

## **Determinants of Muslim Entrepreneurs Decisions On Sharia Bank Financing and Its Effect On Business Performance**

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### ***ABSTRACT***

*The purpose of this study is to determine the factors that influence the decisions of Muslim entrepreneurs in using Islamic bank financing products and their influence on Business performance in MSMEs. The variables studied were religious factors, service quality, accessibility, reference groups, promotions, profit sharing systems and attitudes towards fatwas. The research method used is the factor analysis method (Exploratory Factor Analysis) and multiple linear regression. sampling technique is non-probability sampling (incidental sampling) that is equal to 70 people with assumptions considered sufficient to represent the population, while the method of collecting data through questionnaires. The results showed that there are 2 (two) main factors that determine the behavior of entrepreneurs in using Islamic bank financing, namely external drives (promotion, accessibility, reference groups, and attitudes to the bank system), and internal references (religion, service quality, and profit sharing system). Profit sharing system is the most important factor for customers in deciding to use Islamic bank financing products. The factors of using these financing products have a significant effect on the performance of small and medium enterprises (SMEs) in Southeast Sulawesi, Indonesia*

***Keywords : Muslim Entrepreneurs, Sharia Banks and Business***

### **A. INTRODUCTION**

Nowadays, the people of Southeast Sulawesi, especially Kendari City, have increasingly interacted and used Islamic banking products as an alternative for people who have security preferences and practice religious values. The common problem of this phenomenon is whether the growth and development of these institutions is a result of public response/changes in consumer behavior from conventional banks to Islamic banking products on the basis of religious awareness (Islamic awareness) which states that Islam has forbidden usury while wrong one form of usury is bank interest. Or is it more due to the quality of bank services, accessibility, promotions and so on. Factors that influence consumer decisions in using Islamic bank products can be observed from several research trends.

The research of SubchanYahya (2010) in the results of his research illustrates that the factors that influence customers' decisions in choosing the bank services are promotion factors, the perception of BSM according to sharia principles, knowing that usury is illegal, BSM investment is halal. Then MuhamadAbduh, et al. (2012) stated that important factors that determine the process of changing customer behavior decisions in Islamic banks in Indonesia (Jakarta, Bogor Depok) are bank employee services, consumer psychology, accessibility, and costs. Similarly, Syed Shah Alam's research (2012) found indications that religion and attitudes had a significant influence on consumers' wishes to use Islamic financing in Klang Valley Malaysia. Whereas Syed Akiff-Hasan (2012) argued that the consumer selection criteria for Islamic banking in Pakistan placed a high profit & low service cost as the most important factor of religious motives, and service quality.

Based on several descriptions of the results of previous studies showing differences in several objects and research locations, especially in Muslim-populated countries that sharia factors are one of the important factors for consumers in choosing / using Islamic banks. However, it is not a major factor for using Islamic banks. Thus, the novelty in this study is to examine more about the factors that shape consumer behavior in using Islamic bank products with the aim of further deepening the study and analysis of religious factors, service quality, accessibility, reference groups, profit sharing systems, promotions, and attitude. This study only focuses on consumers/customers who use Islamic bank financing and examine the effect of Islamic Bank financing on Business Performance that has not been reviewed and examined by previous researchers.

Based on this condition, it is important to analyze the factors that shape the behavior of entrepreneurs using Islamic bank financing products and their influence on the performance of SMEs in Kendari City, Southeast Sulawesi Province. So that this research has a contribution in reviewing and proving that sharia factors are an important factor in using bank financing products because of the prohibition of usury and proves the influence of the use of Islamic bank financing on SME Business Performance that has not been reviewed by previous research. Thus, the formulation of the research problem is as follows:

1. What factors shape the behavior of SMEs (Muslim entrepreneurs) in the decision to use Southeast Sulawesi Islamic bank financing products
2. What is the most important factor that is considered by SME entrepreneurs in the use of Islamic bank financing products in Southeast Sulawesi

3. Does the deciding factor for the use of Islamic bank financing affect the business performance of Muslim entrepreneurs in Southeast Sulawesi

## B. THEORITICAL

Kotler & Keller (2009: 166) defines that Consumer Behavior is a study of how individuals, groups and organizations choose, buy, use and how goods, services, ideas or experiences to satisfy their needs and desires. Al-Jeraisy (2008: 88) describes the consumer decision process there are 7 (seven) levels, namely feeling of need and introduction of product excellence, data collection and evaluation of data sources, alternative identification, evaluation of availability of alternatives, decision making, actual purchase and post-purchase feeling (satisfaction, dissatisfaction / frustration).

