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Utilization of Internet Banking and Mobile Banking in Sharia Banking for Online Businessmen

Authors:  
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Institutions:  
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### Content:

Utilization of Internet Banking and Mobile Banking in Sharia Banking for Business Online is a crucial problem nowadays. In relation to shariah compliance violations, many online Muslim businesses do not use facilities of sharia banking as a means of payment of transactions in their business. This brings several impact, for example network of conventional banking which has developed, thus when online businessman wants to use i-banking and m-banking in online transactions, they will find it difficult as there is difference in administrative costs. In addition, the lack of awareness of online business people is also the cause of several obstacles in the utilization of i-banking and m-banking in sharia banking. This study uses 100 respondents, online business people including distributors, agents, resellers, and including end users. By using a qualitative approach with exponential way discriminative snowball modle, this research is expected to contribute significantly to the Islamic banking and online businesses who want to implement shariah compliance in their business activities.

Keywords:  
Internet Banking, mobile banking, shariah banking, online business

Topic:  
Islamic Business and Entrepreneurship

Presenter:  
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International Conference on Islamic Economics, Business and Philanthropy

### THE 1<sup>st</sup> INTERNATIONAL CONFERENCE ON ISLAMIC ECONOMICS, BUSINESS AND PHILANTHROPY (ICIEBP) 2017

"Transforming Islamic Economy and Societies"  
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Hereby, it is to acknowledge the participation  
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## Data Penelitian Dosen STIE Perbanas Surabaya Pendanaan Internal Tahun 2017

NO	Tahun Proposal	Jenis	JUDUL PENELITIAN	Prodi	Peneliti	Pelaksanaan
1	2017	Kolaborasi	nature relatedness and sustainabilitu paths to happiness	SM	Burhanudin, SE., M.Si., Ph.D	Februari - Juli 2017
2	2017	Tim	model upaya penghindaran pajak melalui mekanisme good corporate governance pada industri perbankan yang terdaftar di bursa efek indonesia	SA	Dra.Ec.Gunasti Hudiwinarsih, Ak., M.Si	Februari - Juli 2017
				SA	Supriyati, SE, AK. M.Si	
3	2017	Mandiri	Penilaian laba hewan ternak di indonesia dalam kacamata perspektif interaksionisme simbolik	SA	Nurul Hasanah, SE., M.Si., CTA	Februari - Juli 2017
4	2017	Mandiri	pengaruh cakupan dan dukungan sosial serta kepercayaan pada penjual niat membeli konsumen melalui social commerce: menggunakan model stimulus-organism-response (S-O-R)	SA	Cantika Sari Siregar,SE., M.Acc., Ak	Februari - Juli 2017
5	2017	Mandiri	Manajemen Laba Riil dan Pengungkapan Pertanggung Jawaban Sosial Perusahaan Dengan Kepemilikan Manajemen Sebagai Variable Pemoderasi pada Perusahaan Pertambangan yang terdaftar BEI	SA	Carolyn Lukita Sembiring, SE., M.Sc	Februari - Juli 2017
6	2017	Tim	Laba rugi komperhensive : alasan pemelihan pelaporan pada perusahaan manufaktur di indonesia	SA	Riski Aprilianita, SE., M.A	Februari - Juli 2017
				SA	Dian Oktarina, SE., MM	
7	2017	Tim	Attitude to electronic Banking on Young Customer : the moderating role of knowledge and perceived risk	SM	Yudi Sutarso, SE., M.Si	Februari - Juli 2017
8	2017	Tim	Hambatan dalam pemanfaatan layanan internet banking dan mobile banking diperbankan syariah bagi pelaku belanja online	MM	Dr. Ika Yunia Fauzia, Lc., MEI	Februari - Juli 2017
9	2017	Tim	Investigasi revaluasi asset, penyajian laporan keuangan, dan kualitas auditor berbasis implementasi IFRS	SA	Dr.Nurmala Ahmar, SE., Ak., M.Si	Februari - Juli 2017
10	2017	mandiri	pemilihan layanan dan dampaknya terhadap kepuasan, kepercayaan dan WOM mahasiswa pada perguruan tinggi di jawa timur	SM	Dr.Drs.Soni harsono, M.Si	April - September 2017

NO	Tahun Proposal	Jenis	JUDUL PENELITIAN	Prodi	Peneliti	Pelaksanaan
11	2017	mandiri	electronic service quality on application - based service of online transportation services in indonesia	SM	Abu Amar Fauzi, S.S.,MM	April - September 2017
12	2017	tim	Pengaruh Halal Knowledge, Islamic Religiosity, dan Attitude terhadap Behavior konsumen muslim generasi Y pengguna kosmetik halal di surabaya.	SEI	Elfira Maya Adiba, SEI., M.SEI	April - September 2017
				SM	Dewi Ayu Wulandari, SE., MM	April - September 2017
13	2017	tim	financial attitude, financial practice, financial knowledge dan perilaku impulsive buying masyarakat surabaya	SM	Dewi Ayu Wulandari, SE., MM	April - September 2017
				SEI	Elfira Maya Adiba, SEI., M.SEI	April - September 2017
14	2017	mandiri	Analisa Persaingan pada industri perbankan indonesia menggunakan Dynamic Strategic group (DSG) berbasis CSR sectors and impacts.	SM	Dra. Lindiawati, MM.	April - September 2017
15	2017	mandiri	Hubungan antara Restaurant image, Perceived value, Customer Satisfaction, dan behavioral intention studi kasus pada casual dining restaurant di kota surabaya	SM	Larasati Ayu Sekarsari, SE., MM	April - September 2017
16	2017	mandiri	Analisis Enviromental Performance dengan SEM-PLS	SA	Muhammad Bisyr Effendi, S.Si., M.Si	April - September 2017
17	2017	mandiri	Dilema Akuntansi Perbankan Profetik di Tengah Komunitas Santri	SA	Dr. Nanang Shonhadji, SE, Ak, M.Si	April - September 2017
18	2017	mandiri	Modernisasi kualitas layanan fiskus dan legalitas sebagai faktor penentu Tax Compliance	SA	Supriyati, SE, AK. M.Si	April - September 2017
19	2017	mandiri	Faktor-Faktor yang mempengaruhi minat mahasiswa akuntansi di Surabaya memilih profesi akuntan publik atau non-akuntan	SA	Dewi Murdiawati, SE., MM	April - September 2017
20	2017	tim	Financial Literacy and Performances Improvement of Micro Small Medium Enterprises	MM	Dr.Dra.Ec.Rr Iramani, M.Si	April - September 2017
				SM	Abu Amar Fauzi, S.S.,MM	April - September 2017
				SM	Dewi Ayu Wulandari, SE., MM	April - September 2017

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1st Anniversary Conference of Islamic Economics and Society



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15<sup>th</sup> November 2017

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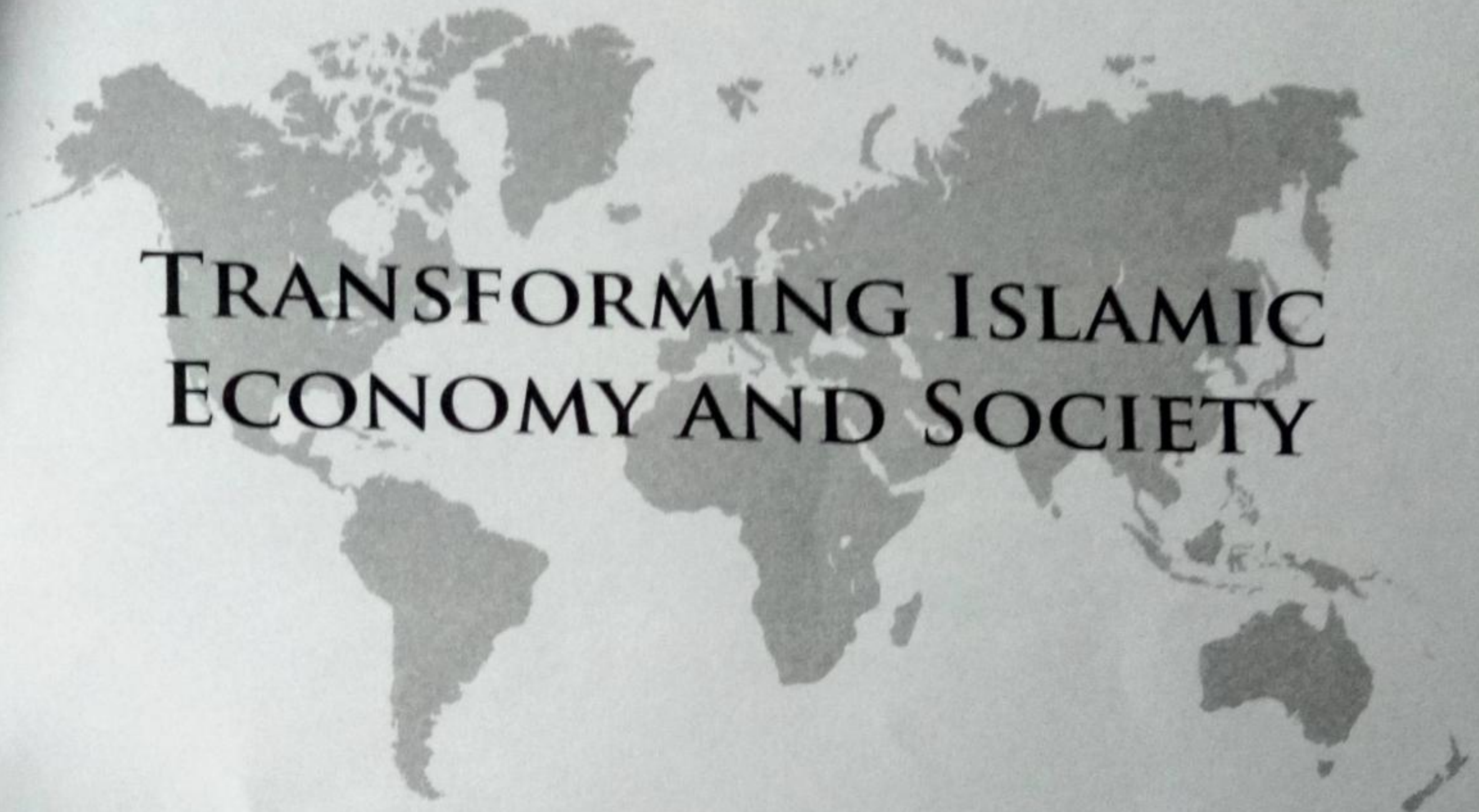
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# UTILIZATION OF INTERNET BANKING AND MOBILE BANKING IN SHARIA BANKING FOR ONLINE ENTREPRENEURS

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## Abstract

Utilization of Internet Banking and Mobile Banking in Sharia Banking for Online entrepreneurs is a crucial problem nowadays. In relation to shariah compliance violations, many online Muslim entrepreneurs do not use facilities of sharia banking as a means of payment of transactions in their business. This brings several impacts, for example network of conventional banking which has developed earlier, thus when online entrepreneurs want to use i-banking and m-banking in online transactions, they will find it difficult as there is difference in administrative costs. In addition, the lack of awareness of online business people is also the cause of several obstacles in the utilization of i-banking and m-banking in sharia banking. This study uses 100 respondents, online business people including distributors, agents, resellers, and including end users. By using a qualitative approach with exponential way discriminative snowball model, this research is expected to contribute significantly to the Islamic banking and online businesses who want to implement shariah compliance in their business activities.

