



# The Impacts of Sharia Bank Customers' Awareness and Attitudes towards Islamic Working Capital Financing Use in Indonesia

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**Abstract:** The high Gini Index of Indonesia indicates that the economic growth is not accompanied by equal income-distribution. This study aimed to determine the awareness and attitudes of the Muslim consumers of sharia banks in Indonesia towards sharia banking practice and sharia working capital financing. The conceptual framework of this study was developed based on AIDA's hierarchy of effects model and the theory of planned behavior. Structural equation modelling processed with LISREL software was applied to analyze the structural relationships of four latent variables. The primary data collection was performed through self-administered questionnaire with 125 Muslim consumers of sharia banks in Indonesia who own business. The main result suggests that to increase the market share of sharia banking in Indonesia, and eventually to reduce poverty rate and income inequality, is to increase the awareness and attitudes of the consumers towards sharia banking practice and sharia working capital financing. The initiative should begin with simultaneous paradigm shift from all parties involving the Muslim community, sharia banking, and government. The required paradigm shift refers to making sharia banking as the way of life of Muslims by practicing sharia law-based financial activities, and not as a substitute of conventional banking.

**Keywords:** Attitudes, Awareness, Islamic Bank

**JEL Classifications:** G21, G24

## 1. Introduction

The high Gini Index of Indonesia shows that economic growth is not accompanied by economic equality and poverty alleviation. The Gini Index ratio of Indonesia increased from 0.35 in 2006 to 0.41 in 2013 (BPS (Statistics Indonesia) in Bank Indonesia, 2016). The high income inequality occurred in all provinces in Indonesia from 2009 to 2014, including the city of Bogor with the Gini Index reaching 0.41 in 2013, which was similar to the national inequality rate of said year (Susenas (National Socioeconomic Survey) in Balai Pusedalisbang Bappeda (The Center for Data and Development Analysis of the Regional Development Planning Board) of the Province of West Java, 2014).

The practice of interest creates social inequality and reinforces the propensity of wealth accumulated in the hands of a few people. The current practice of interest in the conventional banking system has caused injustice to the borrowers, where the interest of loan must still be paid by the borrowers regardless of the outcome of their business (Dusuki and Abdullah 2007). The Oxfam study (2016) found that the interest from the wealth of the richest people in Indonesia in a day exceeds a thousand times the amount of basic needs expenditure of the poor for a full year. It is clearly written in the Qur'an that *riba* (usury) is forbidden, but with the current implementation of the *riba*-related financial system, *riba* is not regarded as a serious issue that has to be abandoned.



Islamic economics has a solution to the disparity problems generated by the riba-related conventional economic system, which is the three pillars of Islamic economics, namely real sector, sharia financing sector, and ZISWAF sector (Beik and Arsyianti, 2016). By applying the instruments of Islamic economics, such as the forbidden use of riba and the use of profit sharing-based working capital contracts for productive sector financing, sharia banking is expected to contribute to the distribution of wealth, poverty alleviation and the well-being of the ummah (community).

**Table 1. The market share of sharia banking industry in Indonesia based on the volume of TPF in 2007-2016 (in: billion)**

YearS	TPF of Sharia Banks	TPF of Conventional Banks	Market Share of Sharia Banks
2007	28,012	1,718,965	1.60%
2008	36,852	1,990,345	1.82%
2009	52,271	2,180,934	2.34%
2010	76,036	2,563,562	2.88%
2011	115,415	3,093,848	3.60%
2012	147,512	3,542,518	4.00%
2013	183,534	4,070,018	4.31%
2014	217,858	4,114,420	5.03%
2015	231,175	4,413,056	4.98%
2016	279,335	4,836,758	5.46%

Source: Financial Services Authority (2016) (processed)

Various studies have proved that sharia financing with *Mudharabah* and *Bai Bithaman Ajil* contracts effectively reduces poverty, positively affects welfare equality, relates to the real sector, and is not affected by interest rate, at least in the short term (Shaikh, 2017; Adnan and Ajija, 2016; Yusof and Usman, 2015). The implementation of financing contracts that are fully compliant with the sharia law has shown the superiority of sharia banks. However, the benefits of sharia banks have not had an impact on the increasing market share of sharia banking in Indonesia. Although the current market share of sharia banking in Indonesia has exceeded 5%, it is still low in comparison with the conventional banking (Table 1). In terms of fund disbursement, the volume of loans in the working capital category in conventional banking has the largest volume compared to other business categories in the banking industry (Table 2). The data indicates that most people do not have sufficient capital to start a business and choose to apply a loan in conventional banks compared to using working capital financing in sharia banks.



