini menggunakan desain penelitian kualitatif dengan partisipan yang diambil dari wilayah Pemalang. Penelitian ini menggunakan metode pengumpulan data primer, termasuk observasi, dokumentasi, dan wawancara. Selain itu, teknik triangulasi juga digunakan untuk menjamin keabsahan data. Informasi mengenai variabel-variabel yang mempengaruhi rendahnya tingkat suku bunga bank syariah dikumpulkan untuk penelitian ini. Penelitian ini menemukan bahwa sejumlah faktor yang berkontribusi terhadap kurangnya minat masyarakat untuk menabung di bank syariah adalah keuntungan yang diperoleh, gaji yang diterima oleh bank konvensional, kurangnya strategi pemasaran yang digunakan oleh bank syariah, ketidaktahuan tentang syariah, pengaruh budaya dan adat istiadat, kenyamanan, penutupan bank syariah, ketidakpastian tentang kepatuhan syariah, dan kurangnya syariah dan keamanan. Diharapkan bahwa penelitian ini akan membantu bank-bank syariah di Indonesia dalam mengembangkan rencana pemasaran yang lebih efektif untuk menarik nasabah agar membuka rekening di bank-bank tersebut. Dengan demikian, bank-bank tersebut akan dapat meningkatkan pangsa pasar mereka.

**Kata kunci:** Strategi, Minat Menabung, Perbankan Syariah.

**ABSTRACT:** This study aims to identify and examine the variables that contribute to the low interest rate on savings accounts in Islamic banks. This study employs a qualitative research design with participants drawn from the Pemalang region. The present investigation employs primary data gathering methods, including observation, documentation, and interviews. Furthermore, triangulation techniques were employed to guarantee the veracity of the data. Information on the variables influencing the low interest rate in Islamic banks was gathered for the study. The study discovered that a number of factors contribute to people's lack of interest in saving with Islamic banks: profits made, salaries received by conventional banks, lack of marketing strategies employed by Islamic banks, ignorance of Sharia, influence of culture and customs, convenience, closure of Islamic banks, uncertainties regarding Sharia compliance, and lack of Sharia and security. It is anticipated that this research will assist Indonesian Islamic banks in developing more effective marketing plans to draw clients to open accounts with them. They will eventually be able to grow their market share thanks to this.

**Keywords:** Strategy, Interest in Saving, Islamic Banking.

### 1. INTRODUCTION

Indonesia is a country where the majority of the population is Muslim. A report from the Royal Islamic Strategic Studies Center (RISSC) states that there are 237.56 million Muslims in Indonesia, or 86.7% of the total population. Therefore, by 2022, Indonesia

will again become the country with the largest Muslim population in the world. To further boost Islamic banking, Indonesia has a large market share of Islamic banks. However, unfortunately, the market share of Islamic banking in Indonesia only amounted to 4.87 percent in 2015 (Sultamir, 2020).

One of the main problems facing Islamic banks is the low public interest in them (Setyawan, 2020). Since the public perception of Islamic banks is not as complete as conventional banks, Islamic banking lacks clients. In fact, Islamic banks have many advantages, such as no management fees, special products not found in conventional banks, no interest, and compliance with the law. As a result, the public's opinion about them is dead wrong (Susianto, 2019).

Saving is the act of setting aside a portion of money from profits. People can use banking services to save money. Banks play a significant role in driving the progress and development of a country. Because it does not only prioritize profits, but also focuses on improving the quality of life of the community. According to Article 1 Paragraph 2 of Law No. 21 of 2008 on Islamic banking, this is mentioned. Islamic banking helps people who have money with people who need it by providing trust. This means that Islamic banks are responsible for ensuring the safety of their clients' funds (M.Zamroni, 2018).