**Keywords:** Internet banking, mobile banking, sharia banking, online entrepreneurs





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**Utilization of Internet Banking and Mobile Banking in Sharia Banking for Online Entrepreneurs**

1

**Background**

- Today's technological advance brings many new products into banking and new concepts in business;
- The absence of a meeting between buyers and seller requires online buyer and seller to use banking services as a means to facilitate transactions in online business;
- I-banking and m-banking services is one of the means to facilitate transactions among banking customers, especially those who are often transacted business online;
- I-banking and m-banking in Islamic banking is relatively new compared to that of conventional banking, because Sharia banking is still relatively young compared with conventional banking

2

**Theoretical Foundation**

- Internet banking services, benefits and drawback
- Mobile banking services, benefits and drawback
- Internet banking and mobile banking in Islamic banking
- Use of internet banking and mobile banking for online business performer

3

**Previous Research**

- Assessment of Electronic Services in Islamic Bank: Islamic Perspective;
- The Effects of Using Electronic Banking on The Profitability of Bank;
- Internet Banking: An Empirical Investigation of a Trust and Loyalty Model for New Zealand Bank;
- The Adoption of Mobile Banking in Malaysia: The Case of Bank Islam Malaysia Berhad;
- E-Banking to Improve Product Image of Islamic Micro and Small Business Card;
- Customer Perception Toward Implementation of Services System Products and E-Banking

7

**Research and Method**

Some informants are concentrated in some areas in field and only few informants are from outside area

Qualitative research

Objects: 50 online entrepreneurs (self-use, reseller, agents and distributor)

Use observation, in-depth interviews and documentation

Using exponential snowball model

The researcher interviewed respondents decided to use 50 of them

388

8

**Result**

- 1 Online customer type of internet banking and mobile banking users in Islamic Banking
- 2 Obstacles in the utilization of internet banking and mobile banking in Islamic banking for online clients

9

**Online customer type of internet banking and mobil banking users in Islamic Banking**

1. Problem: Motivation in using electronic banking services
2. Emotional-rational motivation in utilizing electronic banking services
3. Spiritual motivation in utilizing electronic banking services

7

**Obstacles in the utilization of internet banking and mobile banking in Islamic banking for online clients**

- Limitations of internet banking and mobile banking provided by Islamic banking for clients of online businessmen
- Limitations on internet banking network in Islamic banking for clients of online businessmen

8

**Conclusion, Suggestion and Limitations**

There are some obstacles in the use of internet banking and mobile banking for online businessmen in Islamic banks. These constraints are associated with the obstacles limitation of I-banking and m-banking in Islamic banks, as well as barriers to the limitation of the network I-banking and m-banking in Islamic banks for online businessmen. Online businessmen as one community that are usually related to one another is a very good niche for the development of I-banking and m-banking in Islamic banks. Transition to the fully electronic use of I-banking and m-banking in the growing market Islam, requires more users are aware businessmen. The second solution is improvement on system and service network of I-banking and m-banking, thus the big problem will be resolved.

From several interviews conducted with 50 online businessmen, three types of online banking customers of I-banking and m-banking in Islamic banking are obtained.

Limitations of this study are that the subjects respondents were female and a large part of them is an online seller of clothes. Further research targeting the respondents from big businessmen, who are members of the association and the association of Muslim entrepreneurs are necessary to prove how committed they are in the utilization of services in Islamic banking.

9

Terima kasih

## **Utilization of Internet Banking and Mobile Banking in Sharia Banking for Online Entrepreneurs**

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### **Abstract**

Utilization of Internet Banking and Mobile Banking in Sharia Banking for Online entrepreneurs is a crucial problem nowadays. In relation to shariah compliance violations, many online Muslim entrepreneurs do not use facilities of sharia banking as a means of payment of transactions in their business. This brings several impacts, for example network of conventional banking which has developed earlier, thus when online entrepreneurs want to use i-banking and m-banking in online transactions, they will find it difficult as there is difference in administrative costs. In addition, the lack of awareness of online business people is also the cause of several obstacles in the utilization of i-banking and m-banking in sharia banking. This study uses 50 respondents, online business people including distributors, agents, resellers, and including end users. By using a qualitative approach with exponential way discriminative snowball model, this research is expected to contribute significantly to the Islamic banking and online businesses who want to implement shariah compliance in their business activities.

**Keywords:** Internet banking, mobile banking, sharia banking, online entrepreneurs

### **Background**

Today's technological advance brings many new products into banking and new concepts in business. Electronic banking or internet banking is familiar to facilitate customer transactions through online banking. The application services are intended to facilitate payment system, transfer system, viewing system of recording financial transactions in bank accounts and so forth. New concept in business, along with the emergence of technology is the birth of online business, which certainly does not BIRng together buyers and sellers. The absence of a meeting between buyers and sellers

requires online buyers and sellers to use banking services as a means to facilitate transactions in online business.

*Internet banking* and *mobile banking* services is one of the means to facilitate transactions among banking customers, especially those who are often transact business online. With *i-banking* and *m-banking* customers do not have to bother long queue at a bank. They are still able to access their bank *account* wherever they are. Implementation of the system *i-banking* and *m-banking* in the bank is one of the ease of bank services to its customers, so that the bank can more freely raise and channel funds from and to customers. *I-banking* and *m-banking* necessarily provide a double benefit to banks and customers in terms of efficiency, ease of transaction and breadth of outreach. As for the banks, *i-banking* and *m-banking* will develop banking products more efficiently due to operational cost savings. Moreover, the presence of *i-banking* can also cut the number of the representative office of a bank, because customers are able to do transaction from their respective locations. This is as explained by Elsan (2009) that the method of payment with electronic systems can provide comfort and cut operating costs of banks.

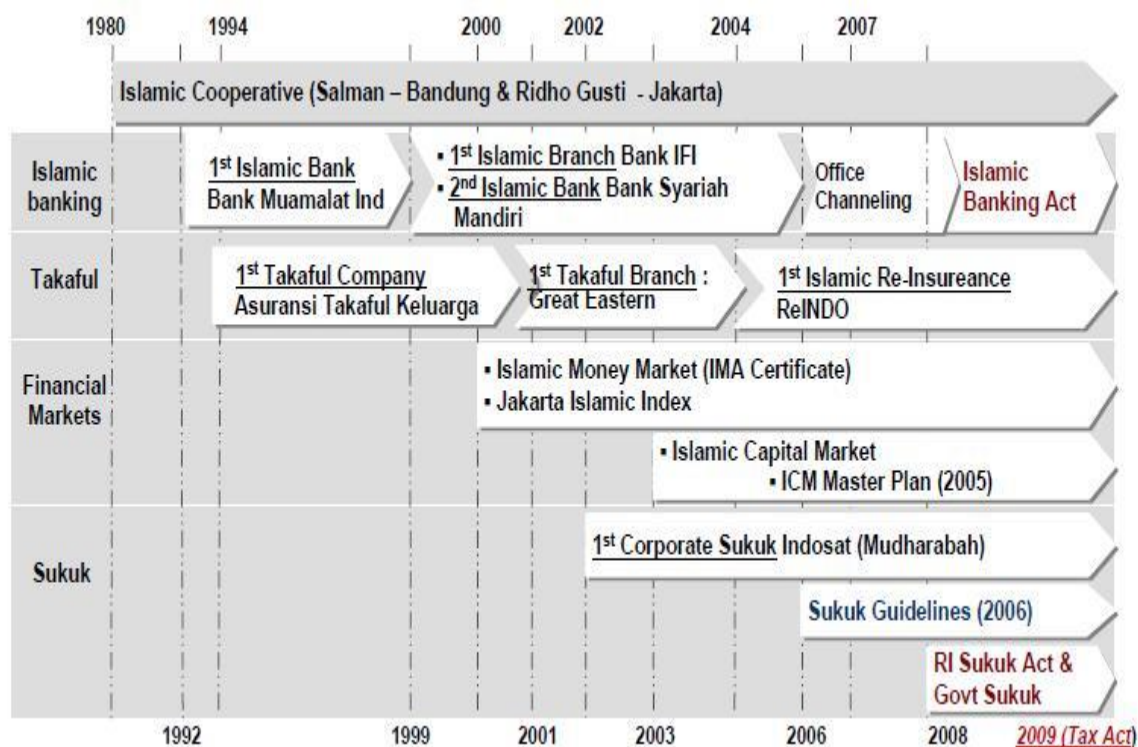
Both *i-banking* and *m-banking* has its advantages and disadvantages, *m-banking* is more accessible everywhere as it does not rely on internet network. The application is simpler, thus it is easy to learn by many people. However, the use of *m-banking* must be supported by an adequate pulse, different from *i-banking* that does not need support of internet network. Thus, the use of *m-banking* is tend to be easier as it can be used wherever the users are, in a big city or in a remote village and with various types of mobile phones (GSM).

*I-banking* and *m-banking* in Islamic banking is relatively new compared to *that of* conventional banking. This is because sharia banking is still relatively young compared with conventional banking. Actually, Islamic banking has emerged in Egypt in 1963, when *Mit Ghamr Bank* was born. The rural bank led by Dr. Ahmad al-Najjar has applied shariah contracts in the implementation. It was then followed by Dubai Islamic Bank (1975), Faisal Islamic Bank (Egypt-1975), and Kuwait Finance House (1975). Islamic Development Bank *was established in* 1975. In Indonesia, Islamic banking begins with the embryo of Ridha Gusti cooperative in Jakarta and Baitut Tamwil Salman in Bandung in 1980s.



The first Islamic banking in Indonesia was Bank Muamalat Indonesia established in 1992, long before Malaysia had founded Bank Islam Malaysia Berhad (BIMB) in 1983. Initially the development of Bank Muamalat experienced slowdown due to the absence of legal umbrella. However, after enduring the storm of monetary crisis, many people became interested in Sharia Bank, after which Bank OF Indonesia issued a rule that allows Conventional banks to have sharia units. The system is commonly known as *dual banking system* in Malaysia. Since then sharia banking in Indonesia began to grow rapidly, because there is also some support in the form of policy rules that support the implementation of Islamic financial system gradually began to crowd. Several DSN-MUI fatwa also support the development of new products from sharia banking, thus sharia banking can compete with conventional banking in national level.