**Table 2. Loan/financing portfolio comparison between conventional banks and sharia banks based on business category in 2014-2016**

Types of use and Business Category	2014		2015		2016	
	Volume (IDR billion)		Volume (IDR billion)		Volume (IDR billion)	
	Conventional Bank	Sharia Bank	Conventional Bank	Sharia Bank	Conventional Bank	Sharia Bank
1. Working Capital	1,757,449	77,935	1,916,256	79,949	2,049,098	87,363
2. Investment	903,194	41,718	1,035,889	51,690	1,125,467	60,042
3. Consumption (non-Micro, Small & Medium Enterprises)	1,013,666	79,677	1,105,759	81,357	1,202,630	100,602
Total loans/financing	3,674,309	199,330	4,057,904	212,996	4,377,195	248,007
Comparison of total loans/financing	95%	5%	95%	5%	95%	5%

Source: Financial Services Authority (2016) (processed)

According to Kotler and Gary (2001), in the end that determines the market share in any industry is the consumers. Based on the literature, awareness has empirically been proved as one of the important factors affecting market preferences (Hidayat, 2015), while attitudes are the important factor that will influence consumer decisions (Sumarwan, 2011). According to Hidayat and Furstemberger (2016), the presence of sharia banking for Muslims, especially in the Gulf and Southeast Asian countries, has caused the necessity to assess the awareness of sharia bank customers on the sharia principles that drive the Islamic finance. The study aimed to learn the awareness and attitudes of the Muslim consumers of sharia banks in Indonesia towards sharia banking practice and working capital financing of sharia banks based on profit sharing that can become the significant factors for the growth of sharia banking market share, which in turn will decrease poverty rate and income inequality in Indonesia.

## 2. Literature Review

### 2.1. The Concept of Awareness of Market Preferences

Awareness is one of the key factors affecting market preferences (Hidayat and Rafeea, 2014). Awareness is a person's understanding and knowledge of anything, such as personality, place, product or service, and others (Ahmad and Bashir, 2014). The literature reveals a positive correlation between awareness and market preferences, as well as a positive correlation between market preferences and market share (Hidayat and Rafeea, 2014). Initially, corporates in general need to increase awareness significantly in order to achieve a slight gain in market preferences, to a point where increased awareness will increase market preferences faster than the increase in awareness itself (Smetacom, 2006). High awareness is essential to achieve significant consumer preferences in the market. Various literatures indicate a correlation between consumer awareness and the use of sharia bank products (Amin, 2007; Khan et al., 2008; Metawa and Almossawi, 1998; Ahmad and Bashir, 2014; Run and Yeo, n.d).



## **2.2. AIDA Model**

According to Kotler (1993), buying behavior is the end result of a long consumer decision process. The theory of hierarchy of effects is a marketing theory based on the assumption that in the buying process, psychologically consumers pass through a series of response stages that begin with the consumers' awareness of a product, then the consumers have a preference for the product, and in the end perform the act of buying (Ghirvu 2013). The model of hierarchy of effects encompasses various aspects of the consumers' psychology as a buyer in terms of Think-Feel-Do, namely passing through the cognitive (mental), affective (feeling), and conative (behavior) stages consecutively, so marketers must incorporate certain information into the consumers' mind, change consumers' attitudes, and drive consumers to take action (Kotler, 1993). The AIDA model is an important model of hierarchy of effects (Ghirvu, 2013), and is the best model of hierarchy of effects (Dragon in Hidayat, 2015). This model can be used as a tool to stimulate consumers to take action to purchase certain product or service by bringing consumers through the four psychological stages from the beginning with no awareness of the product to the act of buying.

