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**Moslem Community Behavior in The Conduct of Islamic Bank:  
The Moderation Role of Knowledge and Pricing**

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**Abstract**

This study aims to determine the factors that influence the behavior of muslim community to use the Islamic banking services in Surakarta. Data collection was done by distributing questionnaires. A total of 220 questionnaires were distributed and the total of 198 questionnaires were returned (return rate 90%). Analyses were performed with hierarchical regression method. The results of inferential analyzes showed that attitude shows a very significant influence only. Social influence is significant in the early stages of testing, but it lost at a later stage, as well as the price and knowledge included. Both variables are taken as moderation couldn't explain the relationship between attitudes and social influences on intention to use the Islamic banks. Knowledge variable became a significant variable in influencing intention to use Islamic banks, to replace the social influence as independent variable.

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Key words: attitudes; knowledge; intentions; Moslems community; Islamic banks.

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**1. Introduction**

In recent years, Indonesia Islamic banking has been named "the fastest growing industry." Total assets of Islamic banks are able to grow on average by 36.2% per year in the last 5 years, higher than the global Islamic finance industry growth in the range 15-20% [1]. Unfortunately, the portion of the current Islamic banking has achieved total assets amounting to Rp.104 trillion only 3.39% of total national banking assets. This means that public participation in developing Islamic banking is still very small. It is very worrying, considering that the nearly 90% of Indonesia's population consists of 237.6 million people are Muslims now [1]. Why are the majority of the Indonesian Moslem people less interested in using Islamic banking services? This study wanted to find an answer to that question.

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Community participation in the use of sharia banking service involves attitudes, decision making process and behavior. There has been much research on attitudes and behavior that have been produced including the sharia banking access. Survey by [2] of 300 post graduate student at three universities in the Klang Valley, namely the International Islamic University Malaysia, Universiti Teknologi MARA and University Putra Malaysia, found that the attitudes and social influence of a valid construct in explaining individual acceptance of Islamic financial products. Much earlier, the study [3] indicates that customers who choose Islamic banks are not influenced by the bonds of religion only but also the pricing of Islamic banking products. These results are supported by research [4] and [5]. By using quantitative methods, analysis of 141 bank customers in Labuan, Malaysia, [5] found that the principles of sharia, the payment per month lower, transparency, and interest-free practice is a very important criteria in considering the decision of the selection of financial services Islamic household. More than ten years earlier, [4] also showed evidence that one of the Islamic banking products are al-bay 'bithaman ajil (purchasing products through the bank by installments) dominate banking in Malaysia.

Latter study of Amin, conducted with Abdul Rahim Abdul Rahman, Stephen Jr. Sondoh Laison., and Ang Magdalene Chooi Hwa [6] to assess the determinants of customer intention to use the Islamic personal financial services. Through the sample consisted of 150 customers who are drawn from two Islamic banks in Malaysia, namely Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad, they want to see the effects of attitude, social influence, the bonds of religion, government support, and pricing, on the intention to use the Islamic personal finance services. Research model is derived from a model developed by Fishbein and Ajzen [6] is known as TRA (Theory of Reasoned Action). In this model placing three variables, the religious obligation, government support, and pricing as a moderating variable, to explain relationship between attitudes and social influences on customer intention to use the Islamic personal financial services. But in the analysis and results, the effect of moderation was not detected. The results obtained show that among the five variables were studied, two of them, the religious obligation and government support is not significant. It means that, the intention of Malaysian community to use the Islamic financial services is influenced by attitude, social influence, and pricing of Islamic banks. The religion obligation and government support don't encourage them to use Islamic bank. This study wanted to know the factors that influence individuals to use the services of Islamic banking in Indonesia. By using the framework of the study TRA like [6], who had already been researching Islamic banks, modification done through moderation effect of knowledge and pricing as [7].

