

CHAPTER 1

INTRODUCTION

A. Background of the Study

As one of the world's major religions and the Islamic banking (IB) industry is also growing at a similar pace (Abou-Youssef, Kortam, Abou-Aish, & El-Bassiouny, 2015), Islam is growing rapidly, with about 1.57 billion adherents worldwide (El-Bassiouny, 2014).. There are approximately 420 Sharia financial institutions in 75 Muslim and non-Muslims countries across the world (Souiden & Rani, 2015). Indonesian Islamic banking is also expanding rapidly again after entering the 3rd decade. Since it was first started in 1992 by Bank Muamalat Indonesia (BMI), many Islamic banks have sprung up to this day. It is inseparable from the existence of the bright prospects of the Indonesian Islamic finance sector. Especially in 2008 b. Act No. 21 of Islamic banking. This Act became the legal umbrella and recognition of the existence of Islamic banking in Indonesia. Up until April 2016, the number of Islamic banks in Indonesia totaled 199 consisting of 12 Islamic Commercial Banks (BUS), 22 Islamic Business Unit (UUS), and 165 Islamic Rural Banks.

In the world of banking, Islamic banking is a relatively new service industry, where Islamic banks apply Islamic laws or regulations that exist in any banking activity and avoid restrictions that are in Islamic law, which is transaction of usury. Seeing competition in the world of business and services increasingly tight, so Islamic banks should really know the right strategy to win the competition. Therefore, to improve its operational performance, Islamic banking seeks to serve the needs of the community widely and thoroughly. Islamic banks must pay attention to their consumer behavior which reflects why customers make a purchase of services and how customers choose and purchase the products both savings or loans so as to increase the effectiveness of bank performance.

In general, the potential consumers will save money by choosing a bank that can provide profits and ease. Each customer will notice and consider the specific factors that contribute to decide in saving. Islamic banking is a Bank whose system is developed based on Islamic law or rules. In Islamic banking system based on the prohibitions in Islam, namely the prohibition of lending or saving money with interest or often called usury. Factors that affect consumers in choosing among Islamic banks, Islamic principles of suitability in Islamic banks or often referred sharia compliance.

In Indonesia, a country dominated by Muslims seem to indicate that the suitability of the application of the principles of the Islamic Sharia or Islamic Banks in compliance is a main factor affecting the choice of IBF consumer products (Ullah & Lee, 2012). define the importance of Sharia as a discrete factor in accordance with the choice decisions of banks in Pakistan, and the effects of moderate Sharia according to what was observed by (Saqib, Farooq, & Zafar, 2016). However, it seems quite clear that religion or functional form of global consumer attitudes towards Islamic banks belief (ass and Aftab, 2013). Especially in the countries with dominant Muslim populations (such as Indonesia), there are clear indications that bank compliance with Islamic principles or are in accordance with Sharia as a strong motivator that supports the adoption of consumer products that are in accordance with Sharia. Various studies found that the customer behavior in choosing Islamic banking is one of the factors that is the suitability of sharia compliance (Anamitra, Jabeen, & Rajaguru, 2018) found that consumer expectations regarding the suitability of the Bank's operations with Islamic principles had an influence on consumer's decision in opening an account at Islamic banks. (Gampito & Afridawati, 2017) also stated that sharia compliance has a positive influence on consumers' decision in opening an account at Islamic banks.

In addition to the suitability of the application of the sharia principles or compliance with Islamic Banks, the availability of ATM is

also one of the factors that influence consumers' decision in selecting and opening an account at the Islamic Banks. In Indonesia, it consists of 34 provinces, 98 cities, 415 districts, and in each district there are several villages. Not all people live in the city, there are some people who live in the village. Therefore, the availability of ATM greatly affects consumers' decision in selecting and opening an account at the Bank. A lot of banking in Indonesia less the availability of ATM in the village areas, especially Islamic banks. (Kaufman, 1967) states that a factor in selecting of banks, consumers pay attention to the distance between the location of the home or place of business and the bank. (Arora, Cavusgil, & Nevin, 1985) also argued that the selection of banking services determined by accessibility reliability, ease of transaction.

