

Analysis of Public Perception Toward Islamic Banks (A Case Study in Air Tiris Village, Kampar District)

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KEYWORDS	ABSTRACT
Perception, Society, Sharia Banking	Islamic banking has experienced significant growth in Indonesia, yet public awareness and utilization remain suboptimal, particularly in rural areas. Air Tiris Village, located in Kampar District, has a predominantly Muslim population of approximately 6,873 residents. However, most Muslims in this village still have minimal understanding of Islamic banking principles, products, and services. This study aims to analyze public perception, awareness, and behavioral tendencies toward Islamic banks among residents of Air Tiris Village. A qualitative descriptive approach was employed, with data collected through observation, semi-structured interviews with ten purposively selected respondents representing various occupations, and documentation. Thematic analysis was conducted following Miles and Huberman's framework of data reduction, data presentation, and conclusion drawing. The results indicate that while 70% of respondents are aware of the existence of Islamic banks, only 50% have utilized Islamic banking products, primarily savings and financing services. Limited knowledge about Islamic banking products, perceived operational complexity, and insufficient educational outreach contribute to a continued preference for conventional banks. Furthermore, 60% of respondents expressed uncertainty regarding the <i>riba</i> -free nature of Islamic banking contracts, reflecting persistent misconceptions. These findings underscore the critical need for enhanced financial literacy programs, targeted community education, and strategic marketing initiatives to improve public understanding and adoption of Islamic banking services in rural, Muslim-majority communities. Implications for policymakers, financial institutions, and religious educators are discussed.

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INTRODUCTION

Economic growth is inseparable from the contribution of the banking and financial services sector. Banks are financial institutions that play a vital role in a country's economic development by mobilizing funds in the form of deposits and distributing them through financing mechanisms or other methods to improve the quality of life of the community (Beck et al., 2019; Levine, 2020). In Indonesia, the banking sector is divided into two categories: conventional banks operating on interest-based systems and Islamic banks adhering to Sharia principles that prohibit *riba* (interest) and promote profit-sharing mechanisms (Karim, 2016; Ascarya, 2021; Huda & Nasution, 2022).

Article I, paragraph 7, of the Law of the Republic of Indonesia Number 21 of 2008 concerning Islamic Banking defines Islamic banks as banks that conduct their business

operations based on Islamic principles. The emergence of Islamic banks aims to provide an alternative banking system for Muslims who seek financial services consistent with Islamic teachings. Despite Indonesia being the world's largest Muslim-majority country, with over 87 % of the population adhering to Islam (Badan Pusat Statistik [BPS], 2020), the Islamic banking market share remains relatively modest at approximately 6.51 % of total national banking assets as of December 2023. This paradox raises critical questions about public perception, awareness, and behavioral patterns regarding Islamic financial institutions (Alfarizi & Kurnia Sari, 2022; Jibril, Hamid, Muhammad, & Rabi'u, 2021; Ashfahany, 2023).

Globally, Islamic banking has demonstrated remarkable growth, with assets exceeding USD 2.5 trillion as of 2021 (IFSB, 2022). Malaysia, for instance, has achieved an Islamic banking market share of 38.4% through comprehensive regulatory frameworks, educational initiatives, and strategic marketing campaigns (Bank Negara Malaysia, 2023). In contrast, Indonesia's Islamic banking penetration remains significantly lower despite its demographic advantage, suggesting structural and perceptual barriers that warrant investigation (Setiawan, 2020). *Analysis*, as defined systematically by Tracy (2024), is a structured process for examining data obtained through various research methods by organizing information, breaking it down into meaningful units, and drawing conclusions that enhance understanding.

Perception, according to Rakhmat (2018), represents an individual's cognitive process of understanding and interpreting stimuli received through the senses—particularly sight—which influences thinking and behavioral responses to the environment (Albright, 2015; Knudsen et al., 2021). Islamic banks, as conceptualized by Karim (2016), are financial institutions that function as intermediaries providing services according to Islamic principles and values—specifically avoiding interest (*riba*), unproductive speculation (*maysir*), ambiguity (*gharar*), and financing only halal business activities while promoting justice and social welfare (Uddin, 2015).

