

The Decision to Use Sharia Bank with Islamic Financial Literacy and The Mediating Role of Trust

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ABSTRACT (10PT)

The research's aims to determine the relationship between Islamic financial literacy and customer decisions in choosing Islamic Bank with trust as an intervening variable. This is a quantitative research. The data were collected using questionnaire that was distributed to customers and also digged out a variety of good information from articles, journals, books and various other literature sourced from the internet. The quantity of respondents in this research were 100 people with data analysis techniques using variance-based SEM with Smart Pls 3.0 software. This research's result that the four proposed research hypotheses were accepted, meaning that there was a positive and significant influence from the Islamic financial literacy variable to trust as well as to the decision to choose, trust also had a significant relationship to the decision to choose and the indirect relationship between Islamic financial literacy to the decision to choose through trust. also had a significant relationship. This study uses Smart Pls in data processing and this research can contribute to Islamic banks in determining factors that can improve customer decisions so that the number of customers is increasing, assets are increasing and the development of Islamic banks is more advanced.

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1. Introduction

Sharia banking in Indonesia has emerged since the issuance of Law no. 7 of 1992 concerning Banking, which indirectly opens up opportunities for the creation of the Islamic banking market in Indonesia. The existence of Islamic banking is strengthened by the passing of Law No. 21/2008 on Islamic banking. The Islamic banking industry in Indonesia until September 2020 continued to show positive developments with an increase in a number of indicators such as assets owned by 575.8 trillion rupiah, distributed financing (PYD) of 384.7 trillion rupiah and third party funds (DPK) of 460.5 trillion rupiah. In addition, the market share of Islamic banking continues to increase every year and until September 2020 is at 6.24% of the total market share of Indonesian banking. (www.ojk.go.id Snapshot Perbankan Syariah Indonesia)

Sharia banking in Indonesia consists of three types of banks, namely Islamic commercial banks (BUS), Islamic business units (UUS) and BPRS which can be explained that up to September 2020 there were 14 Islamic commercial banks, 162 BPRS and the number of UUS. As many as 20 with a total of 2,959 offices owned by sharia banking. (Ojk.go.id) Checking from the market share of Islamic banking, although it continues to increase, it is still far from the total market share of Indonesian banking. This of course needs to get support from the community and all parties

considering that Indonesia has the biggest Muslim populace meanwhile its market share is still below other countries.

In the decision to choose banking products, prospective customers are usually interested in products that provide many benefits and advantages. People who have a lot of information about products and Islamic banks tend to find it is easier to make choices. Financial literacy is defined as knowledge, abilities and convictions that impact the quality of decision making and financial management to accomplish prosperity (ojk.go.id). Islamic financial literacy is a significant factor in affecting people's decisions to use Islamic banking products or not. People who have an understanding of finance and all its aspects are certainly easy to improve their welfare, thereby encouraging increased economic growth from a region to a country [1]. According to OJK, In the 2019 period the financial literacy index in Indonesia was 38.03%. This figure has increased by 8.33% in the last 3 years and the financial inclusion index was 76.19%. Comparing with the financial literacy index in general, the Islamic financial literacy index in 2019 according to the 2019 SNLK noted that the level of Islamic financial literacy edged up from 8.1% to 8.93%.

[2] said that financial literacy is the key to decision making. In addition, Islamic financial literacy is one of two important concepts that can influence a person's behavior against its decision, especially in adopting Islamic financing. Various studies explain including [1], [3] stated that Islamic financial literacy influenced the decision to choose a bank or use Islamic banking products.

The research results of [4] stated that sharia financial literacy has a significant but negative relationship with intention using Islamic banks. Furthermore, [5] research said that Islamic financial literacy positive but insignificant on student decisions in choosing Islamic financial services. The accomplishment of banks in affecting customers in settling on choices in regarding financial transactions is unequivocally impacted by endeavors to acquire client trust. Trust is a believe from one party to another in relation to a transaction based on a belief that the trusted party will fulfill all of its obligations in a good manner, based on its expectations [6]. Customer trust in a bank is one of the invaluable assets for a bank, this is because trust is viewed the basis of the relationship with customers. Banks with good reputations are by and large more attractive to potential customers; because they believe that the bank is of good quality and can be trusted [7]

According to a number of studies that have been carried out including research by [7]–[9] where trust significant with the decision. In addition, the research results of Raden Bagus et al., (2020) revealed that trust doesn't significant to decisions. A decision is a choice in the form of an action of two or more alternative choices, a consumer who will make a choice must have an alternative choice [10].

