

# **KIAI AND ISLAMIC BANK: THE TYPOLOGY OF KIAI BASED ON THEIR PERCEPTION AND BEHAVIOUR TOWARD ISLAMIC BANK**

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## **Abstract:**

*This article aims to explain the perceptions and behavior of Moslem scholars (ulama/kiai) on the coast of Central Java toward Islamic banks. It is unassailable that finding out the kiai's perception and behavior toward Islamic banks becomes unavoidable because the kiai occupies a very important position in the social structure as an agent of social change. In order to have an appropriate understanding toward the perception and behavior, this study used qualitative-phenomenological approach. The main source of primary data were obtained from the kiai in Pekalongan region by using purposive sampling technique. In-depth-interview as the prominent method in gaining data was reinforced by observation method. To get validity of data, internal and external validity were performed. The former was taken through four stages, namely triangulation, emic process, member checking and prolonged time; and the latter through transferability. Data were analyzed inductively through three chronological steps, e.i. data reduction, display and conclusion drawing. Based on the perceptions and behavior of scholars toward Islamic banks, this study concludes that there are three categories of kiai. The first is an idealist compromise (kompromis-idealists) which argues that Islamic banks do not fully comply with sharia compliance yet, the use of Islamic banks is compulsory and conventional banks are not substitutes for Islamic banks. The second is a realistic compromise (kompromis realists) which infers that Islamic banks are not fully accordance with sharia compliance, the use of Islamic banks is not mandatory, but conventional banks are not substitutes for Islamic banks. The third is resistance (resisten) which argues that Islamic banks are not much different from conventional banks, so making use of Islamic bank is not obligation, and conventional banks substitute Islamic banks.*

**Keywords:** Idealist Compromise, Realistic Compromise, Resistant, Typology of *Kiai*.

## **PREFACE**

As a public figure, *kiai* in the marketing world occupies irreplaceable role as reference groups and have a major influence on consumer behavior. A reference group is any person or group that is considered as a comparison and reference forming general or special values in behavior. Referring to the influence of *kiai* in their capacity as a reference group, their influence manifests on three forms, namely normative influences, value expressions influence, and information influence.

Based on the strategic roles of *kiai*, they have an undeniable charge in the effort to enlighten the community (*ummah*) related to the socialization of Islamic banks. Unfortunately, the involvement and engagement of *kiai* in these efforts are still relatively restricted. On the contrary, some *kiai* have not yet gained an adequate and sufficient understanding of Islamic banks. As the research conducted by Halim Barkatullah, it was stated that inaccurate understanding of the systems and products of Islamic banks still occurred not only in the lay community but also among the clerics or *kiai*. (Barkatullah, 2014: 10)

If these conditions continue, it will be very unfavorable to the development of Islamic banks in Indonesia. Why? The lack of access to valid information about Islamic

banking will make the perceptions of *kiai* against Islamic banks becomes bias and misguided. Departing from these biased perceptions, the behavior of *kiai* toward Islamic banks will also be less appropriate. Consequently, instead of becoming cultural brokers, the *kiai's* biased perception might be followed by the wider community. Based on the description above, it is unassailable that finding out the *kiai's* perception and behavior toward Islamic banks becomes unavoidable because the *kiai* occupies a very important position in the social structure as an agent of social change. As cited from Holliday's thesis, that having a precise understanding of customer perceptions becomes an enduring research agenda for bank stakeholders (Holliday, 1996: 15). So it is hard to reject for Islamic banks to have roadmap research dealing with how people perceive Islamic banks as an effort to get a more captive market and market share (Nawi, dkk, 2013:143).

## RESEARCH METHOD

In order to have an appropriate finding toward main issues, this study used qualitative-phenomenological approach. The use of this approach is intended to obtain new categories, new theories and new actual concepts in economics which is enabling the researcher to explore economic truths. Phenomenology is also chosen for the argument that qualitative research in economics is a process and an understanding based on a non-positivistic paradigm (non-sensuous) approach for an object, allowing researchers to refresh established theories.

The main source of primary data were obtained from the *kiai* in Pekalongan region by using purposive sampling technique. In-depth-interview as the prominent method in gaining data was reinforced by the observation method. To get the validity of data, internal and external validity were performed. The former was taken through four stages, namely triangulation, emic process, member checking and prolonged time; and the latter through transferability. Transferability was performed by comparing the findings (both temporary and final findings) with the results of other previous studies which is idiographic, tentative, and relative according to a certain time and context.

Epoche and eidetic vision were performed after obtaining data. Epoche conducted by the researcher used two methods, namely the historical bracketing method and eidetic reduction method. In the first method, the researcher neglected the various types of established economic theories, at the same time eidetic reduction was done by recognizing the essence of various obtained information and facts. Data were analyzed inductively through three chronological steps, e.i. data reduction, display and conclusion drawing.