The models of company performance measurement systems have been widely praised by experts and researchers. Three measurement models that are often used in measuring the performance of small and medium enterprises are the Balanced Scorecard (BSC) proposed by Kaplan and Norton (1996), Integrated Performance Measurement System (IPMS) proposed by Bititci et al (1997) and SMART System (Strategic Management Analysis and Reporting Technique). Oseniet., Al. (2013) Islamic finance Model based on profit and loss sharing (PLS) is an alternative financing model in developing SMEs. Religion and attitude have a significant influence on consumer desires using Islamic financing (Syed Shah Alam, 2012). Religious perspective at higher level could make Islamic Banking easier and comfortable (Haque, et al., 2012).

Criteria for Small and Medium Enterprises in this Research are criteria of SMEs according to the Definition of the Law of the Republic of Indonesia No. 20 of 2008 in article I, namely:

1. Small-scale business is a productive economic enterprise that is independent, carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become part of either directly or indirectly from medium-sized businesses or large businesses that fulfill criteria for small businesses as referred to in this Act.
2. Medium Enterprises are productive economic enterprises that are independent, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a direct or indirect part of small businesses or large businesses with net assets. or annual sales proceeds as stipulated in this Act.

While the criteria of Micro, Small and Medium Enterprises in Article 6 of Act No. 20 of 2008 can be described as follows:

1. The Criteria of Micro Enterprises is having net worth of Rp 50.000.000,00 (fifty million rupiah) excluding land and building of business premises or having annual sales of not more than Rp 300,000,000 (three hundred thousand rupiahs).
2. The Criteria of Small-Scale Enterprises is having net worth of more than Rp 50,000,000.00 (fifty million rupiah) up to 500,000,000.00 (five hundred million rupiah) excluding land and building of business premises or having annual sales proceeds more than Rp 300,000,000.00 (three hundred thousand rupiah) up to a maximum of Rp 2.500.000.000,00 (two billion five hundred million rupiah).
3. Medium Business Criteria have a net assets of more than 500,000,000.00 (five hundred million rupiah) up to a maximum of Rp 10,000,000,000.00 (ten billion rupiah) excluding land and building of business premises or having more annual sales proceeds from Rp 2.500.000.000,00 (two billion five hundred million rupiah) up to a maximum of Rp 50,000,000,000.00 (fifty billion rupiah).

Based on the theories and research references previously stated, it is necessary to examine several factors that shape the behavior of SMEs in the decision to use Islamic bank financing products and their influence on business performance in Kendari Southeast Sulawesi Province. then the research concept framework that is built can be described as follows:

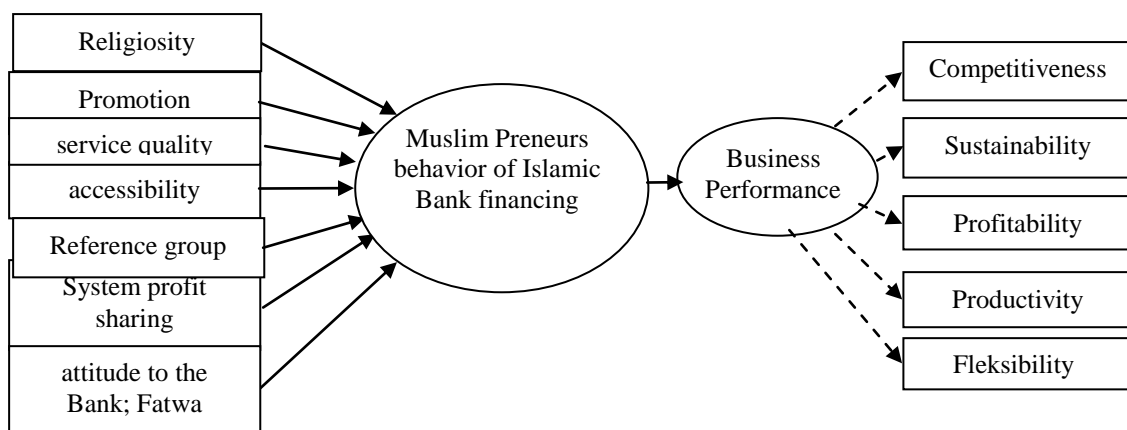


Figure 1  
Framework of research

## Hypothesis

Based on theory and reference research hypotheses can be constructed as follows:

