

Preferences Analysis of Business Executors in Choosing Access to Conventional and Syariah Micro Financing

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Abstract: Financing is one of the solutions to tackle the problem of capital for the business sector in particular micro, small and medium enterprises (UMKM). However, the tendency of the majority muslim Indonesia community towards sharia financial institutions for access to micro financing sharia still is quite low. Therefore, this research aims to analyze the preferences of the community especially businessmen in choosing access to micro financing to conventional or Sharia with financing products, levels of religiosity and the quality of service as factors that influenced them. The research design used in this research is a survey of the eksplanatori with descriptive causality research method. Testing data in this study using multiple linear regression analysis with the help of IBM SPSS Statistics programme 23. As many as 70 Market Traders in Andir, Bandung City selected as respondents in this research because of its strategic location and has excellent management. Results of the study showed variable product financing mainly from the price factor is an influential variable significantly to Andir Market trader's preferences in choosing access to micro financing conventional and Syariah. While the two other variables, namely the level of religiosity and the quality of service has no effect significantly to Andir Market trader's preferences in choosing access to micro financing conventional and Syariah.

1 INTRODUCTION

Indonesia is a country with the largest Muslim majority population in the world. By 2016, the number of Muslim populations in Indonesia reaches 85% of the total population of Indonesia (Putra, 2016). Based on these facts, the application of Islamic values should be applicable in every line of life including in bermuamalah especially in transactions in economic activity.

The economy in Indonesia itself is currently mostly supported by the growth of Micro, Small and Medium Enterprises (MSMEs) sector. This sector has contributed up to 60.34% of total GDP (Ministry of Cooperatives and UMKM, 2013). Behind the contribution, UMKM sector still has some obstacles in developing its business. One of them is from the capital side. As an alternative to overcome these problems, business actors from the MSME sector can borrow from external sources such as financial institutions.

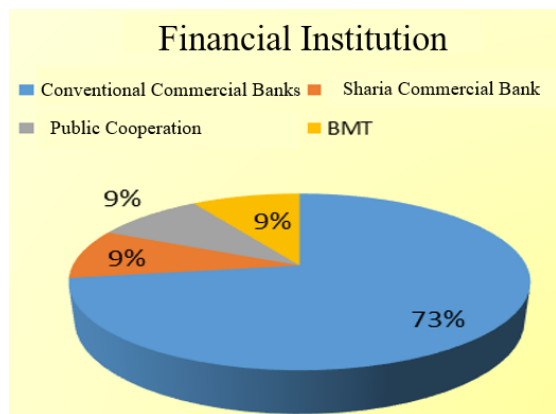
Given the total population of Muslims in Indonesia who are the majority, should prefer Muslims especially business actors are more aligned to financial institutions that apply the principles of

sharia in its business activities. This is because the rules of sharia have arranged muamalah activities in such a way as to fit the rules contained in the Qur'an and Sunnah. Sharia rules themselves have limited that transactions in the economy must be free of elements prohibited by the Qur'an and Sunnah such as transactions containing maysir, gharar, usury, and other illicit transactions

The principle of profit sharing is different from the principle of interest applied in conventional financial institutions. According to Adiwarmar (2004) the financing by profit-sharing method undertaken by sharia banking is more profitable when compared to conventional interest-based financing. This is because interest-based financing will burden the cost of production in terms of total cost. Unlike the case with the profit sharing that will not affect the total cost but will affect the total revenue.

Behind the benefits of sharia financing, but the number of SMEs who choose to apply for financing in Islamic financial institutions can be said is still minimal. This is supported by pre-research data of authors who examine the preferences of MSMEs in selecting access to finance to traders in Pasar Ranca

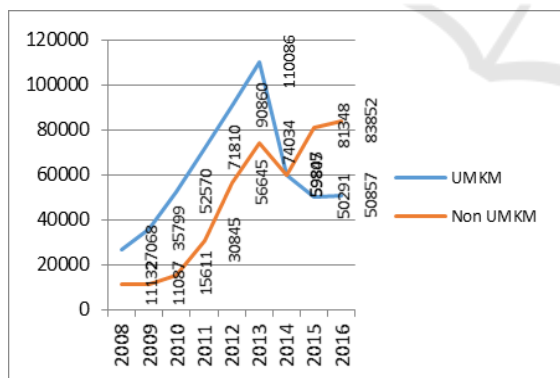
Bentang Cimahi with the number of respondents 23 people, of the number of respondents, the number of traders who had proposed new financing amounted to 11 people.



