



FACTORS CAUSING SHARIA BANKING STUDENTS HAVE NOT TRANSFORMED FROM CONVENTIONAL BANK TO SHARIA BANK

Latifa Ayunda Sari Panggabean¹, Nofinawati², Ananda Anugrah Nasution³

¹ UIN Syekh Ali Hasan Ahmad Addary

Email : saritifa7@gmail.com

² UIN UIN Syekh Ali Hasan Ahmad Addary

Email : novinawati@gmail.com

³ UIN UIN Syekh Ali Hasan Ahmad Addary

Email : ananda@uinsyahada.ac.id

Abstract

Purpose – This study aims to identify and describe the factors behind Islamic Banking students Class of 2018 not using Islamic banks in their transaction activities in daily life.

Method - This type of research uses field research which is descriptive qualitative in nature. The study uses two data sources, namely primary data and secondary data, as well as data collection techniques through observation, interviews and documentation. Then according to the data analyzed inductively. This research involved students of the Islamic Banking Study Program class of 2018. The number of students of the Islamic banking study program class of 2018 was 285 students. The subjects in this study were 10% of the total number of students of the Islamic banking study program of 29 students

Research Results - Based on the results of the study, it can be concluded that the causative factor for Islamic Banking students class of 2018 has not transformed from conventional banks to Islamic banks, namely because people generally carry out transactions at conventional banks because they know more about the existence of conventional banks than Islamic banks and the existence of conventional branches that are close to them. with homes, family and closest relatives still using conventional banks in conducting transactions and not feeling the need for a sharia bank yet, the location of Islamic banks is still very minimal, ATM facilities and branches are still few, and there is trauma to their own experiences or those closest to them due to lack of service from Islamic banks.

Limitations – This study has limitations in terms of the relatively small number of research subjects.


Practical Implications - As a practical implication, the results of this study can be used as a reference by Islamic banking as a strategy to increase the number of users. As for academically, this research adds to knowledge about behavioral theory in using banking services. As a practical implication, the results of this study can be used as a reference by Islamic banking as a strategy to increase

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the number of users.

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INTRODUCTION

Islamic financial institutions if run properly will bring benefits (Safwan Kamal, 2019). One of the financial institutions that can be developed with Islamic principles is banking (Tajul, 2022)(Budiman et al., 2021). Islamic banking is developing very rapidly both in terms of asset growth and institutional or network growth. However, the rapid growth of Islamic banking is not sufficient compared to the public's need for Islamic banking services. Compared to conventional banks where the convenience of transactions is very easy because the conventional bank network is very large and the branches are also very large making it easier for the public to transact and most people also use conventional banking products rather than Islamic bank products, not only the general public use conventional banks, even students also use it (Heri, 2003) (Safwan Kamal, 2012)(Fatimah et al., 2021).

Until now, public literacy towards finance continues to increase. One of the OJK survey data shows that public literacy towards finance has increased where in 2019 it was 38.03%, increasing to 49.68% in 2022 (OJK, 2023).

Students are agents of change where student-led movements influence society. Even today students from various countries have played an important role in the history of a country. For example, what happened in Indonesia is linked to the tragedy of the Old Order, followed by the tragedy of the New Order. As reported by the OJK in 2020, the share of the Islamic banking market in Indonesia reached 6.51, this figure grew in line with Islamic banking assets, financing and third party funds (OJK.go.id).

The large number of sharia banking study programs in various State Islamic Universities (UIN) State Islamic Institutes (IAIN) and State Islamic Colleges (STAIN) are expected that the younger generation, especially in the field of Islamic economics, will be able to regenerate the economy, especially in Islamic financial institutions. This Islamic banking study program aims to produce graduates who are able to master technology in the fields of Islamic banking, Islamic economics and Islamic financial institutions (LKS) that are competitive and can increase the usability of society with people who have noble morals that are commendable and applicable in the Islamic system in daily life and are fluent in Arabic and English, but in reality there are still many Islamic banking students in the field especially in 2018 they are still using conventional banks to make transactions that are

different compared to using Islamic banks, so if you see Islamic banking students from UIN SHYADA Padangsidempuan from among the educated they certainly understand Islamic law and sharia banking issues. Understanding must have a positive influence on interest in becoming a customer of an Islamic bank. In addition, it is for students to be involved in the theory and practice of Islamic banking.

