

Analysis of Community Perception towards Sharia Banking in North Sumatra

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Abstract: The banking industry in Indonesia is increasingly crowded with the emergence of banks operating under sharia principles. Although in general almost all banking products offered by Sharia banking and conventional commercial banks are relatively the same, in reality they both have different operational principles, especially in terms of efforts to obtain profits. In addition, the development between Sharia banking is not as expected given the population of Indonesia, which is predominantly Muslim. Sharia banking are far behind conventional banks. The aim of the research was to find out the perceptions of the people of North Sumatra on Islamic banking through surveys in 4 major cities namely Medan, Binjai, Langkat and Deli Serdang which were considered to represent the Muslim population in North Sumatra. This study used a quantitative descriptive survey and study . The survey is used to obtain a comprehensive picture of people's perceptions of Islamic banking in North Sumatra. Quantitative descriptive study, used to explore strategies and considerations used by Islamic banking to the community. The results of the study show that the three independent variables have an influence and it can be seen that the service variable is the main variable that contributes most to its relationship with the results of public perception on the two research objects on Banking.

1 INTRODUCTION

Banks as financial institutions have an important role in the country's development process in collecting funds from public or third parties in the form of deposits. Banks also distribute funds from third parties to people who need funds, for both consumption and production activities. Furthermore, banks perform other services related to the payment of a transaction with a guarantee provided by the banks which can encourage smooth trading activities of goods and services. The banking industry is one of the sectors that support the country's economy. For example, in terms of accelerating national development, banks distribute loans, both productive credit for business capital and investment, and consumer credit.

The banking industry in Indonesia has become more crowded with the emergence of banks that operate with Islamic principles or commonly known as sharia banks. In general, almost all banking products offered by sharia banks and conventional banks are relatively the same. However, both types of

banks have essentially different operational principles, especially in terms of profit-making efforts. Conventional banks have operational principles based on the interest system whereas sharia banks operate based on the profit-sharing principle which is in accordance with Islamic law.

The development of sharia banking operational activities in Indonesia began in 1992 since the establishment of PT. Bank Muamalat Indonesia Tbk (PT. BMI) or 4 years after Pakto 88 deregulation. The development of sharia banking runs slower than conventional banks. The operations of sharia banking in Indonesia are based on the Act No. 7 of 1992 concerning Banking which was further amended by the Act No. 10 of 1998. Consideration of the amendment to the Act was made to anticipate challenges in a more advanced and complex financial system and to prepare infrastructure for the globalization era.

The emergence of sharia banking in the national banking system is not solely to accommodate the interests of the Indonesian people which are mostly Muslim. It is not a guarantee, but a real antithesis of

the development of sharia banking which apparently tends to run slower than conventional banks. It is evident from the growth of the sharia banking total asset until the end of 2015, which has been operating for 23 years since the Islamic banking system emerged in Indonesia. The market share of sharia banking has only reached 6% of the total national banking asset which has the ideal growth of 30%. This is inversely proportional to the situation of Indonesian society in which the potential market share of sharia banking in Indonesia is huge. The first reason is that the percentage of Indonesian Muslim population is 80% of the total population according to statistical data (BPS, 2015) which is around 250 million people. In addition, the market share of sharia banking is not only limited to Indonesian citizens who are Muslim, but also non-Muslim.

The low market share of sharia banking currently is a challenge that must be answered and manifested into concrete actions. The solutions to this problem must be sought by sharia banking institutions and institutions that protect them, such as OJK which has control and supervision authority for banking institutions under the Ministry of Finance to increase the growth of sharia banking nationally. Some questions that should be answered to find the solutions are whether people perceive that sharia banking is similar with non-sharia (conventional) banking although it is clear that bank interest is forbidden in Islam, whether sharia banking network is not evenly distributed and only operate in potential regions which results in socialization of sharia banking to the community is not optimal, whether Islamic banking products are not competitive and seem more expensive than the non-sharia banking products for financing, especially those provided by BMT and Sharia BPR, whether sharia banking is considered as unfamiliar so that its advantages cannot be felt by people yet, or whether sharia banking capital is still weak and the information technology used still need to be improved.

Some of the factors mentioned above influence the community perceptions in making decisions to use sharia banking products. In addition, there are also other factors that might influence people in accepting the existence of sharia banking.

Therefore, it is interesting to conduct a research on the Islamic law (sharia) and people's behavior as the research element. The key factor in this research was not because the majority of Indonesian people are Muslims, but because the sharia banking concept is based on the principle of welfare and fairness as its priority which should be easy to accept. In addition, the internal or service factor of the sharia banking and

the demographic segmentation of the community also became the background of this research. These factors were generally the determinants of the community perceptions towards the existence of sharia banking.

