



The adoption of the Islamic banking service: non-Muslim communities perception and intention

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Abstract

This study aims to reconfirm the theory regarding the intention to adopt the services of Islamic banking institutions. Respondents used in this study were obtained through the snowball technique as many as 89 non-Muslim communities. The sample was taken using the snowball technique with the main criteria, the respondent had never used the services or products of an Islamic banking institution. This research proves that only the perceived quality of information can have a significant effect by using the constructs of perceived quality of information, perceived benefits, and subjective norms. Previously, the data was analyzed using the bootstrapping technique on the Smart PLS application. One of the interesting findings from this research is that even though the respondents did not understand in depth about the operational mechanisms of Islamic banking institutions, they were informed that the features and explanations of each product offered through the media could be well understood. The main limitation in this study is, of course, the number of samples used. In addition, further research is also needed using more specific questionnaire items on one of the Islamic banking products or services.

Keywords: Sharia bank; perceived information quality; perceived advantage; subjective norms

1. Introduction

Indonesia is one of the countries in the world that has a large Muslim population. Based on data from the Ministry of Home Affairs (Ministry of Home Affairs), as of December 31, 2021 the total Muslim population in Indonesia is 237.53 million. This is equivalent to 86.9% of the total population, where there are 273.32 million people in Indonesia. Along with the development of Islamic finance in Indonesia, the Muslim community in Indonesia has widely recognized the Islamic banking system. The establishment of Bank Muamalat Indonesia around 1992 became an important milestone in establishing the Islamic banking system in Indonesia. Although this system is closely related to Islamic religious values, not a few countries with non-Muslim communities are also starting to be interested in using the Islamic banking system. Research conducted by Slamet Rusydiana (2019) shows a strong desire to build a sharia banking system in the UK and Singapore.

Based on the definition set by the IAIB (International Association of Islamic Banking), Islamic banking is a banking system established to collect and manage funds based on Islamic sharia principles (Aziz et al., 2012). According to The Financial Service Authority (Otoritas Jasa Keuangan), there are several contracts in *Sharia* banking transactions, namely *Wadiah* (contracts for safekeeping of goods or money), *Mudharabah* and *Musyarakah* (Contracts for Cooperation regarding a business), *Murabahah*, *Salam*, and *Istisna'* (contracts that used to finance an item), *Ijarah* and *Ijarah Muntakiyah Bit Tamlik* (contracts used to provide funds), and *Qardh* (contracts to borrow funds from customers). Thus all bank operational activities, such as deposit transactions, financing, and other banking products, must comply with the provisions of Islamic sharia law.

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Prior to that, Lujja et al. (2016) showed an increasing popularity of Islamic banking institutions in countries with a majority of non-Muslim populations such as the UK, Russia, America, Senegal, Switzerland, Thailand, Denmark, the Philippines, Australia, Argentina, India, Germany, and South Africa. What's more, after digital finance the existence of Islamic financial industry, especially banks, is better known by the public (Wulandari et al., 2021). The reasons underlying the increasing popularity of the Islamic banking system in these countries tend to be subjective, namely the perception of a good reputation and the perception of the benefits of Islamic bank products that do not use interest for financing (Kaawaase & Nalukwago, 2017). However, this research has not been able to ascertain whether the customers in these countries are Muslim residents or not.

Although it is unclear whether customers who use sharia banking services are Muslims, nowadays, more and more non-Muslims in Indonesia are seeking information and studying the Islamic banking system in Indonesia. As has been proven by Faisal et al. (2016), in the last three decades, Islamic banking institutions have become a global phenomenon that non-Muslim customers can also accept. One of the Islamic banking system's main attractions is the non-application of loan interest rates on each financing product. Thus, when business conditions experience a significant decline, the burden on entrepreneurs who get financing from Islamic banks is manageable compared to business people who get financing from conventional banks. This also confirms the results of research conducted by Bananuka et al. (2019), which shows that non-Muslim communities are attracted to Islamic banking institutions because of the profitability aspect that will be obtained, while Muslim communities are attracted not only because of the profitability aspect but also for reasons of faith.

2. Literature review

Islamic banking

Like conventional banks in general, Islamic banks also have the same broad concept, namely borrowing money from investors and then lending existing money to borrowers by relying on a net interest margin to make a profit. Apart from interest income and also non-interest income such as fees and commissions, the existence of a trading system is also a source of profit for the Islamic banking system (Molyneux & Yip, 2013). Pesendorfer & Lehner (2016) stated that the main difference between Islamic and conventional banking institutions is that they need to provide interest on customer deposits and financing customers. Thus the Islamic banking system supports the concept that every financial and trade transaction is based on the principle of sharing profits and losses (Uppal & Mangla, 2014). For Muslim customers, of course, this is relatively easy to understand, but for potential non-Muslim customers, the concept is not yet widely understood, and the mechanism is understood, including what if a business financed by Islamic banking suffers a loss.