## **2.3. Attitudes and Theory of Planned Behavior**

Attitudes are the expressions of consumers' feelings about an object, whether they like it or not, and attitudes can also describe a variety of consumer confidence in the various attributes and benefits of the object (Sumarwan, 2011). The theories of attitudes state that the attitudes of consumers towards a product will affect the behavior or action of consumers towards the product (Sumarwan, 2011). According to Sumarwan (2011), behavior is a person's tendency to do something. One theory that aims to explain the effect of attitudes on behavior is the theory of planned behavior (TPB). TPB (Fishbein and Ajzen in Recker and Saleem, 2014) states that the main factor affecting a person's behavior is behavioral intention (their intention to do the action), and that intention is influenced by three main factors: attitudes toward behavior, subjective norms, and perceived behavioral control (Sumarwan, 2011). Attitudes toward behavior is one's belief in the consequences of behavior, whereas subjective norms are the belief on a reference group in which they think that they should do or not do a certain behavior, or a normative belief on the reference group's expectation on themselves about what should be done (Sumarwan, 2011).

The TPB model does not only take into account the factors under individual control, but also the perceived behavioral control factor (Recker and Saleem, 2014). In contrast to attitudes toward behavior and subjective norms that only directly affect one's behavioral intention, perceived behavioral control affect both the behavioral intention and the actual behavior of a person (Ajzen in Recker and Saleem, 2014). Perceived behavioral control has motivational implication on a person's behavioral intention, which is as long as a person feels that they have no resource/capability/opportunity to perform certain behavior, then the behavioral intention is low even if the attitudes and subjective norms are good/positive (Madden in Recker and Saleem, 2014). The more resources, capabilities and opportunities to perform a certain behavior that a person believes they have, the greater the likelihood that they will perform said behavior (Madden et al. in Recker and Saleem, 2014).

## **2.4. Islamic Working Capital Financing**

The difference between sharia banking and conventional banking refers to the differences in economic ideology as the baseline of bank operations. Rammal and Zurbruegg (2007) explained the ideological differences between capitalism and Islamic economics. Capitalism theory sees capital providers and entrepreneurs as separate factors of the production, in which the capital providers earn interest and the entrepreneurs gain benefits. Interest is a fixed return in the provision of working capital, while profits are derived from business after distributing fixed returns on land, labor and capital (in the form of rent, wages, and interest). Unlike capitalism, Islamic economics does not consider



capital providers and entrepreneurs as separate factors of the production. Islamic economics protects the entrepreneurs, who in capitalism must pay a fixed rate even if their business activities suffer losses. According to Islamic economics, any person who contributes capital in the form of money on business activities must relate to the potential risk of loss, resulting in a profit rather than a fixed return guaranteed at the beginning. With profit sharing and loss sharing systems, the resulting profits or losses borne by business activities can be distributed equally among those who contribute in the capital participation in such business activities.

The differences between the economic ideology baseline between sharia banks and conventional banks described by Rammal and Zurbruegg (2007) above have an implication on the differences in the operational system of sharia banks and conventional banks. Conventional banks based on the principle of capitalism aiming to maximize materials or profits merely see the relationship of banks and customers as debtors and creditors through the practice of bank interest on the debt contracts. The distribution of conventional banking loan products has only one scheme in the form of loans/debts to customers and returns in the form of interest, including in the working capital loans. In working capital loans with a bank interest system, there is no risk of loss borne by conventional banks as the owner of the fund when providing working capital loans to customers. Whatever the results of the customers' business, the customers as the recipients of the loans must return their debts to the conventional banks consisting of the principal amount plus the previously agreed interest, and also the fine if the payment is not made on time.

Unlike conventional banks based on capitalism, sharia banking activities are based on Islamic economics with the main source of Al Quran and Hadith, and *Ijma* of the ulama (the consensus of Islamic scholars). Sharia banks are built on the principles of partnership and fraternity, looking at banks and customers as partners in managing business (Dusuki and Abdullah, 2007). To avoid bank interest (*riba*), sharia banking financing uses different contracts, which are in accordance with the sharia principles, namely profit sharing (*musharakah* and *mudaraba*) and sale and purchase (*murabaha* and *ijarah*), by doing business only on halal financing objects. In the profit sharing-based working capital financing, sharia banks and customers jointly manage a business, where the resulting profits will be shared between sharia banks and customers based on a ratio agreed upon and determined together at the start of the business, while the financial losses suffered must be borne by both parties, and distributed proportionately on the basis of equity participation of each party, or borne by the sharia banks as the owner of the fund.

