



## **ISLAMIC BANKING IN THE REGIONS: CHALLENGES AND PROSPECTS FOR ENHANCING SAVINGS INTEREST RATES**

**Megi Handayani<sup>1\*</sup>, M. Nazori<sup>2</sup>, Anzu EZT<sup>3</sup>, Solichah<sup>4</sup>**  
**Universitas Islam Negeri Sulthan Thaha Saifuddin Jambi<sup>1234</sup>**  
*Email : [megihandayani94@gmail.com](mailto:megihandayani94@gmail.com)<sup>1</sup>*

### **ABSTRACT**

*In this research, the author will analyse the factors that influence people's interest in saving in Islamic banks, especially in the regions. Some of the factors to be analysed include financial literacy, trust level, location, income, and perception of profit sharing. Therefore, innovation in Islamic banking services, including the provision of mobile banking applications that comply with sharia principles, can be one of the effective strategies to increase the attractiveness and interest of the public in saving at Islamic banks. This research adopts a mixed approach, which includes both qualitative and quantitative methods, to explore the impact of financial literacy, trust, and perceived profit sharing on interest in saving in Islamic banks. This approach was chosen in order to gain a deeper understanding of the factors that influence interest in saving in Islamic banks. This research reveals that financial literacy and location have no significant effect on people's interest in saving in Islamic banks. In contrast, factors such as public trust, income, and perception of the profit-sharing system show a positive and significant influence. These findings suggest that in order to increase interest in saving in Islamic banks, financial institutions need to focus more on building public trust as well as providing a deeper understanding of the products and services they offer.*

*Keywords: financial literacy influence people's interest, islamic banks*

### **ABSTRAK**

Dalam penelitian ini, penulis akan menganalisis faktor-faktor yang mempengaruhi minat masyarakat menabung di bank syariah, khususnya di daerah. Beberapa faktor yang akan dianalisis antara lain literasi keuangan, tingkat kepercayaan, lokasi, pendapatan, dan persepsi bagi hasil. Oleh karena itu, inovasi layanan perbankan syariah, termasuk penyediaan aplikasi mobile banking yang sesuai dengan prinsip syariah, dapat menjadi salah satu strategi yang efektif untuk meningkatkan daya tarik dan minat masyarakat menabung di bank syariah. Penelitian ini menggunakan pendekatan campuran, yaitu metode kualitatif dan kuantitatif, untuk mengeksplorasi dampak literasi keuangan, kepercayaan, dan persepsi bagi hasil terhadap minat menabung di bank syariah. Pendekatan ini dipilih untuk mendapatkan pemahaman yang lebih mendalam tentang faktor-faktor yang mempengaruhi minat menabung di bank syariah. Penelitian ini mengungkapkan bahwa literasi keuangan dan lokasi tidak berpengaruh signifikan terhadap minat masyarakat menabung di bank syariah. Sebaliknya, faktor-faktor seperti kepercayaan masyarakat, pendapatan, dan persepsi sistem bagi hasil menunjukkan pengaruh yang positif dan signifikan. Temuan ini menunjukkan bahwa untuk meningkatkan minat menabung di bank Islam, lembaga keuangan perlu lebih fokus membangun kepercayaan masyarakat serta menyediakan pemahaman yang lebih mendalam tentang produk dan layanan yang mereka tawarkan.



**INTERNASIONAL CONFERENCE & CALL FOR PAPER**

**ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30<sup>th</sup> April 2025**

Vol : 2

No.: 1

No. E- ISSN: 3025-4086

Kata kunci: Literasi Keuangan Mempengaruhi Minat Masyarakat, Bank Syariah

## 1. INTRODUCTION

Indonesia's Islamic banking has experienced significant progress in recent years. As a country with the largest Muslim population in the world, Indonesia has great potential for growth in this sector (Junaidi 2023). Islamic banks function as financial intermediary institutions that do not only focus on profits, but also seek to fulfil the needs of the community in accordance with the principles of Islamic law. In this context, saving in an Islamic bank is an attractive option for people who want to manage their finances in accordance with Islamic teachings (Widarjono 2018).

Despite the positive development of Islamic banks, public interest in saving in Islamic banks is still relatively low compared to conventional banks. This may be due to various factors, including a lack of understanding about the products and services offered by Islamic banks, as well as misconceptions about the differences between Islamic and conventional banks (Ahmad 2016). In addition, the low level of financial literacy among the public may also be a barrier for them to utilise Islamic banking services.