2. Method

This research uses quantitative methods. Implementing primary data sources in collecting research data. The primary data source comes from questionnaires distributed to Bank Syariah Indonesia customers in Medan, North Sumatera. In addition, the author also conducts observations and interviews in collecting research data and uses documentation methods through various literatures that have a relationship with the topic under study. The population with an unknown number of customers and the samples were 100 customers. The data analysis measurements on questionnaire implemented liker scale where the collected data was then processed by utilizing SmartPLS 3.0 software with analysis in the form of outer model analysis, inner model analysis and model interpretation and then performing a hypothesis test.

2.1 Empirical Model

This is the empirical model in this study.

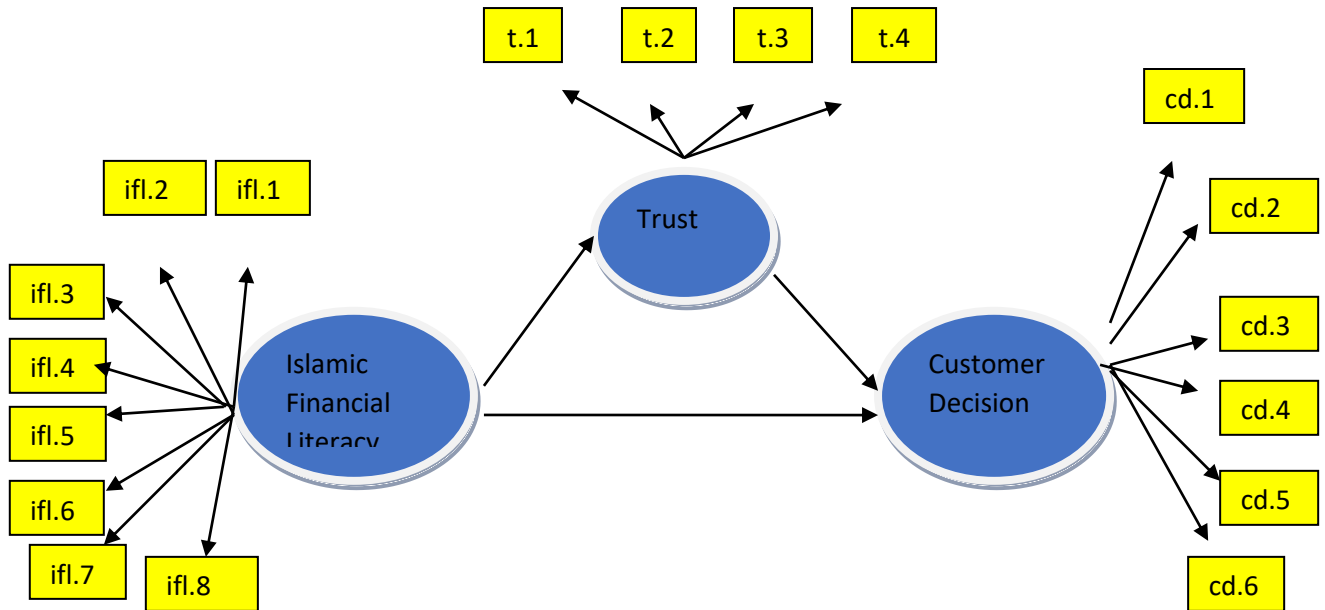


Fig. 1. Empirical Model

3. Results and Discussion

3.1. Evaluation of Measurement Model (Outer Model)

At this stage the measurement is carried out through three stages, namely by measuring convergent validity, discriminant validity and composite reliability.

1) *convergent validity*

This test is conducted to determine the validity of each item under study. The convergent validity value test can be found in the accompanying table.