### 3. Research Methods

This study was conducted in the city of Bogor, Indonesia from June to November 2017. The reason for choosing the study location was because of the high Gini Index of Bogor, and in order to support the program of Bogor as Halal City. The primary data used in the study was obtained through a survey of Muslim customers of the sharia banks in Bogor who own business. Primary data collection was done by filling out the questionnaire online and with direct face-to-face meetings. Prior to the primary data retrieval, a pre-testing questionnaire had been conducted on 34 respondents. The sample size of 125 respondents was determined according to the SEM analysis method and the Slovin test formula based on the population of Bogor with the desired level of accuracy of 90%. The sampling technique in this study was a non-probability snowball sampling, by way of convenience sampling.

This study consists of four variables, i.e. awareness, attitudes, action, and demography (Table 3). The awareness variable shows the level of understanding and knowledge of the consumers on sharia banking practice and working capital financing of sharia banks. The awareness variable of sharia banking practice in this study has eleven indicators developed based on the difference indicator between sharia banking and conventional banking developed by Hanif (2011). The awareness variable of sharia



banking working capital financing in this study has three indicators developed based on the fatwa of DSN-MUI (the ruling of the National Sharia Board of the Indonesian Ulama Council). The attitudes variable shows consumer confidence in the benefits of conducting financial transactions in sharia banks and the benefits of using the working capital financing of sharia banks. The attitudes variable in this study has two indicators developed based on the instrument developed by Buchari et al. (2015) and Jalaluddin (1999). The action variable on the use of working capital financing of sharia banks is defined as the final step in the buying process in which consumers take concrete action by using or not using the financing working capital of sharia banks. The demographic variable consists of seven indicators, namely age, gender, main occupation, education, Islamic education, business, and monthly income.

This study used descriptive analysis and structural equation modeling (SEM) analysis which was processed using the LISREL software. Descriptive analysis was used to describe respondents' characteristics, whereas SEM analysis was used to simultaneously test the structural and measurement models (Bollen, 1985). The structural model shows the estimation strength between latent variables, while the measurement model shows how the indicators represent the latent variables to be measured (Hair et al., 2009). In this study, the four latent variables (demography, awareness, attitudes, action) cannot be measured directly and instead were measured through some indicators in the form of a set of questionnaires with Likert scale.

**Table 3. Variable descriptions and measurements**

Latent variable	Operational definition	Indicator
Awareness	Awareness is a person's understanding and knowledge of sharia banking practice as well as sharia banking working capital financing product (Ahmad and Bashir, 2014)	<p>The awareness variable consists of awareness of sharia banking practice product and awareness of sharia banking working capital financing product.</p> <p>Awareness indicators of sharia banking practice product:</p> <ol style="list-style-type: none"> <li>1. The difference between interest and profit sharing</li> <li>2. The difference between interest and margin in sale and purchase</li> <li>3. Sharia banking transaction types</li> <li>4. Sharia banking revenues</li> <li>5. Sharia banking rewards</li> <li>6. The use of contracts</li> <li>7. Sharia banking objectives</li> <li>8. Sharia banking operational baseline</li> <li>9. The existence of supervisory board</li> <li>10. The form or relationship between customers and bank</li> <li>11. The imposition of fines</li> </ol> <p>Awareness indicators of sharia banking working capital financing:</p> <ol style="list-style-type: none"> <li>12. <i>Murabaha</i> scheme implementation</li> <li>13. <i>Mudaraba</i> scheme implementation</li> <li>14. <i>Musharakah</i> scheme implementation</li> </ol> <p>Interval measurement scale (1-4) uses the Likert scale from strongly disagree (1) to strongly agree (4)</p>



Attitudes	The expressions of consumers' feelings about an object, whether they like it or not, and attitudes can also describe a variety of consumer confidence in the various attributes and benefits of the object (Sumarwan, 2011). In this study, they describe consumer confidence in the benefit in conducting transactions	Attitudes variable indicators: 1. The benefit of conducting transactions in sharia banking. 2. The benefit of using sharia banking working capital financing product.  Interval measurement scale (1-4) uses the Likert scale from strongly disagree (1) to strongly agree (4)
Action	Bringing the action as the final step in the buying process where consumers conduct a real action by buying the product (Ghirvu, 2013)	Action variable only has one indicator, namely using/will be using sharia banking working capital financing product.  Measurement scale uses dummy variable. The decision to use sharia banking working capital financing product consists of "Yes" or "No" answers.

