Factor Influence Industry to Adopting Islamic Banking

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Abstract. The purpose of this research is to ensure the factors that influence industrial behavior in adopting Islamic banking services. The approach used in this research is quantitative with a questionnaire as a method of data collection. Respondents in this study are halal industries. To analyze the data obtained from the questionnaire, exploration factor analysis techniques are used. This technique aims to determine new constructs based on an untested theory of a new location. The theoretical basis used in this research is The MINDSPACE framework concept. The results of this analysis found that based on The MINDSPACE framework concept there are eight constructs of factors that can influence the industries in adopting Islamic banking services, namely image, cost, norms, trust, promotion, commitment, knowledge, and ego. Based on the results of this analysis is expected to be useful for the Islamic financial industry in determining the appropriate marketing strategy.

Keywords: MINDSPACE Framework, Adoption Behavior, Islamic Banking

1 Introduction

The Indonesian Financial Services Authority reports that the market share of Islamic banking in Indonesia is still below 6% [1]. This figure can be said to be low when viewed from the rapid growth of the Islamic economy in Indonesia which was reported to have reached 81.93 points [2]. The low market share of Islamic banks shows that public interest is still low due to market competition conditions between Islamic banks and conventional banks [3][4]. In addition, public doubts about Islamic banks have affected their level of trust in Islamic bank's operations which is not good enough [5][6]. The low interest in the adoption of Islamic banks is also caused by the low penetration of the Islamic banks to approach their customers [7]. Several previous studies state that public interest in adopting Islamic banks is influenced by many factors including religiousity, trust, transparency, and social influence.

One of the factors that can influence public interest in Islamic banks is the religious aspect [8][9][10][11][12][13][14]. However, Su'un et al. [11] also mentioned that religious factors are not a problem for religious communities other than Islam to use the services of Islamic banks. Furthermore, other factors that can influence the adoption of Islamic banking services are customer knowledge, costs or benefits, and social norms [8][9][11][15][16][17]. According to Bananuka et al. [8], Jaffar and Musa [9], Kontot et al. [16], social norms can influence a person in choosing Islamic Bank services. However, Ayyub et al. [15], Charag et al. [17], Pujianti et al. [10], states something different. According to Ayyub *et al.* [15], social influence will only have an effect if it was carried out massively, that means that in generally the understanding has been carried out. Another factor is the image of Islamic banks which according to Butt et al. [18], Jaffar and Musa [9], Kontot et al. [16], has a positive impact on

the interest in the adoption of Islamic banks. This means that if the Islamic bank have a good image, it could increase the interest of adopting Islamic Banking. However, an opposite opinion was expressed by Charag *et al.* [17].

According to Metcalfe and Dolan [19], in making a decision, humans never have the same choice. This uncertainty can be caused by several factors, namely competitive feelings, changes, opportunities, concern for other individuals, and the prices that may be obtained or will be issued. The conception of The Uncertainty of An Individual's Choice shows that the factors that influence individual decisions are very various, even originating from the minds of the individuals themself. This conception of behavior has resulted in a new context regarding changes in individual habits or behavior in making a decision. Dolan et al. [20], developed a new context as a factor that can influence an individual in making a decision. This contextual approach can be applied on individual cases and corporations/companies. The concept is known as The MINDSPACE Framework Theory.

The MINDSPACE Framework concept is an alternative method for managers strategy informing strategies to change behaviour by overcoming the problems and innovation [21]. Then, O'Sullivan *et al.* [22] stated that the concept is easy to implement and inexpensive. But, Liu *et al.* [21] mentioned that the implementation requires strategists who can understand human behaviour in-depth to get the best strategy. The application of mindspace that way can minimize the bias that will occur in the strategy determination process.
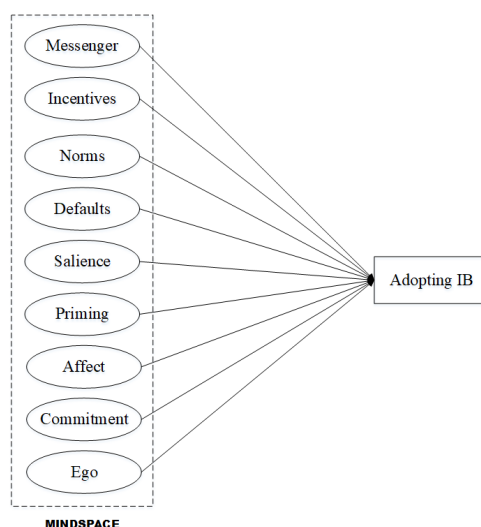
What is The MINDSPACE Framework?

