Determinant Factors to become a Customer of Sharia Multifinance Companies among Indonesian Muslims

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ABSTRACT

Sharia multifinance companies are one of Indonesia's Islamic non-bank financial industries that also utilize technological advances to facilitate people who want to apply for Islamic financing online. This study aims to analyse to analyze the determinants of awareness and intention of Indonesian muslim to become a customer of sharia multifinance companies. This study was quantitative by using questionnaire as the method of collecting data which distributed to a total of 418 respondents. The data analysed by using structural equation models with Smart PLS software. The results of this study found that religious commitment, awareness and reputation have a positive and significant impact on the intention to become a customer of sharia multifinance companies. The results of this study contribute to increase the understanding of sharia multifinance companies on the awareness and intention of Muslim in Indonesia to become their customer.

INTRODUCTION

Technological advances have fuelled innovation in the economic and financial sectors (Manigandan, et. al., 2023; Singh, et. al., 2023; Wang, et. al., 2023; Wicaksono et. al., 2023). In the economic sector, innovation provides positive benefits to human life and provides many conveniences and new ways of doing activities (Hadi & Rahman, 2020; Hossain, et. al., 2023; More, 2023; Pratolo, 2020; Rui & Othengrafen, 2023). To enhance their competitive advantage in the financial sector, recently the bank financial industry both conventional and sharia are also facing fierce competition from FinTech companies which are forced to spend more money in technology solutions (Nguyen, et. al., 2022; Elsaid, 2023; Gunawardane, 2023; Senanu & Narteh, 2023; Theiri & Alareeni, 2023).

Sharia multifinance companies were introduced as an alternative to conventional multifinance companies to fulfil the financing needs of Muslims by offering investment financing, sale and purchase financing, and service financing managed based on the principles of sharia contracts (Ismail, et. al., 2023; Mseddi, 2023; Situmorang, 2024). Sharia multifinance companies are one of the Sharia non-bank financial industries that also utilise websites and cooperate with other online platforms to facilitate people to apply for Islamic financing online (Çıkıryel & Azrak, 2023; Thippayana & Thinnam, 2023; Iman, et. al., 2023). However, unlike Islamic banking, sharia multifinance companies only provide sharia financing services to debtors to obtain goods or services (Abbas & Annisa, 2020; Hamsin, et. al., 2023). Therefore, since it was first established in late 2006 by Al-Ijarah Indonesia Finance, Sharia multifinance companies have emerged as a promising alternative that can strengthen Islamic financial inclusion (Aldianto, et. al., 2023). By the end of 2021, there were 33 Sharia multifinance companies, consisting of five pure Sharia multifinance companies and 28 Islamic business units (Financial Services Authority, 2022). In general, the low penetration of Islamic finance is likely due to the lack of awareness and intention of society to use Islamic financial services (Jaffar & Musa, 2016; Alam & Seifzadeh, 2020; Ali, et. al., 2021).

Several empirical studies on awareness and intention to become a customer of Sharia multifinance companies have been conducted (Adiba & Nasrulloh, 2021; Hariyanto, 2022). In the context of Islamic banking, the antecedent of choice to use Islamic banking products, awareness is the primary antecedent of the purpose of use (Raza et. al., 2021; Bashir et. al., 2019; Maduku & Mbeya, 2023). While Hamdan & Kassim (2020) argued that one of the factors resulting in a lack of financial inclusion among poor imited access and low adoption of technology. Asyhar & Permana (2023) revealed that religious obligations positively and significantly influence awareness. Previously, Alam & Seifzadeh (2020) and Ali, et. al., (2021) showed that most people intend to use Islamic financing for reasons of religious obligation. In line, Albaity & Rahman (2019) argued that the intention to use Islamic banking services was positively and significantly influenced by awareness and reputation. Himel, et. al., (2021) found that perceived usefulness, perceived ease of use and perceived trust positively

contribute to customers' attitudes toward Islamic banking adoption. While Takidah & Kassim (2021) showed that social influence is a significant determinant of Islamic financial inclusion in Indonesia. Ali, et. al., (2024) revealed that clustered the barriers to use Islamic services in banking institutions into three groups, namely, efficiency of IB products and services, behavioral factors and personal attributes of Islamic bank customers.

