Factors Influencing Young People's Preferences for Sharia Mortgage Financing in Indonesia

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Abstract: A house is a primary need for humans, this is because a house is a place to live and a place of shelter. With the increasing population, of course, the need for houses also increases, so it will affect the price. The problem of price is a problem for young people in buying a house and KPR is a solution offered so that young people can buy a house. This study aims to examine what factors influence young people's preferences for Sharia KPR. This study uses multiple linear regression analysis with SPSS 25.0 tools, and this study uses a sample size of 184 respondents. The data in this study are primary data obtained from respondents by distributing them via google form. The results of this study indicate that the variables of religiosity, Islamic branding and Islamic financial knowledge have a positive and significant effect on young people's preferences regarding Sharia KPR. The conclusion of this study states that religiosity, Islamic branding and Islamic financial knowledge have an influence on young people's preferences regarding Sharia KPR.

Keywords: Sharia KPR, Preferences, Young People

Introduction

A house is a basic human need, this is because a house is a place of shelter and a place to live. Along with the increasing population, the need for housing also increases. With the increasing number of housing needs, housing prices are getting more expensive.

Table 1. Percentage of Households Having Access to Decent and Affordable Housing (Percent)

Year	Percentage
2022	60.66
2021	60.90
2020	59.54
2019	56.51

Source: Central Bureau of Statistics, 2023

With the increasing population that is not accompanied by adequate housing development, it will certainly cause problems with housing needs. This is because the increasing population means the need for housing will also increase. Issues related to increasing prices, limited land, and limited choices make it increasingly difficult for the millennial generation to have a place to live. The impact occurs on the younger generation in Asian countries who tend to postpone property purchases until their 30s (Abidoye et al., 2021).

Currently, banking in Indonesia has made an innovation to make it easier for people to own a home through a credit payment program commonly referred to as home ownership credit (KPR). Based on the results of the 2020 National Socio-Economic Survey (Susenas), the backlog of home ownership in Indonesia has reached 12.75 million units. In addition to conventional banking, Islamic banking is also developing KPR products with a sharia system called financing. The product developed by Islamic banks is home financing or commonly referred to as Islamic KPR.

Indonesia is a country with a majority Muslim population, besides that Indonesia is also one of the countries with the largest Muslim population in the world. Islam is not only a religion but also an ideology that influences all orientations, thoughts and behaviors in the lives of individuals. Including in home ownership, people will certainly be more inclined to use Islamic banking in choosing KPR products.

Currently, many young Indonesians want to live their lives according to the principles of their religion. Sharia mortgages are in accordance with the principles of Islamic sharia, such as the prohibition of usury (interest) and other provisions in accordance with religious teachings. In addition, Sharia mortgages emphasize justice and togetherness in financial transactions, which is attractive to young people who care about ethics and morality in business.

Sharia mortgages often offer more structured and predictive payment schemes compared to conventional mortgages. This can provide a sense of security and certainty to young people in planning their finances. Many financial institutions have begun to provide sharia mortgage products that are specifically designed to meet the needs and preferences of young people, such as more flexible payment schemes and faster application processes. The increasing amount of information and education about sharia mortgages makes young people increasingly aware of the benefits and advantages of these products, especially in the long term.

Preference

According to Amir (2005) preferences are a set of objects that are assessed as being appropriate or close to appropriate to the requirements desired or desired by consumers. According to Kotler & Amstrong (2018) the definition of consumer preference concerns two things, namely: the decision-making process (in purchasing) and physical activities involving a person's activities (customers can assess, obtain and use or evaluate goods and services). There are four preference indicators according to Al-Arif (2014) based on economic studies, namely:

     a. Completeness

     b. Transivity

     c. Continuity

     d. The more is the better

Religiosity

According to Hackney & Sanders (2003) religiosity is the internalization of religious values in a person that are in the heart or expressed in conversation. Meanwhile, according to Hill & Hood (1999) religiosity is the level of individual attachment to his religion. If an individual has internalized and internalized its teachings into himself, then the teachings of religion will influence all his actions and outlook on life. Based on the dimensions put forward by Stark & Glock (1970) in Ancok et al., (2010) the religiosity indicators that refer to this dimension are:

