

Literacy of Islamic Banking Products

Survey on Members of Islamic Mass Organization in Bandung City

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Abstract: The majority of Indonesian people are Muslim and there are many Islamic Mass Organizations. However, this potential can not help the development of Islamic Banking in Indonesia, as evidenced by the Islamic banking market share growth in 2016 only reached 4.8% has not been able to reach the expected 20%. Besides, the use of Islamic banking among the Ulama, kyai, society around the pesantren and the perpetrators of Islamic mass organizations are still very few that only reached 37%. The problem is due to the understanding of ulama about the operational of Islamic banking is still low, they only know the theory based on Al-qur'an and Hadith. Therefore, ulama difficult to communicate about Islamic banking to the public. The purpose of this study to find out how the general description of the literacy of Islamic banking products among members of the Islamic Mass Organization in Bandung City. This research method using quantitative descriptive approach to describe the characteristics of respondents and knowledge variables Islamic banking products. The sample used in this research is the Islamic mass organization Nahdlatul Ulama, Muhammadiyah and Persatuan Islam. The results of this study indicate that knowledge of Islamic banking products in the category enough.

1 INTRODUCTION

As well as phenomena in other Muslim countries, Islamic banking in Indonesia has also recorded progressive developments. Caused by "the overwhelming majority of Muslims are 87.1% of government support, banking regulations, and the role of ulama, Muslim scholars and Islamic mass organizations" (Ismal, (2011:2). But the market share of Islamic banking in 2016 just 4.81%, has not reached the expected 20%. The cause of market share is still low according to Sari, Bahari, & Hamat, (2013:129) that "the cause of the small market share of Islamic banking in Indonesia is the lack of the role of Islamic scholars and organizations in Indonesia".

The problem in line with the research of Noor (2012) and Wartoyo (2014) about pesantren society (ulama, kiai, santri and surrounding community) using Islamic banks is still small, with result can be seen as follows:

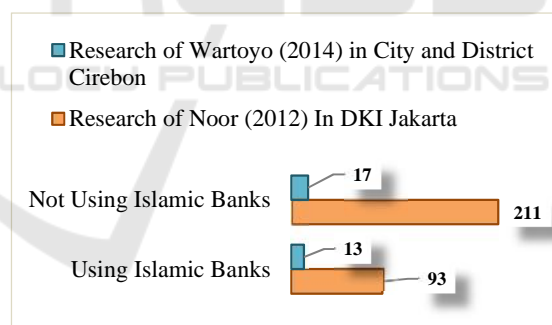


Figure 1: Pesantren Community using Islamic bank.

Based on Figure 1, the research result of Noor (2012) of Islamic boarding school using Islamic bank only reaches 31% meaning that not yet using Islamic bank as much as 69%. In line with research Wartoyo (2014) using Islamic banks as much as 43% means that have not used as much as 57%. Though the target respondents have been or are studying the chapter *mu'amalah* in the study of yellow books, but still many who have not used Islamic banks. In line with research Herinza (2013:93) namely "NU Islamic Society and Muhammadiyah Islamic banking perception only know the theory based on Alqur'an and Hadist, so they do not understand the operational

of Islamic banks". Machmud & Rukmana, (2010:71) "The level of Ulama understanding about the operational of Islamic banks is still minimal so that ulama are difficult to communicate to the public". In line with the study according to Abdullah & Anderson (2015:9) that public knowledge assumes there is no distinction between Islamic banking products and conventional bank products. Therefore, there are still few users of Islamic banking so market share is still low.

The large number of Islamic mass organizations should be able to inflate Islamic banking, but in reality it has not been able to develop Islamic banking. Number of Islamic Organizations in the city of Bandung until reaching 21 Islamic Organizations, if Islamic mass organizations that have a large Regional Leaders, Branch Leaders, Regional Leaders with so very many in number. Whereas the role of activists in the field of Islam is very important so that the Islamic community better understand how fiqh muamalah one of them is Islamic banking world (Isnurhadi, 2014).

The purpose of this study to find out how the general description of the literacy of Islamic banking products among members of the Islamic Mass Organization in Bandung City.

2 LITERATURE REVIEW

According to the opinion of Rusdianto & Ibrahim (2016) and Huston (2010:304) "*Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for lifetime financial security*". Financial literacy occurs when an individual has a set of skills and abilities that enable the person to utilize the resources available to achieve the goal. The definition of financial literacy according to Mason & Wilson (Krishna, Rofaida, & Sari, 2010: 64) is "one's ability to obtain, understand, and evaluate relevant information for decision making by understanding the financial consequences it brings." Stating that financial knowledge is an which is inseparable dimension of financial literacy, but can not describe one's financial literacy. Financial literacy has additional application dimensions that imply that one must have the ability and confidence to use his financial knowledge to make decisions (Huston, 2010).