According to the Head Office of the Financial Services Authority (FSA) Regional 5 North Sumatra, Lukdir Gultom, as quoted by Analisa (7th February 2017), the market share of sharia banks in North Sumatra Province only reached 4.3% compared to conventional banking. It is still below the national percentage of 5.3%. As the market share is still relatively low, the potential for the development of sharia banking in North Sumatra is promising.

The expansion of the sharia banking network is market driven which is based on the needs and willingness of the bank to provide an overview of the needs and potential for the development of sharia banks. This potential can be viewed from the economic resources and activities of a region and from the patterns of attitudes and preferences of economic actors towards sharia banks products and services. Therefore, the community perceptions towards sharia banking are important to be investigated and mapped so that the development of sharia banking in North Sumatra can be optimized.

2 RESEARCH METHODS

This research used survey and quantitative descriptive study. The survey was used to obtain a comprehensive description of community perception towards sharia banking in North Sumatra while the quantitative descriptive study was used to explore strategies and considerations applied by sharia banking to the community.

2.1 Research Subjects

The subjects of this research were people of Medan City, Binjai City, Langkat Regency, Deli Serdang Regency. These four regions were selected based on (1) the development of the sharia banking industry in urban areas; and (2) urban communities as the users of both conventional and sharia banks.

2.2 Data Collection Methods

1. Questionnaires distributed to people living in the five regions.
2. Interviews with the leaders of sharia banks in the five regions.

3. Focus Group Discussion (FGD) with sharia banking managers, Sharia Board, academics, community leaders, and the community. The FGD was conducted to obtain more comprehensive information about the community perceptions, including people's demands for sharia banking and sharia banking strategies to have a more significant role in the community, especially in North Sumatra Province.

2.3 Data Analysis Methods

The data analysis was conducted through descriptive statistical analysis. The analysis was performed to map the community perception towards sharia banking in four regions by distributing questionnaires.

3 RESEARCH RESULT

Based on the research results and data processing, in terms of educational level, 51% (51 respondents) of respondents in Medan City had a diploma or bachelor's degree, followed by senior high school level with 34% (34 respondents) and a master or doctoral degree with 12% (12 respondents). In Binjai City, 60% of respondents had senior high school education (60 respondents), followed by respondents with a diploma or bachelor's degree with 31% (31 respondents). Similarly, 77% (77 respondents) of respondents in Langkat Regency also had senior high school education, followed by respondents with a diploma or bachelor's degree with 16% (16 respondents).

The analysis results between the five research objects had a similarity and difference. The similarity was the tendency of the community between the two objects of research which were dominated by diploma or bachelor's degree and senior high school with varying degrees at each level of education. However, there was also one difference between the five research objects, namely the percentage of respondents who had a master or doctoral degree between one city and another. The percentage of respondents who had a master or doctoral degree was 12% in Medan City (12 respondents), 3% in Binjai City (1 respondent), 1% in Langkat Regency (1 respondent), 1% in Deli Serdang Regency (1 respondent).

On the other hand, the highest percentage of respondents with junior high school level was in Langkat Regency with 6% (6 respondents), Binjai

City with 4% (4 respondents), Medan City with 4% (4 respondents), and Deli Serdang Regency with 3% (3 respondents). Based on the research results on these two objects, it could be analyzed that most people in Medan have received education in the decent and advanced category. It was because more than 50% of the total population were identified as having education in the university. Therefore, it can be concluded that the better, more decent, and advanced the education of respondents identified in this study, the better their perceptions towards sharia banking would be.

4 CONCLUSION

Based on the findings, it can be concluded that:

1. Based on the results of the three independent variables, the variable of service was the main variable that contributed the most in relation to the community perception on the two research objects towards sharia banking.
2. The results showed that in the two research objects, respondents in the middle and suburbs of Medan City tend to have a diploma or bachelor's degree, followed by senior high school level and master or doctoral degree in which the influence of values at each level of education varied in each object. It means that the background, the quality, and the educational level of the Medan City residents were categorized as decent and advanced. In addition, more than 50% of the total respondents in each research object were identified as having education in the university level. The educational background of the Medan City residents classified as decent and advanced becomes an internal factor that influences the selection of perception in determining the assessment and attitudes towards sharia banking.
3. The results showed that the influence of age on the appraisal of sharia banking between the two research objects showed a similarity and difference. The similarity was that the respondents identified in this study were in the productive age dominated by the age of 20-29 years and the age of 30-39 years. On the other hand, the difference was the dominance of the suburban community with more than 50% of the total sample had a higher participation at the age of 20-29 years with 67 respondents (67%) than the respondents in the city with only 44 respondents (44%). Furthermore, the

participation in the suburban community at the age of 30-39 years was lower with 17 respondents (17%) than that of the respondents in the city center with 39 respondents (39%) of the total respondents identified in this study. In conclusion, the better the educational background of a person, the higher the level of a person's maturity, and the higher the age productivity as the factors experienced by a person will have an impact in influencing the perception selection and determining the appraisal towards sharia banking.

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