In this study, the author will analyse the factors that influence people's interest in saving in Islamic banks, especially in the regions. Some of the factors to be analysed include financial literacy, trust level, location, income, and perception of profit sharing (Kontot 2016). By understanding these factors, it is expected that Islamic banks can formulate more effective strategies to increase public interest in saving in Islamic financial institutions (Mushtaq 2017). The importance of this research lies in its ability to provide deeper insight into the challenges faced by Islamic banks in attracting customers. In addition, the results of this study are expected to provide recommendations for Islamic banks to improve socialisation and education to the public regarding the products and services they offer (Iswanaji 2018). Thus, it is expected that public interest in saving at Islamic banks can increase, which in turn will contribute to more inclusive and sustainable economic growth.

With the increasing public understanding of Islamic banking, it is expected that there will be positive changes in the behaviour of saving in Islamic banks (Ascarya 2022). Proper education and effective marketing strategies can help overcome existing misconceptions and increase public trust in Islamic banks (Hendriarto 2021). Therefore, this research is not only relevant for the development of Islamic banks, but also for improving people's overall financial literacy. Finally, this study is expected to make a significant contribution to the development of the Islamic banking sector in Indonesia (Nastiti 2019). By understanding the factors that influence interest in saving at Islamic banks, it is hoped that Islamic banks can design programmes and services that are more in line with the needs of the community, so as to attract more customers and contribute to better economic growth (Hassan 2022).

In addition, it is important to note that the development of information and communication technology also plays a crucial role in influencing people's interest in Islamic banking (Usman 2017). With the emergence of various financial applications and digital platforms, people now have easier and faster access to manage their finances (Khmous 2020). Islamic banks that are able to capitalise on this technology and offer user-friendly digital services can attract the younger generation, who are increasingly familiar with the use of technology in their daily lives (Mamman 2016). Therefore, innovation in Islamic banking services, including the provision of mobile banking applications that comply with sharia principles, can be one of the effective strategies to increase the attractiveness and interest of the public in saving at Islamic banks (Ghamry 2022). By integrating technology in operations, Islamic banks can not only fulfil



**INTERNASIONAL CONFERENCE & CALL FOR PAPER**

**ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30<sup>th</sup> April 2025**

Vol : 2

No.: 1

No. E- ISSN: 3025-4086

customer needs, but also improve efficiency and transparency, which in turn can strengthen public trust in financial institutions (Muhammad 2020).

## **2. THEORETICAL FRAMEWORK AND HYPOTHESIS**

The development of Islamic banking in Indonesia has gained notable attention due to the country's demographic advantage as the most populous Muslim nation in the world. Various studies have examined the underlying factors influencing public interest in saving within Islamic financial institutions, particularly in regional and rural settings. This literature review aims to contextualize and synthesize previous scholarly works related to five core variables discussed in the study: financial literacy, public trust, income, location, and perception of profit-sharing systems.

### **a. Financial Literacy in Islamic Banking**

Financial literacy plays a pivotal role in financial decision-making processes, including saving behavior. Widarjono (2018) emphasized that low financial literacy among the general public remains a significant barrier to accessing Islamic financial services (Utomo, 2021). However, the current study by Handayani et al. finds that financial literacy does not significantly influence individuals' interest in saving in Islamic banks. This finding echoes Ahmad (2016), who suggested that while financial knowledge is important, it often takes a backseat to other factors such as social trust and perceived returns. Also asserted that awareness and understanding of Islamic deposit products are crucial to customer decision-making. Yet, in many regions, financial education efforts remain limited and do not always reach rural populations effectively. Thus, although financial literacy may not show direct statistical significance, its long-term influence may still play a role if supported by robust and culturally tailored education initiatives (Cohen, 2011).

### **b. Trust as a Determinant of Saving Behavior**

Trust is widely recognized as a critical determinant in banking relationships, particularly in Islamic banking, where ethical and religious considerations heavily influence consumer decisions. Usman et al. (2017) showed that religious norms and trust significantly correlate with the selection of Islamic financial services. Handayani et al.'s findings confirm this, indicating that public trust has a positive and significant effect on saving interest.

Trust, in the context of Islamic banking, is multifaceted. Hendriarto (2021) explained that it is built not only upon religious values but also institutional transparency, service quality, and consistency in delivering promises. When customers perceive that banks operate in alignment with Islamic principles while maintaining service reliability, they are more likely to develop lasting banking relationships (Haron, 2020).