Source: Research Result (2017)

Figure 1: UMKM Preferences to Financial Institutions.

Preferences of business actors who are more inclined to apply for financing to conventional financial institutions also become one of the factors decreasing the amount of financing provided to the sector of SMEs by Islamic banking. This fact is supported by data from the Financial Services Authority which shows a decrease in the distribution of financing by sharia banks in the last three years



Source: Research Result (2017)

Figure 2: Distribution of Financing to MSMEs Sector by Sharia Banking.

More siding with business actors in the MSME sector to apply for financing to conventional financial institutions can be caused by several factors. According Setiadi (2010) the factors that influence the preference in making these decisions can be influenced by internal factors and external

factors. These factors include personal factors such as trust or religiosity and external factors such as marketing factors 4P (product, price, place, promotion).

Another study that examines the preference is done by Masood (2009) who finds that the preferences of customers in choosing their banking and products are more influenced by the services provided by these banking institutions at low prices. In addition, based on research conducted by Aisyah (2013) states that the factors that influence the preferences of MSMEs in choosing access to financing can be caused by several factors namely product factors, service, religion, and education level.

2 METHODOLOGY

The research method used in this research use descriptive method of causality. Descriptive research method is to get a general description of business actors preferences on access to conventional and syariah micro financing and methods of causality research is to determine the extent to which the influence of independent variables in this study are microfinance products, the level of religiosity and services affect the dependent variable that is preference business actors in choosing access to conventional and syariah micro financing.

In this study the object to be studied are the variables used in this study. These variables include: financing product, religiosity level and service quality as independent variable to business preferences in choosing access of conventional and syariah micro financing as dependent variable.

Sampling technique used in this research is purposive sampling. Purposive sampling was chosen in this study because only business actors have conventional and syariah micro financing that can be used as sample research. Also in this study only business actors who are Muslims who can be used as sample research because to facilitate the measurement of the level of religiosity. A total of 70 respondents were taken as samples of this study consisting of customers of conventional financing and sharia.

The model used in analyzing the data to find out how the influence between independent variables to the dependent variable and to test the truth of the hypothesis include the classical assumption test such as normality test, mulikolinearitas, and heteroskesdastisitas. The hypothesis testing using partial test (t test), simultaneous test (F test), and test

coefficient of determination (R2). Here is the model used in this research are:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e \quad (1)$$

Explanation:

Y = Preferences of business actors in choosing microfinance

β_0 = Constants

β_1-3 = Regression coefficient

X1 = Financing Products

X2 = Religiosity Level

X3 = Quality of Service

e = Variables Disorder

3 RESULTS

Based on the results of hypothesis testing it can be known the influence or relevance of the independent variable to the dependent variable. The acquisition of t-count value and the level of significance on the variable of financing products to the preferences of business actors in choosing access to financing are as follows.

Tabel 1: T-Variable Test Results X1.

Coefficient	t-hit	t-tab	Sig
0,551	4,009	1,99656	0,000

Source: Research Result (2017)

Hypothesis testing through t test on financing product variables is done with a significance level of 5% or 0.05 at a confidence level of 95% with $df = n - k (70 - 4) = 66$ so that the value of t table is equal to 1.99656. meaning that there is a significant influence between financing products with the preferences of business actors in choosing sharia financing access. This is in accordance with previous research conducted by Aisyah (2013) which shows that the factor of financing product is the most significant factor having an effect on the UMKM preference in choosing access to finance.

In addition, research conducted by Octavianingrum (2016) which states that the price level is very influential on financing preferences, the difference in this study investigated is the mortgage financing (mortgage). In the context of business actors in Bandung City Andir Market as described earlier in the description that overall variable financing products are in good category. However, this is different from the business actors' preference for sharia financing which is included in the medium category.

This is in accordance with the theory put forward by Yuswohady (2014) which suggests about four types of Muslim consumers that are included in the category apatist, rationalist, comformist and universalist. Where in this study business actor in Andir Market Bandung City included in rationalist category. People belonging to the rationalist category are those who are very critical in choosing products with benefits are the main parameters

Furthermore, will be explained about the acquisition of t-count value and significance level on the variable level of religiosity to the preferences of business actors in choosing access financing as follows:

Tabel 2: T-Variable Test Results X2.