## **2. Hypotheses Development**

### **2.1. Attitude**

In the TRA, attitude refers to the positive effects (like / well) or negative (not like / bad) of the evaluation of individual feelings in assessing an individual's behavior. Attitude is considered as the first antecedent of behavioral intentions. An individual will has intention to show a certain behavior when he judged it positively. Many studies show a significant effect of attitude on intention [2, 8-16]. Recent study [6] also supports these results. Therefore, this study also hypothesized as follows:

*H1: Positive attitude will have a positive impact on the intention to use the products of Islamic banks*

## **2.2. Social Influence**

Social influence in this study refers to research on the use of Islamic banking products that have previously been performed by [6]. The use of social influence in the study refers to the subjective norm or normative pressure is defined as a person's perception of the influence of others on him to do something. The results showed that social factors have a positive and significant impact on intentions to use Islamic banks. By using subjective norms, previous research [2, 14,17] also supports these results. However, there are also studies that do not support [18-19]. The second study found that there was no direct relationship between subjective norms with intention to use information technology. Consistent with previous studies on the use of Islamic banks, the hypothesis of this research is:

*H2: Social influences will give a positive effect to the intention to use the products of Islamic banks.*

## **2.3. Behavior Intention**

TRA / TPB begin by looking at the intention to behave as the closest antecedent of a behavior. It is believed that the stronger the person's intention to show a certain behavior, the more successful he is expected to do so. Study of [20] on 167 undergraduates support the claim. Intention significantly influences the actual behavior in the use of pirated software. Thus the results are consistent with the model of Ajzen [2, 21]. However, research [22] on the use of pirated software found different results, intention not a determinat software piracy behavior. As well as the source of models used, the next hypothesis is:

*H3: Strong intention has positive influence on usage behavior of Islamic bank products.*

## **2.4. Knowledge**

Knowledge of the product to be one determinant in influencing individual behavior. Research [23] for personal computer users in China support this statement. Knowledge of the owned computer has positive effect on purchase intentions. In this study the hypothesis was based on previous studies, the Kaplan et al., 2007 [24] who conducted a study of print media customers. Knowledge of the print media category has significantly direct impact on intention to subscribe. Meanwhile, [6] uses knowledge as a moderator of the relationship between attitudes, subjective norms and perceived behavioral control on intention to buy. Because this study uses a modification of TRA basic theory of knowledge as a moderator variable refer to research [7] and [6], then the hypothesis is proposed:

*H4: Knowledge of Islamic banking products moderate the relationship between attitudes and social influences on the intention to use of Islamic banks.*

## **2.5. Pricing**

In general, an Islamic financial product pricing refers to the activities of Islamic banks in selecting the right price for selling financial products and find a balance between the interests of banks and customers. According to [25], Islamic banks use the term "profit and loss sharing" in determining the prices of Islamic financial transactions, because the concept of "interest" is forbidden in Islam. The results of [5] study found evidence that lower monthly payments is the second rank after guiding principles in choosing sharia Islamic banking services. The next study of [6] also supports the importance of pricing, because this variable was significantly influential in affecting the use of Islamic financial products. As the framework created by [6], this study puts pricing as a moderator variable, so the next hypothesis is: [27]

*H5: Islamic banking product pricing moderate the relationship between attitudes and social influences on the intention of the use of Islamic banks.*

## **3. Research Method**

### **3.1. Population and Sample**

The population study was Muslim community in Surakarta that capable of taking decisions in the use of Islamic banks. Sampling technique using non-probability, that is convenience sampling method. To meet the analysis criteria as much as 220 questionnaires distributed. Of these as many as 198 questionnaires were returned (return rate 90%). Three of them can't be used because a lot of answers that are not filled, so it is used for the analysis of 195 only.

### **3.2. Research Instrument**

The questionnaire is divided into two parts. First, detect the identity of respondents and demographic variables are needed such as name, address, gender, age, education, marital status, and employment. Second, a questionnaire that detects all of the study variables are independent variables, dependent, or moderate. Measurement of these variables adopted earlier studies. The details are as follows: Attitudes [2]; Social Influence [2]; Behavioural intention [6]; Pricing of Islamic banking products [6]; Knowledge [23,24]; Real Behavior (independently developed). The items to measure all the above variables expressed in terms of subjective fit perceptions of the respondents owned. Perception is expressed by choosing one of five Likert scale proposed. This scale shows a statement from the \* first \* - strongly disagree, to \* 5 \* - strongly agree.