Sharia banking develops rapidly today. Based on data obtained from OJK in 2014, the number of Sharia Commercial Bank (BUS), Sharia Business Unit (UUS), and BPRS until October 2014 did not change, yet the number of office network increased. With the stable number of BUS (12 banks), UUS (22 banks), and BPRS (163 banks), public service needs of sharia banking is becoming widespread as reflected by the increase of office network of 2,950 in the same period. The total assets of sharia banking are less than five percent of total conventional banking assets. According to Bank Indonesia's records in October 2014, total assets of sharia banking, both BUS and UUS was Rp. 260.36 Trillion. That means the new sharia banking assets is only 4.78 percent of the total assets of conventional banking that reached Rp. 5,445.65 Trillion. After the emergence of sharia banking, other institutions affiliated to the sharia system also emerged. Takaful, financial markets, sukuk and some financial institutions with the system of syairah also helped stimulate the financial market. This is a new niche by offering several alternatives to the public, hence they are satisfied to choose financial system they like. Here's a picture of the development of sharia banking, takaful, financial markets and sukuk:



**Figure 1. History of Islamic Banking, Takaful, Financial Markets and Sukuk**

Related to sharia *i-banking* and *m-banking*, today's online business develops new transaction system with the online system. The development of online-based transactions broke out and mushroomed in all circles, all business people started thinking to online their products. Some manufacturers, distributors, agents and also resellers of a product start to think how to boost sales with the online system. It is welcomed positively by the market, because consumers today prefer things that are easy, practical and not time-consuming. Online sales very indulge consumers, because they can transact anywhere, anytime and very quickly and are to compare the existing price by surfing in *e-commerce*. Among the bustling online businesspeople who occupy a new niche in the sales segment are the producers and sellers of Muslim products. They have many years of very loyal customers and some consumers have always made transaction online and made payments with *i-banking* and *m-banking* system. However, the researcher sees that they use mostly conventional banking. Therefore, the present study discusses the use of *internet banking* and *m-banking* in Islamic banking for the online entrepreneurs.

## **Theoretical Foundation**

### ***Internet Banking Services, Benefits and drawbacks***

*I-banking* is a service that must be supported by internet service, and can be accessed through laptops, mobile phones, PDAs, computers etc. Transactions can be performed in homes, offices, roads and so forth. According to Lee (2008) many benefits are gained by users of internet banking including cost-effective transaction handling, time saving, and high transparency, it can also be used anywhere and anytime. With *i-banking service*, customers can perform activities of fund transfer, balance inquiry, transaction history, bill payment exchange information (such as credit cards, payment of electricity, telephone, etc.), and so forth. While the benefits obtained by service provider from internet banking according to Al-Somali et al. (2008) overhead costs reduction related to bank staff restrictions as well as branch offices.

Yuliaty (2014) in his study mentions that *internet banking* services have influence on quality of service, which consists of being *tangible, reliability, responsiveness, assurance, and empathy*. The quality of this service is very influential on customer satisfaction in sharia bank. The influence of *brand equity* consist of brand awareness, *brand perceived quality*, and; brand associations *which* also have an effect on customer satisfaction significantly.

However, *i-banking* transactions also have weakness in terms of limited to non-cash transactions, quality and limited connection speeds can result in failed connections, but it is also a lack of instructions if the customer experience certain conditions (Anggraeni, 2013).

### ***Mobile Banking Services, Benefits and drawbacks***

*Mobile banking* or *m-banking* is a banking service that can be accessed by mobile phone, by using the service of *short message service (sms)*. *M-banking* facility is similar to *i-banking* facilities, the only difference is that *m-banking* is facilitated by mobile phones and certainly requires a pulse to operate it. *i-banking* is facilitated by the internet, and when there is an internet connection, anyone can access the *i-banking* after he has application. *M-banking* (or *sms-banking*) provides services for a balance inquiry, request financial information, transaction history, information exchange, payment

(credit card, PLN, phone, telephone, electricity, insurance, etc. ), and purchase (refill and stock pulse).

The shortage of *m-banking* is more or less similar to that of *i-banking*, which is limited also on non-cash transactions. failure of the transaction as a result of limited credit balance and also the service can only be accessed on any GSM operator. CDMA operators cannot support *m-banking* services.

Some clients prefer *m-banking* as it does not have to have a connection and Internet networks in operation. However, some customers opt *i-banking* because it is cheaper (because it does not require pulse), and can access more information about entry and exit of money in personal accounts.

### ***Internet Banking and Mobile Banking in Islamic Banking***

Some Islamic banking today have had a system of *i-banking* and *m-banking* to facilitate their clients in conducting a transaction. The service is still relatively new compared to that of in conventional banking. This new service should be understood, because new sharia bank in Indonesia was founded only in 1992 by Muamalat bank.

The relatively new *i-banking* and *m-banking* in Islamic banking raises some disadvantages compared to that of some conventional banks which are already well underway. This is a natural, because the new technology will certainly experience periods of adjustment with the market.

### ***Use of Internet Banking and Mobile Banking For Online Business Performer***

The development of online business is always in line with the development of payment system through banking and delivery system service. Online business today BIRngs a positive effect for economy because it can open new jobs and new business models in other fields to support the implementation of this transaction model. Online business development also helped raise the payment system in this way. The movement of money in online business is fast, if seller or the buyer does not use *i-banking* and *m-banking*, they will run into trouble of having to remove the power to strutting into an ATM machine for transfers or checking the existing balance.

If a seller with an online system and only relying on an ATM machine to help transactions, he will fine troublesome. This is almost impossible to do, because in the

online business the money flow is very fast. It is impossible for a seller to make his business online without *i-banking* and *m-banking* to support payment systems for their businesses.

Utilization of *i-banking* and *m-banking* in Islamic banking for online entrepreneurs is still low. This statement is based on a preliminary survey that has been conducted to support the running of this research proposal. There are several obstacles to the use of *i-banking* and *m-banking* Islamic banking should be carefully examined, thus it can find a solution for the use of *i-banking* and *m-banking* in sharia banking in online business in the future.

### **Previous Research**

#### ***"Assessment of Electronic Banking Services in Islamic Banks: Bahrain's Perspective"***

Research conducted by Lucio Feraro-Banta (2014) aims to assess the electronic banking services at sharia Bank in Bahrain. Based on qualitative and quantitative approaches using questionnaires and structured interviews, respondents agree that *electronic banking* service application supports fund transfer, bill payments, loan applications, credit cards, personal accounts, and so forth. Ease of transfer of funds is undoubtedly easy. However, customers find difficulties in the implementation of *e-banking* service application because the number of information needed to apply for loans and credit cards. Another problem is the numbers of personal accounts were *hacked*, this indicates a system for assurance of confidentiality has not been maintained. A further problem is the customer experience one difficulty to *log-in e-banking* in their personal accounts that they had difficulty in paying bills, especially if they have to go to the bank and no information was received at the time of payment.

#### ***"The Effects of Using Electronic Banking on the Profitability of Bank"***

A research conducted by Bahram Meihami, Zeinab Varmaghani and Hussein Meihami (2013) discusses the use of electronic banking to reduce the operational costs of banks and can increase bank revenue. The study included 147 samples, data collection including bank financial statements, questionnaires containing 42 questions and

interviews. Data were collected and analyzed through descriptive statistics and inferential statistics. The findings of this study suggest a link between the electronic banking with five components, namely: automated teller machine, bank cards, *internet banking*, *call centers* and *point of sale*, with the bank's revenue.

***"Internet Banking: An Empirical Investigation of a Trust and Loyalty the Model for New Zealand Bank"***

This research was conducted by GS Shergill and Bing Li. This study described *trust* and *loyalty* of *internet banking* users in *New Zealand Bank*. *Trust* and *loyalty* were awakened by communication and good service of the bank and its clients. Therefore, the success of *internet banking* among its customers in the electronic era is heavily influenced by two factors mentioned.

***"The Adoption of Mobile Banking In Malaysia: The Case of Bank Islam Malaysia Berhad (BIMB)."***

This research was conducted by Hanudin Amin, Mohd Rizal Abdul Hamid, Suddin Pepper and Zuraidah Anis (2008). Bank Islam Malaysia Berhad (BIMB) is a commercial bank in Malaysia to introduce *mobile banking* system to its customers. The results showed that the behavior of customers to use *mobile banking* because of their ease of implementation. Another finding is the credibility that is perceived by customers, perceived ease of use and also benefit from this *mobile banking*. The findings of this study are useful to promote the importance of *m-banking* system among its customers especially for customers of Bank Islam Malaysia Berhad, and also to promote the use of *m-banking* among customers.

***"E-Banking to Improve Product Image of iB Savings Plus and BNI Syariah Card"***

This research was conducted by Prapti Daliyanik (2013) which aims to analyze the relationship of *e-banking* in improving the image of savings products and BNI SyariahiB Plus card, and the perception of consumers against *e-banking* services on savings products and BNI Syariah iB Plus card. Correlation analysis technique is used in the study. The amount of the variable relationship of *e-banking* services (customer perceptions) to variable increase was analyzed. IB Plus product image and BNI Syariah

card is 0.583 or 58.3%. This means that the relationship between the variables of *e-banking* services (customer perceptions) to variable product image enhancement and BNI Syariah iB Plus card is a medium-sized. Results if the data indicates that users of *e-banking services*, the average ranged from 20-30 years of age who have jobs as private employees earning 2 million to 4 million per month, most of them have a college education in the past and prefer to use *SMS Banking* service rather than using *e-banking* services such as *internet banking*, *mobile banking*, and *phone plus*.

### ***"Customer Perception toward Implementation of Service Systems Products and E-Banking"***

Research conducted by Mieke Suharini (2008) is about the perception of Mandini bank customers about the application of *electronic banking* service system, which began in 2005. The respondents of this study are customers of Bank Mandini in Jakarta. The research with quantitative method resulted in a finding that the majority of respondents gave a good response. The indicator is the existence of five dimensions of service quality provided by Bank Mandini. The fifth such services are:

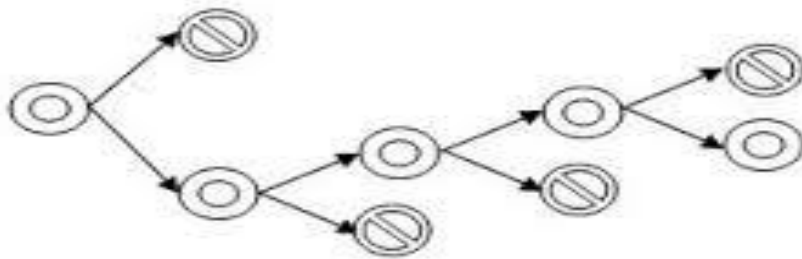
*first*, in terms of reliability of *electronic banking* services because its handling is performed by professional, adequate services of location and means, low cost, speed of service delivery; *second*, bank and ATM locations still to be improved; *Third*, the quality of responsiveness is still considered normal by the customer, because complaint service has not been handled well; *fourth*, good guarantee for the customer as more than 50% of *e-banking product* is fully guaranteed by the company; *Fifth*, dimensions of empathy which is good because the employee response to complaints from customers.