1. Religious factors, service quality, accessibility, reference groups, promotions, profit sharing systems, and attitudes are factors that shape the behavior of SME entrepreneurs in using Islamic bank financing products
2. Religious factors and profit sharing systems are the most important factors that are considered by SME muslim entrepreneurs in using Islamic bank financing products
3. The decision to use Islamic bank financing products has a significant effect on the business performance of SME muslim entrepreneurs in Kendari City, Southeast Sulawesi Province

## C. METHODOLOGY

The population in the study is all customers who use Islamic bank financing products. The sampling technique in this study is to use non-probability sampling (incidental sampling) with the sample criteria in this study are customers (business actors) who get productive financing of Islamic banks in southeast Sulawesi (Bank Syariah Mandiri, BNI Syariah and Bank Muamalat Indonesia), while the method of sample size in this study is by using Roscoe's approach in Sugiyono (2012), namely the determination of samples where when using multivariate analysis, the number of sample members is at least 10 times the number of research variables. So the number of samples in this study were  $10 \times 7$  variables = 70 sample members. While the data collection method used is observation and research questionnaire Data analysis techniques used in this research are descriptive analysis, factor analysis (Exploratory Factor Analysis). And multiple linear regression.  $Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + e_i$

## D. RESULTS AND DISCUSSION

According to Hair (2010) and Simamora (2002) explains that factor analysis can be done if each factor that forms an instrument is valid which is done by correlating a factor with other factors, the score of each factor with a total score. The following can be illustrated the results of the validity and reliability test as follows:

**Table I**  
**Test Results for Validity & Reliability of Research Instruments**

Item	Nilai r	Status	Nilai $\alpha$	Status	Item	Nilai r	Status	Nilai $\alpha$	Status
X1.1.	0,910	Valid	0,808	Reliabel	X7.2	0,777	Valid	0,804	Reliabel
X1.2.	0,896	Valid	0,798	Reliabel	Y1	0,524	Valid	0,842	Reliabel
X2.1	0,611	Valid	0,822	Reliabel	Y2	0,480	Valid	0,847	Reliabel
X2.2	0,750	Valid	0,808	Reliabel	Y3	0,474	Valid	0,847	Reliabel
X2.3	0,694	Valid	0,807	Reliabel	Y4	0,694	Valid	0,830	Reliabel
X3.1	0,833	Valid	0,817	Reliabel	Y5	0,741	Valid	0,826	Reliabel
X3.2	0,796	Valid	0,804	Reliabel	Y6	0,594	Valid	0,839	Reliabel
X4.1	0,822	Valid	0,771	Reliabel	Y7	0,563	Valid	0,841	Reliabel
X4.2	0,819	Valid	0,813	Reliabel	Y8	0,627	Valid	0,837	Reliabel
X5.1	0,881	Valid	0,807	Reliabel	Y9	0,645	Valid	0,834	Reliabel
X5.2	0,847	Valid	0,804	Reliabel	Y10	0,716	Valid	0,828	Reliabel
X6.1	0,823	Valid	0,804	Reliabel	Y11	0,730	Valid	0,827	Reliabel
X6.2	0,862	Valid	0,803	Reliabel	Y12	0,537	Valid	0,845	Reliabel
X7.1	0,837	Valid	0,804	Reliabel					

Source: primary data processed, 2018

Based on the table above, it can be said that all items that measure the factors that shape the behavior of sharia Islamic bank finance and SME Performance variables are declared all valid, where the Pearson correlation value is above 0.3. Reliability refers to the level of reliability of something, reliable means it can be trusted to be reliable. Reliability testing can use the SPSS program facility with a crumbach alpha ( $\alpha$ ) statistical test. a construct or variable is said to be reliable if it gives a crumbach alpha ( $\alpha$ ) value > 0.60. (Ghozali, 2006). The results showed that the crumbach alpha value ( $\alpha$ ) > 0.60 so that these items were declared reliable.