### **3.3. Analysis**

To test the validity of the measurements used factor analysis, while for the Chronbach Alpha reliability test used. Hierarchical regression is used to test the hypothesis. There are four models of regression performed on the method of analysis.

#### 4. Results

The first model of the regression analysis conducted to test the relationship between attitudes and social influence on intention to use the products of Islamic banks (Table 1). The result shows that there is a positive and significant relationship between attitudes and social influence on intention to use the Islamic banks. This means that the hypothesis (H1 and H2) that have been formulated previously received. Intention to use or choose the Islamic banks is influenced by the attitude of his own Muslim community and the environment around him. Related to the influence of attitudes toward intention to use Islamic banks, the results are consistent with the theory of reason action (TRA) and the previous study [2, 6, 8-16] are used as a reference for the development of hypotheses. Thereby to increase the use of Islamic banks among Muslims need to build a good attitude among them. According to [26] there are three components that are attached to the attitude, the cognitive, affective, and behavioral. The cognitive component involves the product of individual repertory, both the characteristics and benefits. Affective components associated with the feeling that is owned as a result of the overall evaluation of the product. Behavioral component is a conative dimension, namely the tendency to react to an object. It is this last component that generates the intention to behave.

Table 1.  
Relationship about Attitude and Intention moderated by Knowledge and Pricing

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	Std.Error	Beta		
1.(Constant)	083E-10	.055		.000	1.000
Attitude	.460	.071	.460	6.434	.000***
Social Influence	.250	.071	.250	3.501	.001***
2.(Constant)	423E-10	.052		.000	1.000
Attitude	.381	.069	.381	5.490	.000***
Social Influence	.085	.075	.085	1.135	.258
Knowledge	.352	.072	.352	4.873	.000***
Pricing	-.013	.057	-.013	-.231	.817
3.(Constant)	-.078	.062		-2.157	.210
Attitude	.446	.075	.446	5.933	.000***
Social Influence	.087	.075	.087	1.163	.246
Knowledge	.354	.076	.354	4.660	.000***
Pricing	.026	.060	.026	.443	.658
Attitude*Know	.119	.075	.144	1.590	.113
Attitude*Pricing	-.022	.068	-.028	-.326	.745
Soc*Knowledge	.025	.071	.028	.346	.730
Soc*Pricing	.012	.064	.015	.187	.852

Dependent Variable: Intention to use Islamic Banking

\*\*\*p<.001

In addition to the attitude of the first models also incorporate social influence as independent variables. It turned out that the social influence or social environment also has significant variable associated with the intention to select or use of Islamic banks. These results accordance with the reference studies that used previously [2, 6, 14, 17]. In addition influenced by the attitude of Muslims towards Islamic banking products and benefits, the intention to choose or to use Islamic banks also depend on existing social norms. If the norms of the social environment encourage individual Muslims to choose or use of Islamic banks, they tend to take it. And vice versa.

In the second model, in addition to attitudes and social influence, knowledge and pricing also tried to include as independent variables. With the inclusion of two new variables, there was a difference in the pattern of influence. Social influence which was initially significant became not significant. Significance of the social influence turning into the knowledge variable. It means, the effect is of knowledge variable stronger than social influence. In contrast to the attitude remains significant, social influence is lost when the other independent variables included. Positive and significant relationship between knowledge and intention to use Islamic banks shows that the Muslim *ummah* with better knowledge has greater intention to use the Islamic banks. These results also indicate that the knowledge variables to consider its role in building a model of the behavior of a selection or use of products, including Islamic banks. Description of [26] on the cognitive component of attitude needs to be developed into an antecedent variable. This is a recommendation for next study to look at the relationship between knowledge and attitudes towards Islamic banks.