#### 4. Results and Discussions

Table 4 summarizes the distribution of demographic profiles of respondents in this study. Most respondents in this study were men aged 31-40 years, who have a university level of education, main occupation as entrepreneurs, and middle-class income. None of the respondents has elementary and middle school levels of education. This has provided the information that the customers of sharia banks in Bogor, Indonesia who own business are people who have a fairly high level of education, i.e. university level. The criteria of respondents determined in this study were those who have business but may have a main occupation outside the business conducted by said respondents. The study results also showed that those who have attained Islamic education gained it through different durations, places, and levels of education, therefore the knowledge of Islamic education obtained among respondents cannot be equated. In addition, the results of the study have also provided information that most of the customers of sharia banks who own business are among the middle class.

The SEM model in this study has a good fit in accordance with the criteria of the Goodness of Fit that refers to the model suitability according to Hair et al. (2009). The results of SEM analysis are shown in Table 5 and Table 6. This study used the significance level of 0.1 with 90 percent confidence level, so the t-count value in the structural and measurement models must be greater than 1.645.

**Table 4. Distribution of respondents based on demography**

Characteristics of RespondentS	Number of Respondents	Percentage (n=125)
Gender Males Females	74 51	59 41
Age <= 20 years 21-30 years 31-40 years >= 51 years	16 25 42 32 25	1 20 33 26 20



Characteristics of Respondents	Number of Respondents	Percentage (n=125)
Main Job		
Entrepreneurs	65	65
Non-entrepreneurs	32	35
Education Level		
Senior High School	23	18
Undergraduate	82	66
Postgraduate	20	16
Islamic education		
Experience	58	46
Non-experience	67	54
Types of Business		
Products	74	59
Services	51	41
Income		
<= IDR5 million	19	15
>IDR5-10 million	27	22
>IDR10-25 million	32	26
>IDR25-50 million	29	23
>IDR50-100 million	10	8
>IDR100 million	8	6

The results of SEM analysis related to consumer awareness indicate that the biggest knowledge of sharia bank consumers of sharia banking practice and working capital financing of sharia bank is on the use of Mudaraba, Murabaha, Musharakah, and sharia banking rewards, namely bonus provision in the Wadiah contracts and return in the form of profit sharing in the Mudaraba contracts. This is evidenced by the loading factor value of contract indicator which is higher compared to the customers' knowledge indicator of the practice of interest, the existence of the sharia supervisory board (DPS), and the imposition of fines on banking transactions that have been previously excluded from the model to improve model goodness (Table 4). It means that the knowledge that some respondents have on the differences between sharia banks and conventional banks lies in the difference uses of contracts in banking transactions, but not in the practice of interest, the imposition of fines, and the presence of DPS.

The low effectiveness of the role of DPS in the technical supervision of sharia bank operations has led to the inconsistency of sharia banks in complying with the fatwa of DSN-MUI. In addition, the widespread use of the equivalent rate used by sharia banks to attract financing customers has led some customers to consider that the interest return in the loan contracts is not different from the profit sharing or margin in the sale and purchase contracts. The results of the analysis also showed that sharia bank customers have good attitudes related to sharia banking practice and working capital financing of sharia banks. Basically, they believe that doing financial transactions and using working capital financing in sharia banks are beneficial. By becoming sharia bank customers, they feel that they do not violate religious provisions.



**Table 5: The fit test results of measurement model**

Latent and Manifest Variables	Loading Factor	Error	T- value
Demography			
Age	0.39	0.85	2.61
Gender (1= man, 0=woman)	-0.24	0.94	-1.75
Main job (1=entrepreneur, 0= non-entrepreneur)	0.23	0.95	1.69
Education level	-0.33	0.89	-2.32
Types of business	-0.12	0.98	-0.9
Awareness			
Financial transactions of sharia banks	0.60	0.64	7.50
Sharia bank revenue	0.65	0.58	7.65
Sharia bank incentive	0.79	0.38	6.87
Aqad/contract use	0.68	0.53	6.20
Objective of sharia bank	0.67	0.59	6.14
Operational principles of sharia bank	0.68	0.59	6.23
Types of bank-customer relationship	0.67	0.55	6.14
Murabahah scheme application	0.81	0.30	7.00
Mudharabah scheme application	0.85	0.25	7.15
Musarakah scheme application	0.79	0.38	6.83
Attitudes			
Benefits of conducting transactions in sharia banks	0.88	0.23	4.52
Benefits of using working capital financing in sharia bank	0.88	0.22	12.01
Action			
The use of Islamic working capital financing	0.87	0.24	-
If  T-count  > T-table (1.645), then it is Valid			