### Factor Analysis Results

Factor analysis (Exploratory Factor Analysis) shows that KMO > 0.5 can be accommodated for the determination of continuing factor analysis.

**Table 2**  
**Test results of KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.786
Bartlett's Test of Sphericity	Approx. Chi-Square
	105.117
	Df
	21
	Sig.
	.000

Source: primary data processed, 2018

Based on the table above, it can be explained that the value of KMO at a significance level of 0,000 is  $0.786 > 0.5$ , it can be said that the data has met the requirements for determining factor analysis, so that factor analysis can be continued

Extraction analysis of the intended factors is to reduce from several variables to produce fewer factors that can explain the correlation between the variables observed. The method used in factor extraction in this study is the principal components analysis which can form a linear combination of the variables observed

**Table 3**  
**Varimax Matrix Component Rotation Output**

**Rotated Component Matrix<sup>a</sup>**

	Component	
	1	2
Religiosity	.167	.740
Service Quality	.124	.701
Accessibility	.695	.101
Reference Group	.770	.210
Promotion	.777	.118
Profit Sharing System	.191	.805
Attitude	.572	.432

Source: primary data processed, 2018

Based on the table above, it can be explained that by looking at varimax rotated component matrix, there are 2 (two) factors formed, where grouping in factor 1 is X3 (accessibility), X4 (reference group), X5 (promotion), and X7 (attitude) all have loading factors above 0.50. Whereas grouping on factor 2 is XI (religion), X2 (service quality), and X6 (profit sharing system) with the value of loading factor above 0.50. By looking at the variables that make up factor 1, factor 1 can be named a new variable external drive, and factor 2 can be given an internal reference name.

Giving the name is subjective, but naming is based on the highest loading factor where factor 1 is formed X5 variable (promotion) of 0.777, followed by X4 (reference group) worth 0.770, then X3 (accessibility) of 0.695 and X7 (attitude) only has a factor loading value of 0.572. whereas in factor 2 the highest loading factor is variable X6 (profit sharing system) of 0.805, then XI variable (religion) is 0.740, and the lowest loading factor in factor 2 is X2 (perception of service quality) worth 0.701. Thus it can be said that there are 2 factors that shape customer behavior in using Islamic bank financing in Kendari, namely external drive, and internal references.

External drive factors supported by consumer behavior theory from Kotler & Keller (2009: 178) and Kotler & Armstrong (2012: 135) consumer behavior model, whereas internal reference factors supported by research results from Syed Shah Alam (2012) that religion can significant influence on consumers' wishes to use Islamic financing, Syed Akif Hasan (2012) argued that the consumer selection criteria for Islamic banking are religious motives, and service quality.

### **Results of Multiple Linear Regression Analysis**

After discovering the factors that shape customer behavior, there are 2 new variables, namely external drive, and internal reference can influence customer decisions in using Islamic bank financing products. The decision of customers (SME entrepreneurs) needs to be further tested to determine the effect of the two factors on the decision to use the financing for SME Performance. Therefore, to facilitate analysis the external push factor is named 'X1' and internal references are named 'X2'. The results of multiple linear regression analysis can be seen in the summary as follows.



**Table 4**  
**Summary Of The Results Of Multiple Regression Analysis**

Variable	Standardized Coefficient	t Count	t sig.
X1	0.406	4.622	0,000
X2	0.495	5.637	0,000
F count. = 49.473 F sig. = 0,000 R = 0,772 R <sup>2</sup> = 0,596		F table = 3,13 t table = 1,671 n = 70	

Source: Primary data processed, 2018

Based on the summary regression analysis table, a number of things can be described as follows:

I. Multiple Linear Regression Equations

Based on the results of multiple linear regression analysis, we can see the formula of the linear equation as follows:

$$Y = 12,64I + 0,406X1 + 0,495X2$$

The equation can be explained that the constant values and regression coefficients  $X_a$  and  $X_b$  are positive which means that the higher  $X1$  and  $X2$  can increase  $Y$ . This condition can be interpreted that the higher the decision of SME (Muslim entrepreneurs) in using Islamic bank financing can improve the performance of SMEs