Due to the obstacles experienced by these prospective non-Muslim customers, it is assumed that quality information can be a driving factor for non-Muslim customers in using Islamic banking services. The perceived quality of information is believed to have become one of the factors driving consumers to use a product or service. The availability of clear information about financing products in Islamic banking is a driving force for customers in Tunisia (Obeid & Kaabachi, 2016).

Perceived information quality in islamic banking

In addition, other research that proves the large role of perceived quality of information on the intention to use bank services is shown by Ayinde & Echchabi (2012). In addition, the clarity of available information has also been proven to play a significant role as a predictor of the use of online waqf services Amin et al. (2014). Furthermore, Wahyuni (2012) has also proven that the better the customer's understanding of information about the Islamic banking system, the greater the intention to use the services of the Islamic banking. However, there has not been much research on the perceived quality of information using non-Muslim customers as respondents.

In addition to the perceived quality of information, other factors influence the use of Islamic banking services, namely perceived benefits. This factor has been proven through several previous studies such as that conducted by Abd. Aziz et al. (2015) regarding the use of Islamic banking services in Morocco, and research conducted by Amin (2013) regarding the use of Bank Malaysia customer credit cards. In addition, the construct of perceived benefits was also used in the research conducted by (Yahya & Junaina, 2017) in predicting factors that influence the use of Islamic banking services. However, no research still supports the use of the perceived benefit construct as a predictor of the use

of Islamic banking services by non-Moeslem customers.

To support the availability of quality information, in general, various banking institutions in Indonesia also urge their customers to activate their mobile banking applications. Through this mobile banking, more and more channels can be used by Islamic banking institutions to inform their products. Santoso et al. (2020) revealed that when compared to a PC, customers feel more comfortable when they want to find information and carry out banking transactions when using a mobile banking application.

Adoption of islamic banking

Intention to use Islamic banking services is also previously predicted by subjective norms originating from family and work relations. This is proven through research conducted by Bananuka et al. (2020) regarding adopting the Islamic banking system through subjective norms as a mediator. Even Amin, Rahim, et al. (2014) revealed that the subjective norm construct is the most significant factor impacting the utilization of Islamic banking services. However, subjective norms do not significantly influence the utilization of Islamic banking services in Uganda, using existing respondents Lujja et al. (2016). However, for areas that have a high level of communality, subjective norms can influence a person to behave in a certain way, even though the behavior is not the expected behavior (Lajuni et al., 2017).

Although in general, the level of use of the services of Islamic banking institutions in non-Muslim-majority countries has increased, until now there has not been much research that has proven the intention of non-Muslims to use Islamic banking services. Based on the various things above, the researcher proposes several hypotheses as follows to be tested through this research.

H₁. The perceived quality of information has a significant influence on adoption of Islamic banking services by non-Muslim communities.

H₂. Perceived benefits have a significant influence on adoption of Islamic banking services by non-Muslim communities.

H₃. Subjective norms have a significant influence on adoption of Islamic banking services by non-Muslim communities

3. Method

The data used in this study were taken directly from 89 non-Muslim respondents who did not have an account or never used Islamic banking services at all. Data were collected using a combination questionnaire adopted from Amin, Rahim, et al. (2014), Obeid & Kaabachi (2016) which were modified into Indonesian and adapted to the context of this study. Questionnaires were distributed by electronic mail to each respondent using snowball sampling technique. After being distributed, the researcher will send a reminder message regarding the questionnaire that the respondent must fill out.

Basically validity and reliability are tested to ensure that the scale used in this study can measure the actual thing to be measured. Thus, in this research, researchers use the Outer Loading parameter for the validity and Composite Reliability parameter as a part of the reliability test. Each parameter will be considered meet the requirement if has t-statistic value more than 1.64, or under 0.05 for the p-values significance score (Abdillah & Jogiyanto, 2011). After the validity and reliability requirements are met, each construct will be tested for its effect on the intention to adopt Islamic banking, using the path analysis method. A construct will be assessed as a predictor with significant influence if it has a statistical T value of more than 1.64 and P values below 0.05

4. Result and discussion

After the data is collected, the researcher performs PLS bootstrapping and looks at the value of the outer loading to ensure that each indicator has a decent level of validity. In addition to validity, the researcher also uses the composite reliability parameter to ensure that all indicators are reliable for use in this study. The results of each parameter are shown in the following table.