MINDSPACE Framework is a concept used to determine decision-making behaviour after obtaining various information, both physically and non-physically [19]. The concept divides nine factors that can influence the decision-making process, namely; messenger, incentive, norms, defaults, salience, priming, affect, commitment, and ego [20].

The messenger is the sender of the message (messenger tools). Messenger is related to success in the promotion process. The strength of one's social influence will have a significant impact on one's decisions [20]. The incentive is a representation of a good fund that will be obtained or issued by someone. The concept of incentives describes the benefits that a person gets for doing an activity. The lower the costs incurred by someone, the greater the chance that the opportunity will be taken [20][23]. Norms are binding rules that generally accepted by society. The norms in this study are not about rules but a shared belief in social life that has been believed by many peoples [19][20]. Without us realizing it in living our daily lives, we have been faced with choices that we are used to it. Default defined as an existing or structured choice when an individual does not actively make the choice they want [19][20].

Human behaviour is actively influenced by their interests and desires. It relates to the salience of human nature, namely high curiosity. Someone's attention will focus on things that are new, simple, and ease of access. The behaviour depends on the stimulus obtained by the individual both from within the individual and external to the individual itself. Priming is a fundamental influence that a person gets from an activity they have done. An influence can be obtained by someone through seeing pictures, hearing slogans and being directly involved in an activity [19][20].

Affect defined as someone's emotional that can influence the response to a stimulus. A person's emotions towards pictures, slogans, or activities can have a significant effect on their behaviour [20]. Commitment is a condition in which a person required to fulfil his promise. Commitment shows the firmness of one's stance. Keeping the agreement that has been made will encourage someone to realize the agreement they have agreed on [19].

Then, ego is a person's sense of self-worth or self-interest. The goal of egoism is in every decision that is only aimed at self-interest without regarding to the opinions of others [20].

Fig. 1. Comprehensive model of adopting Islamic Banking

According to Dolan *et al.* [20], the MINDSPACE Framework concept still needs to be further developed. The development can be done through research in other fields. Metcalfe and Dolan [19] stated that in its influence on transportation choice decisions, the concept can explain decision making. Then, O'Sullivan *et al.* [22] mentions that the concept is intended for strategy makers within a company to influence the behaviour of both consumers and company members. Meanwhile, Liu *et al.* [21] stated that the concept was able to effects the formation of better decisions because MINDSPACE Framework has met "the cognitive limitations" and the "structures of the environment". The MINDSPACE Framework consept has provided a new perspective for the industry to determine strategies to attract consumer interest. However, the application of MINDSPACE in strategy formation still needs to be further developed [22]. Research on this concept still has limitations because it has not been widely applied in Indonesia. So that further studies are needed on the MINDSPACE Framework concept in the study of consumer behaviour in Indonesia. This paper will discuss the factors that can influence the halal industries "Small and Medium Enterprises" (SMEs) in adopting Islamic banking services. The concept that has been developed by Dolan is used as the basis for conducting this research which will then be carried out by factor analysis based on the MINDSPACE Framework concept.

2 Method

The purpose of this study is to determine the factors that affect industrial owners in adopting Islamic banking services. Therefore, we designed this research used a quantitative approach. This approach used a questionnaire instrument in data collection. The measurement of the questionnaire was carried out using a Likert scale where the score consisted of five, the

values starting from 5 to 1, which are stated "Strongly Agree" and "Strongly Disagree". The total respondents in this study were 200 halal industries that registered in the industry and trade offices throughout Kediri Raya, and the data were collected using the convenience sampling method [24]. The research process that we have used in this study can be seen in Fig. 2.
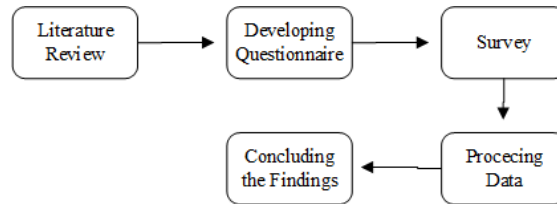