## RESULT AND DISCUSSION

### *Kiai's* Perception toward Islamic Bank

Perception is a person's response, understanding and opinion to an object. Furthermore, preference is the person's choice of an object from among available alternatives. Perceptions and preferences will be different among persons due to the differences of trends and experiences. Perceptions and preferences plays an undeniable element in influencing consumer decisions. Even in the world of marketing, perception is sometimes more noteworthy than reality, because perception has leverage impact on the actual behavior of consumers (Kotler & Keller, 2009: 228).

Interpretation is the final stage in the process of perception forming because in this phase all "resources" with its complexity possessed by a person will eventually be drawn into conclusion. Interpretation is also the meaning of a stimulus, experience, and learning

that has been obtained and felt. Therefore the results of the interpretation will very likely differ from one person to another, even though the perceived reality is single.

### **Perception toward Islamic Bank Product**

All informants stated that Islamic bank products that use various types of contracts in *fiqh muamalah* represents the distinguishing elements between Islamic and conventional banks. Conversely, the majority of informants perceive that some Islamic bank products are not in accordance with sharia principles. The formation of perceptions in this second point is inseparable from the distance between the expectations of *kiai* against Islamic banks with the experience they feel when using Islamic bank products.

Referring to the informants' responses, some underlying elements dealing with the incompatibility of some Islamic bank products with sharia principles include: 1) the existence of *garar*/uncertainty on some Islamic bank products; 2) Islamic banks have not fully engaged the principle of profit and loss sharing, and still seem to prioritize profit sharing; 3) Benchmarking to the conventional bank interest in determining the profit-sharing ratios in Islamic banks; 4) Provision of bonuses for products which uses the *wadiyah yad damanah* contract; 5) Fines imposed by Islamic banks for the delayed installments paying is not in accordance with the shariah compliance.

### **Perception toward Islamic Bank Performance**

The bank performance is generally associated with financial aspects, such as DPK, BOPO, CAR, PYD, NPF and so on, nevertheless, the financial aspect represents a "technical" area which is rarely concerned by *kiai*. Consequently, the *kiai*'s perceptions on the Islamic bank performance are relatively more global in nature, not specific to certain aspects. The perceptions of *kiai* can be divided into two categories, positive and negative perception. The forming of positive perception is based on these three arguments:

1. The community has a greater positive impression and perception toward Islamic banks
2. The increasing of shariah compliance aspects in the Islamic bank
3. The decrease of the distance between the *kiai*'s expectations and their experience when obtaining services at Islamic banks

In contrast to informants who perceived the positive performance of Islamic banks, some others had a negative perception of Islamic banks. The negative perception are formed related to several aspects as stated by informants, namely differentiation with conventional banks, shariah compliance, and expectations.

### **Perception toward Shariah Compliance**

The established perception about Islamic bank among *kiai* is emphasized on perceptions related to shariah compliance aspects. Apart from positive and negative perceptions, all informants highlights on the shariah compliance aspect of Islamic banking. Other aspects that are actually also "attached" to Islamic banks only get a very limited portion, for example, the informants do not have much thoughtfulness on Islamic banking role in the economic sector.

The informant's perception which focuses on shariah compliance aspects of sharia banks seems to be closely related to the input of stimuli obtained by informants. The dominant stimuli received by informants is a stimuli related to sharia aspects, both in their capacity as consumers and DPS (Shariah Supervisory Board). Therefore it is very plausible if the established perception is the perception related to shariah compliance. In addition,

because the issue of Islamic banking is the domain of *fiqh*, especially *fiqh muamalah*, so obtained stimuli and information will be linked to their understanding in *muamalah* aspect.

Referring to the shariah compliance aspect, some *kiais* perceive Islamic banks as sharia-based financial institutions even though they are not yet fully in accordance with sharia principles. On the contrary, some other *kiais* apprehend Islamic banks as conventional banks, because the practice of Islamic banks is exactly the same as conventional banks. Positive perceptions of Islamic banks make *kiais* to use Islamic banking services, but vice versa; *kiais* who have a negative perception of Islamic banks will not necessarily use Islamic banks because on their way of thinking Islamic bank can be substituted with conventional banks even in certain ways.

### ***Kiai's* Behavior toward Islamic Bank**

Motive occupies an undeniable element to predispose individual behavior because differences in the motives have far-reaching consequences in the establishment process of behavior. Referring to the identified motive among *kiais*, their behavior is in exertion for achieving a goal. The goal itself is the direction and foremost section for any actions. A goal is closely related to a motive, where a motive is as a driving force for someone that will lead him to bring one particular goal into reality.

