

## Analysis of Community Preferences in Islamic Banking (Case Study: The Community of Nagari Timur, Malalak Subdistrict, Agam Regency)

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### Abstract

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Sharia banking in Nagari Malalak Timur has great potential, but the community still actively uses conventional banks, and only a few choose sharia banks as their primary option for financial transactions. This low level of interest is due to a lack of understanding of Islamic principles, limited access to Islamic bank branches, and the perception that Islamic products are more complicated and expensive than conventional banks. The purpose of this study is to identify and analyze the level of understanding of the people of Nagari Malalak Timur regarding Islamic banking products and services, as well as the reasons for choosing conventional banks. This study uses a qualitative approach, with a descriptive qualitative research type. The research location was in East Malalak Village, Malalak District, Agam Regency. Data collection techniques used observation, interviews, and documentation. Data analysis techniques used data reduction, data presentation, and verification or conclusions. The results of the study in Nagari Malalak Timur show that the community's preference for Islamic banks is still low. Influencing factors include limited knowledge, the habit of using conventional banks, and difficult location and accessibility. The community finds it difficult to understand the concept of Islamic banking and prefers conventional banks because of familiarity. To increase the use of Islamic banks, there needs to be an effort to raise awareness and open branches in the area.

**Keywords:** Community Preferences, Islamic Banks, East Malalak Village

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## INTRODUCTION

In the era of globalization and advances in information technology, the banking sector has become the backbone of economic growth and the provision of financial services to the public. Since the 1970s, Islamic banking has become a major global phenomenon, especially in countries with significant Muslim populations, such as Malaysia, Saudi Arabia, the United Arab Emirates, and Indonesia. This system is based on Islamic sharia principles, such as gharar, prohibition of usury, and investment in haram sectors. For example, profit-sharing schemes (mudharabah/musyarakah), leasing (ijarah), and buying and selling (murabahah) serve as the basis for transactions (Imam, 2020).

According to the Islamic Financial Services Board (IFSB), the value of Islamic banks worldwide is estimated to reach more than USD 2.88 trillion by 2021, with a growth rate of around 10% to 15% per year. Malaysia and the Gulf countries are key players, although Indonesia, which has the largest Muslim population in the world, consistently maintains its position as a potential market.

Bank Muamalat was established in 1992, marking the beginning of Islamic banking in Indonesia. Progressive regulations, such as the Islamic Banking Law (2008) and the 2023-2027 Islamic Finance Development Roadmap by the Financial Services Authority (OJK), support its progress. Although the Islamic banking market share is still around 6% of the total banking sector, its assets will reach around IDR 500 trillion by 2021. Product innovations such as Islamic microfinance, digital services, and Islamic fintech integration are the main drivers of growth. However, obstacles such as a lack of financial knowledge, competition with conventional banks, and infrastructure deficiencies continue to hinder growth (Maryati, 2014).

The growth and potential of Islamic banking in West Sumatra, where 97% of the population is Muslim, make it a strategic location for developing Islamic banking. Agam Regency has great potential due to its strong cultural and religious traditions. The people there usually choose halal products, including Islamic financial services. Currently, several Islamic banks are operating in Agam, such as Bank Nagari Syariah and BRI Syariah. However, their services are still concentrated in urban areas. Local economic sectors such as agriculture, MSMEs, and tourism, such as Lake Maninjau, are well-suited for output-based Islamic financing. To increase financial inclusion, the local government also provides support through the Islamic APBD program and collaboration with Baitul Maal wat Tamwil (BMT) (Ihsan, 2015).

However, the main problems in Agam are competition with conventional banks that are more accessible, a lack of branch networks in rural areas, and a lack of public knowledge about sharia products. To overcome these problems, approaches such as socialization through educational and religious institutions, development of more extensive digital services, and creation of unique products for leading sectors such as agricultural financing and traditional weaving crafts are needed.

Sharia banking in Agam has the opportunity to grow rapidly and become a driver of a sustainable Islamic-based economy with the support of the local government, cooperation between sharia financial institutions, and increased public awareness. Sharia banking plays a role in increasing financial access for people who are reluctant to transact with conventional systems for religious or ethical reasons (Fitriani et al., 2024).

Religious, ethical, and economic factors influence people's preferences for Islamic banks. For the majority of Muslims, the main reason for choosing Islamic banks is compliance with sharia principles, especially the avoidance of *riba* (interest). The principles of Islamic banking, such as fairness, transparency, and prevention of speculation, are universal, but the assumption that Islamic banks are only for Muslims is a problem (Triwardhani 2024). One particular challenge is the innovation of digital products and services. Islamic banks often lag behind in terms of technology, such as open payment services or mobile applications. According to BI, only 30% of Islamic banks in Indonesia have open banking features. As a result, they are losing millennial customers who prioritize ease of access. The solution to accelerate digital transformation is collaboration with Islamic fintech companies such as ALAMI. Government regulation is also very important (Elisa et al., 2023).