### **c. Perception of Profit-Sharing Schemes**

Islamic banks operate on profit-sharing contracts (e.g., *mudarabah* and *musyarakah*) rather than interest-based mechanisms. The public's perception of these systems plays a vital role in their saving behavior. According to Ghamry and Shamma (2022), a positive perception of fairness and transparency in profit-sharing increases customer loyalty to Islamic banks.

Handayani et al. found that perception of profit-sharing significantly affects saving interest. Customers who understand and view the profit-sharing system favorably are more inclined to choose Islamic banks over conventional ones. However, this perception must be built through targeted educational campaigns, who argued that a lack of clear



**INTERNASIONAL CONFERENCE & CALL FOR PAPER**

**ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30<sup>th</sup> April 2025**

Vol : 2

No.: 1

No. E- ISSN: 3025-4086

communication regarding how profit-sharing functions can lead to confusion and hesitation among potential customers (Wehrmeyer, 2017).

**d. Income as an Enabling Factor**

Income is a classical economic variable that influences savings behavior. The study confirms that income levels have a significant and positive effect on individuals' willingness to save in Islamic banks. This is supported by Mamman et al. who highlighted that middle- and upper-income individuals are more likely to save, particularly when offered Sharia-compliant investment options.

Burhanudin (2020) also stated that individuals with stable income sources are more responsive to financial products that offer religious, ethical, and long-term value. This aligns with the idea that while Islamic values may initiate customer interest, economic viability sustains long-term saving behavior (Raimi, 2024).

**e. Location and Accessibility**

Traditionally, geographical access to banking services has been considered a major barrier in rural areas. However, Handayani et al. found that location does not have a statistically significant effect on interest in saving. This could be attributed to improvements in banking infrastructure and digital service availability, reducing the dependence on physical branch proximity.

Khmous and Besim (2020) pointed out that financial technology and digital transformation have bridged the accessibility gap, allowing even remote communities to access Islamic banking services. In the context of Sarolangun Regency, the study site, the presence of mobile banking and agent banking networks may explain why location is no longer a primary concern.

**f. The Role of Digital Innovation**

Although not a direct variable in the statistical model, digital innovation plays a crucial supporting role. The integration of financial technology into Islamic banking services enables broader reach, improved customer experience, and enhanced transparency. Ghamry (2022) argued that the availability of mobile apps aligned with Sharia principles helps Islamic banks attract tech-savvy and younger demographics.

Furthermore, Junaidi et al. (2023) emphasized that digitalization not only improves convenience but also fosters customer engagement and trust by offering seamless, real-time access to financial services. Hence, innovation is not merely a facilitator but also a strategic imperative for Islamic banking growth, especially in regional areas (Asyiqin, 2025).

**g. Other Influencing Factors and Theoretical Frameworks**

Beyond the variables studied by Handayani et al., several scholars have explored additional factors such as religiosity, peer influence, and social environment. For instance, Hasan and Wat (2022) analyzed how knowledge, religiosity, and social surroundings collectively influence saving intentions in Islamic banks. Their findings revealed that religiosity acts as a strong motivator for individuals to choose Islamic banking over conventional options, particularly when peer behavior aligns with Islamic values.

Similarly, Naeem (2020) proposed that social media and online networks also influence perceptions and adoption of Islamic financial products. These findings suggest that while the current study captures key economic and perceptual variables, future



**INTERNASIONAL CONFERENCE & CALL FOR PAPER**

**ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30<sup>th</sup> April 2025**

Vol : 2

No.: 1

No. E- ISSN: 3025-4086

research could expand to include socio-cultural influences to enrich the analytical framework (Ajetunmobi, 2024).

### **3. RESEARCH METHODS**

This study adopts a mixed approach, which includes both qualitative and quantitative methods, to explore the impact of financial literacy, trust, and perceived profit sharing on interest in saving in Islamic banks. This approach was chosen in order to gain a deeper understanding of the factors that influence interest in saving in Islamic banks. This research design is descriptive and analytical, with the aim of describing and analysing the relationship between the variables studied, namely financial literacy, trust, perception of profit sharing, and interest in saving (Hasan 2022). The population that is the focus of this research is people who live in the area and have knowledge about Islamic banks (Abid 2023). The sample was taken using purposive sampling technique, where respondents were selected based on certain criteria, such as age, education level, and saving experience in Islamic banks in Sarolangun Regency. The total number of respondents who participated in this study was 56 people.