In the millennial era as it is today, many people love something practical and easy. The use of the internet can make it easier for someone to do something, such as the use of Internet Banking or E-Banking. Internet Banking or E-Banking is one of the many service products offered by banks in Indonesia. Currently, the use of Internet Banking is increasingly widespread because there are many benefits for consumers to conduct transactions such as transfers and payment transactions without them going to the ATM machines, they can make transactions easily just by using their mobile phones. Currently, internet banking is a concern in the world of banking as a product based on the internet (Chan & M, 2004) Besides providing many benefits, internet banking is also one of the solutions to save operational costs (cost-effective) in its use compared to other channels because internet banking is able to reduce transaction costs to the lowest point IE can save 79% compared to other banking transaction costs (Sanusi, 2000). SMS banking or mobile banking is one of the services that have been offered to consumers by banks. Based on the OJK (Financial Services Authority) noted that the users number of Internet Banking or E-Banking increased by 270% from 13.6 million customers in 2012 to 50.4 million customers in 2016. This increase occurred due to the

existence of community's need in utilizing the technology. Research from (Yani, Lestari, Amalia, & Puspita, 2018) defined that the perception of consumer usefulness towards the perception of the ease of using internet banking for consumers had a significant and positive influence.

Profit sharing is also one of the factors affecting consumers in opening an account at the bank. The principles of implementing Islamic financial institutions have resulted in the fundamental between Islamic banks and conventional banks, namely the prohibition of interest in Islamic banks (usury), as a bank interest system adopted by conventional banks, so that the operational activities of Islamic banks adhere to the system for the results. Understanding the profit sharing system is a system of agreements or mutual bonds in doing business. In this business, it is agreed that the profit sharing will be obtained between the two parties or more.

Profit sharing in Islamic banking system is a distinctive feature that is offered to the public and within the rules of the Islamic banking relating to sharing of business results must be specified in advance at the beginning of the contract. Determination of the magnitude of the portion for results between the two parties is determined according to agreement with, and must occur with the availability (An-Tarodhin) on each party without any element of coercion. Various studies found that the behavior of customers in choosing Islamic banking is one of the factors which is the suitability of profit sharing. According to (Maski, 2010), the profit-sharing system has a positive influence on consumer decisions in opening account and research from (Wahab, 2016) also state that profit sharing has a significant effect on consumers' decision to open account at Islamic banks.

Based on the phenomena and theories above, researcher is interested in conducting a research about the Islamic banking. This research limits on sharia compliance, the availability of ATM and E-Banking which influence the consumers' decision to open an account at Islamic banks.

B. Formulation of the Problems

Based on the research background above, the formulation of the problem in this research are as follows:

1. Do consumer expectations regarding the suitability of Islamic banks principles positively influence consumers' decision to open bank account in Islamic banks?
2. Does the level of availability of ATMs have a significant influence on the consumers' decision to open bank account in Islamic banks?
3. Does the suitability of the profit sharing system have a significant influence on consumers' decision to open bank account in Islamic banks?

C. Research Purpose

Based on the formulation of problems above, the purposes of this research are:

1. To examine the influences of sharia compliance in opening bank account at Islamic banks.
2. To investigate the influences of the availability of ATM and E-Banking in opening bank account at Islamic banks.
3. To investigate the influences of the suitability profit sharing in opening bank account at Islamic banks.

D. Benefits of the Research

1. For consumers

The results of this research are expected to be used as consideration in making consumer decisions to open an account in the Islamic banks.

2. For companies

The results of this study are expected to be useful in making decisions related to the fundamental nature of information in the future.

E. Systematics of the Research Writing

In writing of this research, various things will be discussed as follows:

Chapter 1: Introduction

This chapter contains the background of this research, which presents an outline of thoughts both in theory, previous research and existing facts which are the reasons for this research. Formulation of the problem contains statements about the situation, phenomena and concepts require answers through research. The purpose of this research is what is expected to be achieved and refers to the background, the formulation of the problem and hypothesis proposed. In the last part of chapter 1, the writing system will be discussed in each chapter in the thesis.

Chapter 2: Literature Review

This chapter describes the theoretical foundation, which contains the theories and basic forms for the formulation of hypotheses and helps in analyzing research results. Mindset is a scheme that is made to briefly explain the problems to be examined. Previous research is research conducted by previous researchers and the research is related to this research. The hypothesis is a statement concluded from the literature review, previous research and the temporary answer to the research problem.

Chapter 3: Research Method

This chapter will describe the research variables and operational definitions of each variable that will be used in this study. And determine the question for the questionnaire that will be given to the respondent. Determination of the samples contain problems related to the number of population, number of samples taken and sampling methods. Data types and sources are description of the types of data that will be used for

variables in this research. The method of analysis reveals how the description of the analysis used in this research.

Chapter 4: The Results of the Research

This chapter will explain the objectives of the research object which contains a brief description of the object used in the study. Data analysis and discussion of research results are simpler forms that are easy to read and easily interpreted which include an object description of research, analysis of research, and data analysis and discussion. The results of the study reveal interpretations to use the research implications.

Chapter 5: Conclusion

The final chapter of this research is a conclusion from the research results and suggestions from the discussion. Suggestions submitted are related to research and are suggestions that are expected to be useful for those who have interests in research.