One of the areas of focus in this study is the community of East Malalak, Malalak Subdistrict, Agam Regency. East Malalak is one of 82 villages in Agam Regency. The majority of the community in Malalak Timur Nagari work in agriculture and trade, and they have more traditional financial habits. Direct saving, such as keeping money at home or through an arisan system, is preferred over using banking services. With irregular and fluctuating incomes, cash transactions are considered easier and more direct.

Although the majority of the population is Muslim, many of them do not understand Islamic banking products and services, such as mudharabah and ijarah programs. They prefer conventional banks because they are unfamiliar with Islamic banking products and consider them to be more expensive and complicated. The researchers will conduct research in the village of Malalak Timur, which consists of five hamlets, namely Saskand, Limobadak, Subarang Pakan Usang, Toboh, and Bukik Malanca. In these villages, people's preference for Islamic banks is still relatively low compared to conventional banks.

Sharia financial literacy is also an obstacle. People often consider sharia products to be more expensive because of the non-riba transaction administration costs, such as in the murabahah (markup sale) scheme. Education through visual content on social media can help explain that these costs are transparent and aim to avoid uncertainty (gharar) (Fatoni et al., 2023).

Public knowledge of Islamic banking is still limited. Many people do not understand the fundamental differences between Islamic and conventional banks, such as profit-sharing principles, the prohibition of usury, and asset-based transactions. This lack of knowledge causes people to tend to choose conventional banks, which are considered more familiar. In addition, the branch network of Islamic banks is still limited in rural areas such as Nagari Malalak Timur, and the digital services of Islamic banks are considered less innovative. Islamic banks are less active in providing direct education to the public, especially in remote areas. As a result, the public is unaware of the benefits and advantages of Islamic products.

According to Kasmir, a bank is a financial institution that functions to collect funds from the public in the form of deposits and channel those funds back to the public in the form of credit or financing. Kasmir defines financing as the provision of money or bills based on an agreement between a bank and another party, whereby the financed party is obliged to return the funds after a certain period of time with compensation or profit sharing. (Agustin, 2021) Sharia banks base their financing activities on a reference in the Qur'an, Surah Al-Baqarah (Q.S 2: 275), where Allah says:

رَبُّوْاْ حَلَّ َاللّٰهُ الْبَيْعُ وَحَرَّمَ َالرِّبَا...

Meaning: "Allah has made buying and selling lawful and has made usury unlawful."

The following is the preliminary data from this study, which includes important information regarding the population of East Malalak and the results of interviews with several users of Islamic banks and conventional banks in Nagari Malalak Timur.

Table 1. Population Size and Distribution in East Malalak District in 2024

No.	Hamlet	Population (Souls)
1.	Limo Badak	636
2.	Saskand	447
3.	Toboh	615
4.	Subarang Pakan Usang	161
5.	Bukik Malanca	418
	<b>Number</b>	<b>2.277</b>

Source: Results of Data Processing on Population Migration in East Malalak Village

From the interviews and data presented above, it can be concluded that the majority of the people of Nagari Malalak Timur work in the agricultural sector with irregular incomes. This condition causes them to be less interested in sharia investment products. In addition, there is greater trust in conventional pawnshops or arisan as alternative financing.

Based on the results of interviews conducted on May 9, 2025, with 15 informants, several conclusions can be drawn regarding bank user data in East Malalak. The following is an analysis and explanation of this data:

Table 2. Bank User Data in East Malalak

Name	Education	Work	Bank Used
Wati	Grade 4	Merchant	Bank Konvensional
Maya	Undergraduae	Civil servant	Bank syariah
Bustami	Junior High School	Farmer	Bank konvensional
Bejo	Grade 4	Merchant	Bank konvensional
Dewi	Grade 4	Housewife	Bank Konvensional
Taufik	Junior High School	Farmer	Bank Konvensional
Gina	High School	Farmer	Bank konvensional
Marni	Grade 4	Housewife	Bank Konvensional
Beni	Grade 4	Farmer	Bank konvensional
Nelhayati	Undergraduae	Civil servant	Bank Syariah
Rina	Junior High School	Merchant	Bank syariah
Lastri	High School	Housewife	Bank Syariah
Rahmat	Grade 4	Farmer	Bank syariah
Yusuf	Grade 4	Farmer	Bank syariah
Amir	Grade 4	Farmer	Bank konvensional

From the data obtained, it can be concluded that people in East Malalak tend to use conventional banks as their primary choice for banking services, although

there is significant interest in Islamic banks, which indicates an awareness of banking alternatives that are in accordance with Islamic principles.