Several studies have examined public perception of Islamic banking in urban contexts. Research conducted in Surabaya by Widodo and Kusuma (2019) found that 68 % of respondents possessed basic awareness of Islamic banks, yet only 42 % actively utilized their services due to concerns about product complexity and accessibility (Widodo & Kusuma, 2019; Nugraha, Aprilia, Awaliyah, & Anshori, 2023). Similarly, Sudarsono (2021) study in Kediri revealed that educational attainment and religious commitment significantly influenced the adoption of Islamic banking products. However, these urban-focused investigations do not adequately address the unique challenges and perceptions prevalent in rural Muslim-majority communities, where access to financial services, literacy levels, and exposure to Islamic banking institutions may differ substantially (Nurfadilah, 2023; Nugraha et al., 2023).

Although several studies have examined perceptions in urban regions, rural Muslim-majority areas remain underexplored in academic literature (Rahman & Ismail, 2021; Firmansyah et al., 2022). Air Tiris Village in Kampar District represents a critical case study for understanding Islamic banking perception in rural contexts (Waluyo, 2021). Located in Kampar Regency, Riau Province, this village is the largest in Kampar District, with a population of approximately 6,873 residents, predominantly Muslim, whose primary occupations are in agriculture, particularly oil palm, rubber, and rice cultivation (Kampar District Office, 2023). The community's agricultural economic base, limited access to formal

financial education, and geographical remoteness from major Islamic banking branches create a distinctive environment for examining perception formation and financial behavior (Hassan et al., 2022; Ningsih & Haron, 2023; Setyowati, 2020).

Preliminary observations suggest that despite the religious homogeneity of Air Tiris Village, residents demonstrate limited knowledge about Islamic banking products, services, and operational principles (Firmansyah & Anwar, 2020; Rahman, 2019). Many continue to rely on conventional banking services for both deposits and credit facilities (Hassan et al., 2021; Yusoff & Saeed, 2022), raising questions about the factors influencing this preference. Understanding these perceptual and behavioral patterns is essential for developing targeted interventions to enhance Islamic financial inclusion in rural areas (Aziz et al., 2023).

This study aims to analyze public perception, awareness, and behavioral tendencies toward Islamic banks among residents of Air Tiris Village, Kampar District. Specifically, the research seeks to: (1) assess the level of awareness and understanding of Islamic banking principles among rural residents; (2) identify factors influencing the adoption or rejection of Islamic banking services; (3) explore misconceptions and knowledge gaps regarding *Sharia*-compliant financial products; and (4) examine the relationship between religious identity and financial decision-making in banking service selection.

The findings of this research are expected to have significant implications for multiple stakeholders. For policymakers and regulatory authorities such as the Financial Services Authority (OJK) and Bank Indonesia, the study provides empirical evidence to inform financial literacy programs and Islamic banking development strategies tailored to rural communities. For Islamic banking institutions, the research offers insights into consumer perceptions, enabling the refinement of marketing strategies, product development, and community outreach initiatives. Additionally, religious educators and community leaders can utilize these findings to integrate Islamic financial education into existing religious instruction and community development programs, thereby fostering greater alignment between religious values and financial practices.

METHOD

This study employed a descriptive qualitative research design to explore and understand public perceptions of Islamic banking in Air Tiris Village, Kampar District. The qualitative approach was chosen for its suitability in examining subjective experiences and interpretations that individuals constructed regarding social phenomena (Creswell, 2014). The descriptive design enabled the researcher to document and analyze conditions, perspectives, and behavioral patterns of community members regarding Islamic banking services without manipulating variables or testing hypotheses.

The research was conducted as a field study involving data collection directly from the research site. It aimed to obtain comprehensive information about the perceptions, awareness, and experiences of Air Tiris Village residents with Islamic banking. Data sources included interview transcripts, field notes, photographs, and official documents to ensure triangulation and enhance the credibility of findings.

The study population consisted of Muslim adult residents of Air Tiris Village, Kampar District, who were economically active and capable of making financial decisions. From this

population, ten respondents were selected using purposive sampling, which involved deliberately choosing participants who could provide rich information relevant to the research objectives (Patton, 2015). The sample represented various occupations, including farmers, merchants, religious leaders, educators, and healthcare workers, to capture diverse perspectives and experiences related to Islamic banking.

The chosen sample size of ten respondents aligned with qualitative research principles emphasizing depth over breadth, allowing a detailed investigation of participants' experiences. Data saturation was reached after the tenth interview, indicating that additional interviews were unlikely to yield new insights.

