

## CHAPTER I

### INTRODUCTION

#### A. Background

Bank is one of financial institutions that has the most important role in people's lives. Bank in a broad sense is as intermediary between parties who have a surplus of funds with those who lack funds, so that the role of the actual bank is as financial intermediary (Khairi, Nursalim, & Parno, 2018).

The word 'bank' comes from Italian word of 'banca' which means a place to exchange money. According with Act No. 21 / 2008 concerning Islamic banking, Islamic banks are banks that carry out business activities based on syariah principles, or Islamic legal principles regulated in the fatwa of the Indonesian Ulema Council such as the principles of justice and balance ('adl wa tawazun), welfare (maslahah), universalism (alamiyah), and does not contain gharar, maysir, usury, wrongdoing and haram objects.

Banking in Indonesia consists of two systems, namely conventional and Islamic banking. Conventional bank uses interest or usury system and Islamic bank uses profit sharing system in accordance with Islamic syariah principles. Islamic banks can be an alternative for people who consistently do not want usury in every transaction because they want to obey the surah about the prohibition of usury. This is in accordance with Allah SWT words in the verse of the *Qur'an* surah *Al-Baqarah* (2:275) which reads:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ۚ ذَٰلِكَ بِأَنَّهُمْ قَالُوا  
إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۚ فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَىٰ فَلَهُ مَا سَلَفَ ۚ  
وَأَمْرٌ إِلَى اللَّهِ ۚ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ ۖ هُمْ فِيهَا خَالِدُونَ (البقرة : ٢٧٥)

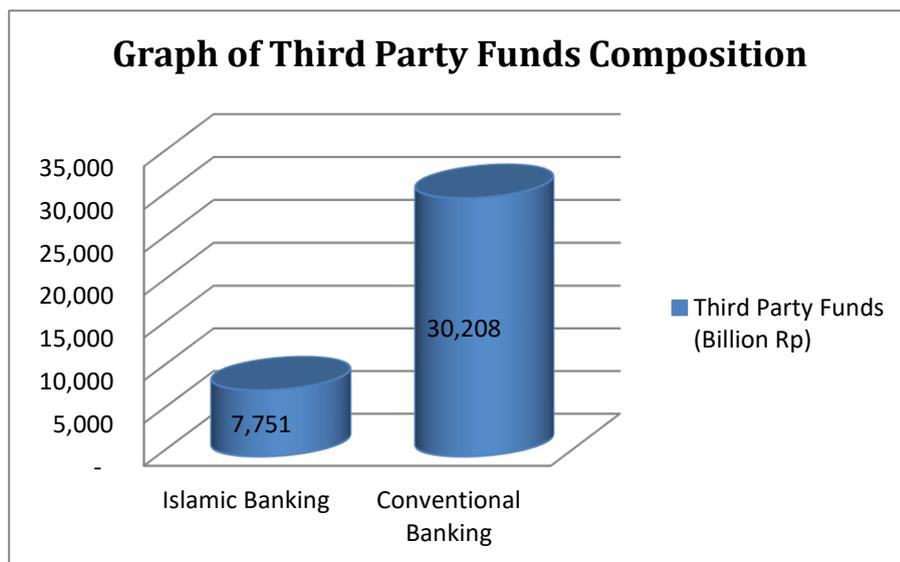
Meaning:

275. . . . . *Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah . But whoever returns to [dealing in interest or usury] those are the companions of the Fire; they will abide eternally therein.*

The literal meaning of the word ‘*riba*’ or usury is increase, excess, growth or increase (Arifin & Misaeropa, 2019). Meanwhile, according to its technical terms, usury means taking extra from basic assets or capital. Indonesian Council of Religious Scholars (MUI) as a *fatwa* institution in Indonesia states that usury law is haram because of the addition without compensation due to the suspension of payment previously promised (Indonesian Council of Religious Scholars (MUI) *Fatwa* Association No.1 2004). As explained in the words of Allah SWT in Surah Al-Baqarah verse 275 above, which explains about our prohibition to consume usury property in multiples.