Data collection was conducted through two methods. For the qualitative method, in-depth interviews were conducted with 15 selected respondents in Sarolangun Regency to explore their views and experiences related to financial literacy, trust in Islamic banks, and perception of profit sharing. These interviews aimed to obtain more in-depth and contextualised data on the factors that influence saving interest (Burhanudin 2020). As for the quantitative method, questionnaires were distributed to 50 respondents to collect data on financial literacy, trust, profit sharing perception, and saving interest. The questionnaire consisted of closed-ended questions that used a Likert scale of 1-5 to measure the respondents' level of agreement with the statements given.

Data analysis in this study was conducted by analysing qualitative data from interviews using thematic analysis techniques, where the main themes were identified and grouped based on respondents' answers. Meanwhile, quantitative data was analysed using multiple linear regression to test the effect of each independent variable (financial literacy, trust, and perceived profit sharing) on the dependent variable (interest in saving). To ensure the validity and reliability of the research instrument, a pilot test of the questionnaire was conducted on 30 respondents outside the research sample.

### **4. RESULT AND DISCUSSION**

#### **Validation and Reliability**

The validity test results show that all question items have valid values, while the reliability test using Cronbach's Alpha shows a value above 0.7, which indicates that the research instrument is reliable.

#### **Result**

This research involved 56 respondents from the Sarolangun Regency community. The demographic profile of respondents shows variations in terms of age, education level, and experience of saving at Islamic banks in the region. The data obtained provides a clear picture of the characteristics of the population under study (Risman 2024).

The results of the analysis show that financial literacy does not have a significant influence on interest in saving at Islamic banks. Although financial literacy is considered important, respondents do not seem to fully understand the products and services offered by Islamic banks. The influence of public trust, public trust in Islamic banks is proven to have a positive and significant influence on interest in saving. The higher the level of public trust, the greater their interest in saving at Islamic banks.





**INTERNASIONAL CONFERENCE & CALL FOR PAPER**

**ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30<sup>th</sup> April 2025**

Vol : 2

No.: 1

No. E- ISSN: 3025-4086

The effect of location, location does not show a significant effect on interest in saving. This may be due to the good accessibility of Islamic banks in the area, so location is not a determining factor. The effect of income, income also has a positive and significant effect on interest in saving. Respondents with higher incomes tend to have a greater interest in saving at Islamic banks. Effect of Perception of Profit Sharing, Public perceptions of the profit sharing system in Islamic banks show a positive and significant influence on interest in saving. Respondents who have a positive view of profit sharing are more likely to save.

Interpretation of Results, the results of this study indicate that trust, income, and perceived profit sharing are the main factors that influence interest in saving in Islamic banks. Although financial literacy and location do not have a significant effect, it is important to increase public understanding of Islamic bank products in order to attract more customers (Naeem 2020).

Practical Implications, Islamic banks need to increase socialisation and education to the public about the products and services they offer (Arshed 2021). By increasing public trust and understanding, it is hoped that interest in saving at Islamic banks can increase. In addition, Islamic banks are also advised to pay attention to aspects of income and profit sharing perceptions in their marketing strategies.

Research Limitations, this study has limitations related to time and number of respondents that may affect the results. Therefore, it is recommended to conduct further research involving more respondents and different regions to get a more comprehensive picture of the factors that influence interest in saving at Islamic banks.

Conclusion

## **5. CONCLUSION & SUGGESTION**

This research reveals that financial literacy and location have no significant effect on people's interest in saving in Islamic banks. In contrast, factors such as public trust, income, and perception of the profit-sharing system show a positive and significant influence. These findings suggest that in order to increase interest in saving in Islamic banks, financial institutions need to focus more on building public trust as well as providing a deeper understanding of the products and services they offer.

Based on the results of the study, it is recommended that Islamic banks increase socialisation and education to the public, especially regarding the principles and benefits of saving in Islamic banks. With this step, it is expected that public interest in saving can increase, which in turn will support more inclusive and sustainable economic growth. This study also opens up opportunities for further research that can investigate other factors that may influence interest in saving at Islamic banks.

## **REFERENCE**

- Abid, Ali, and Shang Jie. "nderstanding farmers' decision-making to use Islamic finance through the lens of theory of planned behavior." *Journal of Islamic Marketing* , 2023: 1084-1106.
- Ahmad, A. Y. "Does Islamic Banking help in Economic Development of Muslim Countries?" *ournal of Islamic Business and Management*, 2016: 2-6.
- Arshed, Noman, and Rukhsana Kalim. "Modelling demand and supply of Islamic banking deposits." *International Journal of Finance & Economics*, 2021: 2813-2831.