Based on the results of research, factor analysis and multiple linear regression that the behavior of muslim entrepreneurs in the decision to use Islamic bank financing products in Kendari City is more influenced by external drive factors which include the environment of marketing stimuli (promotion and accessibility), social environment (reference group) and attitudes customer to the bank system. This is in accordance with the responses of the majority of customers (around 60%) stating that the promotion of trusted advertising content and product socialization is convincing, and the location of Islamic banks is affordable and has an extensive ATM network, choosing Islamic bank financing driven by family and friends, as well as the attitudes towards ethnic the interest and fatwa of the MUI regarding the prohibition of bank interest.

Then internal reference factors related to profit sharing systems that are profitable & have low risk, religious understanding that Islamic bank products are

in accordance with sharia principles, and the quality of Islamic banking services are the second factor for customers in deciding to choose Islamic bank financing products in Kendari Southeast Sulawesi.

Thus it can be explained that external drive factors are more influenced by promotion, accessibility (marketing stimuli), reference groups (other stimuli), and attitudes to the bank system. This is in line with the consumer behavior model proposed by Kotler & Keller (2009: 178) and Kotler & Armstrong (2012: 135) which states that marketing and environmental stimuli and a group of psychological processes combined with certain consumer characteristics produce final decision-making and purchasing processes.

Therefore, religious factors and profit sharing systems (internal reference) are the second factors considered by customers in using Islamic bank financing products. In this case, the understanding and confidence in bank products in accordance with sharia principles and a profitable & low-risk sharing system do not become the main consideration for customers in choosing/using Islamic bank financing products in Kendari City. Furthermore, variations in changes in the performance of SMEs by 77.2% were influenced by customer decisions in using external bank sharia financing and internal references. Thus it can be explained that the financing of Islamic banks by using profit sharing methods can improve business performance for small and medium enterprises. This is in line with the research results of Alimusa, et al. (2017) Show that Islamic Business Practice Factor or business practices based on muamalah principles in Islam (Halal orientation and worship) can improve the performance of competitive and sustainable SMEs

The tendency of previous research shows that religious factors are not a primary consideration for customers in choosing Islamic bank products including the research results of Hasan Akif et al. (2012) found that religious motives were the second factor for customers in choosing high profit & low service charges, Ramadhan (2013) found that the most important factor for consumers in Jordan in choosing Islamic banks was a personal friendship factor, then Doraisamy research (2011) suggests that Muslim consumer awareness pays more attention to efficiency, low bank costs, availability of ATMs and extensive branch networks (accessibility) in using Islamic bank products and several other research trends that show religious motives are not the main considerations to choosing Islamic banks.

The selection of Islamic bank financing products is not just a religious motivation about the illegitimate interest of banks but also influences the performance of small and medium enterprises (UKM) so that in the end SMEs are empowered in real economic activities

## E. CONCLUSION

Based on the results of the study and the discussion described in the previous chapter, it can be concluded that:

1. There are 2 (two) main factors that determine the behavior of muslim entrepreneurs in using Islamic bank financing, namely external drives (promotion, accessibility, reference groups, and attitudes to the bank system), and internal references (religion, service quality, and profit sharing system)
2. The profit sharing system is the most important factor for muslim entrepreneurs in the decision to use Islamic bank financing in Kendari City while religious factors are not a primary consideration for customers in choosing Islamic bank financing.
3. The decision to use Islamic bank financing products has a significant influence on the performance of small and medium enterprises (SMEs) in Kendari Southeast Sulawesi.

## Suggestion

Referring to the results of the research, discussion, and conclusions above can be born as follows:

1. For Islamic banking to increase the amount of financing and facilitate access to finance for the small and medium enterprises (MSMEs), so SMEs can improve their business performance and strengthen the economic independence of the community.
2. Customers are recommended to know more about bank interest law, practice usury in Islam and use Islamic bank products to save *Muamalah* practices that are prohibited in Islam.
3. For the next researcher, it is necessary to examine other factors that influence customer decisions in choosing Islamic bank financing products and can develop models of Islamic finance influence both banks and other sharia financial institutions on business performance.

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