Based on the results of interviews conducted by researchers with 29 students. The author obtained information that most of the 2018 batch of Islamic banking students still use conventional banks and have not fully used Islamic banks. This is evidenced by the results of the author's interview with Siti Nur Khalijah Hsb at the Faculty of Islamic Economics and Business saying that she still uses conventional banks, because most people in her area are more familiar with and use conventional banks more than because there is no access to reach where they live, the influence of knowledge the community regarding Islamic banks is still lacking, and when Siti's parents send money for monthly shopping they use conventional banks because conventional banks are easy to access in the area where Siti lives. So that causes Siti Nurhalijah Hsb not to use Islamic banks, namely social factors where Siti's family still uses conventional banks. Then there are cultural factors where in their area there are still many people who still use conventional banks (Khalijah, 2022).

According to Ali Winsyah Putra, the reason why he still uses conventional banks is because his family is more familiar with conventional banks because access is easier and ATMs are everywhere. Even though there is an Islamic bank branch office in Ali's area, he still does transactions at conventional banks. Even though in conventional banks there are deductions every month and it is different from Islamic banks where there are no monthly deductions, this is not a problem for Ali (Putra, 2022).

Nurul said that the factor that kept him from doing transactions at an Islamic bank was the waiter he received. There was once an interest in conducting transactions at Islamic banks but the service from bank employees was not good compared to conventional banks. This is what causes a decrease in interest in conducting transactions in Islamic banks. After learning about Islamic banks while in college, there was an intention to do transactions at Islamic banks, but recalling the experience he had at previous Islamic banks, his interest diminished. Even though he knows that conventional banks contain usury (Harahap, 2022).

So at this time the interest or desire of students and the wider community in using Islamic bank products using the Islamic system is still relatively low when compared to conventional banking systems. This is very reasonable if it is considered that there is no other way than Islamic banks must open their doors as wide as possible to access transactions easily so that people no longer have difficulties in wanting to use Islamic banking services.

LITERATURE REVIEW

Maqashid and Islamic Banking Theory

Maqashid is something that must exist for the realization of benefit (Asy Syathibi, 1982). Maqashid syari'ah are general goals to be achieved by sharia and realized in life (Asy Syathibi, 1982). Maqashid Shari'ah are general goals that sharia wants to achieve and are realized in life. Maqashid Syari'ah is the main support in every operational and product development in Islamic banks. In general, sharia banking or Islamic banking is a banking system whose implementation is based on Islamic law (*sharia*) (Baraba, 2017). The definition of sharia banking is a bank that carries out business activities based on sharia principles, or the principles of Islamic law regulated in the fatwa of the Indonesian Ulema Council such as the principles of justice and balance (*adl wa tawazun*), benefit (*maslahah*), universalism (*alamiyah*) and do not contain gharar, maysir, usury, unjust and forbidden objects (Bustari, 2016).

In Law number 21 of 2008 concerning Islamic banking, it is explained that Islamic banking is everything related to Islamic banking and Islamic business units, concerning institutions, business activities, and ways and processes of carrying out their business (Law number 21 of 2008 concerning Syariah banking). Islamic financial institutions were established with the aim of promoting and developing the application of Islamic principles, sharia and their traditions into financial and banking transactions and legal business (Tajul, 2022).

Islamic financial institutions were established with the aim of promoting and developing the application of Islamic principles, sharia and their traditions to financial transactions and banking and legal business. As for what is meant by sharia principles are the principles of Islamic law in the activities of banking and financial institutions based on fatwas issued by institutions that have the authority to issue fatwas in the field of sharia based on the values of justice, benefit, balance, and universality (*rahmatan lill'alam*) (Andrianto, 2019).