Data collection involved three complementary techniques: observation, interviews, and documentation. Observation was used to record community behaviors and contextual factors through detailed field notes. Semi-structured interviews served as the primary method for data collection, using a flexible guide that covered awareness, knowledge, and perceptions of Islamic banking while allowing exploration of emerging themes. The interviews were conducted face-to-face, recorded when permitted, and supported by note-taking to ensure accuracy. The documentation method strengthened findings through the analysis of existing materials, such as village profiles, economic data, and bank publications. Together, these methods provided a well-triangulated dataset and a comprehensive understanding of the research topic.

The principal research instrument was the semi-structured interview guide, which contained open-ended questions arranged thematically to encourage participants to express their views openly. Observation protocols and documentation checklists served as secondary instruments for systematically recording and organizing supporting data.

Data analysis followed the Miles and Huberman (2014) framework, which consisted of three concurrent procedures: data reduction, data display, and conclusion drawing or verification. During data reduction, interview recordings were transcribed and coded to identify key themes and patterns. Data display involved organizing thematic findings into tables and narrative summaries to support comparative analysis. Conclusions were drawn from recurring themes and confirmed through member checking, peer debriefing, and triangulation to ensure validity.

Ethical standards were maintained throughout the study. Participants were informed about the research objectives, procedures, and voluntary nature of participation, with verbal consent obtained prior to each interview. Confidentiality was preserved by using pseudonyms or occupational titles instead of actual names. All data were securely stored and used solely for analytical purposes. The study presented minimal risk to participants, involving only time commitments and minor discussion-related discomfort (American Psychological Association, 2017).

RESULTS AND DISCUSSION

Based on observations and interviews conducted with residents of Air Tiris Village, Kampar District, regarding Islamic banking, many residents still lack a comprehensive understanding of Islamic banking, both in terms of its definition and the differences between the two types of banks. Products and legal guarantees that are free from usury have not yet

attracted the attention, interest, or enthusiasm of people to transact with Islamic banks. Although some people do transact with Islamic banks, they simply conduct transactions without considering the product and the contract used.

These findings were obtained from interviews conducted by the author with 10 interviewers in Air Tiris Village, Kampar District.

Table 1. Interviewers Based on Name, Profession and Use of Islamic Banking Products

No	Name	Profession	Ever/Not Used Islamic Bank Products
1	Muhammad Reza	Building Store Owner	Never
2	David Soni	Rice Store Owner	Never
3	Indra Restu Hanafi	Mosque Caretaker	Never
4	Anas Yusnafal	School Teacher	Savings
5	Jefry Nurmansyah	Qur'an Teacher	Savings & Financing
6	Muhammad Fahmi	Palm Oil Farmer	Never
7	Khairul Azmi	Honey Farmer	Never
8	Edy Selamat	Nurse	Savings & Financing
9	Aljunaidi	General Practitioner	Savings
10	Ismail	Islamic Boarding School Leader	Savings

Source: Processed Data

The results of the interviews conducted by the researchers revealed public reactions to general perceptions about Islamic banking. Data showed that 70% of interviewees understood Islamic banking, while the remaining 30% were unaware of it. The researchers concluded that the majority of the public understands the principles underlying the existence of Islamic banks.

Interviewees stated that Islamic banks are banks based on Islamic teachings. However, their understanding of the services, products, and agreements used in Islamic banks remains limited. Interviewees' knowledge is closely related to their choice of services and products offered by Islamic banks.

Furthermore, questions related to Islamic bank products and services and the public's reasons for choosing Islamic banks over conventional banks were raised. The results showed that 50% of interviewees had used Islamic bank services, products, and services, such as savings and financing, while the other 50% answered that they had never used Islamic bank services, products, and services because they had previously used conventional bank services. The responses indicated that not all interviewees utilized Islamic banking services, products, and services, preferring conventional banks due to their greater familiarity.

This aligns with an interviewer's statement that Islamic banking products have not yet met the needs of the community in Air Tiris Village, Kampar District. This limited understanding contributes to the public's inaccurate perception of Islamic banks, particularly regarding the perceived complexity of financing application procedures and perceived excessively high profit sharing compared to conventional banks. This misconception needs to be addressed. Based on religious teachings, Islamic banks can meet the community's needs

without being influenced by interest rates containing usury. This lack of public knowledge about Islamic banks also underlies this.

