

CHAPTER I INTRODUCTION

1.1 Overview of Research Objects

1.1.1 Sharia Bank

Ascarya and Yumanita (2005) describe Islamic or Sharia banks as banks that follow Islamic law in their operations. This includes agreements for saving funds, financing businesses, or other activities that align with Sharia principles. They also explain that Sharia banks act as intermediaries and financial service providers based on Islamic values and ethics. These banks avoid charging interest (riba), speculative activities like gambling (maysir), and unclear or uncertain transactions (gharar). Wahyuna and Zulhamdi (2022) explain that Sharia banks differ from conventional banks mainly in their operational methods. Conventional banks use an interest-based system, whereas Sharia banks adopt a profit-sharing model along with trade and leasing practices. Wahyuna & Zulhamdi (2022) explains the difference between Sharia banks and conventional banks, which the author then summarizes in the table below.

Table 1. 1 Difference Between Sharia Banks and Conventional Banks

Aspects	Sharia Bank	Conventional Bank
Purpose of Establishment	Application of sharia values; Profit and Blessings of the Hereafter	Profit-oriented without regard for religious values
Principle of Implementation	Based on the Qur'an, Hadith, and fatwa of scholars	Based on national and international law
Operational System	Using a revenue-sharing, sale-and-sell contract, or rent	Using the interest system

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(Continuance table 1.1)

Customer-Bank Relationship	Seller-buyer, partnership, lessee-giver	Creditors-debtors
Formal Agreement	Based on Islamic law and valid contracts	Based on national law
Activity Supervision	Sharia Supervisory Board (DPS), National Sharia Council (DSN), Board of Commissioners	Board of Commissioners
Fund Management	Only in business lines that comply with sharia	On all legal business lines
Flower System	No interest, applying yield or ratio	Using interest as the basis for profit
Profit Sharing	From buying and selling, renting, partnerships	From interest
Fine Management	For social funds	Fines become bank profits

Source: Data Processed by the Author (2024)

In the operation of Sharia banks, they can be categorized into two types, namely Sharia Commercial Banks and Sharia Business Units. Based on the Law of the Republic of Indonesia Number 21 Year 2008, it is explained that Sharia Commercial Banks (BUS) are Sharia Banks that in their activities provide services in payment traffic. Meanwhile, the Sharia Business Unit, hereinafter referred to as UUS, is a work unit of the head office of a Conventional Commercial Bank that functions as the parent office of an office or unit that carries out business activities based on Sharia Principles, or a work unit in a branch office of a Bank domiciled abroad that carries out business activities conventionally which functions as the parent office of a sharia sub-branch office and/or sharia unit.

The following is a list of Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) in Indonesia along with the number of offices owned by each bank.

Table 1. 2 List of Sharia Commercial Banks (BUS) and Sharia Business Units (UUS)

It	Bank Group	HOO/BO	SBO/SSU
Sharia Commercial Banks		426	1579
1	PT. Bank Aceh Syariah	27	134
2	PT BPD Riau Kepri Syariah	24	138
3	PT BPD West Nusa Tenggara Syariah	12	28
4	PT. Bank Muamalat Indonesia	80	155
5	PT. Bank Victoria Syariah	2	-
6	PT. Bank Jabar Banten Syariah	11	60
7	PT. Bank Syariah Indonesia, Tbk	155	946
8	PT. Bank Mega Syariah	29	32
9	PT. Bank Panin Dubai Syariah, Tbk	10	-
10	PT. Bank Syariah Bukopin	13	11
11	PT. BCA Syariah	15	62
12	PT. Bank Tabungan Pensiunan Nasional	1	-
13	PT. Bank Aladin Syariah, Tbk	16	-
14	PT. Bank Nano Syariah	32	10
Sharia Business Unit		159	225
15	PT Bank Danamon Indonesia, Tbk	10	4
16	PT Bank Permata, Tbk	16	5
17	PT Bank Maybank Indonesia, Tbk	17	3
18	PT Bank CIMB Niaga, Tbk	24	1
19	PT Bank OCBC NISP, Tbk	10	-
20	PT BPD DKI	6	20
21	PT BPD Daerah Istimewa Yogyakarta	1	8
22	PT BPD Jawa Tengah	5	16
23	PT BPD Jawa Timur, Tbk	7	10
24	PT BPD Jambi	1	2
25	PT BPD Sumatera Utara	6	16

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(Continuance table 1.2)