The *kiais* as the informants in this research have the same needs that are the spiritual and material needs. Therefore, the motive of their economic behavior will be addressed to meet these two necessities simultaneously. Their economic measures will be focused on meeting their material and spiritual aspects. Referring to this way of thinking, their economic activity would be in rational form if it can meet their material and spiritual needs; otherwise, if the economic actions they perform do not meet those needs so it will be regarded as irrational behavior.

Inferred from the data and response which are obtained from *kiai* and by using the inductive method to get a feasible understanding, it can be asserted that their behavior are based on the rationality of value. This rationality is rooted on religious values as the basis of their faith. Thus it can be expressed that for certain group of Muslim people—in this case, are *kiai*—they produce economic behavior based on the rationality of value that refers to the Islamic values. Related to this issue, Najetullah Siddiqi argues that the meaning of rationality is therefore limited to the orientation of action toward maximal conformity with a norm. A rational Islamic individual will order his behavior with a view to achieving maximal conformity with Islamic norms (Siddiqi, 1992: 55-56).

In a similiar intent, Knight has defined the rational man as the man who knows what he wants and orders his conduct intellegently with a view to getting it (Knight, 1938: 35). According to Granovetter, the existence of religion as one of the variables that contributes individual behavior becomes an inevitability. When discussing the *Interprenetation of Economic and Non-Economic Action* he stated that when economic and non-economic actions are intermixed, then non-economic actions will influence economic action, so that economic action is connected or dependent on non-economic variables. Among these variables are social, cultural, political and religious networks (Granovetter, 2015: 35).

Therefore, when informants consider bank interest/usury as a *haram* (forbidden) article, then they feel uncomfortable and feel guilty if they have to use a conventional bank because by using a conventional bank the spiritual aspects are not fulfilled. It is unassailable for muslim who has consciousness in halal-haram to step over this consideration because it acts as bridge for muslim to bring *berkah* (applying Islamic values) into reality. Together

with benefit gained from consumption process, *berkah* is an unquestionable requirement to *achieve* masalah and *falah* as unmitigated goal for muslim. But for *kiais* who have a negative perspective on Islamic banks, they will use conventional banks with certain "methods" so that their spiritual aspects are still fulfilled.

The *kiais*' social environment also encourage them to use Islamic banks, where their status as *kiai* and preacher makes them have a moral burden when using conventional banks. But for scholars who have a negative perspective on Islamic banks, the status of *kiai* does not impose them to use Islamic banks. However, the scholars differed on whether Muslims are currently obliged to use Islamic banks or not. For *kiai* who perceive negatively Islamic banks states that Muslims are not obliged to use Islamic banking services. While the *kiai* who have a positive perception to Islamic banks have two different opinions. The first opinion states that utilizing Islamic bank is compulsory for Muslims; while the second opinion views that Muslims are not yet obliged to engage Islamic banks, but it would be better for Muslims to make use of Islamic banking services.

The networks and organizations followed by the *kiais* do not significantly affect their behavior toward Islamic banks. Although the network density they follow is relatively firm, it is not always in line with their behavior toward Islamic banks. The authority and resources they have enable them to behave differently with mess institutions so that they have ability to protect themselves if they have to get dis-incentives. Based on this discussion, the theory of embeddedness introduced by sociologists in the economic field, both the Polanyian and Granovetterian school seemed unable to explain why embeddedness becomes tenuous when the network density was relatively strong. In general, according to Granovetter, the density of relationships and networks deliver strong or overembedded attachments. However, the behavior of *kiai* toward Islamic banks as shown in the description above actually shows the existence of underembedded. In this condition, the theory of embeddedness needs to be criticized for improvement.

The unique resources possessed by *kiai* contribute to the formation of their behavior. With the mastery of the religion knowledge religion, authority, and charisma, *kiai* have the independence to behave toward Islamic banks. Their behavior is embedded to the religious and social values they believe in. This gives them the influential resources to have independence as a consumer. *Kiais* as an esteemed and elite class in coastal areas of Java (Syam, 2005)., Including in Pekalongan, still occupies irreplaceable role in their social community. They represent a source to ask some opinions, and in some cases to be a trend-setter for people and their communities. Their charisma and figure "force" them to be "all-knowing" person related to religion matters; and for some people Islamic banks is regarded as subject of religion. To meet the public's expectations and perception, studying and reading up any existing problems in the community is an endless effort undertaken by Ulama. The social network and social environment just give them the encouragement in producing their behavior toward Islamic banks.

## Typology

Based on how scholars perceive Islamic banks and how they behave toward Islamic banks, we can summarize the following typologies.