Compared to previous studies, this study aims to determine whether religious obligations, awareness and reputation a positive and significant impact on the intention to become a customer of sharia multifinance companies. The results of this study was expected to provide indepth analysis on the effcet of public awareness and intention to become customers of sharia multifinance companies.

RESEARCH METHOD

This study was quantitative to analyze the determinants of awareness and intention to become customers of Sharia multifinance companies. Three variables were analysed as factors that can determine their intention to become customers of Sharia multifinance companies. These factors were religious obligation, reputation and awareness. In addition, this study also was analyzed the relationship between religious obligation and awareness. Awareness refers to a person's ability to notice, observe, know, and understand a problem, subject, or situation (Che-Ha, et. al., 2016).

Religious obligation refers to the role of religion in influencing a person's choices or activities (Amin et. al., 2011). Meanwhile, reputation defined as the perception of an organization's honesty and concern for its stakeholders (Shukor, et. al., 2019). Following previous research, this research used a quantitative approach, and questionnaire was used to collect data. The survey questionnaire consisted of two main sections. The first part included demographic items such as gender, age, domicile, income and education. The second part consisted of 14 items on religious obligation, reputation, awareness and intention shown in Table 2.

Religious obligation was measured using 4 items adapted from Albaity & Rahman (2021). Awareness was measured using 4 items adapted from Albaity & Rahman (2019). Reputation is measured using 3 items adapted from Albaity & Rahman (2019). Intention is measured using 3 items adapted from (Nurfadilah & Samidi, 2021). A five-point Likert scale, which ranges from (1 = strongly disagree) to (5 = strongly agree) was used to measure the statement items on these variables. The target population of this research is the Indonesian population, who are Muslims and smartphone users. This study uses a purposive sampling technique with the criteria of smartphone users who are Muslim and able to access the internet. Data was collected in five metropolitan cities: Jakarta, Yogyakarta, Surabaya Medan, and Makassar. The five Metropolitan cities were chosen because almost all multifinance companies based on sharia principles have branches in the five Metropolitan cities.

The method of collecting data using questionnaires which distributed to 550 respondents from October 2023 to December 2023. Preliminary study condducted with

a pilot survey was also conducted to 50 respondents in September 2023 to confirm the validity and accuracy of the questionnaire. Feedback from respondents during the pilot survey helped to improve the final survey questionnaire especially to replace ambiguous words in the statements with easier, unambiguous, and specific words. After data cleaning, a total of 418 respondents were used for data analysis. According to Loehlin & Beaujean (2016) a good sample size should reflect the population to reduce bias in SEM estimation. Hair et. al., (2011) revealed that if the population is unknown the minimum sample required is according to the number of indicators multiplied by 5. If there are 14 indicators and the minimum sample required was 55. Thus if the sample used is 418 this number was exceeded the minimum sample required. The characteristics of respondents in this study were described based on gender, domicile, age, education and income as shown in Table 1 below:

Table 1. the Characteristics of respondents

Demographics	Category	Total	Percentage
Gender	Men	258	49.81%
	Women	260	50.19%
Domicile	Jakarta	110	21.24%
	Yogyakarta	104	20.08%
	Surabaya	106	20.46%
	Medan	100	19.31%
	Makasar	98	18.92%
Age	<20 years	21	4.05%
	20-24	185	35.71%
	25-29	109	21.04%
	30-34	68	13.13%
	35-39	61	11.78%
	40-44	40	7.72%
	45-49	14	2.70%
	50-56	17	3.28%
	> 56	3	0.58%
Education	Undergraduate	195	37.64%
	Postgraduate	19	3.67%
	PhD	2	0.39%
	Senior High School	284	54.83%
	Junior High School	18	3.47%
Revenue	< IDR 2.500.000	227	43.82%
	IDR 2,500,000 - IDR 5,000,000	228	44.02%
	IDR 5,000,001 - IDR 7,500,000	38	7.34%
	IDR 7,500,001 - IDR 10,000,000	17	3.28%
	>IDR 10,000,000	8	1.54%