26	PT BPD Nagari	5	6
27	PT BPD Sumatera Selatan dan Bangka Belitung	4	14
28	PT BPD Kalimantan Selatan	2	13
29	PT BPD Kalimantan Barat	4	5
30	PT BPD Kalimantan Timur	2	26
31	PT BPD Sulawesi Selatan dan Sulawesi Barat	4	-
32	PT Bank Tabungan Negara (Persero), Tbk.	34	76
33	PT Bank Jago, Tbk	1	-
Total BUS and UUS		585	1804

Source: OJK Sharia Banking Statistics (2024)

Information:

HOO = Head Operational Office

BO = Branch Office

SBO/SSU = Sub Branch Office/Sharia Services Unit

1.2 Research Background

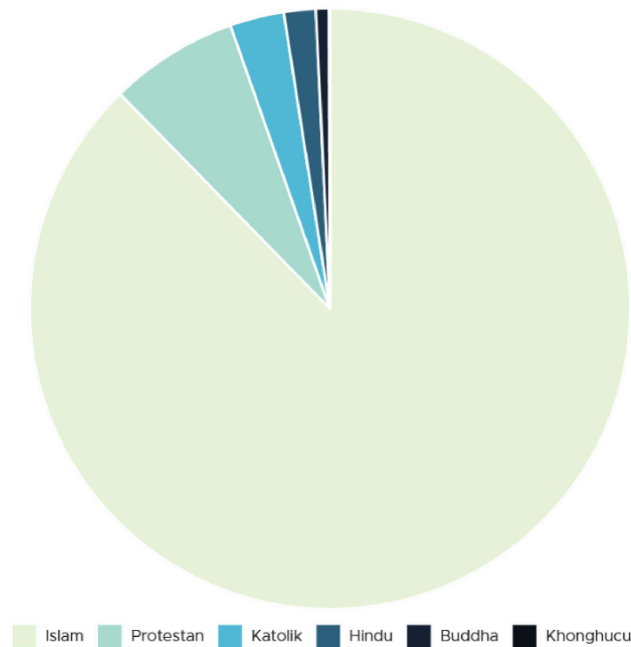


Figure1. 1 Percentage of Religious Adherents in Indonesia

Source : <https://data.goodstats.id/>, accessed on October 30, 2024

Indonesia is one of the countries with the largest majority Muslim population in the world. According to data that has been processed by Goodstats, there are currently more than 207 million Muslims or 87.2% of the total population in Indonesia who adhere to Islam (Mufid, 2024). With this number, Indonesia has a huge potential in the field of Islamic finance.

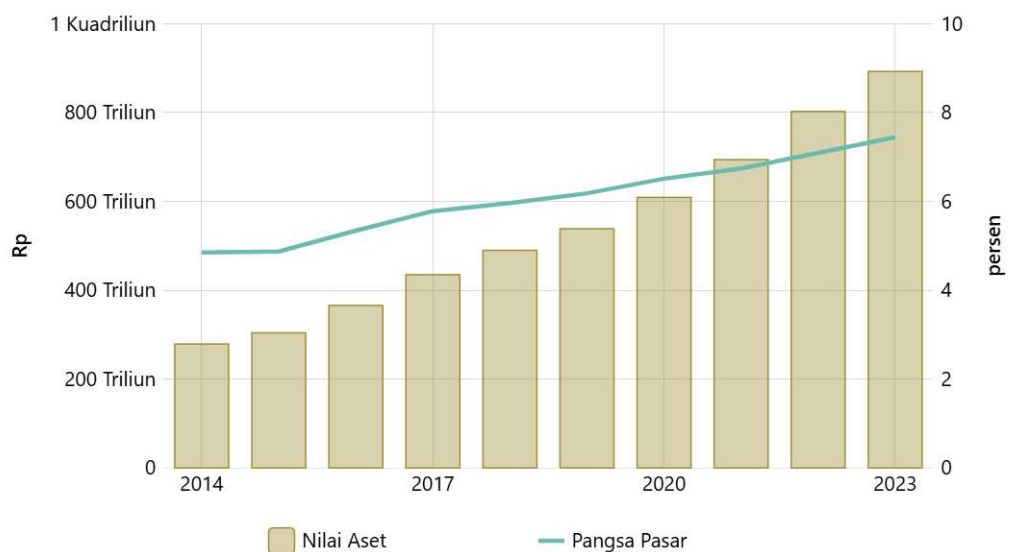
Based on data from the State of Global Islamic Economy Report (SGIE Report) in 2023, Indonesia is ranked third based on the Global Islamic Economic Indicator (GIEI), after Malaysia and Saudi Arabia. This ranking is quite high compared to 2018 where Indonesia was ranked tenth (KNEKS, 2024).