According to Alma and Priansa (2009), one of the first state-owned banks which bases their operations on Islamic principles Bank Syariah Mandiri (BSM). Structurally, BSM came from Bank Susila Bakti (BSB) as a subsidiary within the scope of Bank Mandiri (former *Bank Dagang Negara*). *Bank Dagang Negara* was a state-owned bank that once existed in Indonesia and is one of the oldest banks in Indonesia. This bank was merged with three other banks in July 1999 to form Bank Mandiri, which was later converted into a full Islamic bank. In order to expedite the conversion process into an Islamic bank, BSM cooperates with the Tazkia Institute, especially in the field of conversion training and assistance (Khairi, Nursalim, & Parno, 2018).

Furthermore, one of the Islamic bankings located in Sumbawa Besar is Bank Syariah Mandiri or is wellknown as Mandiri Syariah, which is located on Diponogoro Street No. 40 Sumbawa Besar. This bank is in a very strategic location and is the first Islamic banking in Sumbawa Besar region which was established in 2009. Unfortunately, the existence of this Islamic bank has not been able to make Sumbawa community interested in using Islamic bank services as a necessity for them although Sumbawa has a majority of Muslim population. It can be seen from the number of third-party funds of Islamic banking which is very low compared to conventional banking. It represents that there is still a lack of interest and loyalty from the public towards Islamic banking itself.



Source: Syariah Banking Statistics (SPS) June 2019 and Indonesian Banking Statistics (SPI) June 2019.

**FIGURE 1.1**

The Composition of Third Party Funds in NTB - June 2019

Based on the results of the table above in June 2019, the total of third party fund for conventional bank was IDR 30,208 billion. It was higher than Islamic bank fund which was calculated for as much as IDR 7,751 billion. It can be seen from the NTB society in which around 96.78% of the population is Muslim (Badan Pusat Statistik NTB, 2019; DPMPD, 2019; Population and Civil Registration, 2019). This clearly creates a gap between the number of Muslim communities and the amount of third party funds in West Nusa Tenggara Province.

However, the presence of this Islamic bank has not been able to make Sumbawa community interested in using Islamic bank services as a necessity for the Sumbawa community which amounts to 509,234 people and the majority of the population is Muslim which is around 96.45% (Central Statistics Agency, NTB 2019). It can be seen from the very low number of Islamic bank customers compared to conventional bank as evidenced by the amount of Islamic bank third party fund in Sumbawa Regency which was only IDR 486 billion in 2019 (SPS, 2019). This illustrates that there is still lack of interest and loyalty from the society towards Islamic Bank.

The sustainability of an organization, especially banking, is very much determined by consumers, especially those who have loyalty. Customer loyalty is a commitment to persevere in depth to repurchase or subscribe to selected products or services consistently in the future (Cahyani, 2014, as cited in Khotimah, 2018).

According to previous research, customer loyalty of Islamic bank can be influenced by several factors such as profit sharing (Khairi, Nursalim, & Parno, 2018; Khotimah, 2018; Imah, 2018), service quality (Afifah, 2017; Wahyoedi & Winoto, 2017; Alnaser et al., 2017), transparency (Yanti, 2019; Muntaza & Wibowo, 2019; Hayati, 2017), and trust (Afifah, 2017; Khotimah 2018; Salilo, 2019). The first factor that can influence customer loyalty is profit sharing (Imah, 2018). According to Khairi et al. (2018), the principle of

profit sharing is a general characteristic and a basic foundation for the operation of Islamic banks as a whole. In syariah terms, the principle is based on *al-mudharabah* rules. Based on this principle, Islamic banks will function as partners both with savers and with entrepreneurs who borrow funds. The creation of justice in determining the level of profit sharing and applying syariah law to the maximum in the transaction carried out will encourage the creation of loyalty in the minds of customers, and promote the relationship between company and its customers to be harmonious so as to provide a good basis for repeat purchases and the creation of loyalty to the product as well as word of mouth recommendations that benefit the company (Tjiptono, 2015 as cited in Khairi, Nursalim, & Parno, 2018).