The study results revealed that the indicator variable mostly affecting the demography is age, followed by education, gender, and primary occupation. The level of income, Islamic education, and type of business do not form a demographic variable and have no important role in influencing consumer awareness of the practice and working capital financing of sharia banks. The study results showed that the older the age is, the higher the awareness of sharia banking practice and working capital financing of sharia banks is. The results of this study are consistent with those of Loo (2010) and Khattak and Rehman (2010) who found that age affects the awareness of sharia banking. In addition, the study also showed that women have more awareness of the practice and working capital of sharia banks compared to men. This result is supported by Buchari et al (2015) who stated that female respondents have a better awareness of sharia banking products than male respondents. Respondents who have the main profession as an entrepreneur have more awareness than those who have the primary profession not as an entrepreneur. This result is consistent with the studies of Haque et al (2009) and Osman and Ismail (2009) which found that employment significantly affects the awareness of the use of sharia banking products.

The results also showed that education has a significant relationship with the awareness of practice and working capital financing of sharia banks. Respondents with bachelor's degree level of education have a better awareness of the practice and working capital financing of sharia banks. The results of this study are consistent with the results of a study conducted by Buchari et al (2015) in Bahrain which stated that respondents with undergraduate education have more awareness of sharia banking than those who have master's degree level of education. Respondents with master's/doctoral education have knowledge that the profit sharing/margin calculation system in sharia bank financing is almost similar to the interest calculation on conventional bank loans, including the fines that are still applied in some sharia banks, and the existence of DPS is not effective in operational technical supervision of sharia banks causing the inconsistency of sharia banks in complying with the fatwa of DSN-MUI. Their knowledge has made them think that the current operations of sharia banks are almost similar to those of conventional banks. This shows that sharia banks have not fully implemented the sharia law and are still imitating conventional banks in product sales. This unsuitability between theory and practice has made the respondents with master's/doctoral education seem to have a lower awareness than those with undergraduate education.

**Table 6: Fit test results of structural model**

Influence of latent variables		Loading factors	T-value	Remarks
Demography	Awareness	0.49	2.64	Valid
	Attitudes	0.12	0.83	Not valid
Awareness	Attitudes	0.8	5.6	Valid
	Action	0.49	1.92	Valid
Attitudes	Action	-0.03	-0.12	Not valid

If  $|T\text{-count}| > T\text{-table}$  (1.645), then it is Valid



Table 6 shows that demography significantly affects the awareness of sharia banking practice and working capital financing of sharia banks. The study results also showed the insignificant relationship between demographic variable and attitudes variable. Demography does not directly affect attitudes, but it indirectly affects them through awareness.

The study results showed that awareness significantly affects attitudes. It means that the knowledge of sharia banking practice and working capital financing of sharia banks owned by consumers make them believe in the benefits derived from the use of such financing. A person must have knowledge of a product first before they can feel the benefits of using the product. This is in accordance with the statement by Sumarwan (2011) which proposed that good consumers' knowledge of a product often encourages them to like the product, so a positive attitude towards a product often reflects the consumers' knowledge of a product.

The study results also revealed that awareness significantly affects action. This means that the awareness of consumers of sharia banking practice and working capital financing of sharia banks significantly affect their behavior on the use of working capital financing of sharia banks. The results of this study are in accordance with the AIDA theory which states that in doing something (action), a person goes through various stages, namely Think-Feel-Do. These stages begin with the cognitive stage (awareness), i.e. having the knowledge and understanding of a product before the consumers purchase the product. This study supports the AIDA theory which shows that the awareness of sharia banking practice and working capital financing of sharia banks is the first stage that must be owned by the consumers before conducting the behavior of working capital financing in sharia banks.