Since 1992, Indonesia has introduced a dual banking system 'dual banking system', which is a system when conventional banks and Sharia banks are allowed to operate side by side. In that same year, the first Sharia bank, Bank Muamalat Indonesia (BMI), was established. However, the dual banking system has only been implemented since 1998 when the amendment to the banking law was issued with

Law No. 10/1998. This law in addition to providing a strong legal foundation for Sharia banks also provides wide opportunities for investors to establish new Sharia banks as well as for conventional banks to open sharia business units (Ascarya & Yumanita , 2005).

Referring to the Indonesia Sharia Economic Outlook 2023 issued by the Center for Sharia Economics and Business, Faculty of Economics and Business, University of Indonesia (PEBS FEB UI), the Sharia finance sector showed an increase in performance and its market share reached 10.69%. More specifically, the Sharia banking sector shows excellent performance. This can be seen from the increase in the market share of Sharia banking from 6,75% to 7,09%, the growth of Third Party Funds (DPK) by 12,93%, and the growth of assets which reached 9,42%

Nilai Aset dan Pangsa Pasar Perbankan Syariah di Indonesia (2014-2023)



Sumber:
Otoritas Jasa Keuangan (OJK)

Informasi Lain:

Figure1. 2 The Value of Assets and Market Share of Sharia banking in Indonesia (2014-2023)

Source: <https://databoks.katadata.co.id/>, accessed on December, 2024

According to OJK data, in 2014, the value of Sharia banking assets in Indonesia was only IDR 278.9 trillion or 4.85% of the total national banking assets. Over time, Sharia banking assets continue to grow until in 2023 the value of Sharia banking assets has reached IDR 892.17 trillion, which is equivalent to 7.44% of national banking assets. However, although the value of Sharia banking assets is still very small compared to conventional banks, the growth of Sharia banking assets is higher than the growth of conventional bank assets. The growth of Sharia bank assets in 2023 compared to 2022 grew by 11.21% (yoy). Meanwhile, conventional banks only 5.5% (yoy). In addition, the value of Sharia bank financing grew by 15.72% (yoy). As well as third-party fund management in 2023, Sharia banks posted growth of 10.49% (yoy) (Ahdiat, 2024). From the explanation above, although the year-on-year (yoy) growth of Sharia banks is higher than conventional banks, it does not necessarily mean that the growth of Sharia banks in the overall banking industry is better than conventional banks.

From the data above, it can be seen that the development of the Sharia Finance Industry in Indonesia has shown significant growth. However, on the other hand, the growth of Sharia banks in Indonesia has not been in line with the overall growth of the Sharia finance industry. This is evident from the following points:

- 1) The market share of Sharia banks in 2014 was only 4.85%, increasing to 7.44% in 2023, meaning that the growth of Sharia banks over a decade was only 2.59%.
- 2) As of June 2024, the total assets of the Sharia finance sector reached IDR 2,756.45 trillion, growing by 12.48% from 2023. However, Sharia banking assets in 2023 were only IDR 892.17 trillion, accounting for merely one-third of the total Sharia finance assets. In other words, consumers tend to prefer other Sharia financial institutions over Sharia banks (KNEKS, 2024).

When selecting financial products and services that meet their needs, the public must have a clear understanding of the benefits and risks, be aware of their rights and responsibilities, and trust that the chosen products and services will enhance their well-being. This is an integral aspect of financial literacy. According to Chen and Volpe (in Panghayo & Musdholifah, 2018), financial literacy is the knowledge

that individuals have to manage their finances and make financial decisions. In Adiyanto & Purnomo (2021), Faridho explain that sharia financial literacy refers to the capability to comprehend and apply Islamic finance concepts, enabling individuals to utilize and manage their financial resources effectively to achieve desired goals in accordance with Sharia principles. Financial literacy provides significant benefits to the financial services sector. Financial institutions and the public depend on each other. The higher the level of financial literacy among the public, the more individuals will take advantage of financial products and services. (OJK, n.d.)

Referring to OJK data in 2024 submitted at the plenary of the National Committee for Sharia Economics and Finance, on October 4, 2024, Islamic economic and financial literacy in Indonesia is increasing every year. It was recorded that the national sharia financial literacy index (OJK) increased from 9.14% in 2022 to 39.11% in 2023, while the national sharia economic literacy index (Bank Indonesia) increased from 23.3% in 2022 to 28.01% in 2023 (KNEKS, 2024).