The respondents in this study were mostly female (50.19%), aged 20-24 years (35.71%), all Muslim (100%), had a high school education or equivalent (54.83%) and had a monthly income of Rp 2,500,000 - Rp 5,000,000 (44.02%). Furthermore, the data were analyzed using a partial least squares structural equation modeling approach, as this technique provides a high level of statistical power with a small sample size. Practically, the application of PLS-SEM through SmartPLS software has implications for the evaluation of measurement models and structural models (Boubker et. al., 2021). First, the measurement model evaluation is carried out to test the construct validity and reliability of each indicator. Second, evaluate the structural model to determine the influence between variables or the correlation between constructs (Setiawan et. al., 2021). The survey structure and relevant studies are presented in Table 2.

Table 2. The Variable Description

No.	Variable Construct	Reference	Indicators	Indicator Code
1	Reputation	(Albaity & Rahman, 2019, 2021; Jaffar & Musa, 2016)	Uphold the reputation and image of sharia	RPTS1
			Contribute to social welfare	RPTS2
			Improve living standards and community welfare	RPTS3
2	Awareness	(Albaity & Rahman, 2019; Jaffar & Musa, 2016)	Knowledge of the basic principles of Islamic finance	AWRNS1
			Financing of goods, capital, and services offered by Islamic finance companies	AWRNS2
			Islamic finance companies offer financing to both Muslims and non-Muslims	AWRNS3
			The difference between Islamic financing and conventional financing	AWRNS4
3	Religious Obligation	(Albaity & Rahman, 2021; Jaffar & Musa, 2016)	Providing financing in accordance with Islamic law	KA1
			Abstain from transactions that contain elements of usury	KA2
			Religion motivates me to use sharia financing	KA3
			As a Muslim, I have to use sharia financing following Islamic principles	KA4
4	Intention	(Nurfadilah & Samidi, 2021)	Desire to apply for Islamic financing in the near future	INT 1
			Desire to apply for Islamic financing in the future	INT 2
			Desire to recommend others to use sharia financing	INT 3

Measurement model

The measurement model assessment includes loadings, reliability, convergent validity and discriminant validity. *Firstly*, in assessing item reliability, the factor loadings used in this study are above 0.7. *Second*, composite reliability (CR) to assess the reliability of internal consistency, the threshold value used in this study is 0.7. *Third*, in assessing convergent validity, the average variance extracted (AVE) value used for each construct in this study must exceed 0.5 (Al Nawayseh, 2020). *Fourth*, to assess discriminant validity, this study considers the criteria of Fornell & Larcker (1981) which suggests that the AVE value of each construct is greater than its correlation with other constructs (Ghozali & Latan, 2015). As shown in Table 3, the values of factor loadings, composite reliability (CR) and AVE are above 0.70, 0.70, and 0.50, respectively.

Table 3. Convergent Validity, Internal Consistency and Reliability of all Items

Construct	Reference	Statement Item	FL	CA	CR	AVE
Reputation	(Albaity & Rahman, 2019)	Sharia multifinance companies uphold the reputation and image of sharia	0.840	0.837	0.902	0.754
		Sharia multifinance companies contribute to social welfare (such as giving donations or scholarships)	0.900			
		Sharia multifinance companies contribute to improving the standard of living and economic welfare of the community	0.863			
Awareness	(Albaity & Rahman, 2019)	Understand the basic principles of Islamic finance	0.770	0.808	0.874	0.635
		Knowing the financing of goods, capital, and services provided by sharia multifinance companies.	0.785			
		Knowing that Islamic finance companies offer financing to both Muslims and non-Muslims.	0.811			
		Knowing the differences between Islamic financing and conventional financing	0.821			
Religious Obligations	(Albaity & Rahman, 2021)	Sharia multifinance companies provide financing in accordance with Islamic law.	0.771	0.845	0.896	0.684
		Muslims are prohibited from associating themselves with transaction practices that	0.821			

		contain elements of usury				
		Religion requires its people to use Islamic financing	0.876			
		Muslims must fulfil the rules of sharia	0.837			
Intention	(Nurfadilah & Samidi, 2021)	I will apply for Islamic financing via the digital platform of sharia multifinance companies in the near future.	0.881	0.876	0.923	0.800
		I will apply for Islamic financing via the digital platform of sharia multifinance companies in the future	0.896			
		I would highly recommend others to apply for sharia financing via the digital platform sharia multifinance companies	0.907			