The study results showed that attitudes do not directly affect action. Although consumers feel the benefits of conducting transactions in sharia banks and using working capital financing of sharia banks, the attitudes do not directly affect the use of working capital financing in sharia banks. According to TPB, a person's behavior is not only influenced by the factors that are in the control of the individual (attitudes and subjective norms), but also the factors beyond the control of the individual (perceived behavioral control), namely the actual control that a person has in performing certain behavior that can prevent a person from performing such behavior. Consumer financial capability is a perceived behavioral control in product purchases, including the use of working capital financing in sharia banks. The cost of sharia banking which is currently considered more expensive compared to that of conventional banking is one of the factors that make consumers reluctant to use the working capital financing in sharia banks even though consumers feel the benefits of its use. The NOM of sharia banking which is much lower than the NIM of conventional banking in the last three years reflects the TPF of sharia banking that is dominated by expensive funds (Table 7).

**Table 7: The comparison of NOM/NIM and NPF/NPL between sharia banks and conventional banks**

Year	2014		2015		2016	
	Sharia Banking	Conventional Banking	Sharia Banking	Conventional Banking	Sharia Banking	Conventional Banking
Performance indicators						
NOM/NIM	0.52	4.23	0.52	5.39	0.68	5.63
NPF/NPL	4.95	1.37	4.84	1.55	4.42	1.79

Source: Financial Services Authority (2016)



This resulted in the more expensive distribution of sharia bank financing (margin/profit sharing ratio) that has to be paid by the financing customers compared with that of conventional bank loans, thus the customers of sharia bank financing are those whose applications are generally rejected by conventional banks (second grade financing customers). This condition is seen from the ratio of NPF (non performing financing) of sharia banks, which is close to five percent, the upper limit determined by Bank Indonesia, and is much higher than the NPL of conventional banks. This is similar to the ratio of NPF of working capital financing of sharia banks that is above five percent (Table 8). This means that the perceived behavioral control of the customers, namely the financial capability perception that the customers have has made the customers prefer using the cheaper working capital loan products of conventional banks.

**Table 8: The financing portfolio of sharia banks based on business category**

Types of use and Business Category	2014			2015			2016		
	Volume (billion)	NPF (billion)	%	Volume (billion)	NPF (billion)	%	Volume (billion)	NPF (billion)	%
1. Working capital	77,953	4,742	6.09	79,9499	4,917	6.15	87,363	4,996	5.72
a. Micro, Small & Medium Enterprises	40,205	2,839	7.06	33,382	2,275	6.81	35,827	2,123	5.93
b. Non- Micro, Small & Medium Enterprises	37,729	1,904	5.05	46,567	2,643	5.68	51,535	2,872	5.57
2. Investment	41,718	1,854	4.45	51,690	2,325	4.50	60,042	3,365	5.60
a. Micro, Small & Medium Enterprises	19,600	1,037	5.29	16,909	1,136	6.72	18,703	1,744	9.32
b. Non- Micro, Small & Medium Enterprises	22,118	818	3.70	34,781	1,189	3.42	41,339	1,622	3.92
3. Consumption (non- Micro, Small & Medium Enterprises)	79,677	2,035	2.55	81,357	2,005	2.46	100,602	1,937	1.93
Total financing	199,330	8,632	4.33	212,996	9,248	4.34	248,007	10,298	4.15

Source: Financial Services Authority, 2016 (processed)

In addition, the working capital financing of sharia banks has different characteristics from that of conventional banks, where entrepreneurs must be able to prove the suitability of the use of working capital funds with underlying documents. This requirement makes the application of working capital financing of sharia banks seem more complicated than that of conventional banks, because it demands entrepreneurs' honesty as the customers in terms of allocation of working capital funds. The perception of resource capability possessed by entrepreneurs makes it impossible to meet this requirement because it interferes with the flexibility of the cash flow rules of entrepreneurs in general.

