

CHAPTER I

INTRODUCTION

A. Background

Entrepreneurs are individuals who have the highest transaction activities in banking services. Abou-Youssef, Kortam, Abou-Aish, & El-Bassiouny, (2015) As an assessment tool in business decision-making efforts, it is very important for entrepreneurs to understand how products and financing mechanisms in Islamic banks operate. For Muslim entrepreneurs who are bound by the provisions of Islamic teachings, the decision to choose a Sharia bank in financing is not only based on economic and rational motives but also based on religious factors. Akhtar and Zaheer, (2014). However, religion is the main factor that drives entrepreneurs to partner with Islamic banks.

Meanwhile, entrepreneurs who have used Sharia financing products and systems do not necessarily produce the same attitude in choosing financial products in Islamic banks. This shows that rationality remains a factor in making decisions about Islamic bank financing. This is in line with agency theory which states that people are assumed to act according to Jensen and Jensen's rational motives. Meckling, (1976). The neoclassical theory states that rational action leads to the acquisition or use of the material Etzioni, (1986 & 1988).

There are two motives influence the attitude of Muslim entrepreneurs in choosing Islamic bank financing decisions, namely rational motives and

emotional motives. The rational motive in this research is entrepreneurs who understand Islamic bank financing products. Islamic banking provides products and services that are following Sharia (Islamic law) which strictly prohibits not only usury (riba) or excess interest costs such as additional loan fees but also prohibits the involvement of other unethical activities such as speculation and gambling Lajuni et.al, (2017).

Islamic banks are not burdened with paying interest on customer deposits. Islamic banks only pay the share of the profits according to the profit-sharing ratio of Islamic banking. With a profit-sharing system, which will reduce inequality and create prosperity, Islamic banks in Indonesia consist of 12 complete Islamic banks and 22 conventional banks that have Islamic banking windows. The Indonesian authorities want Indonesian Sharia banks to hold at least 15% of the market by 2023. However, in reality, many Indonesian customers are still doubtful about the quality and professionalism of Islamic banking services, because excellence in products and service quality is still required for Hidayat et.al.'s customers. (2015).

For customers, service quality is seen as a type of service standard that is offered to them, how the service is carried out and the extent to which it is fulfilled for their needs, wants and expectations which require a trusted and sustainable service improvement Hammoud and Bittar, (2016). Customer satisfaction and loyalty will grow if products and services meet customer expectations. Amin, (2011).

Profit-sharing is also one of the factors that influence consumers in

opening an account at a bank. The principles of implementing Islamic financial institutions have resulted in positive differences between Islamic banks and conventional banks, namely the prohibition of interest in Islamic banks (riba), bank interest (riba) as a system adopted by conventional banks, understanding the profit-sharing system is an agreement system in doing business. In this business, it is agreed that profit sharing will be obtained between the two or more parties. Muhammad Abduh, (2012).

Profit sharing in the Sharia banking system is one of the products offered to customers, and in the Sharia banking rules relating to the sharing of business profits, it must be determined in advance at the beginning of the contract. Determination of the amount of profit between the two parties is determined according to the agreement and agreement of each party without any element of coercion. An-Tarodhin, (2011) Various studies have found that the customer factor in choosing Islamic banking is the suitability of profit sharing. According to Maski, (2010) the profit-sharing system has a significant influence on consumer decisions to open an account at a Sharia bank. Wahab, (2016)

In general, potential customers will choose a bank that can provide benefits and conveniences. Each customer will pay attention and consider specific factors that contribute to deciding to save. Hill and Alexander, (2013).

Sharia compliance Customer Satisfaction and Profit Sharing are considerations that influence choosing or opening an account at a Sharia

bank. In this case, there are still few studies that combine these three variables in which these three variables influence the choice of Islamic banks in the city of Surakarta, especially entrepreneurs, but previous research shows that Sharia compliance and profit-sharing still exist.

Dewardani's research (2019) shows that sharia compliance does not have a significant effect in deciding to choose an Islamic bank. In contrast to Al-Khof's research (2018) which shows that profit sharing and sharia compliance affect choosing Islamic banks. Based on the results of previous research, it is found that there are differences in the results of research (Research gap) conducted by researchers based on the above phenomena which can be a problem in this study.

Thus the authors are interested in researching the decision to choose a sharia bank for entrepreneurs in the city of Surakarta. So that the authors are interested in combining three variables, including sharia compliance customer satisfaction, and profit-sharing. Therefore the author chose the title:

The Impact of Sharia Compliance, Customer Satisfaction, and Profit Sharing, on Choosing an Islamic bank for Entrepreneurs in Surakarta

B. Research Problem

Based on the research background above, the formulation of the problems in this study is as follows:

1. Does Sharia Compliance have a significant influence on consumer decisions to open a bank account at a Sharia bank?

2. Does customer satisfaction have a significant influence on consumer decisions to open an account at a Sharia bank?
3. Does the profit-sharing system have a significant influence on the decision to open an account at a Sharia bank?

C. Purpose of the Study

Based on the formulation of the problem above, the objectives of this study are:

1. To determine the effect of Sharia compliance in opening a bank account at a Sharia bank.
2. To determine the effect of customer satisfaction in opening an account at a Sharia bank.
3. To determine the effect of profit-sharing in opening an account at a Sharia bank.

D. Benefit of the Research

1. For consumers, the results of this study are expected to be used as a consideration in making consumer decisions to open an account at an Islamic bank.
2. For companies, the results of this research are expected to be useful in making decisions related to the nature of future information.

E. The Systematic Structure of the Writing

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

Chapter 1 Introduction

This chapter contains the background of this research, which provides an outline of good thinking, in theory, previous research, and existing facts that are the reasons for this research. The formulation of the problem contains statements about situations, phenomena, and concepts that require answers through research. The purpose of this research is what is expected to be achieved and refers to the background, Formulation of the problem, and the proposed hypothesis. 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 basis, which contains the theory and basic forms for the formulation of hypotheses and helps in analyzing research results. A mindset is a scheme designed to briefly describe the problem to be examined. Previous research is research conducted by previous researchers and this research is related to this research. Hypotheses are statements that are deduced from literature reviews, previous research, and provisional answers to research.

Chapter 3: Research Methods

This chapter will explain the research variables and operational definitions of each variable that will be used in this study. And determine the questions for

the questionnaire to be given to respondents. The determination of the sample contains problems related to the number population, the number of samples taken, and the sampling method. Types and sources of data are descriptions of the types of data to be used for variables in this study. The analytical method reveals how the descriptive analysis used in this study.

Chapter 4: Research Results

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

Chapter 5: Conclusion

The final chapter of this research is the conclusion from the research results and suggestions from the discussion. The suggestions submitted are related to research and are suggestions that are expected to be of use to those who have a research interest.