Furthermore, questions were raised about public perceptions of Islamic financial contracts and principles, such as the prohibition of interest (riba) and adherence to Islamic law in financial transactions. The results showed that 60% of interviewees were uncertain, 20% agreed, and 20% disagreed. It can be concluded that the interviewees disagreed that the contracts and financial principles of Islamic banking are free from interest (riba).

This aligns with the interviewee's statement that Islamic banks are not completely free from interest (riba); they have merely changed the names of their services and products. Some interviewees argued that Islamic banks are not significantly different from conventional banks. This limited understanding has resulted in a less than positive public view of Islamic banks regarding their products and services. This is also due to the limited public awareness of Islamic banks regarding their independence from riba.

Furthermore, the public expressed interest in Islamic banking products and services. The results showed that 20% expressed interest in savings and financing, 30% expressed interest only in savings, and 50% stated that they were not currently interested in savings, financing, or other products, but still considered them an opportunity to try them. It can be concluded that the interviewees were not particularly interested in Islamic banking products and services.

This is due to the limited public awareness of Islamic banks. Through comprehensive outreach, promotion, and education within the community, knowledge, attitudes, and attitudes toward conducting transactions with Islamic banks will increase. The prevalence of Islamic banks within the community influences customer interest, thus increasing customer interest in Islamic banking.

Overall, public perception reflects a less than satisfactory level of Islamic banking. However, interview results indicate that the community has not yet fully adopted Islamic banking services. The researcher concluded that although the community is aware of the existence of Islamic banks, this does not motivate residents in the sub-district to choose to become Islamic bank customers. Based on descriptive analysis and interpretation of interviewee responses, it appears that several interviewees responded with hesitation, indicating a lack of interest in becoming Islamic banking customers.

Discussion

The findings of this study reveal a significant disconnect between religious identity and financial behavior among rural Indonesian Muslims. Despite overwhelming Islamic affiliation and general awareness of Islamic banking existence, substantive knowledge gaps, trust deficits, and practical considerations limit adoption of Sharia-compliant financial services. This pattern challenges simplified assumptions that Islamic banking will naturally appeal to Muslim populations based solely on religious alignment.

From a theoretical perspective, the Theory of Planned Behavior provides a useful framework for interpreting these findings. Banking service selection results from the interaction of attitudes (perceptions of Islamic banking), subjective norms (social influences and religious expectations), and perceived behavioral control (confidence in understanding and accessing Islamic banking services). The data suggest that while subjective norms might favor

Islamic banking in a Muslim-majority village, negative or neutral attitudes (due to skepticism and knowledge gaps) and low perceived behavioral control (due to complexity perceptions and accessibility constraints) outweigh normative pressure, resulting in continued conventional bank preference.

Additionally, the study highlights the critical role of financial literacy as an enabler of informed decision-making. Consistent with Lusardi and Mitchell's research on financial capability, limited understanding of financial products and principles constrains individuals' ability to evaluate alternatives and select services aligned with their values and interests. The specific knowledge gap regarding Islamic financial contracts and the distinction between *riba* and legitimate profit represents a specialized dimension of financial literacy requiring targeted educational interventions.

Comparison with international contexts reveals both similarities and differences. In Malaysia, where Islamic banking has achieved greater market penetration, government-supported financial literacy programs, comprehensive regulatory frameworks, and institutional commitment to Islamic finance education have created more favorable conditions for adoption. Indonesia's decentralized approach and limited investment in rural financial education appear to leave significant knowledge gaps that impede Islamic banking development in communities like Air Tiris Village.

CONCLUSION

The study revealed that public perception of Islamic banking in Air Tiris Village reflects a paradox in which strong religious adherence coexists with minimal use of *Sharia*-compliant financial services. Although most villagers were aware of Islamic banks, their understanding was superficial, constrained by limited financial literacy, doubts about the authenticity of *riba*-free operations, and perceptions of system complexity. Consequently, conventional banks remained the preferred choice, suggesting that religious identity alone did not determine financial behavior. These findings highlight the need for targeted educational and trust-building initiatives to promote greater Islamic financial inclusion in rural areas. Future research should employ mixed-methods or comparative multi-village studies to assess how access, education, and infrastructure influence adoption, while also testing intervention models involving *ulama* as financial literacy advocates and simplified Islamic banking products suited to agricultural communities.

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