     a. Religious Belief

     b. Religious Practice

     c. Religious Feeling

     d. Religious Knowledge

     e. Consequential

Islamic Branding

Islamic Branding is the use of a brand that shows Islamic identity, such as halal products with a halal logo guarantee. The emergence of the term Islamic Branding which is often found today is one of the market segmentation efforts carried out by product or service providers. It is undeniable that Muslim consumers are a very large target market. This market has a huge potential to be entered (Chalil, 2021). Islamic Branding Measurement refers to research conducted oleh Yunus et al., (2014) which formulates the Islamic Branding indicators as follows:

     a. The importance of branding

     b. Brand familiarity

     c. Consumer trust

     d. Halal label

Islamic Financial Knowledge

Knowledge is information that has been interpreted by a person using his or her history, experience, and other interpretive schemes (Indarti & Dyahjatmayanti, 2014). Islamic financial knowledge is all information regarding financial concepts and mechanisms that are implemented based on sharia principles derived from the Al-Quran, Hadith and As-Sunnah (Setiawati et al., 2018). Some indicators that are included in Islamic financial knowledge based on opinion Lusardi & Mitchell (2014) and Arif (2015) are as follows:

     a. Basic sharia financial knowledge

     b. Ability

     c. Attitude

d. Trust

Research Methods

This research is quantitative research, research with a quantitative approach is research that obtains data in the form of numbers or qualitative data that is expressed in numbers (Sugiyono, 2018). The population in this study were young people in Indonesia with an age range of 18-20 years. The determination of the sample in this study used the purposive sampling method. Purposive sampling is a technique for determining research samples with certain considerations that aim to make the data obtained later more conservative (Fetters & Molina-Azorin, 2017). The sample used in this study was 100 young respondents in Indonesia aged 18-20 years.

The method used in data collection in this study used questionnaires and google forms as data dissemination tools. Data analysis in this study used multiple linear regression analysis with SPSS version 25 as a research tool. Testing the quality of the instrument in this study used validity and reliability tests, after the data was declared eligible as a research instrument, a hypothesis test was carried out including the F test, T test and coefficient of determination (R^2).

The equations in this study are as follows:

$Y = \beta1X1 + \beta2X2 + \beta3X3 + e$

Information:

Y: Preference

X1: Religiosity

X2: Islamic Branding

X3: Islamic Financial Knowledge

e: error

Results and Discussion

Validity Test

To find out the validity by conducting a correlation between the question item scores and the total variable scores. If r count > r table and the value is positive, then the question or indicator is declared valid (Ghozali & Latan, 2015).

Table 2 Validity Test Results

Variable	Item	r-table	r-count	info
	R1	0.144	0.869	Valid
	R2	0.144	0.852	Valid
Religiosity	R3	0.144	0.887	Valid
	R4	0.144	0.815	Valid
	R5	0.144	0.894	Valid

	R6	0.144	0.902	Valid
	R7	0.144	0.907	Valid
	R8	0.144	0.866	Valid
	R9	0.144	0.803	Valid
	R10	0.144	0.847	Valid
Islamic Branding	IB1	0.144	0.746	Valid
	IB2	0.144	0.810	Valid
	IB3	0.144	0.803	Valid
	IB4	0.144	0.785	Valid
	IB5	0.144	0.831	Valid
	IB6	0.144	0.807	Valid
	IB7	0.144	0.855	Valid
	IB8	0.144	0.841	Valid
Islamic Financial Knowledge	IFK1	0.144	0.854	Valid
	IFK2	0.144	0.909	Valid
	IFK3	0.144	0.892	Valid
	IFK4	0.144	0.900	Valid
	IFK5	0.144	0.894	Valid
	IFK6	0.144	0.901	Valid
Preference	P1	0.144	0.704	Valid
	P2	0.144	0.820	Valid
	P3	0.144	0.812	Valid
	P4	0.144	0.819	Valid
	P5	0.144	0.818	Valid
	P6	0.144	0.795	Valid
	P7	0.144	0.754	Valid

Source: Processed primary data, 2024

Based on the results of the validity test in the table above, it is known that all questions are valid because the level of significance produced is <0.05 and the r table is <r count, so it can be concluded that all questions in the questionnaire are suitable as research instruments in measuring research data.