### **Research methods**

The approach in this study is qualitative, with objects of some online entrepreneurs of *end-users*, resellers, agents and distributors who use *i-banking* and *m-banking* from conventional banking and sharia then pursued into user *i-banking* and *m-banking* in Islamic banking. In determining the informants in this study, snowball method, also

known as chain referral procedure or *networking* procedures is applied. In this procedure, with whom the participant or informant has made contacted or the first time they met the researcher is important to refer the researcher to others who have the potential to participate or contribute and learn or provide information to the researcher.

*Snowball* procedure is often used to locate and recruit secret informants, the group that is not easily accessible to researchers through another informant making strategy. In this study, researchers used the *exponential discriminative snowball model*, this is a model that is selective to be developed by researchers in the field because it is based on several considerations and selective action of researchers, not all informants appointed by the informant was previously selected by researchers because researchers have the right to selecting the next informant. So the network snowball showed no tissue sections flourish and there are other parts that die or are not much developed (Bungin, 2011).



**Figure 3. *Exponential Discriminative Snowball Model***

Some informants are only concentrated in some areas in East Java such as Sidoarjo due to close to the location of researchers. Only few informants are from outside Java, especially in remote areas, due to the lack of online business development outside Java. The researcher find it difficult to find informants from the regions of Aceh and Papua, due to the lack of online business there due to high shipping rates in some areas.

## **Result**

### **Online Customer Type of *Internet Banking* and *Mobile Banking* users in Islamic Banking**



When the researcher go into the field and interviewed 50 respondents who are online entrepreneurs with a wide range of products/services, obstacles in the use of *internet banking* and *mobile banking* in Islamic banking is revealed.

There are some reasons why some entrepreneurs choose to consistently use *internet banking* and *mobile banking* to support their business. This analysis was obtained after investigators interviewed several online businesses, distributors, agents, resellers or end consumer (*end user*) online entrepreneurs. The researchers interviewed 76 respondents directly or indirectly. Direct interview was conducted orally and in writing, either face to face or through electronic mail and involve social media such as *Facebook*. Indirect interviews includes information from respondents interviewed about other businessman.

By using *discriminative exponential snowball model*, the researchers who initially found the 76 respondents decided to use 50 of them. This is based on several considerations, one of which is the absence of *ibanking* and *mBanking* of Islamic banks by the respondents. While they do not have *ibanking* and *mBanking* of Islamic banking, averagely they have accounts in Islamic banking. Therefore, they were selected among 76 initial respondents interviewed before it was determined to only become 50 respondents.

Prior to identifying several obstacles in using the *ibanking* and *mBanking* in Islamic banks, the researcher found some typology of online businessmen as customers of Islamic banks based on their motivation in making use of electronic banking services in Islamic banking. The typology of online business is concerned specifically about their attitude in utilizing *ibanking* and *mBanking* in Islamic banking, which is to support their ongoing business. The following explains the three types of online businessman related to the motivation of their respective online businesses in utilizing *ibanking* and *mBanking* to support their business:

#### **A. Rational Motivation of in using *Electronic Banking Services***

Electronic banking services in online business is the lifeblood of online business itself, in addition to shipping services which is also one of the drivers for the online business. Online business requires clarity, ease, speed and accuracy of

payment system. Some respondents said they initially use the electronic services of Islamic banks, both *i-banking* and *m-banking*. However, as many of their customers choose to use a conventional bank, in the end the online sellers also follow the trend. This is as described by some respondents from several regions:

*"At first I used electronic banking from sharia banks for my online business payment system. However, because consumers object and many choose to use conventional banks, I finally opt conventional banks. Sharia bank is only for saving."*

Most respondents have strong religious, educational, community culture and family background. Online businesses in this category are strongly influenced by rational motivation in the use of *electronic banking* services in Islamic banking. They initially strongly uphold the principles of the Islamic financial system, such as the prohibition against usury. However, their customers requires them to use *electronic banking* services in conventional banks. This is as explained by one respondent from Gresik, who is a graduate of boarding school and has a parcel business. He states:

*"I use i-banking and m-banking from conventional and sharia banks, but over time as most of my college use electronic banking from conventional banks, I adjust them. Technically i-banking and m-banking from conventional and sharia banks are the same. No obstacles. Only bank transfers are charged. If many of my partners use i-banking and m-banking from sharia banks, then I will use electronic banking from sharia banks. "*

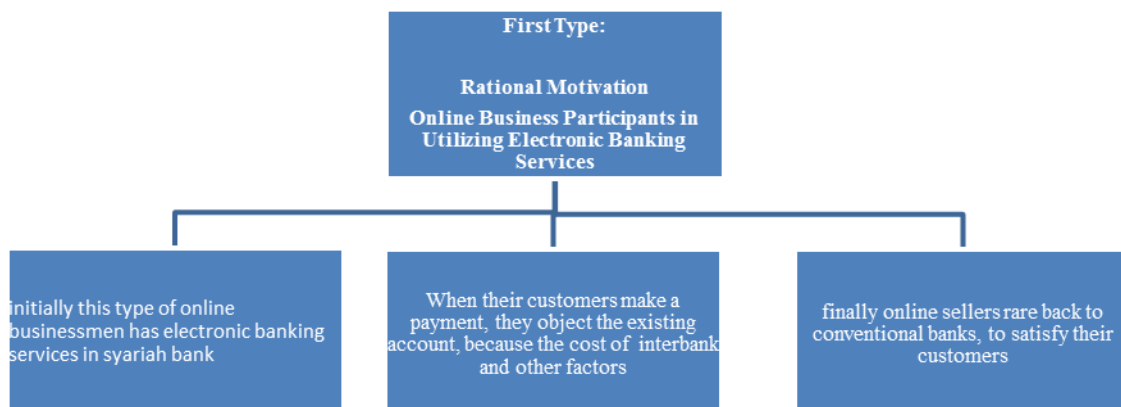
When the respondent above was asked about the concept of interest and usury, he clearly stated that interest is not usury. So he also calmly makes transaction using conventional banks. He stressed that all banks are the same, between conventional and sharia.

Some businessman state that there are consumers of the first type, those who go and do not buy their products when they do not have accounts in one of the conventional banks. Online sellers also find consumers of the second type, those who remain consumers of this business, but by bargaining first, regardless seller

has an account at a particular bank or not. When a seller offers a transaction with an account from an Islamic bank, many buyers object to the transfer fee.

Consumers are keys to the success of a business, and therefore online businessmen with this type promote rational utilization of *electronic banking* services in Islamic banks. This type of businessmen read business flow, and they in turn leave *electronic banking* services from Islamic banks and back again take advantage of *electronic banking* services of conventional banks.

Among the 50 respondents, the majority of them are respondents with a rational type. They run an online business well, and choose to apply rationally according to their customers' expectation, to use conventional banks as accounts and tools for their purchases and payments. This first type dominates other types, because the respondents who fall into this category reach 28 people, or about 56%.



**Figure 5.1.1 Type Two: Motivation Rational**

### **B. Emotional-Rational Motivation in Utilizing *Electronic Banking* Services**

Of the 50 respondents interviewed by researchers, most of them initially have accounts in Islamic banks and have registered their account numbers in the bank's electronic services. They are very keen to use *electronic banking* services of

Islamic banks, but it turns out *electronic banking* services in Islamic banking has several limitations. One of which is limitation of network. Some respondents have their own reason in taking the decision to re-use the *electronic banking* services in conventional banks.

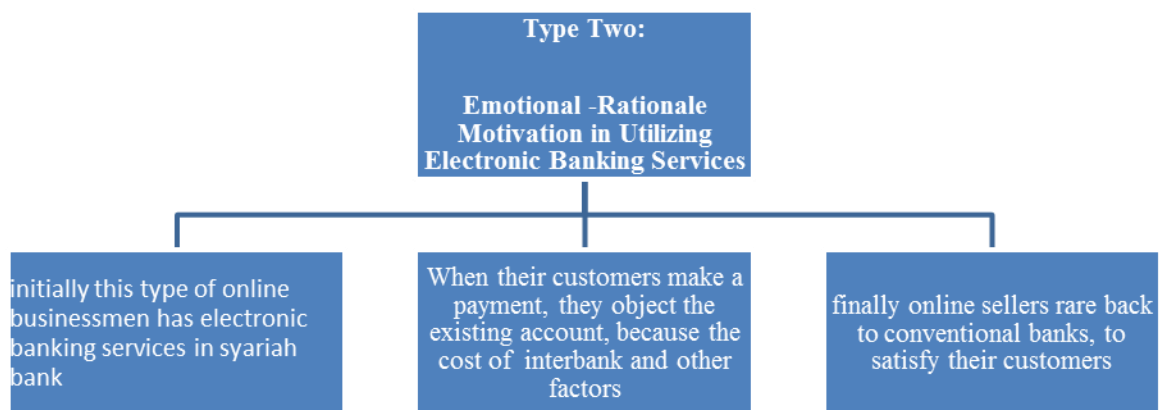
This type is expressed as a group of respondents with emotional-rational motivation due to their transition time from the user of electronic banking services in Islamic banks to conventional banks through several periods that churned out their empathy. Some of the processes through which to make decisions conventional use of *electronic banking* electronic banking as they utilize sharia, by discussing with their partners, to quote some opinions Ulema and community leaders that use conventional bank services not including usury. Some of them argue that they will return to electronic services in conventional banks if the network in sharia banking is good.

Some respondents with this type of emotional-rational motivation have gone through a very emotional process when re-using services in conventional banks, one of them some who consider some opinions of religious leaders to strengthen their beliefs about the use of conventional banks. One of the respondents who live in Banten stated that:

*"When I use sharia bank, I feel safe and confident free of element usury, admin services are not too big. Sharia banks have limited ATMs and mobile banking or internet banking, owners of sharia banks account are still small, so my customers often complain. Finally I disable the electronic banking service in my sharia bank, although I still keep the account to save only. I chose one of the government-owned conventional banks, after I had a long argument with my husband. We came to the conclusion - which we concluded by ourselves - that the government-owned conventional bank is a mid-term solution to avoid usury rather than a conventional private bank, because conventional banks belong to the government more accommodated. "*

This type of behavior looks similar to the first type, using rational motivation. This second type, which is an online business *electronic*

*banking* service user with a rational-emotional motivation, is a very emotional figure. They want to switch from sharia bank services to conventional banks, but through a very long process. Some considerations of opinion from some parties are very influential for their decisions. Among the 50 respondents, only 7 respondents are in this type, or about 14% of the total respondents.



**Figure 5.1.2 Type Two: Emotional-Rational Motivation**

### **C. Spiritual Motivation in Utilizing *Electronic Banking Service***

Electronic banking service in online business is the lifeblood of the online business. Online transactions will always involve electronic banking, as payment is made through banking services. Of the 50 respondents, several respondents fall in this type of category. They always act very spiritually, because they always intend everything they do because of worship. They are 30% of the total number of respondents, or about 15 online businessmen.