Aside from financial literacy, another factor that can determine the choice in choosing a bank is the brand image of the bank. Brand image is one of the first things that customers see before making a purchase or product selection. In line with Upshaw's thinking that brand identity is a combination, of words, images, ideas, and associations that as a whole form the perception of a brand in the minds of consumers (Świtała et al., 2018). A good brand image will form an interest in buying products or services (Peronika et al., 2020).

The primary source of bank funding is obtained through funds collected from the public, also known as third-party funds (Zaini et al., 2023). A strong brand image can influence consumers' interest in saving funds. For example, banks that have a good brand image tend to be more able to attract potential customers to save funds. Interest in saving or saving funds is often seen as a form of buying interest that describes an individual's desire or intention to make purchases in the future (Lailiyah et al., 2023).

From a survey conducted by Populix in March 2023, the survey results show data on Sharia bank brands that are most widely used by the Indonesian people.

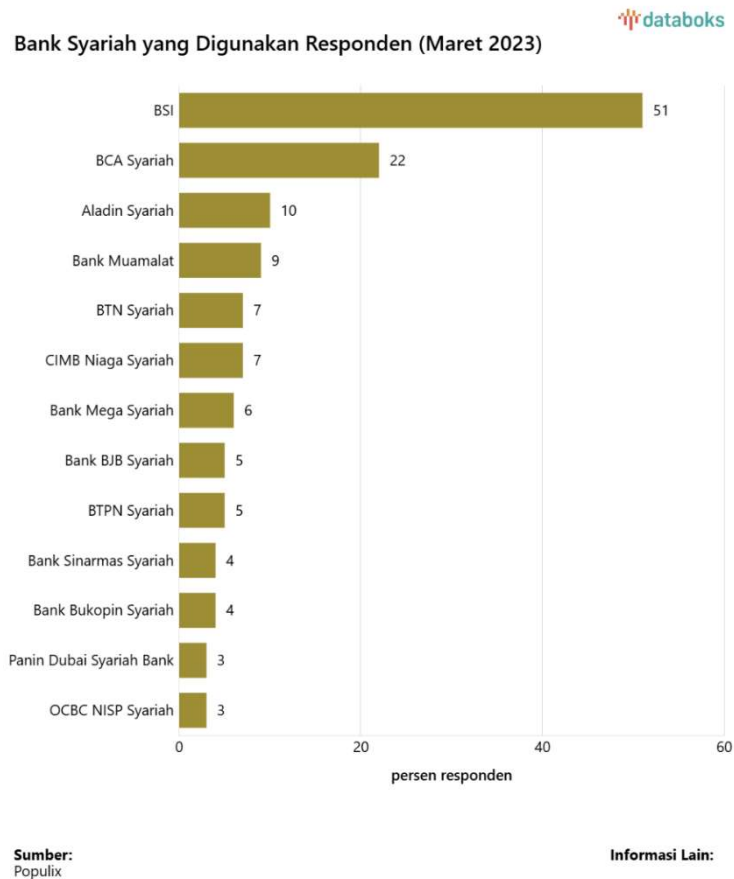


Figure1. 3 Most Used Sharia Banks in Indonesia

Source: <https://databoks.katadata.co.id/>, accessed on October 30, 2024

Based on the above data tested on 1014 respondents, it can be seen that the most widely used Sharia bank brand by the Indonesian people is Bank Syariah Indonesia (BSI) with a percentage of 51% of respondents. Next is BCA Syariah which is used by 22% of respondents, Aladin Syariah 10%, and Bank Muamalat 9%. Meanwhile, respondents who use other Sharia banks such as BTN Syariah, CIMB Niaga Syariah, Bank Mega Syariah, Bank BJB Syariah, and OCBC NISP Syariah are fewer, as seen in the graph above (Annur, 2023). The data suggests that most people prefer Sharia banks that are subsidiaries of established conventional banks with a strong and reputable brand image. This trend is reflected in the public's preference

for Bank Syariah Indonesia (BSI), which emerged from the merger of three state-owned Sharia banks: Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, each originating from their respective parent companies Bank Mandiri, BNI, and BRI. Similarly, BCA Syariah, which operates as the Sharia division of Bank BCA, is also a popular choice among consumers. This preference is largely influenced by the strong credibility and reputation of the parent conventional banks, as well as the perception that Sharia banks affiliated with large banking institutions offer greater stability, broader services, and access to more advanced banking technology.