RESEARCH METHODS

The type of research that the author uses is field research which is qualitative in nature. In this study, the subjects of the 2018 Islamic Banking Study Program were students. The number of Islamic banking study program students in 2018 was 285 students. The subjects in this study were 10% of the total number of Islamic banking study program students, namely 29 students. Data collection techniques were carried out by means of observation, interviews and documentation. Interviews were conducted using a semi-structured technique (Sugiyono, 2016). While the data analysis technique is done by means of data reduction, data presentation, and drawing conclusions.

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RESULTS AND DISCUSSION

Nurul said that the factor that kept him from doing transactions at an Islamic bank was the waiter he received. Likewise, in the area where the interviewee lives, many people still use conventional banks, because the people where they live are more familiar with conventional banks than Islamic banks. Likewise with family and closest relatives who still use conventional banks. During his time as a banking student, the resource person never socialized about banking in the area where he lives. Furthermore, regarding services in Islamic banks, it is felt that they are not good compared to conventional banks. And the technology that is felt to date is still inadequate from Islamic banking, for example where the interviewee lives there are no Islamic banking branch offices (Harahap, 2022).

Nurfia Sintia Daulay said that she does not often make transactions at Islamic banks, namely the environmental factors where most of them use conventional banks, and the difficulty of access away from home. Nurfia said that from the beginning, her family opened an account using a conventional bank, as well as when transferring monthly money for college, their parents used BRILink, one of the easiest access options for their parents. Apart from that, the availability of BRI ATMs in various remote areas is available which makes it easier for him to withdraw money. Unlike Islamic banks, the availability of Sharia ATMs is not available in remote areas, but only in certain areas, for example, only in urban areas (Dulay, 2022).

Gusnia Rahayu said that he did not save at an Islamic bank because there was no need to make transactions at an Islamic bank. So far, he has been saving money and making transactions at conventional banks and has received many conveniences. Likewise, in the area where Gusnia lives there are no Islamic

banks, this is also the reason for not using Islamic banking for transactions. And in general the people around where they live use conventional banks, apart from not having access to reach where they live, the influence of people's knowledge about Islamic banks is still lacking. And also the family, the closest relatives do use conventional banks to carry out their daily transaction activities (Rambe, 2022).

Adri said that he was not interested in saving at Islamic banks and only had BRI savings because access to Islamic banks was difficult to reach and there were no branch offices in the area where he lived, in contrast to conventional banks where he lived close and easy to reach. So the factors that influence Adri not to use Islamic banks are influenced by the location of Islamic banks which are difficult to reach. Likewise, in the area where they live, many people use conventional banks compared to Islamic banks because there is no nearest branch office and the community has always been more familiar with conventional banks than Islamic banks, especially BRI banks. Adri's parents and family in general do use conventional banks for transactions in everyday life. He continued regarding the services at Islamic banks, they did not know because there were no branch offices in the area where they lived, as well as ATMs. And even though he knows about the laws and prohibitions on usury in conventional banks, Adri still uses conventional banks. And Adri also said that if in the future access to reach an Islamic bank branch office is close to where he lives, maybe he will switch to using an Islamic bank (Akhirin, 2022).

Sofwan Hamid Lubis said that he does not save and does not have an Islamic bank account because he finds it difficult and feels that Islamic banks are far from where he lives. And if at a conventional bank to open a new account the requirements are much easier, and services for saving cash do not have to come directly to the bank but can be done through an ATM. However, Sofwan also rarely makes transactions because indeed for college needs and so on, his parents or his place of work usually give him cash directly. So transaction activities are rarely used.

The people where they live also rarely make transactions in banking and only a few of them use banking. Because the majority where they live are farmers. Then access is far away and some people also don't know about Islamic banking and only know about banking in general. Even though he knows, according to him, people often equate between Islamic banking and conventional banking and

some even argue that Islamic banking is sometimes more sinister than conventional banks (Lubis, 2022).