Some online businesses that have spiritual motivation always volunteering using *electronic banking* of Islamic banking. They make use of the service under any circumstances, even with some of the constraints and limitations of the service. The results of the interviews conducted to several respondents indicated

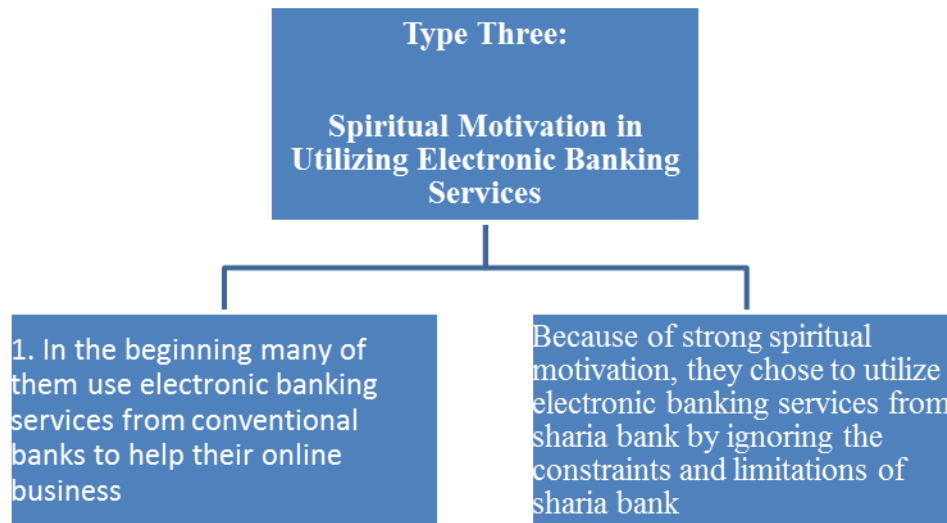
that *electronic banking* users feel comfortable in using this type of service from Islamic banks. Here's an interview from one of the respondents in Sidoarjo:

*"I always transact online using the services of sharia banks, and I only share 2 of my accounts in sharia banks for payment services in my online business. When a customer requests payment using a service in a conventional bank, then I will not give it. If the consumer objected to the inter-bank transfer fee of Rp. 6500, then I will sacrifice to pay the fee. I turn a blind eye to the lack of service in Islamic banks, because that is an important blessing. "*

Several other respondents also stated that they are more comfortable to use *electronic banking* services of Islamic banks although there are some obstacles in the utilization of services in Islamic banks. The principle held by respondents of this type is very strong, from some interview results, following interviews that represent the power of the spiritual motivation of the respondents. Here's one of the interviews from online business in Bandung:

*"I only use electronic banking services from sharia banks. The benefits of using the services of sharia banks are halal, easy, practical, affordable, and transparent. The difference between sharia and conventional banks is if I use the services of sharia banks, then I am more calm and comfortable in worship. Marriage is better than adultery. Why should use the haram if there is a halal. So, I do not see how many benefits and advantages. Alhamdulillah, all this time all my affairs have been well facilitated by sharia banks, for transfer, payment, purchase, and so forth. "*

Here are some descriptions of the spiritual motivation of online businesspeople, in utilizing electronic banking services in sharia banking.



**Figure 5.1.3 Type Three: Spiritual Motivation**

Some users of electronic banking services in Islamic banks with this spiritual motivation have a strong religious background. For example there are some online sellers who actually are recognized by the surrounding community with the name *ustadzah* or *ustad*. Another respondent for this group is an online salesman who has been very successful and well established, so he does not feel afraid of being abandoned by his customers. Respondents with this type also believe that transactions in Islamic banks must BIRng blessings, and all associated with conventional banks is usury.

### **Obstacles in the Utilization of *Internet Banking* and *Mobile Banking* in Islamic Banking for Online Clients**

Humans always crave ease in every affair that they are. Advances in technology force them to *aware* of all that can be done very quickly. By using sophisticated smartphones, tablets and internet quota, one no longer needs to pace back to the bank, because they can do their own services they want. Someone can transfer some money, check balances, see account mutation, deposit money deposit, pay bills electricity, telephone, and so forth. Transactions relating to deposits and withdrawals are still carried out by the user, which is deposited on the teller and through CDM machines (*cash deposit machine*). The existence of *i-banking* and *m-banking* helps a person to maximize their time to focus on running the business they have run. Time

saving of *i-banking* and *m-banking* customers may also affect the cost savings the customer journey. One of the most important things is that customers can make banking transactions whenever they want, while there is an internet quota network and they can also transact in their own time.

The use of *internet banking* and *mobile banking* for online businesses is something that is very significant, because the online business is driven by transaction-based technology. One of them is payment system supported by technology from banking. Newly-born sharia banking in Indonesia since 25 years ago-beginning with the establishment of Muamalat-bank, is certainly trying to improve the existing services, especially the service for electronic banking in which is internet banking and mobile banking services.

Regardless Islamic banking effort to provide the best service to its customers, some Islamic banks has also developed their banking service to socialize *i-banking* services and *m-banking* for their customers. This is good news for the online business that is being looked forward to these services. However, *i - banking* and *m-banking* in sharia banks still leaves some limitations and shortcomings. Limitations and constraints includes the following factors:

#### **A. Limitations of *Internet Banking* and *Mobile Banking* Provided by Islamic Banking for Clients of Online Businessmen**

Some respondents claimed that the presence of one bank that dominate conventional *i-banking* and *m-banking* is one of the biggest obstacles in the use of *i-banking* and *m-banking* for online transactions. Such conventional banks monopolize the traffic of payment systems in online business. When *i-banking* and *m-banking* of sharia banks want to match the services of the bank, this is very heavy. Many sellers or buyers are actually thwarting their transactions early on when not facilitated with the accounts of these conventional banks, for example retail transactions in small nominal above 100 thousands.

#### **B. Limitations on *Internet Banking* Network in Islamic Banking for Clients of Online Businessmen**



Another obstacle in the use of *i-banking* and *m-banking* Islamic banks is the operational nature of the application and the service *i-banking* and *m-banking*. It deals with technical, design and ease of application. Some users of *i-banking* services and *m-banking* of Islamic banks complain the difficulties of using *i-banking* services and *m-banking* in a sharia bank. Technical and design is very influential on the use of *i-banking* services and *m-banking* itself. The easier the users learn and use this service, the more users of *i-banking* and *m-banking* in sharia banking.

However, some respondents said that the *i-banking* services and *m-banking* in other syariah banks simply facilitate them in conducting transactions online. They do not get a problem in its use. This means that some of the *i-banking* services and *m-banking* in one syariah bank has been well received by the community, although in some other banks are still complained in the utilization.

Operation complained is precision and accuracy of the application, there is one interesting finding when the investigators interviewed a woman who are also users of *i-banking* in Islamic banks. She complained about the accuracy of *i-banking* services in one of the Islamic banks:

*"I have a baby equipment store and Muslim clothing, which use online and offline transaction. My husband died of illness and I am pregnant with my first child. I live in the Brebes pelosol, and very far from sharia bank office. When I want to transact with sharia bank, in a rather old pregnancy position I go to Brebes - which takes 2 hours - to open an account and simultaneously register for i-banking services from the bank. Previously I used i-banking from one of the conventional banks. I-banking service from sharia bank I use to transact at one of the agents in Surabaya, unfortunately after I transfer money, my colleague in Surabaya stated that he has not received the money and there has been no report entered in his account. And when the money has been received, the goods will be directly shipped and I will be able to directly market the goods because most of the orders from buyers. With a frantic condition (because of the sharia bank office is far), I just resigned to wait for news about the money I have transferred (pretty big value for me). The next day I was newly informed by my agent's colleague in*

*Surabaya that money has been transferred. Finally my stuff is delayed to be sent one day, and for me this is detrimental to me. "*

Limitations of *i-banking* services of one of the Islamic banks have resulted in *inefficiency* and *un-integrity*, which is detrimental to the service users. Therefore, some improvements have to be made by sharia bank related to the service. The ability of sharia banks in carrying out changes to the better will result in the trust of customers of online business. Starting with the effort to improve *error of i-banking system*, making the system more flexible but still upholding the security of user information the service. Adjustments to the needs of online businesses is one of the things that ought to be considered, because the current era is the era of the purchase through technology or *e-commerce*, so that the changeable conditions should be interpreted as an opportunity to develop their existing *systems*.

### **Conclusions, Suggestions and Limitations**

This research resulted in a conclusion that is obtained after researchers conducted several prose s interviews with 50 respondents. There are some obstacles in the use of *internet banking* and *mobile banking* for online businesses in Islamic banks. These constraints are associated with the obstacle limitation of *i-banking* and *m-banking* in Islamic banks, as well as barriers to the limitations of the network *i-banking* and *m-banking* in Islamic banks for online businesses. Online businessmen as one community that are closely linked to one another is a very good niche for the development of *i-banking* and *m-banking* in Islamic banks. The solution to the first obstacle is quantity of *i-banking* and *m-banking* in the growing Islamic banks, especially those users are online businesses. The second solution is improvement on system and service network of *i-banking* and *m-banking*, thus that this problem will be resolved.

From several interviews conducted with 50 online businessmen, three types of online banking customers of *i-banking* and *m-banking* in Islamic banking are obtained. *First*, customers with rational motivation in utilizing the services of *i-banking* and *m-*

*banking*, some of them have very strong religious upbringing, but still chose to use *i-banking* and *m-banking* from conventional banks because they are the majority of customers using the service. *The second* type is customers with emotional -rational motivation. Customers of this type promotes their emotions in selecting *i-banking* and *m-banking* from Islamic banks, and then switch to conventional banks because of the demand from their customers. From some interviews they made the decision through a long and tedious process, involving some opinions from religious leaders and also those closest to them. *Third*, online business customers with spiritual motivation *who* always be consistent in using *i-banking* and *m-banking* from Islamic banks, despite the limitations and obstacles that they are going through. Spiritual motivation and the desire to gain blessings in life are the greatest encouragement for this type of consumer, so they always survive as sharia bank advocates.

Limitations of this study are that the majority of respondents were female and a large part of them is an online seller of clothes. Further research targeting the respondents from big businessman, who are members of the association and the association of Muslim entrepreneurs are necessary, to prove how committed they are in the utilization of services in Islamic banking.