RESULTS AND DISCUSSION

Hypothesis testing was part of the Smart-PLS software inner model output. The inner model output can be generated through the bootstrapping process, and the results of hypothesis testing can be seen in the path coefficient table. The results of hypothesis testing can be seen from the estimated path coefficient, which can be evaluated based on the T-statistics and P-value. The estimated path coefficient shows the estimated value that describes the relationship between latent variables obtained through the bootstrapping procedure. The relationship between variables in this study can be said to be significant if it has a T-statistic value greater than 1.96 and a probability value of less than 0.05 at the 5% significance level. While the direction of influence between variables is indicated by looking at the positive or negative value of the original sample. The results of hypothesis testing are shown in Table 4.

To test the relationship between constructs, PLS SEM technique was applied to evaluate the structural model. Nonparametric bootstrap technique with 5000 resample to test the model. Significant effects were identified by the structural model using the bootstrap technique. The results of the study as shown in Table 4 support H^1 that religious obligation has a positive and significant impact on mindfulness ($\beta_1 = 0.667$, $t = 22.435$, $p < 0.000$). In addition, H^2, H^3 and H^4 are also supported where religious obligation, awareness, and reputation have a positive and significant impact on the intention to become a customer of Sharia multifinance companies ($\beta_2 = 0.248$, $t = 3.745$, $p < 0.000$), ($\beta_3 = 0.306$, $t = 4.543$, $p < 0.000$), $\beta_4 = 0.183$, $t = 2.845$, $p < 0.004$).

Table 4. the Result of PLS Test

Hypothesis	Relationship between Variables	Original Sample	T Statistics	P Values
H1	Ro -> Awrns	0.667	22.435	0.000
H2	RO -> Int	0.248	3.745	0.000
H3	Awrns -> Int	0.306	4.543	0.000
H4	Rpts -> Int	0.183	2.845	0.004

RO= Religious Obligation, Awrns= Awareness, Rpts= Reputation, Int= Intention
NOTES: *significant at 5 per cent

Based on test results in table 4, it can be described that this study has a positive original sample value so that the relationship between variables in this study is a positive relationship. The test results can be used to prove the research hypothesis as follows: *first,* religious obligations have a positive and significant impact on awareness as evidenced by the positive original sample value, t-statistic value above 1.96 and P value below 0.05, therefore H^1 was accepted. *Second,* religious obligations have a positive and significant impact on intention as evidenced by the original sample value being positive, the t-statistic value above 1.96 and the P Value below 0.05, therefore H^2 was accepted. *Third,* awareness has a positive and significant impact on intention as evidenced by the positive original sample value, t-statistic value above 1.96 and P value below 0.05, therefore H^3 was accepted. *Fourth,* reputation has a positive and significant impact on intention as evidenced by the positive original sample value, t-statistic value above 1.96 and P Value below 0.05, therefore H^4 was accepted.

After obtaining satisfactory findings for the measurement model, the study next assessed the structural model. Here, the predictive accuracy of the structural model is evaluated with respect to the share of variance explained. In this regard, Chin provides criteria for the R Square value of 0.67, 0.33 and 0.19 to be said to be strong, moderate, and weak models, respectively (Ghozali & Latan, 2015).