The second factor that can influence customer loyalty is service quality (Alnaser et, al., 2017). According to Afifah (2017), in general, prospective customers who will save money will certainly choose a bank that can provide benefits and convenience for making transactions. Each prospective customer will certainly pay attention and consider certain factors to decide to save at the bank. In addition, customers also pay attention to the quality of services and products offered so that customers can be motivated to use these products (Afifah, 2017). Customer will also consider these factors to find satisfaction in depositing funds in bank because after all consumers in their behavior will look for maximum satisfaction in meeting their needs so that the customer will continue to use the bank's products. For this reason, Islamic bank must be able to read opportunities and be able to immediately identify the needs and desires of consumers to increase consumer loyalty to Islamic banking (Yuliana, 2017).

The third factor that can influence customer loyalty is transparency (Yanti, 2019). Customers need transparency in terms of information so that banks must disclose information in a timely, adequate, clear, accurate, and comparable manner and can be easily accessed by customers in accordance with their rights (Yanti, 2019). Customers who get easy access to their

interests will feel happy because the expected needs have been met. The disclosure of information in a relevant, accurate, easily accessible manner and delivery in this easy-to-understand language will make customers feel comfortable with the services provided. This makes customers remain loyal to banks and reluctant to switch to using other financial services (Yanti, 2019).

The fourth factor that can influence customer loyalty is trust (Salilo, 2019). Trust is one of the causes of low customer loyalty towards the use of Bank Syariah Mandiri Sumbawa products (Yuliana, 2017). The low level of customer loyalty to Islamic bank in Sumbawa is caused by the lack of trust of the public in Islamic bank (Yuliana, 2017). The absence of socialization about Islamic bank has created less understanding and there are still many people who do not believe that Islamic bank actually uses syariah principles in its operations, thus causing people to get to know and choose to use conventional bank products rather than Islamic bank. In addition, the low interest of Islamic bank customers occurs because many people believe that Islamic banks are not as complete, modern, and good as conventional banks both in their services and products (Yuliana, 2017).

Sumbawa people still do not have a good perception about Islamic banks due to lack of understanding and trust towards Islamic banks. The perception or view of the people who will become customers is very important in increasing customer loyalty in banking world. Understanding and trust in BSM products and systems in Sumbawa are still lacking which can influence prospective customers in using their products (Yuliana, 2017).

Based on the elaboration above, the researcher is interested in conducting a research with the title “The Influence of Profit Sharing, Service Quality, Transparency and Trust on Customer Loyalty of Islamic Bank (Empirical Study In Bank Mandiri Syariah Sumbawa, NTB)”.

## **B. Research Questions**

Based on the background above, the research questions of this study are as follows:

1. Does profit sharing have positive influence on customer loyalty of Islamic banks?
2. Does service quality have positive influence on customer loyalty of Islamic banks?
3. Does transparency have positive influence on customer loyalty of Islamic banks?
4. Does trust have positive influence on customer loyalty of Islamic banks?

## **C. Objectives of the Study**

Based on the research question above, the objectives of this study are as follows:

1. To test and prove empirically whether profit sharing influences customer loyalty of Islamic banks.
2. To test and prove empirically whether service quality influences customer loyalty of Islamic banks.
3. To test and prove empirically whether transparency influences customer loyalty of Islamic banks.
4. To test and prove empirically whether trust influences customer loyalty of Islamic banks.

#### **D. Significance of the Study**

The benefits of this research are as follows:

##### 1. Theoretically

Theoretically, the results of this study can contribute to the development of Islamic economics studies which are used as a means to add insight to researchers who wish to investigate similar issues and topics.

##### 2. Practically

Practically, the results of this study can contribute to the knowledge and thoughts on banks and Islamic bank circles in understanding the factors that influence customer loyalty in order to gather prospective customers in Islamic banks.