The study on Islamic financial literacy can be considered as a new concept being brought into the area of financial literacy. Due to its novelty, there is currently no commonly accepted meaning of Islamic financial literacy (Abdullah M. , 2014). However, it

should be noted that there are certain elements in the existing constructs used to assess financial literacy which are not compatible with the underlying philosophy of Islamic finance such as the interest element. Indeed, there is a crucial need to develop the constructs for assessing Islamic financial literacy. Thus, this study attempt to fill this void by developing the appropriate constructs for Islamic financial literacy (Rahim, Rashid, & Hamed, 2016).

3 METHODOLOGY

This research is using quantitative descriptive method. The object of this research is Islamic mass organization in Bandung. Population Organization of Islam in Bandung there are 21 groups. Sampling with sample method of non-probability sampling with sampling type used is purposive sampling with judgment sampling technique and quota sampling.

The criteria of the Islamic Mass Organization determined in this study are the three largest Islamic mass organizations in Bandung. According to the Kementrian Agama Jawa Barat (2010), Persis (2015), and NU (2015), the three largest cities in Bandung are seen from the number of Heads of branch offices. Having many branches in Bandung City, so that has many manager and members. Besides Having a lot of boarding schools, teachers or boarding board is part of the members of the Islamic Mass Organization. Based on these criteria and opinions, then obtained sample of Islamic Mass Organizations that meet these criteria are:

- 1) Nahdatul Ulama (NU)
- 2) Muhammadiyah
- 3) Persatuan Islam (Persis)

Table 1: Samples of Members of Islamic Organizations in Bandung.

No	Nama Ormas Islam	Jumlah Sampel
1	Nahdatul Ulama (NU)	50
2	Muhammadiyah	50
3	Persatuan Islam (Persis)	50
Jumlah		150

4 RESULTS

Based on the results of research in the field, known general description of the characteristics of respondents are as follows:

Table 2: Characteristics of Respondents by Position in Islamic Mass Organizations.

No	The Name of The Islamic Mass Organization	Position		Amount
		Member	Management	
1	NU	39	11	50
2	Muhammadiyah	32	18	50
3	Persis	26	24	50
Total		97	53	150

The result above that is in Table 2 that in every Islamic Mass Organization many respondents as members, because it is more number of members in comparison with management. While management consists of various positions that are becoming chairman, deputy, secretary, treasurer, economic field, education, human resources and others both in branch, regional and regional levels.

Ownership of savings accounts are do not have, only conventional / Islamic only and having both, with the following result:

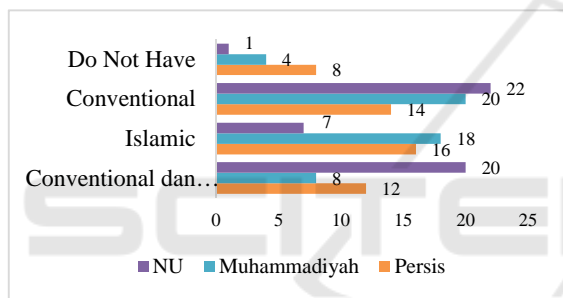


Figure 2: Ownership of savings account.

Research on the ownership of savings accounts based on Figure 2 shows that conventional savings ownership is more widely used in the NU and Muhammadiyah Islamic Mass Organizations, whereas in the Islamic Mass Organizations Persis more are using Islamic banks. NU Islamic Mass Organizations have not used many Islamic banks since there are not many who cooperate with the Islamic Mass Organization, many still do not understand Islamic banks, do not know the difference between Islamic banks and conventional banks. While the use of Islamic banks because of institutions that require and from savings hajj. The view of NU Islamic Mass Organization against savings and the danger of *riba*, that *riba* has indeed been prohibited and explained in the Qur'an or hadith. But if we save in a conventional bank is not the intention to get interest then it is allowed. So with so few who use Islamic banks in NU Islamic Mass Organization.