The low level of education among informants, most of whom had only completed elementary school, may be a factor influencing their choice of bank, due to a lack of understanding of more complex banking products and services. In addition, the dominant occupations in this area are farmers and traders, reflecting the local economy's continued dependence on the agricultural and trade sectors, and indicating that the community may prefer banks that offer simpler and more accessible services.

The lack of socialization regarding Islamic banks and the community's knowledge of the products and services offered by Islamic banks are also factors that influence their choices. As a result, most people in Nagari Malalak Timur prefer conventional banks over Islamic banks.

This shows that conventional banks remain the primary choice for the public, while Islamic banks are still struggling to attract more users. Therefore, more intensive education and promotion efforts are needed to increase public awareness and understanding of the benefits and advantages offered by Islamic banks. Thus, it is hoped that the public will consider Islamic banks as a viable alternative in meeting their banking needs.

Various studies have been conducted according to research by Ahmad Fantoni et al. Factors that influence public interest include attitude, trust, personality, and a lack of understanding about Islamic banking. The public considers Islamic banks and conventional banks to be the same (Fantoni & Siregar, 2023). In contrast to the research by Suhairiyah et al., the causes of low preference are a lack of knowledge about Islamic financial products and the assumption that there is no difference between Islamic and conventional products. The importance of literacy and inclusion of Islamic financial products is emphasized (Suhairiyah, 2021).

This study seeks to fill a gap in the literature on Islamic banking by conducting an in-depth analysis of public preferences for Islamic banks from the perspective of actual practices, particularly in Nagari Malalak Timur, Agam Regency. Unlike previous studies that tended to focus on general interests or perceptions, this study highlights the unique characteristics of the study area, which is dominated by farmers and traditional traders, with non-bank financial habits and low Islamic literacy. This aims to reveal the practical reasons behind the community's choices. The main gap lies in understanding why, despite being a Muslim majority, the community still chooses conventional banks.

The driving factors include convenience, familiarity, physical access limitations (lack of branches), and the lack of innovative digital services offered by Islamic banks in the area, coupled with the perception that Islamic returns are lower. Thus, this study not only confirms the issue of preference but also identifies detailed contextual barriers and offers more applicable recommendations for solutions to increase the adoption of Islamic banks in similar communities.

This study is an extension of the research conducted by Ahmad Fantoni et al. and Suhairiyah et al. By linking the public's interest in becoming Islamic bank customers with their preferences for Islamic financial products, and increasing the

understanding of the rural community, this study explores the public's preferences regarding Islamic banks.

The authors' initial framework is based on Kotler and Keller's Consumer Behavior Theory, which explains that consumer decisions are influenced by cultural, social, personal, and psychological factors. This theory helps us understand that low preferences are not only due to religious aspects, but also traditional habits, perceptions of Islamic products as complicated/expensive, and a lack of understanding.

In addition, this theory highlights the stages of consumer decision-making. The community in Nagari Malalak Timur does not seem to have gone through the stages of searching for information and evaluating alternatives regarding Islamic banking, often due to a lack of socialization and misinformation. Familiarity with conventional banks also hinders in-depth evaluation of Islamic options.

Kotler and Keller emphasize the importance of information in shaping preferences. The community's minimal knowledge about Islamic banks and the lack of active education from Islamic banks indicate a crucial failure in marketing communication. Without transparent information, it is difficult for the community to understand the benefits of Islamic products, resulting in low preferences. Thus, this theory forms the basis for analyzing the root causes of community preferences, namely the combination of factors that influence consumer decisions and the suboptimal role of information. Based on the above description, the author was motivated to conduct research on the Analysis of Public Preferences for Islamic Banks (Case Study: the Community of Nagari Malalak Timur, Malalak District, Agam Regency). Due to the community's lack of understanding about Islamic banks in the village, the researcher chose this title.

## **LITERATURE REVIEW**

### **Community Preferences**

Preference means choice or selection. The term preference is used to replace the word preference with the same meaning or interest in something. A person's preference in choosing a product or service cannot be separated from the environment, experience, and stimuli received by the consumer. Everyone is free and has the right to make a choice.