Islamic banks are managed by a sharia supervisory board, which is tasked with keeping the Islamic financial system in line with sharia principles. The objective of Islamic banks is to generate commercial profits and avoid usury, although the law prohibits usury. However, since there is a risk of loss in any trading activity, it allows profits from trading activities (Cunningham, 1997). The principles of the Islamic banking system, according to the financial services authority, are based on results: providing a mutually beneficial banking system for the community, emphasizing aspects of justice in transactions, ethical investment, emphasizing the value of brotherhood and togetherness in production, and avoiding unauthorized transactions speculative financial transactions.

The term "Islamic bank" was not yet used in Banking Law No. 14/1968. However, Bank Law No. 7/1992 was passed due to the demands of the public and various Islamic organizations, especially MUI and ICMI. Bank Muamalat, the first Islamic bank in Indonesia authorized by Banking Law No. 7/1992, offered Indonesians a choice of banking products and services. From 1992 to 1998, no Islamic bank developed in Indonesia, with only one (1) Islamic bank and 78 Islamic Rural Banks (BPRS) operating during the six years. Islamic banks, on the other hand, showed excellent performance in terms of quality. While conventional banks were quite the opposite, the 1997 Asian economic crisis had no impact on them. The crisis resulted in the bankruptcy of 17 conventional banks, which eventually had to be closed down. Islamic banking does not allow the use of interest in every transaction. Since Islamic law strictly forbids the addition of various interests to the returns of financial transactions, the rate of return should refer to the initial agreement and real economic activity. Since Islamic banking places a high priority on fairness, profits and risks are shared between the two (N.Juhandi, 2019).

According to data collected by the Financial Services Authority, the market share of Islamic finance stood at 10.41% in June 2022, which is an increase compared to the previous year. Despite the increase, there are some things that need to be considered together, one of which is the significant difference between the conventional financial market and the newer market. The small market share of Islamic finance indicates low public interest in Islamic finance compared to conventional finance. This is considering that 237.56 million Indonesians are Muslim, which makes up 86.7% of the population.

According to Toni EB Subari, chairman of the Indonesian Islamic banks association, one of the factors contributing to this is the low level of literacy in the Islamic banking market. Islamic financial literacy is still low, as shown by the Islamic banking literacy index which remains at 9.14% in 2022, despite the positive performance of Islamic banking. This is due to the fact that Islamic banks have fewer branches than conventional banks, and they have a smaller share of the market so competing with conventional

banks is difficult. In addition, understanding Islamic products is important, but is currently poorly understood. The problem of Islamic banking in Indonesia stems from this consumer ignorance (Affif, 2006).

According to Murniati, it is possible that Islamic banks can develop faster than conventional banks. According to Indonesia's Sharia Finance Development Roadmap, the development of Islamic finance has resulted in many things, such as an increase in population and services, as well as the establishment of infrastructure that supports the sharia-based financial sector. One of the ten countries with the largest Islamic finance index in the world is Indonesia. However, the development of the conventional financial industry has not been comparable to the development of the Islamic financial industry. Therefore, to attract customers who intend to raise their funds in Islamic banks, a more attractive marketing strategy is needed compared to previous methods. This will also help increase the market share of Islamic banks to increase their assets (Zuhdi, 2022).

One way to increase the market share of Islamic banks is to increase public understanding of Islamic banks. This will result in an increase in the market share of Islamic banks. If Islamic banks want to attract the public to save, they must also conduct promotions to introduce their goods and services to the public. This is because promotion is very important to provide the right information to the public (Syaifullah, 2016). In addition, the management of Islamic banks must understand the variables that can influence people's decision to save in Islamic banks. It is clear that Islamic banking and Islamic financial institutions have very promising prospects. Islamic values should be incorporated into Islamic banking, which should not only be a financial option for the majority of Indonesian Muslims, but should also be a reliable first choice. In this way, Islamic values will be felt directly by everyone, not just those who are Muslim.