Analysis of Factors Causing 2018 Islamic Banking Students Who Not to Use Islamic Banks

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Based on the survey, the Factors Causing Islamic Banking Students Have Not Transformed From Conventional Banks to Islamic Banks (Case Study of Islamic Banking Students 2018 UIN SYAHADA Padangsidempuan) can be described as follows:

1. Cultural Factors

The habit of the people who usually carry out transactions, be it transfers, saving/investing, is generally done at conventional banks. Due to the habit at the beginning of its development, conventional banking was first recognized by various groups of people, especially in remote areas. The convenience that was received by the community and resource persons, both in terms of office services and online services, was really felt. The spread of branch offices near the area of residence and ATMs that are widely spread in various regions, including in remote areas, makes it easier for them to make transactions. In contrast to Islamic banks, the development of Islamic banking technology and information is still minimal in various places, be it branch offices or ATMs of Islamic banks which are not available in the area where they live, so that students from generation to generation from family, relatives and communities in the customer's area of residence use conventional banks for transactions. compared to Islamic banks.

2. Social Factors

Within this factor, there were respondents who said they first learned about savings products from their parents. According to the authors, of course, the respondents will be very easily influenced to choose conventional bank savings products due to parental advice or their own desire to choose a bank that is in accordance with the same bank as their parents use, with the reason as stated by the respondents that their parents always transfer to Conventional Banks. According to the author, this factor greatly influences students and female students because most

students are not yet working and their income is still from their own parents.

Communities in the area where the interviewee lives usually conduct transactions at conventional banks compared to Islamic banks. Because many people use conventional banks, conventional banks are better known than Islamic banks among the public. Moreover, the influence of parents and close relatives who use conventional banks to make transactions, this is a big influence on students' decisions to use conventional banks compared to Islamic banks for transactions, be it saving/investing. The existence of conventional banks that are close and easy to reach and easy access makes people prefer to use conventional banks.

Even though studying and understanding how the practice of Islamic banking does influence students' decisions to conduct transactions in Islamic banks, it is true that social factors greatly influence these decisions, and judging from the needs of most students, they feel they do not need Islamic banks to transact, especially the distance from the house to the bank. sharia that is difficult to reach.

3. Location factor

Technological developments are very helpful for customers to make transactions, especially now that we cannot escape the name of a mobile phone. But when conducting interviews with several informants, they said that Islamic banking technology had not been felt by them and the development of Islamic banking technology had only developed in urban areas and was not comprehensive to remote areas and there was a lack of dissemination of information regarding Islamic banking, which resulted in it being difficult to reach access banking itself. Moreover, with the spread of ATM (Automatic Teller Machine) which is felt to be very important to make it easier for customers to make transactions, be it cash withdrawals or cash deposits, without having to come to Islamic bank office branches. and also the distribution of sharia bank offices is also far from the reach of customers and it is difficult to access them because the customer's residence and sharia branch offices are far different from conventional banking where the spread of branch offices is almost complete even to remote areas

In contrast to conventional banks, where branch offices are spread, ATMs are located in various regions, even remote areas, which makes it easier for customers to make transactions anywhere and anytime. So that some sources felt that switching to using Islamic banks was not needed, considering that the conveniences felt while being customers at conventional banks were very helpful.

As stated by Gusnia, it is very difficult to find Islamic banks in her village and many conventional banks have been established. According to the authors, this is a very important factor that can influence customer decisions, because even if they want Sharia savings, they still cannot get it because Islamic Banks lose out in terms of distribution with Conventional Banks. In this study, the location factor is the most dominant factor that has the greatest influence on the decision to use conventional bank savings products.

4. Service Factors

Service is any action or activity that can be offered by one party to another which is basically intangible and does not result in the ownership of anything. Its production can be linked or not associated with a physical product. That service can only be felt by consumers. In the world of banking, one of the most important competencies that must be owned by a bank is excellent service, this is because excellent service is needed to provide a sense of satisfaction to customers so that customers feel that they are prioritized or cared for as they should. If customers are satisfied, they will be loyal and continue to use the products or services provided. Therefore, in this study the service factor is ranked second which has the greatest influence on customer decisions in using conventional bank savings products. According to researchers, excellent service is also a promotional channel because customers will talk about good things about the Bank's services they get along with their products to other people, therefore, excellent service to customer service is very important because it is a strategy to win the competition.