In making a choice, it is best to choose an option that is beneficial in order to receive blessings in our lives. Public preference refers to the tendencies or choices made by individuals or groups in society towards a particular object, service, or product. These preferences are influenced by various factors, such as perceptions, needs, cultural values, and personal experiences. In the context of Islamic banking, public preferences can be interpreted as the tendency of the public to choose or not choose Islamic banking services over conventional banking (Ameliasari, 2014).

According to Kotler and Keller, consumer preferences are consumer attitudes toward a product brand choice that are formed through the evaluation of various brands among the available choices. In addition, Kotler and Keller also state that public preferences are consumer attitudes toward a product brand choice that are formed through the evaluation of various brands among the available choices (Kotler, 2017).

According to Amin, public preference for Islamic banks is influenced by factors such as understanding of sharia principles, trust in financial institutions, and the quality of services offered. Meanwhile, Rahman & Huda add that public preference is also influenced by social and cultural factors, such as the level of religiosity and norms that apply in society (Dewi, 2018).

According to Sari and Putra (2020), public preference for Islamic banks can be seen from two main aspects, namely the cognitive aspect (understanding) and the affective aspect (feelings or emotions). The cognitive aspect involves the public's understanding of sharia principles, while the affective aspect relates to public trust and satisfaction with the services provided.

Furthermore, according to Yusuf (2020), public preference for Islamic banks is also influenced by external factors, such as promotion and socialization carried out by Islamic banks. If the public is not exposed to information about the benefits and advantages of Islamic banks, their preference for these services tends to be low (Maskurotin et al., 2008).

From the various definitions above, it can be concluded that public preference for Islamic banks is the result of an interaction between internal factors, namely understanding, trust, and needs, and external factors, namely socialization and promotion. Therefore, to increase public preference, a holistic effort is needed to improve public understanding and trust in Islamic banks.

### **Definition of Sharia Commercial Banks**

Law No. 07 of 1992 concerning banking, as amended by Law No. 10 of 1998, defines a bank as a business entity that collects funds from the public in the form of deposits and distributes funds

back to the public in order to improve the standard of living of the people. Based on the above explanation, a bank is a financial intermediary institution generally established with the authority to accept money deposits and lend money to its customers.

Based on Law No. 31 concerning financial accounting standards (PSAK) of 1998, a bank is an institution that acts as a financial intermediary between parties with excess funds and parties in need of funds, as well as an institution that functions to facilitate payment transactions.

Unlike other types of businesses, banking activities are always related to money because the commodity of a bank's business is money. In line with these business characteristics, banks are heavily regulated by the government because banking activities are inseparable from their role in implementing monetary policy, which affects the amount of money in circulation.

### **Definition of Islamic Banking**

The word "bank" comes from the French word 'banque' or the Italian word "banco," which means chest, cabinet, or bench. The words chest or cabinet refer to their function as a place to store valuable items, such as a money chest, gold chest, or others. In general, Islamic banking refers to banks whose operations are in accordance with Islamic principles. Currently, there are many terms used to refer to Islamic banking entities other than Islamic banking itself, namely banks that implement Islamic principles (sharia banks), Islamic banks, and interest-free banks (Ismaulina, 2003).

Banking is an institution that performs three main functions, namely accepting deposits, lending money, and providing money transfer services. In the economic history of Muslims, the banking system has existed since the time of the Prophet Muhammad (peace be upon him), where in the economic history of Muslims, financing carried out with sharia-compliant contracts has been part of Muslim tradition since the time of the Prophet Muhammad (peace be upon him). Practices such as accepting deposits, lending money for consumption and business purposes, and transferring money have been common since the time of the Prophet Muhammad (peace be upon him) (Kambali, 2021).

Sharia banks can generally be defined as financial institutions whose main business is providing deposit services, financing, and payment transfer services. Sharia banks can generally be defined as financial institutions whose main business is providing deposit, financing, and payment transaction services. Islamic banks are banks that operate in accordance with Islamic sharia principles, referring to the provisions in the Quran and Hadith. Thus, Islamic banking must avoid activities that contain elements of usury and anything that contradicts Islamic sharia (Wilarjo, 2014).

The main differences between Islamic banks and conventional banks consist of several things. The main difference is that Islamic banks do not implement an interest system in all of their activities, while conventional banks use an interest system. This has very deep implications and influences the operational aspects and products developed by Islamic banks.

Islamic banking is a banking system developed based on Islamic Sharia (law). Efforts to create this system are based on the Islamic prohibition on charging or lending with interest, or

known as usury, and the prohibition on illegal corporate investments, if they cannot be guaranteed by the traditional banking system (Susanto, 2023). The establishment of an increasing number of Islamic banks in Indonesia proves that public trust in Islamic financial institutions is growing. This trust must be maintained by Islamic banks, especially in the implementation of Sharia compliance. To ensure Sharia compliance, which is free from elements that contradict Sharia principles, financial institutions must have a Sharia supervisory board.