Both of the above conditions show that consumers still see the working capital financing of sharia banks as a substitute product of the working capital loans of conventional banks by performing a comparison of features between the two products. The customers of sharia banks in Bogor, Indonesia



currently still have a paradigm only in choosing to use a cheaper working capital loan product, not on the basis of meeting the need for the use of working capital financing in harmony with the Islamic teachings. The perceived behavioral control of customers, namely the financial and resource capability perceptions that consumers have, is the factor that mostly influences customers in the use of working capital financing. Attitudes or beliefs that the consumers feel on the benefits from the transactions in sharia banks and the use of working capital financing in sharia banks are still not enough to affect the use of working capital financing in sharia banks. This is in accordance with TPB described by Madden (in Recker and Saleem, 2014), which is as long as a person feels that they do not have the resource/capability/opportunity to perform certain behavior, their behavioral intention is low despite their good/positive attitudes and subjective norms.

The results of this study are also supported by the opinion of a banking expert (Saptono, 2017) in in-depth interviews, stating that the customers of sharia banks currently only see sharia banks as a substitute product that can be compared with conventional bank product, not as a treatise of Islamic economics. According to the expert, this cultivation in the minds of customers is because the sharia banks position themselves as an alternative product of conventional banking system, such as the innovation, labeling and positioning of the existing market definition in order to be easily accepted in the market. According to him, this will only result in two options for the performance of sharia banking, namely a product with worse and more expensive performance than the existing products or a product similar to the conventional products, which will only continue to generate a market share of five percent (Saptono, 2017).

## 5. Conclusion

The result of this study concluded that the awareness of the Muslim customers of sharia banks in Bogor, Indonesia of sharia banking practice and working capital financing of sharia banks significantly influence the behavioral use of sharia banking working capital financing in Bogor, Indonesia. The main difference between sharia banks and conventional banks known to the respondents lies in the contracts used in sharia banking transactions, namely *Murabaha*, *Mudaraba*, *Musharakah*, and *Wadiah*. According to some respondents, sharia banks still apply interest in the calculation of banking transactions, including the imposition of fines, as well as the ineffective role of DPS in supervising sharia compliance, thus they assumed that the operational activities of sharia banks are almost similar to those of conventional banks.

The study results also showed that the attitudes of the Muslim customers of sharia banks in Bogor, Indonesia towards sharia banking practice and working capital financing of sharia banks do not affect the use of working capital financing of sharia banks in Bogor, Indonesia. Basically, customers believe that doing transactions in sharia banks and using working capital financing of sharia banks are beneficial, i.e. they do not violate the provisions of Islam. However, this is not enough to influence their behavioral use of working capital financing of sharia banks in Bogor. Some customers are still limited by the perceptions of their financial and resource capabilities, so they prefer to use conventional bank working capital loan products that are cheaper and simpler in the transaction process compared to working capital financing of sharia banks.

Furthermore, the results of the study revealed that the awareness of the Muslim customers of sharia banks in Bogor of sharia banking practice and working capital financing of sharia banks significantly influence their attitudes towards sharia banking practice and working capital financing of sharia banks. Demography affects awareness but does not affect attitudes. This suggests that demography influences attitudes indirectly, namely through awareness. A person's knowledge is influenced by their demographic characteristics. The results showed that consumer awareness of sharia banking practice and working capital financing of sharia banks is influenced by age, gender, education level, and occupation.



The main results of the study recommend a simultaneous paradigm shift of thought from all parties, namely the Muslim community, sharia banking, and government. The paradigm shift of thought to be addressed is the act to position sharia banking as a lifestyle of the Muslim community, by practicing sharia law-based financial activities which aim at the search of blessing for the afterlife, and not as a substitute of conventional banking. By making the afterlife as the purpose of life, if Allah wills it, success in the world will follow.

This study has several limitations, so it is necessary to do further study so that the analysis can be conducted deeper. The recommendations for subsequent study include: (1) sampling technique by way of cluster sampling based on the levels of education, so it can include the samples with elementary and middle school levels of education which were not covered in this study; (2) this study was only done to the Muslim sharia banking customers in Bogor, so further study can be done in other regions throughout Indonesia; (3) the financing that became the focus in this study was only the working capital category. Further study can be done on other sharia banking financing categories, such as consumption which has the largest portfolio in sharia banking; (4) the samples in this study were the customers of sharia banks as individuals. To see corporate perspective on the use of working capital financing of sharia banks, it is necessary to conduct further study with national large companies as study samples; (5) further study also needs to be done related to the difference between the calculation of interest return on conventional bank loans and the profit sharing on sharia bank financing in Indonesia.

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