Table 1. loadig factor

| | Decision | Islamic financial literacy | Trust |
|-------|----------|----------------------------|-------|
| t.1 | | | 0,750 |
| t.2 | | | 0,779 |
| t.3 | | | 0,803 |
| t.4 | | | 0,851 |
| cd.1 | 0,679 | | |
| cd.2 | 0,783 | | |
| cd.3 | 0,767 | | |
| cd.4 | 0,706 | | |
| cd.5 | 0,657 | | |
| cd.6 | 0,678 | | |
| ifl.1 | | 0,781 | |
| ifl.3 | | 0,710 | |
| ifl.4 | | 0,840 | |
| ifl.5 | | 0,725 | |
| ifl.6 | | 0,793 | |
| ifl.7 | | 0,823 | |

In light of the table above, all construct items have value above 0.5 so that it is declared validity and further analysis can be carried out.

2) *Diskriminan Validity*

The results of this test can be found in the tabel bellow:

Table 2. Value of cross loadings

| Item | Islamic Financial Literacy | Trust | Decision |
|-------|----------------------------|-------|----------|
| ifl.1 | 0.781 | 0.414 | 0.483 |
| ifl.3 | 0.710 | 0.301 | 0.425 |
| ifl.4 | 0.840 | 0.519 | 0.609 |
| ifl.5 | 0.725 | 0.378 | 0.453 |
| ifl.6 | 0.793 | 0.488 | 0.529 |
| ifl.7 | 0.823 | 0.558 | 0.546 |
| t.1 | 0.553 | 0.750 | 0.594 |
| t.2 | 0.487 | 0.779 | 0.549 |
| t.3 | 0.366 | 0.803 | 0.618 |
| t.4 | 0.432 | 0.851 | 0.667 |
| cd.1 | 0.535 | 0.434 | 0.679 |
| cd.2 | 0.576 | 0.632 | 0.783 |
| cd.3 | 0.460 | 0.581 | 0.767 |
| cd.4 | 0.491 | 0.528 | 0.706 |
| cd.5 | 0.346 | 0.573 | 0.657 |
| cd.6 | 0.388 | 0.502 | 0.678 |

In light of the table above, it very well may be seen that the worth of the cross loadings of each construct on each variable has a higher value than other constructs so that it meets the discriminant validity requirements.

3) Reliability Composite

The composite Reliability test's result and the cronbach's alpha value can be found in this accompanying table 3:

Table 3. Results of reliability testing

| | Composite | Cronbach's alpha | Description |
|----------------------------|-----------|------------------|-------------|
| Islamic Financial Literacy | 0.903 | 0.871 | Reliabel |
| Trust | 0.874 | 0.807 | Reliabel |
| Decision | 0.861 | 0.806 | Reliabel |

In light of the table above, the composite reliability and cronbach's alpha value of each variable has exceeded the threshold, namely 0.7, so that it is declared reliable.

3.2. Evaluation of structural Model (Inner Model)

Inner model testing in this reseach can be seen from the R-squre value which can be found in this table 4

Table 4. Result of R-square

| | R-square |
|----------|----------|
| Trust | 0.337 |
| Decision | 0.653 |

Based on the table above, the results show that the contribution of the Islamic financial literacy to trust is 0.337 or 33.7%, while the contribution of the Islamic financial literacy variable to the decision to choose is 65.3%, the rest is influenced by other variables outside the variables in this study such as service quality, products or services, facilities and others.

The magnitude of the influence of the relationship between constructs and the interaction effect (moderation) is measured by the value of the path coefficient (path coefficient). Path coefficient is stated to have a significant value if the T statistical value is ≥ 1.96 or the P value ≤ 0.05 . The results of this model test can be described in the table below:

Table 5. Hypothesis Testing Result

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|--|---------------------|-----------------|----------------------------|--------------------------|----------|
| Trust->Decision | 0,577 | 0,584 | 0,058 | 9,988 | 0,000 |
| Islamic finance literacy-> Trust | 0,581 | 0,590 | 0,074 | 7,898 | 0,000 |
| Islamic finance literacy -> Decision | 0,323 | 0,320 | 0,070 | 4,624 | 0,000 |

1 The influence of Islamic financial literacy on trust

The relationship between the construct of Islamic financial literacy and trust with the results of the T statistic value of 7.898 > T table 1.96 with a P value of 0.000 < 0.05. It means H₀ is rejected and H₁ is accepted, meaning that Islamic financial literacy has a positive and significant relationship to trust.

2 The influence of Islamic financial literacy on Customer decision

Based on the results of the hypothesis test on the table above, the t value is 4,624 > T table 1.96 with a P value of 0,000 < 0.05. In view of these outcomes, it very well may be inferred that Islamic financial literacy has a positive and significant relationship to the decision to choose syariah bank.

