

# The Effect of Low Interest Rates for Islamic Commercial Banks on Student Interest In Saving

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## ABSTRACT

The Islamic finance industry is one of the most significant factors in the development process, as it contributes to the smooth operation of economic activity. This study aims to determine whether low bank interest affects student interest, especially in Yogyakarta, to save in Islamic banks. The method used in this research is a quantitative approach by distributing questionnaires. Based on data analysis and discussion of the effect of low-interest rates on student interest in saving in Islamic banks, it can be concluded that there is a significant effect. This is a proof from the results of research that has been carried out, where the results of the questionnaire state that low bank interest affects an attractiveness student interest saving in Islamic banks.

**Key:** Islamic Bank; Saving; Low Interest

## INTRODUCTION

The Islamic finance industry is one of the most significant factors in the development process, as it contributes to the smooth operation of economic activity (Kassim, 2016). According to recent developments, the Islamic banking business is in high demand by the general public for finances, resulting in a slew of organizations functioning in this space. In general, an Islamic bank strives to satisfy customers when they use the banking products it produces (Charag, 2021). It is critical for banks to understand customer behavior, particularly that of those who are targeted by banks; however, today's customers are very selective and have sufficient knowledge of service (Miskam, 2019)

Because the majority of Indonesians are in the lower middle class. This is what has accelerated the growth of financial institutions, particularly sharia law. Furthermore, because Muslims make up the majority of Indonesia's population, the community's desire to shift to Islamic finance is expanding. Islamic banks were established in Indonesia in response to the wishes of the community, particularly the Muslim community, who consider interest to be haram. This is backed up by the opinion of Indonesian scholars, as represented by the MUI fatwa number 1 of 2004 concerning interest, which essentially prohibits bank interest with a component of usury.

Despite the fact that conventional banking can defeat Islamic banking, Islamic banking has its own set of advantages. Starting with the elimination of usury and progressing to the Islamic system, which is used in Islamic banking but not in conventional banking. The population of

Indonesia, where Muslims make up the majority of the population, is one of the supporting elements for Islamic banking's superiority over traditional banking. The most essential element of all is that Islamic banking profits are continuing to rise (De, 2019)

There are several studies that have recently explained the effect of low-interest rates in Islamic banks on student interest in saving (Wilda, 2022; Nabila, 2023). Most of these studies explain the factors that influence students to save in Islamic banks. The results of Gina's research (2019) that the reason people save in Islamic banks is because of trust, location, and quality of service. However, in this study, I will focus on the absence of interest charged to Islamic banks. Altarawneh (2012) suggested that the interesting aspect consists of attention, interest, and desire. For this reason, looking at some of the aspects and problems above, the researcher wants to conduct a study entitled "The Effect of Low-Interest Rates for Islamic Commercial Banks on Students' Interest in Savings (Case Study of FEB Students, Muhammadiyah University of Yogyakarta batch 2020)". So that students can know about Islamic banks so that students save and become customers in Islamic banks.

In this research, the researcher focused on analyzing The Effects of The Low Interest Rate of Islamic Bank to The Interest of Student to Save Money. This paper aims to analyze:

1. Does the interest rate affect students in Yogyakarta saving at Islamic banks?

## LITERATURE REVIEW

Islamic Bank

Islamic banking is a sharia-based banking system that offers financial services based on sharia principles. It was founded in response to Islam's prohibition on usury. According to Ascarya (2015) Islamic banks, or Islamic banks in Indonesia, are financial institutions that facilitate economic mechanisms in the real sector through business activities (investment, buying, and selling, among other things) based on sharia principles, namely the rules of agreements based on Islamic law between companies. Banks and other parties for depositing funds and or financing business activities (Tarique, 2021)

Islamic banks are financial entities that offer services to the general population, particularly Muslims. This is in line with Law No. 21 of the Republic of Indonesia on Islamic Banking, which states: "Sharia principles are based on the concepts of justice, expediency, balance, and universality (RahmatanLil'Alamin)." "These values are employed in Sharia Banking, which is a banking structure based on Sharia Principles." "Islamic banks are banks that operate without relying on interest," according to Muhammad (2022).

#### Sharia Bank Principle

Based on Financial Prosecutor Authority essentially sharia principles remove themselves from the aspect of usury, namely

- Avoiding the use of a method that pre-determines a business result, such as the determination of deposit interest or loan interest at conventional banks.
- Avoiding the use of fee presentation systems for debts or rewards for deposits that include elements that automatically double the debt/savings due to the passage of time.
- Avoiding the use of a system that predetermines further debt that is not on a voluntary basis, such as interest rates on traditional banks.
- By acquiring excess both in number and quality in exchange for other usury banks (same and comparable items, such as rupiah money with rupiah currency that is still valid).