Fig. 2. Research process

The data that has been collected is quantitative, and the testing phase is carried out using exploratory factor analysis techniques to obtain an explanation of the factors that has better describe the situation in Kediri Raya [25]. Our exploratory factor analysis used the SPSS tool. Then, the disclosure of the results of the exploration factor analysis carried out by looking at the loading values of the rotating component matrix to form constructs from the indicators that we have tested. The data obtained from the new constructs were also tested for reliability using an assessment of average variance extracted (AVE) and composite reliability (CR) using Wrap-PLS tool. The composite reliability test is used to determine the level of consistency between the constructs to be tested. The lower limit of the composite reliability value is 0.5. The higher the value, the better [25]. Meanwhile, AVE defines the correlation between latent variables and the items used. The lower limit of the AVE value is 0.5 [26].

3 Result

The characteristics of the respondents that we have used in this study are; gender, age, size, and type of business (See table 1).

Table 1. Demographics of Respondent

Characteristic	Description	Frequency
Gender	Male	45
	Female	157
Age	20-29 years	79
	30-39 yesrs	50
	> 40 years	73
Type of Business	Food and Baverage	120
	Cosmetics and Medicine	6
	Textile	34
	Service	32
	Handicraft	10
Business size	< 20 million	137
	20 - 39 million	38
	40 -59 million	15

Characteristic	Description	Frequency
	> 60 jmillion	12

Based on The MINDSPACE Framework concept, we found that there are eight factors with an initially accumulated eigenvalue of 70%. : The kaiser-meyer-olkin value that has beenobtained is 0.91 > 0.50 [27]. (See table 2).

Table 2. Result of Kaiser-Meyer-Olkins

KMO and Bartlett's Test		
	x^2	5132.994
Bartlett's Test of Sphericity	df	666
	Sig.	0.000
Kaiser-Meyer-Olkin		0.916

Table 3. Based on the analysis we have done, 37 items have been obtained from nine variables based on the MINDSPACE Framework concept. The concept was tested using exploratory factor analysis techniques to produce eight factors namely: image, cost, social norms, trust, promotion, commitment, knowledge, and the last factor is ego. The image has twelve items that represent the impressions of customers and the halal industries on Islamic banks. The second factor is costs, costs factor has six items that describe the convenience of lower costs for customers. The costs in this study are not only costs that must be incurred by the customer but also represent about the benefits of the costs they will get. The third factor, namely social norms, has seven items representing the support or condition of the customer's social environment in adopting Islamic banking services. The fourth factor is trust, trust has three items that explain customer trust in Islamic banks, thus encouraging them to adopt Islamic banking services. The fifth factor, namely promotion, the promotion factor has four items that describe the sources of information obtained by customers about Islamic banks. The sixth factor is the commitment with four items represents the commitment of Islamic banks to customers and the support of Islamic banks to their business. The seventh factor is the knowledge of Islamic banks owned by customers, and the eighth factor is the customer's ego in adopting Islamic banking services. The eight factors have cumulative variance; 37.4%, 46%, 52.1%, 56.9%, 60.6%, 64.2%, 67.2%, 70.2%.

Table 3. Result of Exploratory Factor Analysis

Factors	Item
Image	Islamic Bank support customer busines
	Islamic Bank have a low risk
	Islamic Bank have a good innovation
	Islamic Bank is more transparant
	Islamic Bank suit with Islamic law
	Islamic Bank pay attention on prosperity
	Islamic Bank emphasize they reputation
	I feel secure
	I feel comfort
	I feel composed
	I feel peaceful
	I use IB because my halal business