## **RESEARCH METHOD**

The type of research used is qualitative. Qualitative research aims to understand and analyze social phenomena related to the analysis of public preferences for Islamic banks in Nagari Malalak Timur, Malalak District, Agam Regency. Qualitative research was chosen because it can provide an in-depth picture of the perceptions, attitudes, and behaviors of the community in using Islamic financial services. By using this approach, the author can explore the elements that influence community preferences, both from social, economic, and cultural aspects.

The research location for this data was obtained by directly visiting the location in East Malalak Village, Malalak District, Agam Regency. This location was chosen because Nagari Malalak Timur is an area with a diverse social, economic, and cultural background, thus providing a representative picture of

community preferences regarding Islamic banks. In addition, Agam Regency is also an area with high potential for Islamic economic development, but the adoption rate is still relatively low.

The data collection technique is the first direct observation, which is a data collection technique where researchers directly observe the symptoms of the object being studied, whether the observation is carried out in a specially created artificial situation. This method is used to support the data that has been obtained so that the data obtained is correct and accurate. Quick and careful description, observation recording, and clear observation processing are not trivial tasks. People will always question whether an observation is sufficient and whether the object being observed is representative of the observed phenomenon. Observation is a task that requires perseverance and sincerity. Observations are conducted to obtain a picture of the actual conditions in the field, such as the activities of the community in using Islamic financial services and the extent of the influence of Islamic banks on the community. Furthermore, interviews are used as a tool to obtain more detailed and in-depth information from informants. This interview was semi-structured, in which the researcher prepared a list of questions to be asked, but still allowed informants to freely express their opinions and experiences. The author took a sample of 15 out of 100 people from the Malalak Timur community. The researcher then asked the community questions about their understanding of Islamic banking, and the results of these interviews were analyzed by the author as part of a study on community preferences regarding Islamic banking. The interview method used by the author in this study was a guided free interview method so that the researcher could freely ask the respondents anything while still following the interview guidelines in general. The author conducted interviews with the people of East Malalak, most of whom did not understand Islamic banking. Documentation is the collection of data by examining important records that are closely related to the research object. Documentation is obtained by searching for data on matters or variables in the form of records, transcripts, newspapers, magazines, meeting minutes, and so on.

## **RESULTS AND DISCUSSION**

### **Results**

This study was conducted on people who are customers of Islamic banks and the general public who do not yet use Islamic banks, using in-depth interviews conducted directly with the community. Every study needs to be accompanied by data presentation as part of the research process. The analyzed data will produce conclusions obtained from the analysis. Based on the data collection techniques applied in this study, the researcher presents data obtained through observation, interviews, and documentation.

To determine the community's preferences for Islamic banks in Nagari Malalak Timur, the author conducted interviews with the community in Nagari Malalak Timur, who were the subjects of this study. Interviews were conducted with 15 informants from different backgrounds. These people have various types of jobs that they do every day, and some of them are already customers of Islamic banks and conventional banks in Nagari Malalak Timur.

## **Public Preferences**

Public preferences refer to the tendencies or choices of individuals or groups in selecting a product, service, or idea based on various factors, such as values, needs, experiences, and social influences. In the context of banking, public preferences for Islamic banks reflect their choice to use financial services that comply with Islamic principles, such as the prohibition of usury and profit-sharing systems, as well as the desire to manage finances in a manner consistent with religious values.

The following are the factors that influence the preferences of the people of Nagari Malalak Timur towards Islamic banks, which can be analyzed through various interrelated indicators.

### **1. Choosing**

The following are the results of interviews with informants based on questions 1 and 2:

Based on the results of an interview with Mr. Bustami, a farmer with an elementary school education, he stated that he has knowledge about Islamic banks. However, even though he knows about Islamic banks, he does not feel the need to switch from the conventional bank he currently uses. Here is his explanation: "I know about Islamic banks, but I don't feel the need to switch because conventional bank services are sufficient to meet my needs." This shows that the services provided by conventional banks are sufficient to meet his current financial needs. This is what makes him feel Dewi, a housewife with an elementary school education, stated that she is accustomed to using conventional banks but is willing to consider Islamic banks if they offer comparable or better services. She explained: "I've been using conventional banks because I'm used to them. But I'm open to Islamic banks offering comparable or better services." This demonstrates an openness to change, as long as there are clear benefits.