Islamic Mass Organizations Muhammadiyah the use of Islamic banks is less than conventional banks, but the difference is small. If in this Muhammadiyah

Islamic Mass Organization is already a lot of cooperation with Islamic banks so many are using it. But they are also working with conventional banks so the use of the bank is almost balanced. Basically they also do not really know the difference Islamic banking system and conventional, visible glance is still the same. The view of the Muhammadiyah Islamic Mass Organization against saving in Islamic banks and conventional as well as views on *riba*, they say that the *ror* interest is haram and the use of the bank will get its reward from Allah swt. They prefer to use Islamic banks and they expect more and more to use Islamic banks. However, because of the need for easier transactions then many are also using conventional banks.

Islamic Mass Organizations Persis are more likely to use Islamic banks because they have cooperated with Islamic banks. They are convinced that *riba* is haram, once haram remains haram. Then they also still see that Islamic banks are still many shortcomings, so there is the possibility there is still *riba*. But they know that not all of them can be directly according to Islam but must be gradual, therefore it is better to choose the less *mudharat*. However, basically if there is another solution from the bank then they choose not to use Islamic banks. Therefore, leaving the bank will be better and far away from *riba*. It can also be seen from the results of many Islamic Mass Organizations Persis that do not use any bank. Yet they continue to support Islamic banks, but much has to be fixed. General overview literacy of Islamic banking products variable are as follows:

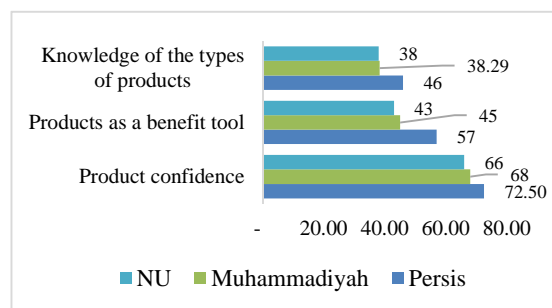


Figure 3: Recapitulation of response each Islamic Mass Organization variable literacy of Islamic banking products.

Table 2: Category variable literacy of Islamic banking products.

Range	Category
1,00-2,00	Very Low
2,01-4,00	Low
4,01-6,00	Medium
6,01-8,00	High
8,01-10,00	Very High

When seen from Figure 3, which is seen in this indicator is the indicator of knowledge about this type of product Islamic Mass Organization many answered the average on the low category. Questions in this indicator are, understanding, terms of contract and legal requirements. In this indicator is more to the theory of banking products, so the answer is not a lot of good. The Islamic Mass Organization, does not know much about the mechanisms in Islamic banking and the science of *Fiqh muamalah* is also still low. In the process of study about *fiqh muamalah* it self is still rare, so the result is also low. However, of the three Islamic Mass Organizations are the best answer is from Persis. Because, Persis use of Islamic banks and the number of management more than others, so the knowledge is better than other Islamic Mass Organizations.

Then on the product indicator as a set of benefits in Figure 3 with result at the category is moderate. Because, the Islamic Mass Organizations know enough about the benefits derived from Islamic banking products. Each make a savings account or financing will explain the benefits that will be obtained, so the possibility of higher knowledge. Therefore, Persis is more knowledgeable about the benefits of its products than any other Islamic Mass Organization.

Furthermore, from the third indicator of product confidence, with the results can be seen from Figure 3 where the product beliefs are in accordance with the rules of Islamic and avoid the dangers of *riba*, the literacy of Islamic Mass Organizations in the high category. Because the discussion ever studied at the recitation / study routine every Islamic Islamic Mass Organization. In *muamalah* study more often discussed only about the dangers of *riba* compared with others, so that knowledge is high on this indicator. In this Indicator it is also Persis higher than other Islamic Mass Organizations, due to the more frequent review of *riba* compared with others. In addition, more management so the respondents so that the knowledge is higher than the members.

Overall in one variabel literasi of Islamic banking products that the Islamic NU Muslim Mass Organization has an average of 49, then

Muhammadiyah for 50.43 and for Persis is 58.5. If the overall average of the Islamic Islamic Mass Organization is equal to 52.64, that is, the value is in medium / enough category.

5 CONCLUSION

The results of research and discussion in the previous chapter, So it can be concluded that the literacy of Islamic Mass Organization about Islamic banking products as a whole is in the medium category, either Islamic Mass Organization NU, Muhammadiyah or Persis. While each indicator is, the first indicator of knowledge of the types of products found in low kateogri for NU Muslim Mass Organization and Muhammdiyah while Persis in the medium category. Then on the second indicator is the product as a benefit device is in the medium category in all the Islamic Mass Organization. Lastly on the product confidence indocator is in the high category in all Islamic Mass Organizations.

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