Coefficient	t-hit	t-tab	Sig
0,214	1,983	1,99656	0,051

Source: Research Result (2017)

Hypothesis testing through t test on this variable religiosity level is done with significance level of 5% or 0,05 at trust level equal to 95% with $df = n - k (70 - 4) = 66$ so that t value of table is equal to 1,99656. This means there is no significant influence between the level of religiosity to the preferences of business actors in choosing access to Islamic finance. The results of this study in accordance with research conducted by Nasrullah (2015) which shows that the factor of religiosity as a moderating variable even weaken the relationship of Islamic branding with consumer purchasing decisions. This is because the people of Indonesia who tend not to make a religious factor as a way of life.

In contrast to the results of research conducted by Gait and Worthington (2009) found that the reason for religiosity is the main motivation of society in Libya to use financing by Islamic methods, followed by social services and profit. In line with the study, Bley and Kuehn (2004) who studied economics students in the UAE against financing in sharia and conventional banks found that Muslim students have a preference for services in sharia banking because of the motive of religiosity.

This is also in line with research conducted by Rahayu et al (2016) who found that the factors that most influence the urban community's preference to Musharaka financing and Mudharabah are due to the need factor for the benefits not only felt economically but also spiritually.

When viewed from the facts in this study that shows that the level of religiosity of business actors in Andir Market is classified in high category. While

the preference for sharia financing included in the category of being. This means that although the level of religiosity in terms of obedience in worship has been very good, but this is inversely proportional to muamalah. This is in accordance with the research Nasrullah (2015) which states that the people of Indonesia has not made the value of Islamic values as a way of life. Whereas Allah in the Qur'an has ordered the Muslims to implement the rules of Islam in kaffah.

Furthermore, the authors will describe the acquisition of the t-count value and the significance level of the service quality variable to the preferences of business actors in choosing access to finance. according to Parasuraman (1985) is the quality of service is a measure of how well a service is provided in accordance with customer expectations. Providing quality service means shaping customer expectations consistently.

Tabel 3: T-Variable Test Results X3.

Coefficient	t-hit	t-tab	Sig
0,101	0,910	1,99656	0,366

Source: Research Result (2017)

Hypothesis testing through t test on this service quality variable is done with significance level of 5% or 0,05 at trust level equal to 95% with $df = n-k (70-4) = 66$ so that t value of table is equal to 1,99656. meaning there is no significant influence between the quality of service to the preferences of business actors in choosing access to Islamic finance. This is in contrast to previous research conducted by Dusuki and Abdullah (2006) who found that the quality of services, including staff friendliness, competence, prompt and efficient service are important factors in influencing the selection of banks in Malaysia.

Tabel 4: Test Results -F and Coefficient of Determination Test (R2).

F-Count	F-Table	Significance	R-Squared
12,924	2,74	0,000	0,370

Source: Research Result (2017)

So it can be said that the total of all independent variables are financing product, the level of religiosity and service quality simultaneously affect the dependent variable that is the preference of business actors in choosing access of conventional and syariah micro financing. Based on the estimation result, it is found that the value of R2 is 0.370, meaning that the contribution of independent

variable to dependent variable is 37% and the remaining 63% is influenced by other factors outside the research model.

4 CONCLUSIONS

Financing products for business actor in Andir market are included in good category, this is because respondents are very selective in choosing financing products especially in terms of price (interest / profit / margin). Then in terms of the level of religiosity of business actors are included in the high category. However, this high level of religiosity is not directly proportional to the obedience of business actors in terms of muamalah in accordance with sharia. Furthermore, in terms of service quality obtained by business actors in Andir Market included in either category. This is because the majority of respondents are customers of conventional financial institutions that have excellent service quality.

The result of the research shows that the variable of financing product especially from the price factor is the variable which has significant effect to the preference of trader of Andir Market in Selecting Conventional and Sharia Micro Financing Access. While the other two variables are the level of religiosity and service quality has no significant effect on market preferences Andir Market Traders in Choosing Access Conventional and Sharia Micro Financing.

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