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## Attachments

### List of Respondents and Results of Interviews \*

No	Name & Region	Products / Services of Online Business	Position	Information
1.	Yusrifa (Denpasar)	Mukena and Balinese clothes	Crafters and Agents	- Using <i>i-banking</i> from conventional banks, because she thinks <i>i-banking</i> system of Islamic banks are not simple
2.	Tutik Liyani	Lombok pearls, pots	Agent,	- Have <i>i-banking</i> and <i>m-banking</i> in Islamic banks, but does not last long and go back to the conventional ABC

	(Sidoarjo)	and beauty products	reseller	bank <ul style="list-style-type: none"> <li>- The average consumer uses ABC bank, so the consumer is comfortable because it is not affected by the transfer fee</li> </ul>
3.	Siti Mawar Jannah (Malang)	Online Boutique	<i>Dress maker</i> (artisan)	<ul style="list-style-type: none"> <li>- Has long had an account at BIN Syariah bank, hoping the bank will open an electronic banking service</li> <li>- Never use electronic banking services from Syariah bank but return to conventional bank because it is more practical</li> </ul>
4.	Hamila Saadah (Tulungagung)	Sharia Insurance	Agent	<ul style="list-style-type: none"> <li>- Transactions in Syariah Partial Insurance for sharia products still use conventional banks, whereas the value of billions of rupiah</li> <li>- has made complain to the insurance management to use the services of sharia banks, the response is low because syariah banks have not reached the remote areas</li> <li>- Paying the commission of agents by using sharia <i>m-banking</i> services</li> <li>- expecting to use <i>full</i> service of Islamic bank in the future</li> </ul>
5.	Ika Ratih Dewi (Sidoarjo)	kids clothes	Reseller	<ul style="list-style-type: none"> <li>- Has an account in Islamic banks, never had <i>i-banking</i></li> <li>- still actively using conventional bank, because caring to customers' transfer fee</li> <li>- Finally back to conventional ABC bank</li> </ul>
6.	Izza Aziz (Banten)	Lombok Pearl	Reseller	<ul style="list-style-type: none"> <li>- Never use <i>mobile banking</i> of conventional banks</li> <li>- When using sharia bank, she feel safe and free from interest element, admin services are not too big</li> <li>- ATM of Islamic banks is not as many as conventional banks, and owners of <i>mobile banking</i> in SMB bank is still small, so customers often complain</li> <li>- her sharia bank is also constrained by the transfer limit which is only up to 10-20 million only</li> <li>- Finally, she now chooses to use Mandini Bank , initially there is a debate between usury with her husband, finally they came to the conclusion that a government-owned bank is a solution to avoid usury than private conventional banks, because conventional banks the government can be accommodated</li> </ul>
7.	Udiyanti (Jakarta)	MLM Beauty Products	Big Agent	<ul style="list-style-type: none"> <li>- She uses a conventional bank <i>internet banking</i> and <i>mobile banking</i> of BIR at BNI Syariah.</li> <li>- BIR and BNI syariah can transfer without token</li> <li>- BIR <i>Paycode</i> is sent via sms and takes the pulse,</li> </ul>

				whereas Islamic BNI Bank does not take toll
8.	Vienna Jaja (Mojokerto)	Brooch and Accessories	Crafters	<ul style="list-style-type: none"> <li>- Possess an account in Islamic, tries out <i>m-banking of</i> Islamic banks yet return to conventional banks for online transactions operations</li> </ul>
9.	Diana Pale (Sidoarjo)	Islamic Books	Agent	<ul style="list-style-type: none"> <li>- Always perform online transactions using account of Islamic banks, namely banks BSSM and BMI, and will open again BNI syariah</li> <li>- There are only 2 sharia bank accounts that are shared to the consumer, if the consumer asks a conventional bank they will not be served</li> <li>- If the consumer objected to the inter-bank transfer fee of Rp.6500, then she will sacrifice to pay the fee (InshaAllah, will be replaced by Allah with blessings)</li> <li>- she used to have accounts and electronic services in conventional banks when she was young, now she closed all</li> <li>- Doesn't care the shortage of sharia banks what is important is the life of the barakah</li> </ul>
10.	Sumantri (Bekasi)	Catering (food and wet and dry pastries)	Crafters	<ul style="list-style-type: none"> <li>- Conventional banks are easier and good systems</li> <li>- once had electronic services in sharia banks and finally returned to conventional</li> <li>- Sales are the purpose of consumer satisfaction, so yes it is given the easiest service is through conventional banks</li> </ul>
11.	Riri Nadia	Boutique	Reseller	<ul style="list-style-type: none"> <li>- Conventional Banks have good service, good system. She once used electronic banking service from syaria bank finally return to conventional bank</li> <li>- Sharia Bank is to save only</li> </ul>
12.	Rania Saadah (Solo)	Muslim Clothing Boutique	Agents and resellers	<ul style="list-style-type: none"> <li>- Using 3 banks, 2 conventional banks and 1 syariah bank, all have their electronic services so it's easy to check the balance</li> <li>- Having a lot of banks to make consumers easy to pay and not to escape</li> </ul>
13.	Halimah (Sleman)	Muslim Clothing Boutique	Agents and resellers	<ul style="list-style-type: none"> <li>- Once used electronic banking services from sharia banks and felt too complicated, finally returned to a conventional bank</li> </ul>
14.	Trianawati (Palembang)	Pastry	Crafters	<ul style="list-style-type: none"> <li>- Using electronic services from conventional banks and sharia banks, but only the Shariah Bank has easy system</li> </ul>
15.	Fafa Rahani (NTT)	Muslim Clothing	Reseller	<ul style="list-style-type: none"> <li>- In NTT there is no syariah bank, whereas when I previously lived in Surabaya already have electronic services in sharia banks</li> </ul>

16.	Rina Susiana (Malang)	Moslem clothing and boutiques	Craftsman, dress maker and distributor	<ul style="list-style-type: none"> <li>- many of her customers use ABC conventional bank</li> <li>- Back to use <i>m-banking</i> in conventional banks</li> </ul>
17.	Ifa Inaya (Mojokerto)	Moslem clothes and bags	Reseller	<ul style="list-style-type: none"> <li>- Has <i>i-banking</i> at SMB and bank SMB Mandini</li> <li>- But use Mandini bank more frequently because consumers often use the bank to pay for their online purchases</li> </ul>
18.	Tutuk Sumiati (Sidoarjo)	Mukena & Towels	Reseller	<ul style="list-style-type: none"> <li>- Use <i>m-banking</i> from conventional banks, because customers use all the conventional banks</li> <li>- Having <i>m-banking</i> in Islamic banks but rather rarely used</li> </ul>
19.	Wita Wandasari (Jakarta)	T-shirt	Reseller	<ul style="list-style-type: none"> <li>- Have <i>m-banking</i> in ABC syariah</li> <li>- See that ABC shariais similar to <i>i-banking</i>, transfer to a conventional ABC bank is not charged and the other way around.</li> </ul>
20.	Sutiana (Kediri)	Moslem clothes	Reseller	<ul style="list-style-type: none"> <li>- Have <i>m-banking</i> in conventional and Islamic banks, but utilize <i>m-banking</i> from conventional banks, Islamic banks are less practical.</li> </ul>
21.	Ami Amira (Ngawi)	Clothes	Reseller	<ul style="list-style-type: none"> <li>- Have <i>m-banking</i> of the bank SMB and MIB</li> <li>- Alhamdulillah simple and good service, even the story from friends that m-banking from conventional banks 'complicated'</li> <li>- I was disappointed with i-banking from a conventional bank, and finally I moved to all sharia banks</li> </ul>
22.	Arifuddin Syahid (Gresik)	Parcel	Perajin, distributor	<ul style="list-style-type: none"> <li>- Use i-banking and m-banking from conventional banks as well as sharia banks</li> <li>- As time goes by, as many partners use i-banking and m-banking from conventional banks, she also adjusts them.</li> <li>- Technically i-banking and m-banking from conventional and syariah banks are the same, no obstacles. Only bank transfer is charged transfer fee.</li> <li>- If many of her customers use banking and m-banking from sharia banks, then she will activate the banking and m-banking of my sharia bank</li> </ul>
23.	Ladiana (Surakarta)	Household good	Reseller	<ul style="list-style-type: none"> <li>- She has i-banking at BNI conventional bank and a BIR sharia bank</li> <li>- In sharia bank we cannot print the book by representative, and if represented we must use stamp. Conventional banks more easy.</li> </ul>
24.	Asep Syuhada	Media	Owner	<ul style="list-style-type: none"> <li>- He only uses electronic banking services from sharia</li> </ul>

	(Bandung)			<p>bank</p> <ul style="list-style-type: none"> <li>- Benefits of using the services of Islamic banks are halal, easy, practical, affordable cost transparent.</li> <li>- He feels more comfortable to worship. Rather than adultery better marriage. Why should use the haram if there is a halal.</li> <li>- He does not see the benefits and advantages only</li> <li>- All of his transaction is facilitated with sharia bank (transfer, purchase, payment, etc.)</li> </ul>
25.	Venita (Situbondo)	Wedang and Seasonings	Craftsmen, distributors	<ul style="list-style-type: none"> <li>- Has electronic banking services from sharia and conventional banks, but easier to use conventional banks than sharia</li> <li>- However, the account for saving remains in sharia bank</li> </ul>
26.	Rifa Alani (Depok)	Caterng	Craftsman, seller	<ul style="list-style-type: none"> <li>- Using i-banking and m-banking from sharia banks, namely SMB syariah bank and BNI syariah</li> <li>- If the customer asked for a conventional bank account then she would say no, even though her customers use a lot of conventional banks</li> <li>- She want to encourage herself for the glory of Islam</li> <li>- Usually trouble is only related to the network</li> </ul>
27.	Agus Pariono (Sidoarjo)	Batik	Distributor and seller	<ul style="list-style-type: none"> <li>- Using m-banking from conventional and sharia banks</li> <li>- The average consumer uses electronic banking services from conventional banks, eventually he returned to a conventional bank</li> </ul>
28.	Siti Wandasari (Jakarta)	Moslem shirts	Craftsman and seller	<ul style="list-style-type: none"> <li>- Once had i-banking in sharia bank, but the code (token code in print), continue to disappear, online website is less steady.</li> <li>- Finally back to the electronic banking services of conventional banks</li> </ul>
29.	Atmiantari (Sidoarjo)	Veil and Moslem clothes	Veil and Craftsman, dressmaker	<ul style="list-style-type: none"> <li>- Has sharia and conventional i-banking.</li> <li>- 85% of his customers use conventional banks, he finally use the services of conventional banks only</li> </ul>
30.	Afidawati (Boyolali)	Butik	Reseller	<ul style="list-style-type: none"> <li>- Having m-banking in sharia and conventional banks</li> <li>- But ultimately rarely utilize the services of sharia banks because many consumers use the services of conventional banks</li> </ul>
31.	Riana (Yogyakarta)	Baby cloth	Reseller	<ul style="list-style-type: none"> <li>- Having i-banking from conventional and syariah banks, but many customers are using i-banking from conventional bank, finally she only use i-banking from conventional bank</li> </ul>