The first typology is compromise-idealist (*kompromis-idealis*). The characteristics of this type are *kiais* who have received stimulus and information about Islamic banks enabling them to have adequate information about the concept of the Islamic banking. With the information obtained, they have sufficient understanding that Islamic banking has

not been able to enforce sharia principles as a whole. However, they compromise with the "shortcomings" of Islamic banks because they are in the endless process of achieving a level of perfection in sharia compliance. In addition, according to *kiai* who are included in this type, they argue that Islamic banks are now in decent condition, so it will be plausible to obligate Muslims to use Islamic banks, moreover, Islamic banks cannot be substituted by conventional banks.

The second typology is compromise-realistic (*kompromis-realistis*). This type has similarities with the first type related to receiving stimuli and information about Islamic banks. They also understand and compromise on the "shortcomings" of Islamic bank in its compliance shariah aspects. However, because of the limitations of Islamic banking resources, shariah compliance and legal aspects of conventional bank interest, this second type does not make Islamic bank compulsory for Muslims, but they continue to argue that conventional banks cannot substitute Islamic banks

The third typology is resistance (*resisten*). This type has not received yet sufficient information about the Islamic banking system. The experience he gained when using Islamic bank services made him not to give more chance for Islamic banks to make "mistakes" that deviated from shariah compliance aspects. Therefore Islamic banks are perceived and associated with conventional banks, and in this case, it becomes an inevitability for them to argue that conventional banks can substitute Islamic banks with some "modifications."

This established typology can be regarded as the complementary study of some previous research which attempted to map the existence of ulama and *kiai* related to certain aspects. For example, a study conducted by Imam Suprayogo (Suprayogo, 1998) that links Moslem scholars' (ulama) attitudes toward social, political, economic and educational aspects. The study developed four typologies of scholars, namely *kiai spiritual*, *kiai advokasi*, *kiai adaptif*, and *kiai politik mitra kritis*. The further research conducted by Warsono developed another typology of *kiais* related to their attitude and response to the dominance of the state. He made three types of *kiai*, namely *kiai intelektual organik*, *kiai intelektual tradisional* and *kiai intelektual simultan*.

The next study that resulted in the typology of *kiai* was developed by Endang Turmudi (Turmudi, 2003) who made four categories of *kiai*, namely *kiai pesantren*, *kiai tarekat*, *kiai politik* and *kiai panggung*. This category is based on their role in cultural aspect, political aspects and their relationship with the community. Dawam Rahardjo's (Rahardjo, 1995) study has made three typologies of *kiais*, related to their response to the modernization and industrialization, namely *kiai apologi*, *kiai resistensi* and *kiai kreatif*.

## CONCLUSION

Based on the previous discussion, it could be summarized that having *maslahah* and *falah* as a basis for value rationality enables Moslem consumers to behave slightly different with the established theory in main-stream economics related to the individual perception and behavior toward Islamic bank. Inferred from the empirical data obtained from *kiai* in Pekalongan, this research proposes two categories related to their perception toward Islamic bank, positive and negative perception.

This study also introduces three categories of *kiai*, based on their perception and behavior toward Islamic bank. The first is an idealist compromise (*kompromis-idealisis*) which argues that Islamic banks do not fully comply with sharia compliance yet, the use of Islamic banks is compulsory and conventional banks are not substitutes for Islamic banks. The

second is a realistic compromise (*kompromis realistik*) which infers that Islamic banks are not fully accordance with sharia compliance, the use of Islamic banks is not mandatory, but conventional banks are not substitutes for Islamic banks. The third is resistance (*resisten*) which argues that Islamic banks are not much different from conventional banks, so making use of Islamic bank is not an obligation, and conventional banks substitute Islamic banks.

One of the theoretical implications of this research is that the existence of *kiais* who are still resistant to Islamic banks and do not require Muslims to use Islamic banks shows that the satisfaction of a Muslim has its own standards. As the study of Zulnaidi Yaacob, although consumer satisfaction has been widely studied, but the study which uses the Islamic perspective to measure Muslim consumer satisfaction is still infrequent. This is reinforced by his research stating that the theories of Quality Management (QM) are unable to measure the level of Moslem satisfaction as a consumer. Yaacob further stated that QM developed in the West makes consumers as a group that determines quality as the benchmark, while in Muslim consumers the quality they measure must be adhered to the Islamic requirements or must in accordance with the Islamic teachings (Yaacob, 2014: 94).

Gita Gayatri (Gayatri, 2011: 51) through her study found that there were differences in the standards of Muslim consumers' evaluation of the service quality they received. In this case Gayatri explained that there are many ways to support service quality and service marketing research to support cultural influences and contextual influences on measurement, However, the Muslim customer also has additional standards that are different from other (non-Muslim) customers when perceiving the quality of services. These additional key attributes relate to the Muslim values system - both in terms of religious practices and broader SQ needs and their post purchase behavior.

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