#### Students and Savings

Saving is the first and most important step toward financial stability. The earlier we begin, the more money we will save. Even if you think you're too young to be concerned about money, Jill Steinberg, managing director and partner at Beacon Pointe Advisors, a financial planning business, says, "you just have to take the chance."

Because of compound interest, which is calculated by accruing interest on the main loan plus interest from the

previous period; in other words, flowers bloom, saving earlier will give you the possibility for higher profits.

Your money will grow over time, even if interest rates are low. A person who begins saving at the age of 22 is far better off than someone who begins saving at the age of 32 and tries to catch up.

#### RESEARCH METHOD

The instruments used in this research are questionnaires. The basic consideration of the usage of quantitative method is it's easier to analysis the answer from the respondent. Because quantitative methods emphasize objective measurements and the statistical, mathematical, or numerical analysis of data collected. The questionnaire has five questions, asking about the reasons or motivation to save in Islamic bank, the questions is adaptations from Gina Anggreini (2023)

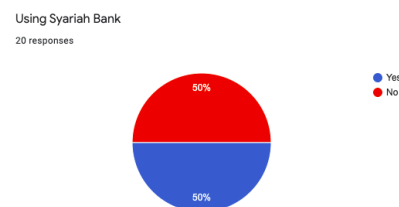
This is a correlational study hence the goal is to see if bank interest influences students' desire to save in Islamic banks. I'll send out my questionnaire with various questions for a week and then wait for responses. I will collect the data from students in Yogyakarta. I will use the sample on a non-probability basis with the criteria of students at public and private universities in Yogyakarta. My respondents are 20 students who have Islamic banks as a result of my research on Islamic banks. I'll use a google form to distribute the survey. I will analyze the existing data using a comparison diagram of one data with other data and then we use descriptive analysis.

#### RESULT AND DISCUSSION

The writer describes the results based on the questionnaire's questions in this section. The replies of the respondents are based on their own experiences with Islamic banks.

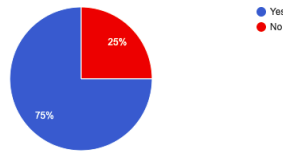
##### Graph 1. Gender

According to the graph above, there were a total of 20



people who were given a questionnaire. The majority of students gender is female 16 people (80%). And the other student is male 4 people (20%). As may be seen in Figure 1, female respondents outnumber male responders.

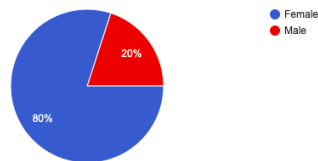
Is there a desire to save money in Islamic banks because of low interest?  
20 responses



**Graph 2. Long Time Saving in The Bank**

According to the graph above, there were a total of 20 people who were given a questionnaire. The majority of students who have been customers for less than one year are 7 people (35%); those who have been customers for 2-3 years are 6 people (30%); those who have been customers for 4-5 years are 2 people (10%); and those who have been customers for more than 5 years are 5 people. As a result, students who have utilized Islamic banks and have been customers for less than a year can be concluded.

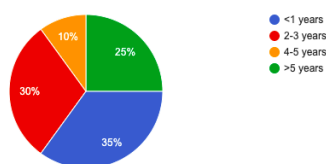
Gender  
20 responses



### Using Syariah Bank

According to the graph above, from 20 persons who took the survey used Islamic banks because they were balance. 10 people (50%) already use Syariah Bank. Meanwhile, 10 people haven't use Syariah Bank. from the graph above, it can be concluded that between students who use sharia banks and those who have not used sharia banks are still balanced.

long time saving in the bank  
20 responses



**Graph 4. A Desire to Use Islamic banks**

As can be seen from the graph above, from 20 respondents, 15 people (75%) want to utilize Islamic banks because no interest is required. Meanwhile, nearly one-third of respondents 5 people (25%) do not want to use Islamic

banks. It will be determined whether bank interest inspires students to save in Islamic banks based on the description of the previous discussion and the findings of the questionnaire supplied to respondents. As a result, the research hypothesis that bank interest influences students' willingness to use Islamic banks is accepted. As a result, the goal of this research is to see if bank interest influences student interest in saving in Islamic banks.

Andespa's (2019) research into the beliefs and attitudes of West Sumatran residents has a substantial impact on interest in saving in Islamic banks. It's similar to the study I conducted to see if bank interest had an impact on student interest in saving in Islamic banking.

### CONCLUSSION AND SUGGESTION

Based on the test results and explanation in this research, it can be concluded as follows:

1. It can be inferred that there are factors other than religious reasons and the convenience gained. This is demonstrated by the findings of study conducted through the distribution of questionnaires.
2. The findings of this study are satisfactory, despite the fact that bank interest has no significant and balanced effect on religious reasons and the convenience received. Further research is recommended to provide information or other variables regarding other influences on student interest in saving in Islamic banks. For example, will good Islamic bank management affect student interest? These factors may also influence student interest in saving in Islamic banks.

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