As revealed by Nurul Wahyuni that she was once interested in making transactions at an Islamic bank, where Nurul wanted to transfer money to her sister, the service from the teller of the Islamic bank was

very ignorant and indifferent and not very good at serving customers. This is what causes Nurul's interest to make transactions at Islamic banks less.

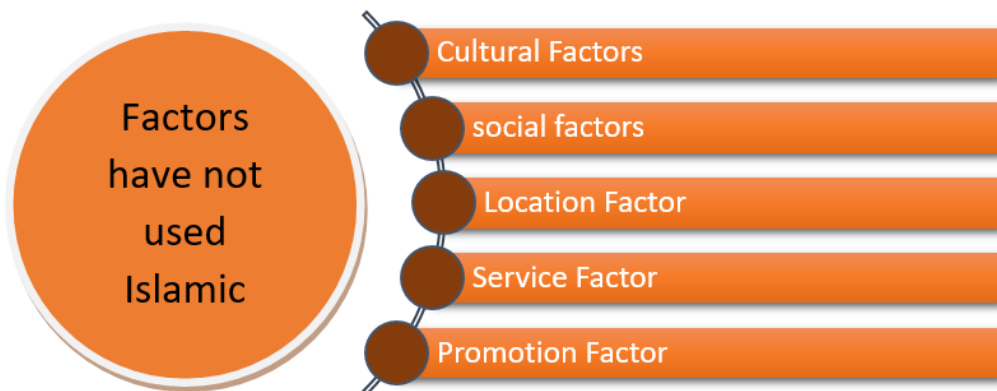
5. Promotion Factors

Promotion in any form is an attempt to influence other parties. More specifically, promotion is one element of a company's marketing mix. Kinnear and Kenneth define it as a marketing communication mechanism, exchanging information between buyers and sellers. Promotion plays the role of informing, persuading and reminding consumers to respond to the products or services offered. The desired response can take various forms, from awareness of the existence of products and services to actual purchases (Setyaningrum et al., 2015).

According to the authors, this factor does influence the decision to use conventional bank savings products, but not too significantly. This is because other banks, both Islamic banks and conventional banks, also promote in a similar way, either through brochures, billboards or other promotions.

Thus, the findings of this study contradict research conducted (Hisan et al., 2021) which explains that public Islamic financial literacy continues to increase. However, this study is in line with research (Fatimah et al., 2021; Septiani et al., 2022)

Figure 1. Factors not yet using Islamic bank services



CONCLUSIONS

Based on the description above, the authors can draw the conclusion that the public generally conducts transactions at conventional banks because they know

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more about the existence of conventional banks than Islamic banks and the existence of conventional branches that are close to home and easy to find both in urban and rural areas.

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Family and closest relatives still use conventional banks in making transactions and do not yet need sharia banks because there is a lack of promotion from Islamic banks which causes many families, relatives and the public not to know the existence of Islamic banks. The location of Islamic banks which are still small, ATM facilities, and branches which are still few and difficult to reach by the public. There is trauma to their own experiences or those closest to them because of the lack of service from Islamic banks, bad first impressions that make people not use Islamic banks.

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Latifa Ayunda Sari Panggabean, Nofinawati, Ananda Nugraha Nasution

Undang-undang nomor 21 tahun 2008 tentang perbankan syariah

Wawancara dengan Adri Akhirin, Tanggal 24 November 2022 Di Sekretariat SEMA dan DEMA UIN SYAHADA Padangsidempuan.

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Wawancara dengan Ali Winsyah Putra, Tanggal 16 Maret 2022 Di Fakultas Ekonomi dan Bisnis Islam UIN SYAHADA Padangsidempuan.

Wawancara dengan Nurul Wahyuni Harahap, Tanggal 23 November 2022 Di Fakultas Ekonomi dan Bisnis Islam UIN SYAHADA Padangsidim

Wawancara dengan Siti Nur Khalijah, Tanggal 16 Maret 2022 Di Fakultas Ekonomi dan Bisnis Islam UIN SYAHADA Padangsidempuan.

Wawancara dengan Syofwan Hamid Lubis, Tanggal 24 November 2022 Di Fakultas Ekonomi dan Bisnis Islam UIN SYAHADA Padangsidempuan.