Factors	Item
Cost	Islamic Bank more profitable on funding
	Islamic Bank more profitable on deposit
	Islamic Bank have low service cost
	Islamic Bank have low funding cost
	I pick out IB because easy to use
	Islamic Bank have a better funding product
Norms	I got recomendation from my business partner
	I got recomendation from my friend
	I got recomendation from my society
	I choose IB because my society habit
	I pick up IB servise because it's appropriate with my need
	I choose IB servise because my agreement with business partner
Trust	I didn't interested to konventional banking
	I only trust Islamic Banking
	I only use Islamic Banking
Promotion	I know it from my family
	I know it form my business partner
	I know it from social media
	I influenced by my family
Commitment	I know IB from theirs
	I chooce IB because the adjustment
	I have business agreement with IB
	I use IB to get Halal Certification
Knowledge	I know Islamic Banking
Ego	I chosose IB Because my own decision

The next tests are validity and reliability. Based on the testing and analysis that we have done, we found that all factors are reliable and valid (except the commitment factor). Furthermore, the average variance extracted (AVE) values generated in the test are all greater than 0.5. While the cronbach alpha (CA) and composite reliability (CR) values are all more than 0.7. The results of the test show that the variables used are has been reliable [25]. (See table 4).

Table 4. Reliability and Validity

Variabel	Cronbach's Alpha	Composite Reliability	AVE
Image	0.942	0.949	0.611
Cost	0.881	0.910	0.628
Norms	0.844	0.886	0.567
Trust	0.871	0.921	0.795
Promotion	0.734	0.834	0.559
Comitment	0.675	0.804	0.508
Knowledge	1.000	1.000	1.000
Ego	1.000	1.000	1.000

4 Discussion

Table 3 shows that halal industry's preffrence on choosing Islamic financial services is influenced by several factors such as image, cost, social norms, trust, promotion, commitment, knowledge, and ego. Based on the results of the tests of factor analysis that have been conducted was following the findings of research conducted by Ababio-Donkor [26] which stated that there are seven constructs of the MINDSPACE Framework, namely salience, social norms, personal norms, symbolic, affect, narcissism, and exhibitionism. In the results of his research, Donkor defines salience as the respondent's perception of negative experiences in using public transports. Social norms are defines as respondents' perceptions of social beliefs and perceptions of private vehicles, public, and environmental. Personal norms are defines as individual perceptions of private and public vehicles. While symbolic is defines as anti-status traffic signs for public transports. Ababio-Donkor [26], defines affect as a positive perception of public transports and their experience with it. Donkor grouped the last two factors into ego factors where narcissism is a person's characteristics in the form of superiority, independence, facilities that have been provided by the government, and exhibitionism is defined as the individual's need for attention and acceptance.

This study is part of research on the determinants and identifies a new domain in examining people's behaviour in adopting Islamic banks. The statistical calculations results that have been carried out show that the eight constructs formed are reliable and valid. The results in this study indicate the development of consumer behaviour studies. The findings in this study are in line with previous research conducted by Ababio-Donkor [26] regarding decision making in choosing a product. It's just that Donkor's research leads to the field of public transports, while this research leads to financial behaviour. Compared to other studies regarding the adoption behaviour of Islamic banks, this study providing an innovation by developing a new theory of behaviour compared to the previous study which uses the basis of the theory of planned behaviour and the theory of reason action. The results of this study have similarities with the results of other studies although using a different theoretical basis. The factors that are built based on the instruments in this study are expected to be able to contribute to other future studies regarding adoption behaviour in the field of Islamic banking and Islamic finance in general.

5 Conclusion

This study aims to determine the factors that can influence the adoption of Islamic banking services by the halal industries. Based on the results of factor analysis of the nine domains of the MINDSPACE Framework concept that have been carried out, there are eight factors can influence the halal industries in adopting Islamic banking services. The factors are image, cost, social norms, trust, promotion, commitment, knowledge, and ego. The results of this study can be used as a benchmark by Islamic financial institutions to attract the interest of the halal industries and the public. The Islamic financial institutions should pay more attention to factors that can increase public interest in adopting Islamic banking services, and not only focus on profit sharing to attract public interest but should also focus on improving their image so that consumer trust in Islamic banks can increases. The research about these factors are still needed to be developed to get more applicable results with different industry such as tourism, fashion, and many others that can be explored further.

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