3 The influence of trust on Customer decision

The results of the trust construct hypothesis test with the decision to choose obtained a T-count value of 9.988 > T table 1.96 with a P value of 0.000 < 0.05, so it can be concluded that trust has a significant relationship to the customer decision.

4 Results of testing the fourth hypothesis (path analysis)

The relationship between Islamic financial literacy and decisions that choose through trust as an intervening variable is obtained by the following values:

Table 5. Path analysis

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|--|---------------------|-----------------|----------------------------|--------------------------|----------|
| Trust->Decision | | | | | |
| Islamic finance literacy-> Trust | | | | | |
| Islamic finance literacy -> Decision | 0.335 | 0.345 | 0.057 | 5.844 | 0.000 |

^a Source: Data Processing, 2021

In light of the table above, it can be seen that the relationship between Islamic financial literacy to the decision to choose through trust has a calculated T value of 5.844 > T table 1.96 with a P value of 0.000 < 0.05. The direct test of Islamic financial literacy to Decision is 0,323 and indirect test is 0,335 it means the indirect effect has a greater value than direct test so it can be concluded that H₀ is rejected and H₁ is accepted, which means that there is a significant influence Islamic financial literacy to the decision to choose through trust.

Discussion

Base on the study outcomes, there are two tests carried out in this study, namely the direct test which includes the test of the Islamic financial literacy variable on the decision to choose a bank, where the results show Islamic financial literacy positive and significant influence with success of choosing a bank. This means that if the customer's knowledge of Islamic financial literacy increases, it is positively related or in line with the increase in customer decisions in choosing syariah banks. Islamic financial literacy is one aspect that can influence the nasabah in making decisions. The study's result in accordance with [1], [3], [11], [12] stated that Islamic financial literacy affects the intention, customer decision a bank or use the products of Islamic banking. But this result not support [13] Islamic financial literacy insignificant impact on Islamic Financial Inclusion.

Having knowledge about finances will make it easier for individuals to manage their finances. Islamic financial literacy strict commitment for each Muslim since it has further ramifications for the realization of Al-falah (genuine success) in the world in the hereafter. Conceptually, Islamic

financial literacy is an individual's capacity to utilize financial knowledge, skills and attitudes in managing financial, in accordance with the teachings of the Islamic religion [14]

The connection between Islamic financial literacy and trust shows that the relationship between these two variables is positive and significant, meaning that financial literacy is a factor that customers consider in relation to the trust that customers have in syariah Bank. The study's result support [15] which states that financial financial literacy has a significant effect on the level of trust in Islamic bank products.

The next direct test is testing the trust variable in the decision to choose where the test results are obtained by trust positive and significant with the decision to choose, which means that the higher and better the trust the customer have is in line with the increasing customer decision and trust is one of the factors that the customer takes into account in choosing Syariah banks.

The study's result support [8] that explains customers consider several factors when choosing a sharia bank, one of which is trust. In addition, it also supports the research of [9] where trust has a relationship with the decision use an Islamic bank. This belief is also related to marketing activities in Islam namely the existence of honesty by the company, the guarantee of the product, the guarantee of product benefits as well as the target or consumer of the product owned so that customers get accurate information that is in accordance with what they need.

The indirect test results, namely the Islamic financial literacy variable on the customer decision through trust, show that the relationship is positive and significant. This implies that belief strengthens the relationship Islamic financial literacy and customer decision. The better Islamic financial literacy in customers can increase customer confidence in Islamic banks and have an impact on increasing decisions in choosing syariah Banks. The study's result consistent with states that a high level of trust can transform satisfied customers into loyal customers [16].

4. Conclusion

The tests consist of direct testing between Islamic financial literacy variables on the decision to choose syariah banks where the results of the research are obtained directly that Islamic financial literacy has a significant relationship to trust as well as direct testing of decision variables. Trust also has a significant relationship with customer decisions and finally the results of the path analysis test show that trust can be an intervening variable between Islamic financial literacy and customer decision. This study certainly has limitations where it only uses two variables to see the effect on customer decisions. The need to add other variables which of course can improve the customer's decision to choose an Islamic bank. It is also necessary to increase the sample in further research..

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