Table 5. the Result of R Square test

	R Square	Adjusted R Square
Awareness	0.445	0.444
Intention	0.414	0.410

Based on the R-square value in table 5, the coefficient of determination of each variable is 0.445 for the awareness variable and 0.414 for the intention variable. These results show that the coefficient of determination of the awareness variable is influenced by other variables in this study by 44.5%, while the remaining 55.5% is explained by other variables outside the research model, which means that the R-square value is moderate. The coefficient of determination of the intention variable of 41.4% is influenced by other variables in this study, while the remaining 58.6% is explained by other variables outside the research model, which means that the R-Square value of the intention variable can be said to be equally moderate. Meanwhile, hypothesis testing is

an analysis of the relationship between variables in accordance with the hypothesis formulated in this study.

Based on the result, there were 4 hypotheses were developed based on the findings of previous researchers. The results of the analysis in this study found that all hypotheses in this study were supported. The first hypothesis in this study found that religious obligations have a positive and significant impact on Muslim awareness of sharia multifinance company services. Based on the results of PLS-SEM analysis, it shows that religious obligations have a positive and significant impact on awareness of sharia multifinance company services. The results of this study are supported by Asyhar & Permana (2023) which shows that religious obligations positively and significantly affect Muslims' awareness of the services of sharia multifinance companies.

The second hypothesis in this study found that religious obligations have a positive and significant impact on the intention to become a customer of sharia multifinance companies. Based on the results of the PLS-SEM analysis, religious obligations have a positive and significant impact on the intention to become a customer of Sharia multifinance companies. This result supports the research results of the study by Ghazali et. al., (2022) and Han et. al., (2018) which found that religious obligation has a significant effect on intention behaviour. Therefore, it is important for sharia multifinance companies to prioritise the usury-free motto and emphasise the avoidance of elements of gharar and maysir in providing goods and services to their customers.

The third hypothesis in this study found that awareness has a positive and significant impact on the intention to become a customer of sharia multifinance companies. Based on the results of PLS-SEM analysis, awareness has a positive and significant impact on the intention to become a customer of Sharia multifinance companies. The results of this research are supported by Raza et. al., (2021), Bashir et. al., (2019), Albaity & Rahman, (2019), Ibrahim et. al., (2017) and Maduku & Mbeya (2023) which found that awareness has a significant impact on intention to become a customer of sharia multifinance companies. The results of this research show that Sharia multifinance companies have realised that they no longer have the luxury of relying solely on religious factors in finding customers, but have also been at the forefront of advertising and disseminating information about their services. Therefore, the results of this study suggest that decision-makers and managers of sharia multifinance companies focus on increasing public understanding of the differences between Islamic and conventional multifinance companies.

The fourth hypothesis in this study found that reputation has a positive and significant impact on the intention to become a customer of sharia multifinance companies. Based on the results of PLS-SEM analysis, reputation has a significant impact on the intention to become a customer of sharia multifinance companies. Previous studies have also confirmed the positive relationship between awareness and intention to use Islamic instruments Albaity & Rahman (2019), Obeid & Kaabachi (2016), Amin et. al., (2011), and Dusuki & Abdullah (2007). Therefore, the managers of Sharia multifinance companies should emphasise that Sharia multifinance companies

are not solely profit-maximising entities but also contribute to the social and economic welfare of the community, as this is one of the objectives of sharia multifinance companies.

CONCLUSIONS

This study aims to identify the factors that may drive Indonesian Muslims' awareness and intention to become customers of Sharia multifinance companies in Indonesia. By relying on partial least squares path modeling, the findings of this study emphasize the importance of the religious obligation factor in driving their awareness and intention to become customers of Islamic finance companies. In addition, factors such as religious obligation, awareness and reputation also play an important role in influencing their intention behavior. The results of this study contribute to increase awareness and intention of Indonesian Muslims to become customers of Sharia multifinance companies and also provide insight in developing better strategies to attract new customers Islamic multifinance companies.

Despite the interesting results, this study has research limitations. This study has limitations in the research coverage area and the variation in the use of variables as predictors of awareness and intention. In addition, the characteristics of the population and respondents in this study are only proxied in five cities in Indonesia, namely Jakarta, Yogyakarta, Surabaya, Makassar and Medan. Due to these limitations, the author suggests that future research should add other variables in addition to the variables used in this study as well as a wider population and respondents in Indonesia.

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