A similar sentiment was expressed by Rahmat and Yusuf, both farmers with elementary school education. They stated that they had tried Islamic banks but felt there was no significant difference from conventional banks, the only difference being the terminology used. They explained: "I've tried Islamic banks, but I didn't notice much of a difference. The system is similar, only the terminology has been changed to Islamic." Meanwhile, interviews with 10 informants revealed that they prefer conventional banks because they have proven to be problem-free so far, and they haven't found a compelling reason to try the Islamic banking system. They explained: "I've never used an Islamic bank, because I've always been used to using a general bank and haven't had any problems.

Based on the interviews with several informants, it can be concluded that the majority of respondents still tend to prefer conventional banks, despite having knowledge of or having tried Islamic banking services. The main reason is that conventional banks are considered sufficient to meet their needs, there are no obstacles, and there is no strong incentive to switch to an Islamic bank. Even those who have tried Islamic banks consider the differences to be insignificant, only a matter of terminology.

However, some respondents expressed an open attitude, such as Ms. Dewi, who stated that she would consider Islamic banks if the service was at least equivalent or even better. Overall, interview results indicated that habit, convenience, and satisfaction with conventional banking services were the primary reasons people had not yet switched to Islamic banks, although this did not rule out the possibility of a change in attitude if Islamic banks were able to provide tangible added value.

## 2. Knowledge

The following are the results of interviews with informants based on questions 3 and 4:

Mrs. Wati, a cake seller with an elementary school education, stated that she did not yet understand the Sharia Banking system. Although the name is often heard, her understanding of how Sharia Banking works or its principles is still minimal. Her explanation is as follows: "I often hear the name Sharia Bank, but I don't understand how the system works. I usually just use a conventional bank."

Mrs. Maya and two other informants also expressed a similar sentiment, stating that they had never used Sharia Banking services, so they lacked direct experience. However, they did not reject or underestimate Sharia Banking; they simply had not tried it. Their explanation is as follows: "I myself have never tried Sharia Banking services, because I've always been more comfortable with conventional banks. However, I'm quite interested because I know its principles are fairer and align with religious values." Based on an interview with Mr. Taufik, a farmer with an elementary school education, he stated that he didn't yet understand the fundamental differences between Islamic banks and conventional banks because he had never directly experienced Islamic banking services. He preferred conventional banks because they felt more familiar and lacked sufficient information about the concept of Islamic banking. He explained: "I think all banks are the same, just different names and regulations. I don't understand the direct differences, so I've been using conventional banks."

This was also explained by Mr. Bejo, a trader with an elementary school education. He stated that he didn't yet understand the concept of Islamic banking, only knowing it by name, and continued to use conventional banks out of habit and convenience. He explained: "Frankly, I don't really understand Islamic banks; I only know the name. I still usually use conventional banks because they are more familiar and have been used for a long time." Nine other informants stated that they had no direct experience with Islamic banks, but were open to learning and considering using them if they were proven to be better and in accordance with Islamic principles.

They explained: "I've never used an Islamic bank, so I can't tell the difference. But if it's better and in accordance with Islamic principles, I'm interested in learning more."

Based on interviews with the community, it can be concluded that the majority of respondents, including Ms. Wati, Ms. Maya, Mr. Taufik Hidayat, and Mr. Bejo, do not fully understand the systems and operating principles of Islamic banks. Although most had heard of Islamic banks, they

had no direct experience using their services. They tended to use conventional banks due to convenience, habit, and lack of information.

However, the informants generally did not express rejection of Islamic banks. Instead, they expressed interest in learning more, especially if Islamic banks were proven to be fairer, in accordance with Islamic principles, and provided clear benefits. This suggests an opportunity for more intensive education and outreach regarding the Islamic banking system among the community.

### 3. Social Influence

The following are the results of interviews with informants based on questions 5 and 6:

Mrs. Marni, a housewife with an elementary school education, stated that her decisions were influenced by the experiences and advice of those closest to her, especially her family. "Yes, recommendations from family are quite influential. If many people recommend something and have had good experiences, I'm more confident in trying it."

Mr. Beni, a farmer with a junior high school education, stated that he trusts the real experiences of those closest to him as a reference, not just advertising or promotions. Respondents feel more confident when information comes from people who have personally experienced its benefits. He explained: "I usually follow the advice of friends or relatives I trust, especially if they have already experienced the benefits."

Based on interviews with five informants, he stated that he doesn't rely too much on the opinions or recommendations of others when choosing a bank. Instead, he relies more on his own experience and personal comfort when using banking services. He explained: "Not really. I choose based on personal experience and comfort in using banking services." In contrast, interviews with eight informants revealed that they are not easily attracted by promotions alone. They value in-depth and educational information before considering an offer. One informant explained: "If it's just a promotion without a thorough explanation, I'm less interested. But if there's also education, then I'll consider it."