Similar previous research has been conducted by Halnira and Susianto (2019), who used a quantitative approach to determine the reasons why people are not interested in saving in Islamic banks. According to the study, knowledge, products, and location are the three factors that cause people not to be interested in saving in Islamic banks. Maretha (2022) used a quantitative approach to analyze the reasons why Sidoarjo students want to become customers of Islamic banks. The results showed that the two factors that influence people's interest in saving in Islamic banks are results and services. According to Ningsih, the determinants of public interest in saving at Islamic banks, there are many factors that influence public interest in saving at Islamic banks. Studies show that the desire to save is influenced by the location of Islamic banks, trust, knowledge, promotion, and service quality.

The researcher wanted to evaluate the factors that, based on previous presentations, reduce the interest to save in Islamic Banks. Islamic banking was chosen because the number of Muslims in Indonesia is not proportional to the number of Islamic banking customers. As a result, the Indonesian Muslim community has not fully participated in the development of Islamic banking. Therefore, the author would like to conduct further analysis on the factors that cause people to be uninterested in saving in Islamic Banks.

## **2. METHOD**

This qualitative research aims to provide an overview of the perspectives and experiences of a number of participants. The purpose of this study was to collect data on the main components that contribute to the lack of desire to save in Islamic banks. Data was collected using a semi-structured in-depth interview approach. The researcher wrote short answers and recorded voice recordings of the interviews. The researcher then analyzed and interpreted the interview transcripts into sub-discussions of their

research results. The researchers also used triangulation techniques to ensure the validity of the data.

A random sample of 9 people living in Pemalang Regency do not have accounts in Islamic banks and have never conducted transactions in Islamic banks, either for savings or other transactions. Instead, they preferred to save and transact in conventional banks. During the participant selection process, employment data can also be considered as it is expected to convey the different experiences of each participant. To maintain privacy and comfort when providing information, the names of the informants involved in this study are identified using abbreviated names.

### **3. RESULT AND DISCUSSION**

#### **RESEARCH RESULTS**

Nine people interviewed by the researcher agreed that an Islamic bank is a bank that conducts transactions in accordance with sharia principles. The author conducted in-depth interviews with informants after basic interviews about Islamic banks. Only 6 (six) informants out of 9 (nine) participants could be interviewed thoroughly. This is because three informants did not know anything about Islamic banks. In addition, to make the comparison between conventional and Islamic banks more difficult, six informants were interviewed thoroughly and asked their reasons for choosing to save in conventional banks rather than Islamic banks.

##### **1. Benefits obtained**

Focus When choosing a bank to save, this research provides benefits for informants. Because people believe that if the profits of Islamic banks are lower than conventional banks, they may not be very interested in saving there and prefer to save in conventional banks with greater profits. All of the above statements show that people have not fully accepted the Islamic bank yield system. Because some people believe that the profit in question is the amount of interest received.

##### **2. Salary through conventional banks**

Many businesses use conventional banks rather than Islamic banks to pay their employees. Based on the informants' statements, it is clear that companies still rarely choose Islamic banks as a way to pay their employees' salaries. As a result, Islamic banks may be less attractive in the eyes of the public.

##### **3. Lack of marketing strategy**

Islamic banks are not very interested in using marketing strategies. such as promoting and disseminating information to the public. So, the public only knows conventional banks because they promote their products to the public more often and make them better known. One of the factors that can cause people not to be interested in Islamic banks is the lack of an effective marketing strategy. As indicated above, one of the reasons why they are not interested in saving in Islamic banks is the lack of an effective marketing strategy due to the lack of promotion and communication about the advantages of Islamic bank products. Islamic banks are lagging behind conventional banks due to lack of socialization, so their promotions are still less attractive. therefore people choose conventional banks that are better known and are not interested in learning more.

##### **4. Sharia Understanding**

The understanding of sharia in question is an understanding of the rules and principles of Islamic religion that govern various aspects of human life, including the way people interact with each other. The names of the products used by

Islamic banks come from Arabic terms that most Indonesians are still unfamiliar with. In addition, people may lack understanding of sharia.

5. Influence of culture and custom

People's trust in Islamic banks is strongly influenced by culture. If a community is raised in an environment that supports and respects sharia, perhaps they will be more interested in saving at an Islamic bank. From the informants' statements above, it can be seen that a person's habits or culture greatly influence their behavior so that they may be less interested in saving at Islamic banks.