**INTERNASIONAL CONFERENCE & CALL FOR PAPER**

**ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30<sup>th</sup> April 2025**

Vol : 2

No.: 1

No. E- ISSN: 3025-4086

- Ascarya, Ascarya, Ugi Suharto, and Jardine A. Husman. "Proposed model of integrated Islamic commercial and social finance for Islamic bank in Indonesia." *Eurasian Economic Review*, 2022: 115-138.
- Burhanudin. "The effect of Muslims' tendency to regret being customers of conventional banks on their intention to save money in Islamic banks." *Journal of Islamic Marketing*, 2020: 1050- 1068.
- Ghamry, Sherif, and Hamed M. Shamma. "actors influencing customer switching behavior in Islamic banks: evidence ." *ournal of Islamic marketing*, 2022: : 688-716.
- Hasan, Irmayanti Yanti, and Mirro Faricha Wat. "The influence of knowledge, religiosity, and social environment on interest in saving in Islamic banking." *Proceedings of the International Conference of Islamic Economics and Business (ICONIES)*, 2022.
- Hassan, M. K., Hudaefi, F. A., & Agung, A. " Evaluating indonesian islamic banking scholarly publications: A data analytics." *ournal of Islamic Monetary Economics and Finance*, 2022: 341-370.
- Hendriarto, Prasetyono. "elevance on islamic principle law with application at the field: Review of islamic banking publication in Indonesia." *International Journal of Business, Economics and Management*, 2021: 47-53.
- Iswanaji, Chaidir. "hallenges inhibiting Islamic banking growth in Indonesia using the Analytical Hierarchy Process." *Journal of Islamic Economics Lariba* , 2018: 97-107.
- Junaidi, J., Anwar, S. M., Alam, R., Lantara, N. F., & Wicaksono, R. "Determinants to adopt conventional and Islamic banking: evidence from Indonesia." *Journal of Islamic Marketing*, 2023: 892-909.
- Khmous, Duha Farouq, and Mustafa Besim. "Impact of Islamic banking share on financial inclusion: evidence from MENA." *International Journal of Islamic and Middle Eastern Finance and Management* , 2020: 655-673.
- Kontot, Keria, Jamil Hamali, and Firdaus Abdullah. "Determining factors of customers' preferences:  
A case of deposit products in islamic banking." *rocedia-Social and Behavioral Sciences*, 2016: 167-175.
- Mamman, M., Ogunbado, A. F., & Abu-Bakr, A. S. "actors influencing customer's behavioral intention to adopt Islamic banking in Northern Nigeria: A proposed framework." *Journal of Economics and Finance*, 2016: 51-55.
- Muhammad, R., Suluki, A., & Nugraheni, P. "Internal factors and non-performing financing in Indonesian Islamic rural banks." *Cogent Business & Management*, 2020.



**INTERNASIONAL CONFERENCE & CALL FOR PAPER**

**ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30<sup>th</sup> April 2025**

Vol : 2

No.: 1

No. E- ISSN: 3025-4086

Mushtaq, Saba, and Danish Ahmed Siddiqui. "Effect of interest rate on bank deposits: Evidences from Islamic and non-Islamic economies." *Future Business Journal* , 2017: 1-8.

Naeem, Muhammad. "Developing the antecedents of social influence for Internet banking adoption through social networking platforms: evidence from conventional and Islamic banks." *Asia Pacific Journal of Marketing and Logistics*, 2020: 185-204.

Nastiti, Nur Dyah, and Rahmatina Awaliah Kasri. ""The role of banking regulation in the development of Islamic banking financing in Indonesia." *International Journal of Islamic and Middle Eastern Finance and Management*, 2019: 643-662.

Risman, Asep. "The Behavioral Islamic Finance: Conceptual Framework and Literature Review."

*Indonesian Interdisciplinary Journal of Sharia Economics*, 2024: 3216-3230.

Usman, H., Tjiptoherijanto, P., Balqiah, T. E., & Agung, I. G. N. "The role of religious norms, trust, importance of attributes and information sources in the relationship between religiosity and selection of the Islamic bank." *Journal of Islamic Marketing*, 2017: 158-186.

Widarjono, A. "Estimating profitability of Islamic banking in Indonesia." *Jurnal Keuangan dan Perbankan*, 2018: 568-579.