Based on interviews with several informants, it can be concluded that decision-making regarding banking services is influenced by several key factors: personal experience, convenience, recommendations from those closest to them, and the quality of the information received. Some respondents, such as Ms. Marni and Mr. Beni, indicated that recommendations from family or friends who had had positive experiences were a significant factor in influencing their decisions. Trust in the real-life experiences of those closest to them was considered more convincing than advertising or promotions alone.

However, from the other five informants, it was found that personal experience and convenience were more dominant in determining their choice of banking services. They relied less on the advice or recommendations of others, but rather trusted their interactions and personal assessment of the services they used. Meanwhile, of the remaining eight informants, the majority stated that promotions alone were not enough to

attract their attention. They valued an educational and informative approach, where offers were accompanied by in-depth explanations, and were more likely to be considered. It can be concluded that decisions to choose banking services vary, but tend to be influenced by a combination of personal experience, convenience, trusted recommendations, and the education that accompanies promotions.

#### 4. Service, Promotion, and Location

The following are the results of an interview with an informant based on questions 7 and 8:

Mrs. Nelhayati, a civil servant in East Malalak Village, stated that location and access are the main obstacles for her, as she lives in a village. She recognizes the importance of banking services, but if a Sharia bank is far from her residence, it can complicate daily activities, such as saving, withdrawing money, or handling administrative matters. Her explanation is as follows: "Yes, because I live in a village, if the bank is far away, it's certainly difficult, especially if there aren't adequate digital services."

Mrs. Rina, a cendol seller with a junior high school education, stated that the remote location of a bank can reduce her visits and use of in-person services, as it's considered impractical and difficult. "Yes, it has quite an impact. If the location is far away, I don't want to go to the bank in person."

Meanwhile, interviews with Mrs. Lastri and Mrs. Gina, both housewives, suggested opening a BSI Bank branch in Malalak so they wouldn't have to travel far to take care of things. They explained: "I hope Sharia banks also open branches in Malalak, so we here don't have to travel far to take care of things."

Mr. Amir and 10 other informants also shared similar sentiments, stating that public interest in Sharia banking is quite high, but is hampered by limited access. They explained: "Many people here actually want to try Sharia banking, but because there isn't a branch in Malalak yet, they're still considering it."

Interviews with residents of East Malalak Village revealed that interest in Sharia banking is quite high in the Malalak Timur community, but is hampered by limited access. The remote location of the bank and the lack of digital services make it difficult for residents to access the service in person. Therefore, they hope that Sharia banks will open branches in East Malalak to make it more accessible and encourage community interest in switching.

Based on overall research findings from interviews with several residents of East Malalak Village, the preference for Islamic banking in East Malalak remains low in practice. Although interest and openness to Islamic banking are growing, actual use of services remains limited. This is due to a lack of understanding, the lack of Islamic bank branches, a habit of using conventional banks, and limited access. However, the potential for increasing preference is significant with appropriate education, coupled with improved services, informative promotions, and the opening of local branches.

## DISCUSSION

Based on the overall research results from interviews with several residents of East Malalak Village, the preference of East Malalak residents for Islamic banking remains low in practice. Although interest and openness to Islamic banking are growing, actual use of services remains limited. This is due to a lack of understanding, the absence of Islamic bank branches, a habit of using conventional banks, and limited access. However, there is significant potential for increasing preference with appropriate education, coupled with improved services, informative promotions, and the opening of local branches.

### **Choice**

Research findings indicate that the majority of respondents in East Malalak Village still tend to prefer conventional banks, even though some have knowledge of Islamic banking or have even tried it. Informants such as Mr. Bustami and Mrs. Dewi expressed that they felt conventional banking services were adequate and convenient, so there was no urgency to switch. In fact, Mr. Rahmat and Mr. Yusuf, who had tried Islamic banking, felt there was no significant difference other than the terminology used.

This phenomenon can be analyzed through the lens of Kotler and Keller's consumer behavior theory, particularly at the alternative evaluation and purchase decision stages. People tend to choose the alternative that offers the highest perceived value. In this case, "value" is measured not only by Sharia compliance but also by aspects of convenience, familiarity, and satisfaction with existing services. When conventional banks already meet basic needs and do not cause problems, the incentive to switch to Islamic banks is low. This aligns with the concept of "status quo bias" in consumer behavior, where individuals tend to maintain existing choices due to the cognitive costs and effort required to switch.