Table 4.1 shows that all the indicators used in this research meet the outer loading parameter, where each indicator has a t-statistic value above 1.64 and has a p-value significance value below 0.05. Thus it can be said that the measurement scale used is valid to be used in this study.

Table 4.1. *Outer Loading*

Construct	t-statistic	p-values
Perceived Information Quality --> piq1	4.814	0.000
Perceived Information Quality --> piq2	4.298	0.000
Perceived Information Quality --> piq3	4.373	0.000
Perceived Information Quality --> piq4	4.298	0.000
Perceived Information Quality --> piq5	4.814	0.000
Perceived Advantage --> adv1	1.918	0.028
Perceived Advantage --> adv2	2.092	0.018
Perceived Advantage --> adv3	1.814	0.033
Perceived Advantage --> adv4	1.964	0.025
Perceived Advantage --> adv5	2.105	0.018
Perceived Advantage --> adv6	1.929	0.027
Subjective Norm --> sn1	2.260	0.012
Subjective Norm --> sn2	2.222	0.013
Subjective Norm --> sn3	2.466	0.007
Intention to Adopt --> adp1	7.626	0.000
Intention to Adopt --> adp2	7.902	0.000
Intention to Adopt --> adp3	8.082	0.000

Table 4.2. Composite reliability results

Construct	t-statistic	p-value
Perceived Information Quality	11.443	0.000
Perceived Advantage	5.939	0.000
Subjective Norm	5.603	0.000
Intention to Adopt	10.783	0.000

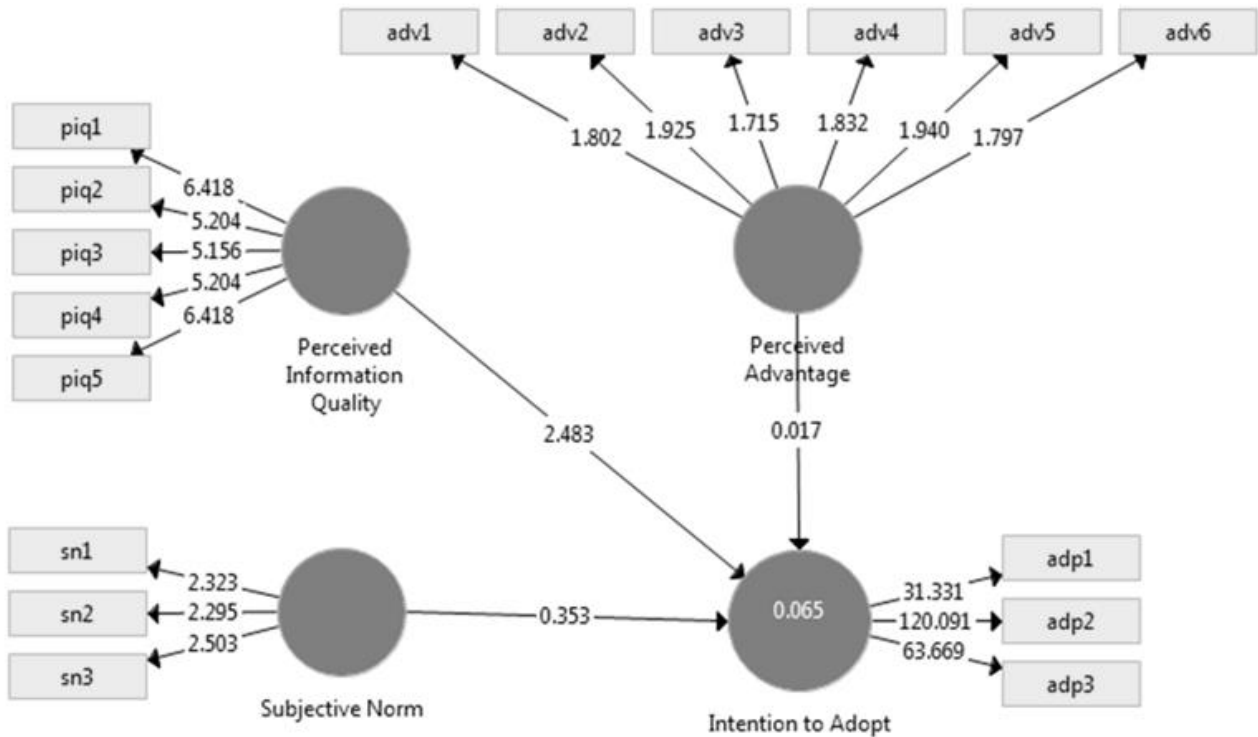


Figure 1. Research Model

Table 4.3. Results of path analysis bootstrapping

Construct	Std deviation	t-statistic	p-values
Perceived Advantage	0,357	0,017	0,493
Perceived Information Quality	0,087	2,483	0,007
Subjective Norm	0,336	0,353	0,362

Based on Table 4.2, it can be ascertained that all the indicators used in this study have validity that meets the requirements, namely having a t-statistic value of more than 1.64 so that they can reflect each construct in this study. Likewise, in terms of reliability, each construct is declared reliable for use in research. Furthermore, after all indicators and constructs were declared suitable for use, the researcher conducted a path analysis using the bootstrapping method. The results are shown in the table.