6. Convenience

Islamic banks have fewer branches compared to conventional banks, which usually have a wider branch network. With so many bank branches, people can more easily get banking services. Based on the informant's statement above, it can be concluded that public interest in Islamic banks is strongly influenced by convenience. Now people prefer practical and cheap.

7. Closure of Islamic Banks

Islamic banks may have difficulty surviving due to intense competition with conventional banks. Islamic banks can be closed or merged with other banks if they cannot compete well. This will reduce public interest in Islamic banks. The uncertain future of Islamic banks makes many people hesitant to spend their money in Islamic banks.

8. Doubts regarding sharia compliance

In addition, people may not be interested in saving in Islamic banks due to uncertainty about their sharia compliance. Whether Islamic banks really run their operations in accordance with sharia principles is still doubted by the public. Since Islamic banking is a profit-seeking financial industry, the use of the sharia brand cannot convince the public of the sharia compliance practiced by the company.

9. Lack of security

Security is the most important thing when you entrust someone to someone else. This is very important when transacting to keep transactions safe and avoid unwanted things. Because a financial institution cannot be trusted by the public if it is not safe. Clients expect banks to protect and safeguard their funds. Public concerns about saving in Islamic banks increased after a cyber attack that hit one of the Islamic banks in Indonesia.

## **DISCUSSION**

The results show that there are several reasons why people do not want to save in Islamic banks. Some of them are the benefits obtained and the salaries of the majority of people who have never used Islamic banks. In addition, Islamic banks should be closer to businesses so that they can work well together. Research conducted by Nengsih et al. found that interest in saving in Islamic banks is influenced by promotion, indicating that there is no marketing strategy in terms of this promotion. Promotion attracts people's attention. Product promotion must consider all factors that can influence customer decisions to save at Islamic banks. Lack of knowledge or understanding of sharia is another factor that causes people not to be interested in saving in Islamic banks.

Islamic banks continue to use Arabic terms for their products, which are still unfamiliar to the general public. In addition, culture and habit make people uninterested in saving in Islamic banks. Since people are used to saving in conventional banks, it is difficult for them to switch to Islamic banks. The fact that there are only a few Islamic banks compared to conventional banks makes people hesitant to switch to Islamic banks. This can affect people's interest in saving at a

bank. An easy factor in this case is that there are still very few Islamic ATMs in the community. Most merchants use conventional banks for buying and selling transactions and other matters. The closure of Islamic banks is the next result of the lack of interest to save in Islamic banks. People are hesitant to save in Islamic banks because of the many Islamic banks that have merged.

The concern is more about the future of their savings. Due to doubts about sharia compliance, people may not be interested in saving in Islamic banks. The sharia compliance of Islamic banks still raises public doubts. Do Islamic banks really implement sharia principles in accordance with the standards set by DSN-MUI? If not, people are more worried about saving in Islamic banks. In addition, the previous incident involving Islamic banks related to cyber attacks The internet attack had an impact on many people.

#### **4. CONCLUSION**

Since they are banks with higher returns will definitely be chosen by people to save for the future. Islamic banks should increase their returns. In addition, those who do not understand religion may not be interested in saving in Islamic banks. Moreover, since people's view of Islamic teachings is only centered on worship, their understanding of muamalah should be improved. Based on the previous explanation, the author would like to suggest that Islamic banks should increase people's knowledge about the products and benefits of saving in Islamic banks. They want to increase public trust and improve public understanding of Islamic banks.

In addition, the lack of an effective marketing strategy can cause Islamic banks to become less attractive to the public, who eventually choose the better-known conventional banks. Because Islamic banks do not convey the benefits and advantages of their products clearly. This research also has limitations because the number of informants collected is only limited to the Pematang district area, so the results cannot represent the community as a whole. Further research is expected to be conducted using a quantitative approach to evaluate informants' responses.

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