32.	Muasari Payan (Depok)	Muslimah cloth	Reseller	<ul style="list-style-type: none"> <li>- She used to work in sharia bank, she has resign and now doing business online</li> <li>- However she is more comfortable to use i-banking services from conventional banks.</li> <li>- In her opinion, e-channel service from sharia bank: <ul style="list-style-type: none"> <li>a. Features are not as attractive as conventional banks</li> <li>b. More transaction limits have conventions</li> <li>c. Users username and password are easier and practical in conventional bank</li> </ul> </li> </ul>
33.	Farah dian (Sragen)	Herbal	Agent, reseller	<ul style="list-style-type: none"> <li>- Having m-banking in sharia banks and conventional banks. However, use of conventional bank services is higher because her customers use conventional bank.</li> </ul>
34.	Annisa Nabila (Sumatera Utara)	Butik	Reseller	<ul style="list-style-type: none"> <li>- Has opened an account in the Islamic bank, then have i-banking services from the bank</li> <li>- Does not want to move to other banks, even though many of my consumers are using conventional banks</li> </ul>
35.	Rahmawati (Kalimantan)	Moslem outfit	Reseller	<ul style="list-style-type: none"> <li>- Once using m-banking from sharia banks, finally re-choose conventional banks because consumers use more conventional banks</li> </ul>
36.	Yurika sari (Jakarta)	Household goods	Agent	<ul style="list-style-type: none"> <li>- Used to have i-banking in conventional bank and syariah bank</li> <li>- Conventional one is frequently used, because many consumers transfer through the bank.</li> <li>- Although the ones in Islamic banks are also still active, but rarely become income traffic</li> </ul>
37.	Hanawati (Kalimantan)	Moslem outfit	Reseller	<ul style="list-style-type: none"> <li>- She is very afraid of usury, then as much as possible she does not use accounts in conventional banks</li> <li>- So she keep using i-banking service from SMB syariah bank despite the charge.</li> <li>- If the consumer complains, then she will bear the transfer fee</li> </ul>
38.	Ningsih Kuni (Aceh)	Mukena	Reseller	<ul style="list-style-type: none"> <li>- She only has an account in a sharia bank, BIR syariah bank, and she uses i-banking services from that bank</li> </ul>
39.	Diana Nila (Jombang)	Moslem outfit	Reseller	<ul style="list-style-type: none"> <li>- She has several accounts in sharia and conventional banks</li> <li>- in sharia bank she uses i-banking from BIR sharia bank</li> </ul>
40.	Zilawati (Riau)	socks	Reseller	<ul style="list-style-type: none"> <li>- She only has an account in sharia bank</li> <li>- she use i-banking service from BIR sharia bank, and satisfied because she believe it is more blessing</li> </ul>

41.	Yuma Sari (Madiun)	Moslem cloth	Reseller	- she uses ABC sharia, m-banking is good and she gets a lot of convenience because the transfer from and to ABC conventional bank is very easy
42.	Nita Fiena (Jombang)	Moslem cloth	Reseller	- She used to be ABC conventional bank consumer and used i-banking from a ABC conventional bank  - Now I she converts into ABC syariah, and uses the banking service from the bank
43.	Dini Susiani (Bali)	Cloth	Agent	- She uses services from BMI sharia and satisfied
44.	Lily Kusuma (Rembang)	Cloth, mukena, travel	Agent & reseller	- She conducts business and active in one of the boarding school  - She share to the public about syariah bank, therefore she uses i-banking service from BIR sharia bank
45.	Oni Sitta (Tangerang)	Moslem cloth	Reseller	- she used to buy clothes online and sell clothes online and offline  - She uses electronic services from BMI sharia bank, and satisfied  - If there is an interbank transfer fee then she will bear that
46.	Chicawati (Bogor)	Moslem cloth	Reseller	- She uses electronic services from SMB sharia bank and satisfied, good network, nice features
47.	Fitria wati (Bogor)	Moslem cloth	Reseller	- Use i-banking services from sharia and conventional banks  - But eventually more switch to conventional bank, because the average customer use i-banking from conventional bank ABC
48.	Wina Karina (Sidoarjo)	Culinary	Producers	- Use i-banking from sharia and conventional banks, but in the end more conventional use, because my customers use conventional banks
49.	Muza Nafi (Sidoarjo)	Heavy tools, batik	Distributor and agent	- Has several i-banking and m-banking from sharia and conventional banks  - But more utilize electronic services from conventional banks, because more widely used by suppliers and also my reseller.
50.	Yoni Sugandi (Sidoarjo)	Moslem cloth	Agent and reseller	- At first had electronic services from sharia SMB bank, but not much used and finally not active  - And back to the conventional ABC bank because my average customer uses a conventional ABC bank

\* Note: The names of the informants are not the real names, the acronym of the name of the sharia bank also does not reflect the actual acronym

# Factors Hindering the Use of Internet Banking and Mobile Banking Service of Islamic Banking for the Online Businessman

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**Keywords:** Internet Banking, Mobile Banking, Islamic Banking, Online Entrepreneurs.

**Abstract:** Utilization of Internet Banking and Mobile Banking in Islamic Banking for Online entrepreneurs is a crucial problem nowadays. In relation to shariah compliance violations, many online Muslim entrepreneurs do not use facilities of Islamic Banking as a means of payment of transactions in their business. This brings several impacts, for example network of conventional banking which has developed earlier, thus when online entrepreneurs want to use i-banking and m-banking in online transactions, they will find it difficult as there is difference in administrative costs. In addition, the lack of awareness of online business people is also the cause of several obstacles in the utilization of i-banking and m-banking in Islamic Banking. This study uses 50 respondents, online business people including distributors, agents, resellers, and including end users. By using a qualitative approach with snowball model, this research is expected to contribute significantly to the Islamic banking and online businesses who want to implement shariah compliance in their business activities. This research finding the factors hindering the use of I-banking and M-banking service of Islamic banking for the online businessman. The limitation of I-banking by Islamic banking and M-banking provided and the limitation of I-banking network in Islamic banking for the online businessman.

## 1 INTRODUCTION

Today's technological advance brings many new products into banking and new concepts in business. Electronic banking or internet banking is familiar to facilitate customer transactions through online banking. The application services are intended to facilitate payment system, transfer system, viewing system of recording financial transactions in bank accounts and so forth. New concept in business, along with the emergence of technology is the birth of online business, which certainly does not BIRng together buyers and sellers. The absence of a meeting between buyers and sellers requires online buyers and sellers to use banking services as a means to facilitate transactions in online business.

*Internet banking* and *mobile banking* services is one of the means to facilitate transactions among banking customers, especially those who are often transact business online. With *i-banking* and *m-banking* customers do not have to bother long queue at a bank. They are still able to access their bank *account* wherever they are. Implementation of the system *i-banking* and *m-banking* in the bank is one of the ease of bank services to its customers, so

that the bank can more freely raise and channel funds from and to customers. *I-banking* and *m-banking* necessarily provide a double benefit to banks and customers in terms of efficiency, ease of transaction and breadth of outreach. As for the banks, *i-banking* and *m-banking* will develop banking products more efficiently due to operational cost savings. Moreover, the presence of *i-banking* can also cut the number of the representative office of a bank, because customers are able to do transaction from their respective locations. This is as explained by Elsan (2009) that the method of payment with electronic systems can provide comfort and cut operating costs of banks.

Both *i-banking* and *m-banking* has its advantages and disadvantages, *m-banking* is more accessible everywhere as it does not rely on internet network. The application is simpler thus it is easy to learn by many people. However, the use of *m-banking* must be supported by an adequate pulse, different from *i-banking* that does not need support of internet network. Thus, the use of *m-banking* is tend to be easier as it can be used wherever the users are, in a big city or in a remote village and with various types of mobile phones (GSM). Yuliaty (2014) in his

study mentions that *internet banking* services have influence on quality of service, which consists of being *tangible*, *reliability*, *responsiveness*, *assurance*, and *empathy*.

Banta (2014) in his study mentions respondents agree that *electronic banking* service application supports fund transfer, bill payments, loan applications, credit cards, personal accounts, and so forth. Ease of transfer of funds is undoubtedly easy. However, customers find difficulties in the implementation of *e-banking* service application because the number of information needed to apply for loans and credit cards. Another problem is the numbers of personal accounts were *hacked*, this indicates a system for assurance of confidentiality has not been maintained. A further problem is the customer experience one difficulty to *log-in e-banking* in their personal accounts that they had difficulty in paying bills, especially if they have to go to the bank and no information was received at the time of payment. Meihami et al. (2013) mention in their research that suggest a link between the electronic banking with five components, namely: automated teller machine, bank cards, *internet banking*, *call centers* and *point of sale*, with the bank's revenue. Sa'diyah and Aziroh (2013) explain that the factors of trust between Islamic banking of Mumalat Indonesia in Kudus and that customers, is about the using of mobile banking.

Amin et al. (2008) conducted the research about Bank Islam Malaysia Berhad (BIMB) is a commercial bank in Malaysia to introduce *mobile banking system* to its customers. The results showed that the behavior of customers to use *mobile banking* because of their ease of implementation. Another finding is the credibility that is perceived by customers, perceived ease of use and also benefit from this *mobile banking*. The findings of this study are useful to promote the importance of *m-banking* system among its customers especially for customers of Bank Islam Malaysia Berhad, and also to promote the use of *m-banking* among customers.

Suharini (2008) mention in her study about the perception of Mandiri bank customers from customers of bank Mandiri in Jakarta, about the application of *electronic banking services system*. The research with quantitative method resulted in a finding that the majority of respondents gave a good response. The indicator is the existence of five dimensions of service quality provided by Bank Mandiri. The fifth such services are: *first*, in terms of reliability of *electronic banking* services because

its handling is performed by professional, adequate services of location and means, low cost, speed of service delivery; *second*, bank and ATM locations still to be improved; *Third*, the quality of responsiveness is still considered normal by the customer, because complaint service has not been handled well; *fourth*, good guarantee for the customer as more than 50% of *e-banking product* is fully guaranteed by the company; *Fifth*, dimensions of empathy which is good because the employee response to complaints from customers.

Somali et al. (2008) in their study was to identify the factors that encourage customers to adopt online banking in Saudi Arabia. The findings of the study suggests that the quality of the Internet connection, the awareness of online banking and its benefits, the social influence and computer self-efficacy have significant effects on the perceived usefulness (PU) and perceived ease of use (PEOU) of online banking acceptance.

However, the researcher sees that they use mostly conventional banking. Therefore, the present study discusses the use of *i-banking* and *m-banking* in Islamic banking for the online entrepreneurs.

## 2 METHODOLOGY

The approach in this study is qualitative, with objects of 50 online entrepreneurs of *end-users*, resellers, agents and distributors who use *i-banking* and *m-banking* from conventional banking and sharia then pursued into user *i-banking* and *m-banking* in Islamic banking. In determining the informants in this study, snowball method, also known as chain referral procedure or *networking* procedures is applied. In this procedure, with whom the participant or informant has made contacted or the first time they met the researcher is important to refer the researcher to others who have the potential to participate or contribute and learn or provide information to the researcher.