### **Knowledge**

According to Plato, knowledge is "justified true belief." This means that to know something, one must believe it, that it must be true, and that there must be reasons to support that belief.

Interview results consistently show that the people of Nagari Malalak Timur's knowledge of the systems and operating principles of Islamic banks remains very limited. Informants such as Ms. Wati, Ms. Maya, Mr. Taufik, and Mr. Bejo admitted to only knowing the names of Islamic banks without a thorough understanding of their differences from conventional banks. They tend to assume that "all banks are the same, just with different names and regulations."

This limited knowledge poses a significant obstacle in the consumer decision-making process, particularly during the information search and alternative evaluation stages in Kotler and Keller's theory. Without accurate and adequate information, consumers cannot form correct perceptions or rationally evaluate alternatives. Plato's concept of "justified true belief," which is relevant to knowledge, emphasizes that without correct and justified understanding, sound decisions are difficult to reach.

### **Social Influence**

This study found that social influence, particularly from family and close friends, has a varied but significant impact on people's preferences. Ms. Marni

and Mr. Beni explicitly stated that recommendations and positive experiences from those closest to them significantly influenced their decision to try Islamic banking. This supports the concept of normative social influence in consumer behavior theory, where individuals adapt their behavior to the norms or expectations of reference groups. Robert Cialdini (1984) also emphasized how social pressure can change behavior and beliefs.

However, some informants relied more on personal experience and convenience, indicating that social influence is not always the sole determinant. Furthermore, people tend to be critical of promotions without in-depth explanations, preferring educational information. This indicates that while recommendations from social circles are important, Islamic banks also need to build trust through positive experiences and transparent, educational communication. Social influence will be more effective if supported by a strong understanding and satisfying personal experiences.

### **Service, Promotion, and Location**

Service, promotion, and location factors proved to be significant practical constraints. Ms. Nelhayati and Ms. Rina highlighted that the remote location of Islamic banks and the lack of digital services significantly hampered daily banking activities.

The hope for the opening of an Islamic bank branch in East Malalak, as expressed by Ms. Lastri and Ms. Gina, and the high level of interest hindered by access, as conveyed by Mr. Amir, demonstrate that physical and digital accessibility are essential prerequisites. In the context of Kotler and Keller's theory, location (place) is a key element in the marketing mix (4Ps).

A strategic and accessible location significantly impacts customer convenience and accessibility. If accessibility is poor, even with an attractive product, preference and usage will be hampered. This also relates to service, where ease of access is integral to service quality. Good service, as explained by Kotler and Keller (2016), builds trust and loyalty. If access alone is difficult, overall service quality will suffer.

Regarding promotions, even when there is interest, people tend not to be easily attracted to promotions without in-depth explanation. This aligns with Kotler and Armstrong's (2018) view that promotions must effectively communicate value. If promotions are not accompanied by adequate education about the benefits and principles of Sharia, their effectiveness will be low. Therefore, Islamic banks need to integrate promotional strategies with more structured and easily understood educational efforts, as well as expand their physical and digital reach.

Overall, the preference of the people of East Malalak Village for Islamic banking is the result of a complex interaction of several factors. Limited knowledge of Islamic principles and products underlies the problem, exacerbated by established habits and comfort with conventional banks. While social influence from those closest to them can drive interest, its impact is limited if not supported by poor accessibility (remote branch locations and minimal digital services) and less educational promotions. To increase preference, Islamic banks need to focus on improving Islamic financial literacy through extensive and accessible education, expanding physical and digital

reach, and proactively demonstrating added value and tangible competitive advantages over conventional banks.

## CONCLUSION

Based on the results of qualitative research using observation, interviews, and documentation techniques conducted in Nagari Malalak Timur, Malalak District, Agam Regency, on the analysis of community preferences for Islamic banks, the following conclusions can be drawn. The findings in the field are as follows:

1. According to the observations and interviews obtained by the researcher, the level of understanding of Islamic banking products and services among the people of Nagari Malalak Timur remains relatively low. Most informants are only familiar with the names of Islamic banks without a thorough understanding of their systems and operating principles. They often consider them to be no fundamental difference from conventional banks, but merely differ in name and regulations. This limited knowledge poses a significant obstacle to consumer decision-making, as without accurate and adequate information, the public struggles to rationally evaluate alternative banking services.
2. Residents of Nagari Malalak Timur tend to choose conventional banks due to convenience and familiarity, as well as the perceived lack of significant differences with Islamic banks. Limited physical and digital access to Islamic banks in the area is also a major obstacle. While social influence exists, its impact is limited without adequate understanding and accessibility, leading residents to prefer the familiarity of conventional banks.

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