Table 4.3 shows that Perceived Advantage had not been proven to have a significant effect on the adoption of Islamic banking services by non-Muslim communities through statistical tests. The same thing happened to the Subjective Norm construct which also has not been able to significantly influence the adoption of Islamic banking services by non-Muslim communities. Thus, it can be ascertained that in this study only the perceived quality of information can influence the level of adoption of Islamic banking services by non-Muslim communities. To clarify, the path analysis results using the bootstrapping method are illustrated in Figure 1 below.

Based on this research, the respondents believe that in general they get enough information about the Islamic banking system. In addition, based on the results of the questionnaires distributed, the respondents also feel that they have sufficient information about the benefits and features found in Islamic banking institutions that are both sought after actively or obtained through other information media passively. Armed with sufficient information, the respondents have the intention to adopt Islamic banking services in general.

The result above is very interesting because with the background of respondents who generally do not understand foreign terms in Islamic banking institutions, they are able to get the right information. The use of terms in Arabic is certainly a challenge for prospective customers who are not Muslim or customers who have never specifically studied Arabic. In line with research conducted by Wahyuni (2012), the better the customer's understanding of the Islamic banking system, the greater the intention to use the services of the Islamic banking institution. This research also reconfirms the research conducted by Obeid & Kaabachi (2016) in which the availability of clear information about financing products in Islamic banking is the driving force for customers in Tunisia.

However, despite having sufficient information about Islamic banking products and services, the respondents in this study did not receive personal support from their closest people and family. Furthermore, friends and family of respondents who have been customers of Islamic banking institutions disagree that Islamic banking has better quality compared to conventional banking institutions with a mean score of 2.7 (in the category of Disagree).

Respondents in this study compared the information obtained through the bank, with the experiences experienced by the closest people, friends and family of respondents who had used Islamic banking services. Based on the experience of family and closest friends, Islamic banking institutions are not of better quality when compared to conventional banking institutions. As it is known that the closest people, friends, and family are the most influential parties in the decision-making process of prospective customers. This is similar to the research conducted by Amin, Abdul-Rahman, et al. (2014), which revealed that subjective norms are the most significant factors that impact the utilization of Islamic banking services. However, this was not proven in this research, as well as reconfirming the results of research by Lujja et al. (2016), which shows that subjective norms do not influence the use of Islamic banking services in Uganda.

The insignificant effect was also obtained from the Perceived Benefits construct in this research. Although the general information regarding the products of Islamic banking institutions is clearly understood, respondents consider that the security of investing through Islamic banking institutions is not as good as conventional banking institutions with a mean score of 2.6 (in the Disagree category). Then a short interview was also conducted to determine the reasons for the respondents' doubts about investing through Islamic banking institutions. The result is that most of the respondents basically have

a fairly high trust because of the image of sharia which holds more religious principles when compared to conventional banking institutions. However, lately, respondents also know a lot of that cases of loss of customer funds in Islamic banks in large amounts also occur. This then reduces the level of trust of respondents in Islamic banking institutions.

Furthermore, respondents generally stated that the products offered by Islamic banking institutions are not more attractive when compared to products offered by conventional banking institutions with a mean score of 2.72 (in the category Disagree). However, there are 20 respondents who think that the products of Islamic banking institutions are very attractive.

Respondents will generally compare the savings and financing products offered by Islamic banking institutions with the respondent's own needs. To deepen this, the researcher once again conducted a brief interview about the product that the respondents were most interested in. The results of the short interview show that most of them need financing products and view that the financing products from Islamic banking institutions are the right products. However, respondents still do not understand the financing mechanism and the risks that the customer may face in the future.

5. Conclusions

Through this research, it has been proven that of the three constructs used to predict the intention to adopt Islamic banking services by non-Muslims, only being aware of the quality of information has proven to have a significant effect. In contrast, normative subjective and perceived benefits have not been shown to have a significant effect. But of course this study has limitations that must be corrected in further research, namely limiting the number of respondents, besides that the item statements in the questionnaire are still too general about Islamic banking institutions and not too specific in type. product. Thus, it is hoped that further research will need to use or develop more specific measurement tools for types of Islamic bank products and also increase the number of respondents so that the research results have great generalizability.

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