Based on the same survey, the most widely used Sharia bank products by respondents are Islamic savings (73%), Hajj savings (19%), Islamic deposits (15%), Islamic loans (11%), Islamic home financing (9%), Islamic current accounts (8%), and Islamic pawning (5%). These products are dominated by third-party funds, such as Islamic savings, Hajj savings, and Islamic deposits, which serve as the primary source of funding for Sharia banks to support financing and other operations. Similarly, Bank BJB Syariah plays a role in this trend, as observed during the author's internship in the Retail Fund Services Division, which is responsible for gathering third-party funds through various Sharia banking products such as iB Maslahah Savings, iB Hajj Savings, iB Maslahah Deposits, and others.

This research is important because there is a gap between Indonesia's large Muslim population and the low presence of Sharia banks in the national banking industry. Even though Indonesia has a majority Muslim population, the market share of Sharia banks is still much smaller than conventional banks. Many people also prefer using other Sharia financial services instead of Sharia banks for saving money. A key reason for this is the low level of Sharia financial literacy and the weaker brand image of Sharia banks compared to conventional banks. Since Sharia banks have great potential to grow in Indonesia, this study aims to explore the "**The Influence of Financial Literacy and Brand Image on Interest in Saving Funds in Sharia Banks**". The results can help the Sharia banking industry attract more customers and gain their trust.

1.3 Problem Formulation

Based on the research background that has been explained by the researcher, the formulation of the problem in this study is as follows:

- a. Do financial literacy influenced interest in saving funds in Sharia banks?
- b. Do brand image influenced interest in saving funds in Sharia banks?

1.4 Research Objectives

Based on the formulation of the above research, the purpose of this study is to find out:

- a. To find out the influence of financial literacy on interest in saving funds in Sharia Banks
- b. To find out the influence of brand image on interest in saving funds in Sharia Banks

1.5 Research Benefits

The research entitled "**The Influence of Financial Literacy and Brand Image on Interest in Saving Funds in Sharia Banks**" is expected to provide benefits, both theoretically and practically.

1.5.1 Theoretical Benefits

This research is expected to make a significant contribution to the development of marketing science and the financial field, especially in understanding how financial literacy and brand image can influence people's interest in saving funds. In addition, the findings of this study can provide valuable insights for future research related to the development of marketing strategies. This research is also expected to help identify factors that play an important role in attracting public interest in saving funds in Sharia banks.

1.5.2 Practical Benefits

a. For the Author

This research helps authors develop analytical and research skills, as well as deepen their understanding of how financial literacy and brand image can influence people's decisions in saving funds, especially in the Sharia banking sector.

b. For Sharia Banks

The findings of this study can be a reference for Sharia banks in designing more efficient marketing strategies. By understanding the influence of financial literacy and brand image on people's interest in saving, Sharia banks can design more targeted marketing campaigns and increase financial education efforts to attract more customers. This research can also help banks in strengthening their image and building better relationships with customers.

c. For Readers and other Researchers

This study provides insight into the influence of marketing strategies, especially financial literacy and brand image, on people's interest in saving funds in Sharia banks. The results can also be a reference for other researchers interested in similar topics in the field of marketing or Sharia banking. In addition, this research can be the basis for further studies on other factors that influence people's interest in saving funds and marketing strategies in Sharia banks.

1.6 Systematics of Final Project Writing

In this study, the systematics of writing are as follows:

a. CHAPTER I INTRODUCTION

This chapter discusses the description of the research object, the background of the problem, the formulation of the problem, the purpose of the research, the benefits of the research and the systematics of writing.

b. CHAPTER II LITERATURE REVIEW

This chapter contains a description of the theories that the author uses as a basis for research, a discussion of similar previous researches and the framework of thought that is the basis for the preparation of this thesis

c. CHAPTER III RESEARCH METHODOLOGY

In this chapter, the approaches, methods, and techniques used to process data to solve research problems are explained. This chapter covers research types, operationalization of variables, populations and samples, data collection, validity and Reliability tests and data analysis techniques.

d. CHAPTER IV RESEARCH RESULTS AND DISCUSSION

In this chapter, the results of the research will be described and the discussion of the research results will be systematically in accordance with the identification of problems and research objectives.

e. CHAPTER V CONCLUSIONS AND SUGGESTIONS

This chapter contains conclusions based on the results of research and also suggestions. The suggestions in the study are divided into two, namely practical and theoretical suggestions.