The third model conducted to analyze the relationship between attitudes and social influences on intention to choose or use of Islamic banks, with a look at the influence of knowledge and pricing moderation. The results show that the strong influence of attitudes and knowledge on the intention to select or use of Islamic banks. Hypothesis (H4 and H5) that shows the influence of moderation variable, that is pricing and knowledge on the relationship between attitudes and social influence of Islamic banks with the intention of using it is not supported. It means, the relationship between attitudes and social influences on intentions to use Islamic banks are not moderated by the knowledge and pricing. Muslims with the knowledge and perception of low, moderate, or high pricing have the same relationship patterns. In other words, the relationship between attitudes and social influence on intention to use of sharia banks has the same pattern based on the two variables (knowledge and pricing).

Final analysis was done to see the relationship between intention to use Islamic banks and the real behavior that occurred. The analysis shows that the relationship between intention and actual behavior is very significant (H3 is supported). When intention to use sharia bank of the Muslim *ummah* high, it will be created with real behavior is (not just using sharia bank products, but also loyal and strive to recommend to other Muslim nations who are in the vicinity). But otherwise, if their intention is low, they will not to use Islamic banks. That is, when the Muslim faith is low, they tend to not / has not been willing to use Islamic banks and do not brave enough to recommend to the people around him. These results are in accordance with the theory used as a reference [20] and research has been done previously [2, 21].

Tabel 2.

## Relationship between Intention and Behavior to use Islamic Bank

Independent Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	-6.35E-11	.051		.000	1.000
Intention	.699	.052	.699	13.565	.000***

Tabel 3  
ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	94.683	1	94.683	183.996	.000***
Residual	99.317	193	.515		
Total	194.000	194			

a. Predictor: (Constant), Intention

b. Dependent Variable: Real Behavior

## 5. Conclusion

Through several stages of analysis, the effect of the attitudes toward intention to use Islamic banks remains significant (H1 supported). This is in contrast to social influence. This variable is only significant when the analysis include the attitude and social environment as the independent variable of intention to use Islamic banks. When added another variable, namely knowledge and pricing in the relationship, the significance of social influence is lost. That it emerged as a significant independent variable is knowledge. This means that social influence is really not strong.

Knowledge variables influence is stronger than social influence. Positive and significant relationship between knowledge and intention to use Islamic banks shows that the Muslim Ummah with better knowledge has greater intention to use the Islamic banks. These results also indicate that the knowledge variable must be considered in building a model of the behavior of a selection or use of products, including Islamic banks.

The relationship between attitudes and social influences on intentions to use Islamic banks are not moderated by the knowledge and prices. These results indicate that differences in the findings of previous research on the relationship between attitudes and social influence with the intention of using Islamic banks cannot be explained by the variables of knowledge and prices. Positive relationship between intention and real behavior using Islamic banks are going very significant.

## 6. Theoretical implications.

The findings of this study develop previous research in several respects. First, the, social influences are not always significantly related to intention to use Islamic banking services. Second, knowledge of which was originally thought to be moderating variables as previous studies, namely [7] turned out to be consistent as a variable that affects the intention to use Islamic banking services. These results are consistent with [23,24]. Third, the two variables, namely pricing and knowledge, which is thought to be moderate based on the study [6] and [7], was not proved.

## 7. Managerial implications.

For Islamic banks and related institutions, businesses need to socialize more active and intensive in order to broaden and deepen knowledge of the respondent because this variable has a positive and significant relationship with intention to use Islamic banking services. In addition to maintaining the attitude of the Muslim community has been good relative to the Islamic bank, to development of products and services provided according to the characteristics of sharia-owned.

## 8. Limitations and Recommendations.

Because sampling is mostly done on campus, a generalization must be interpreted carefully, with caution in describing the Muslim community in Surakarta. Therefore, the recommendations for subsequent research is to expand the sample to a more diverse group, both geographically and multi religious. That is, the sample is more spread out in Surakarta region (not only focus on the community college) and extended to non-Muslims as well, because the Islamic banks can also be accessed by them. Another recommendation relates to a deeper study for the variables of knowledge, both as an antecedent or independent variable. In addition, it should also be reviewed to allow other variables to be explanatory for the relationship between attitudes and intentions to use Islamic banks.

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