The researchers interviewed 76 respondents directly or indirectly. Direct interview was conducted orally and in writing, either face to face or through electronic mail and involve social media such as *Facebook*. Indirect interviews includes information from respondents interviewed about other businessman. By using snowball method, the researcher who initially found the 76 respondents decided to use 50 of them. This is based on several considerations, one of which is the absence of *ibanking* and *mbanking* of Islamic banks by the

respondents. While they do not have *ibanking* and *mbanking* of Islamic banking, averagely they have account in Islamic banking. Therefore, they were selected among 76 initial respondents interviewed before it was determined to only become 50 respondents.

When the researcher goes into the field and interviewed 50 respondents who are online entrepreneurs with a wide range of products/services, obstacles in the use of *internet banking* and *mobile banking* in Islamic banking is revealed. There are some reasons why some entrepreneurs choose to consistently use *internet banking* and *mobile banking* to support their business. This analysis was obtained after investigators interviewed several online businesses, distributors, agents, resellers or end consumer (*end user*) online entrepreneurs.

This research using observation, indept interviewing and documentation (Soeratno, 1995) to collect the information from 50 online entrepreneurs who using *i-banking* and *m-banking* from Islamic Banking. Some informants are only concentrated in some areas in East Java such as Sidoarjo due to close to the location of researchers. Only few informants are from outside Java, especially in remote areas, due to the lack of online business development outside Java. The researcher find it difficult to find informants from the regions of Aceh and Papua, due to the lack of online business there due to high shipping rates in some areas.

This study use case studies for the data analysis, which is one of the strategies and methods of qualitative data analysis that emphasizes on special cases that occur in the object of analysis. In this study, the type of case study used is the case study of observation, which according to Bogdan and Biklen (Bungin, 2011) is more emphasis on the use of observations in research to capture the detailed and actual empirical information from the unit of research analysis, whether it concerns the lives of individuals and certain social units in society.

### 3 RESULTS AND DISCUSSIONS

Humans always crave ease in every affair that they are. Advances in technology force them to *aware* of all that can be done very quickly. By using sophisticated smartphones, tablets and internet quota, one no longer needs to pace back to the bank, because they can do their own services they want. Someone can transfer some money, check balances, see account mutation, deposit money deposit, pay

bills electricity, telephone, and so forth. Transactions relating to deposits and withdrawals are still carried out by the user, which is deposited on the teller and through CDM machines (*cash deposit machine*). The existence of *i-banking* and *m-banking* helps a person to maximize their time to focus on running the business they have run. Time saving of *i-banking* and *m-banking* customers may also affect the cost savings the customer journey. One of the most important things is that customers can make banking transactions whenever they want, while there is an internet quota network and they can also transact in their own time.

The use of *internet banking* and *mobile banking* for online businesses is something that is very significant, because the online business is driven by transaction-based technology. One of them is payment system supported by technology from banking. Newly-born Islamic Banking in Indonesia since 25 years ago-beginning with the establishment of Muamalat-bank, is certainly trying to improve the existing services, especially the service for electronic banking in which is internet banking and mobile banking services.

Regardless Islamic banking effort to provide the best service to its customers, some Islamic banks has also developed their banking service to socialize *i-banking* services and *m-banking* for their customers.

This is good news for the online business that is being looked forward to these services. However, *i-banking* and *m-banking* in sharia banks still leaves some limitations and shortcomings. Limitations and constraints includes the following factors:

#### 3.1 Limitations of *Internet Banking* and *Mobile Banking* Provided by Islamic Banking for Clients of Online Businessmen

Some respondents claimed that the presence of one bank that dominate conventional *i-banking* and *m-banking* is one of the biggest obstacles in the use of *i-banking* and *m-banking* for online transactions. Such conventional banks monopolize the traffic of payment systems in online business. When *i-banking* and *m-banking* of sharia banks want to match the services of the bank, this is very heavy. Many sellers or buyers are actually thwarting their transactions early on when not facilitated with the accounts of these conventional banks, for example retail transactions in small nominal above 100 thousands.

Electronic banking services in online business is the lifeblood of online business itself, in addition to

shipping services which is also one of the drivers for the online business. Online business requires clarity, ease, speed and accuracy of payment system. Some respondents said they initially use the electronic services of Islamic banks, both *i-banking* and *m-banking*. However, as many of their customers choose to use a conventional bank, in the end the online sellers also follow the trend. This is as described by some respondents from several regions:

*"At first I used electronic banking from sharia banks for my online business payment system. However, because consumers object and many choose to use conventional banks, I finally opt conventional banks. Sharia bank is only for saving."*

Another respondent describe that the difficult of using *i-banking* and *m-banking* in sharia banking, is because many of her partners of online business is using *i-banking* and *m-banking* from the conventional banking. He was said:

*"I use i-banking and m-banking from conventional and sharia banks, but over time as most of my college use electronic banking from conventional banks, I adjust them. Technically i-banking and m-banking from conventional and sharia banks are the same. No obstacles. Only bank transfers are charged. If many of my partners use i-banking and m-banking from sharia banks, then I will use electronic banking from sharia banks."*

### **3.2 Limitations on Internet Banking Network in Islamic Banking for Clients of Online Businessmen**

Another obstacle in the use of *i-banking* and *m-banking* Islamic banks is the operational nature of the application and the service *i-banking* and *m-banking*. It deals with technical, design and ease of application. Some users of *i-banking* services and *m-banking* of Islamic banks complain the difficulties of using *i-banking* services and *m-banking* in a sharia bank. Technical and design is very influential on the use of *i-banking* services and *m-banking* itself. The easier the users learn and use this service, the more users of *i-banking* and *m-banking* in Islamic Banking.

However, some respondents said that the *i-banking* services and *m-banking* in other syariah banks simply facilitate them in conducting transactions online. They do not get a problem in its use. This means that some of the *i-banking* services and *m-banking* in one syariah bank has been well received by the community, although

in some other banks are still complained in the utilization.

Operation complained is precision and accuracy of the application, there is one interesting finding when the investigators interviewed a woman who are also users of *i-banking* in Islamic banks. She complained about the accuracy of *i-banking* services in one of the Islamic banks:

*"I have a baby equipment store and Muslim clothing, which use online and offline transaction. My husband died of illness and I am pregnant with my first child. I live in the Brebes pelosol, and very far from sharia bank office. When I want to transact with sharia bank, in a rather old pregnancy position I go to Brebes - which takes 2 hours - to open an account and simultaneously register for i-banking services from the bank. Previously I used i-banking from one of the conventional banks. I-banking service from sharia bank I use to transact at one of the agents in Surabaya, unfortunately after I transfer money, my colleague in Surabaya stated that he has not received the money and there has been no report entered in his account. And when the money has been received, the goods will be directly shipped and I will be able to directly market the goods because most of the orders from buyers. With a frantic condition (because of the sharia bank office is far), I just resigned to wait for news about the money I have transferred (pretty big value for me). The next day I was newly informed by my agent's colleague in Surabaya that money has been transferred. Finally my stuff is delayed to be sent one day, and for me this is detrimental to me."*

Limitations of *i-banking* services of one of the Islamic banks have resulted in *inefficiency* and *un-integrity*, which is detrimental to the service users. Therefore, some improvements have to be made by sharia bank related to the service. The ability of sharia banks in carrying out changes to the better will result in the trust of customers of online business. Starting with the effort to improve *error of i-banking system*, making the system more flexible but still upholding the security of user information the service. Adjustments to the needs of online businesses is one of the things that ought to be considered, because the current era is the era of the purchase through technology or *e-commerce*, so that the changeable conditions should be interpreted as an opportunity to develop their existing *systems*.

### 3.3 Spiritual Motivation in Utilizing I-Banking and M-Banking Services in Sharia Banking for Online Businessmen

Electronic banking service in online business is the lifeblood of the online business. Online transactions will always involve electronic banking, as payment is made through banking services. Of the 50 respondents, several respondents fall in this type of category. They always act very spiritually, because they always intend everything they do because of worship.

Some online businesses that have spiritual motivation always volunteering using *electronic banking* of Islamic banking. They make use of the service under any circumstances, even with some of the constraints and limitations of the service. The results of the interviews conducted to several respondents indicated that *electronic banking* users feel comfortable in using this type of service from Islamic banks. Here's an interview from one of the respondents in Sidoarjo:

*"I always transact online using the services of sharia banks, and I only share 2 of my accounts in sharia banks for payment services in my online business. When a customer requests payment using a service in a conventional bank, then I will not give it. If the consumer objected to the inter-bank transfer fee of Rp. 6500, then I will sacrifice to pay the fee. I turn a blind eye to the lack of service in Islamic banks, because that is an important blessing. "*

Several other respondents also stated that they are more comfortable to use *electronic banking* services of Islamic banks although there are some obstacles in the utilization of services in Islamic banks. The principle held by respondents of this type is very strong, from some interview results, following interviews that represent the power of the spiritual motivation of the respondents. Here's one of the interviews from online business in Bandung:

*"I only use electronic banking services from sharia banks. The benefits of using the services of sharia banks are halal, easy, practical, affordable, and transparent. The difference between sharia and conventional banks is if I use the services of sharia banks, then I am more calm and comfortable in worship. Marriage is better than adultery. Why should use the haram if there is a halal. So, I do not see how many benefits and advantages. Alhamdulillah, all this time all my affairs have been well facilitated by sharia banks, for transfer, payment, purchase, and so forth. "*

Some users of electronic banking services in Islamic banks with this spiritual motivation have a strong religious background. For example there are some online sellers who actually are recognized by the surrounding community with the name *ustadzah* or *ustad*. Another respondent for this group is an online salesman who has been very successful and well established, so he does not feel afraid of being abandoned by his customers. Respondents with this type also believe that transactions in Islamic banks must BIRng blessings, and all associated with conventional banks is usury.

## 4 CONCLUSIONS

This research resulted in a conclusion that is obtained after researchers conducted several prose s interviews with 50 respondents. There are some obstacles in the use of *internet banking* and *mobile banking* for online businesses in Islamic banks. These constraints are associated with the obstacle limitation of *i-banking* and *m-banking* in Islamic banks, as well as barriers to the limitations of the network *i-banking* and *m-banking* in Islamic banks for online businesses. Online businessmen as one community that are closely linked to one another is a very good niche for the development of *i-banking* and *m-banking* in Islamic banks. The solution to the first obstacle is quantity of *i-banking* and *m-banking* in the growing Islamic banks, especially those users are online businesses. The second solution is improvement on system and service network of *i-banking* and *m-banking*, thus that this problem will be resolved.

Limitations of this study are that the majority of respondents were female and a large part of them is an online seller of clothes. Further research targeting the respondents from big businessman, who are members of the association and the association of Muslim entrepreneurs are necessary, to prove how committed they are in the utilization of services in Islamic banking.

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