Reliability Test

To see whether the tested data occurs or experiences multicollinearity or not, you can use the tolerance value and Variance Inflation Factor (VIF) benchmarks. If the percentage of tolerance value is > 10 percent and the VIF value obtained is < 10, then it can be said that the data is free from multicollinearity.

Table 3 Reliability Test Result

Variable	Cronbach's Alpa	Criteria	Info
Religiosity	0.962	0.600	Reliable
Islamic Branding	0.924	0.600	Reliable
Islamic Financial Knowledge	0.948	0.600	Reliable
Preference	0.897	0.600	Reliable

Source: Processed primary data, 2024

Based on the table above, by conducting a reliability test on 184 respondents, it is known that the Cornbach's Alpha value is declared reliable because it has met the required value, namely the Cornbach's Alpha value > 0.600.

Multiple Linear Regression Analysis

This analysis aims to understand the direction of the relationship between independent variables and dependent variables that are positively or negatively related.

Table 4 Results of Multiple Linear Regression Analysis

Variable	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	T	Sig
(Constant)	5.415	1.228		4.412	0.000
Religiosity	0.167	0.038	0.306	4.333	0.000
Islamic Branding	0.221	0.058	0.256	3.789	0.000
Islamic Financial Knowledge	0.304	0.065	0.321	4.715	0.000

Source: Processed primary data, 2024

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$
$$Y = 5.415 + 0.167 + 0.221 + 0.304 + e$$

The results of the equation above can be explained as follows:

b_0 = 5.415

This value shows that the variables of religiosity, Islamic branding, and Islamic financial knowledge are equal to 0, so the magnitude of the constant preference is 5.417.

b_1 = 0.167

This means that if there is an increase of 1 item in religiosity, it will affect the increase in preference by 0.167, assuming that the other variables in the study are zero.

b_2 = 0.221

This means that if there is an increase of 1 item in Islamic branding, it will affect the increase in preference by 0.221, assuming that other variables in the study are zero.

b_3 = 0.304

This means that if there is an increase of 1 item in Islamic financial knowledge, it will affect the increase in Intention by 0.304, assuming that other variables in the study are zero.

T Test

Partial test (T-Test) is used to show the individual influence of independent variables in the model on the dependent variable. If the statistical value of t from the calculation results is greater than the t table value and the probability of the t value is less than 0.05, it can be stated that the independent variable has a significant effect on the dependent variable partially and should be greater than 0.05, then the independent variable does not have a significant effect on the dependent variable (Mudrajad, 2013).

Table 5 T-Test Results

Variable	T count	Prob	Information
Religiosity	4.333	0.000	Positive & Significant
Islamic Branding	3.789	0.000	Positive & Significant
Islamic Financial Knowledge	4.715	0.000	Positive & Significant

Source: Processed primary data, 2024

The following is an explanation of the t-test results for each independent variable as follows:

1. Religiosity

Based on partial calculations of the influence of Religiosity Preference at a significance level of 5%, the calculated t is 4.333 with a significance value of 0.000. This means that religiosity has a positive and significant influence on preference.

2. Islamic Branding

Based on partial calculations of the influence of Islamic Branding Preference at a significance level of 5%, the t count is 3.789 with a significance value of 0.000. This means that Islamic branding has a positive and significant influence on preference.

3. Islamic Financial Knowledge

Based on partial calculations of the influence of Islamic Financial Knowledge Preference at a significance level of 5%, the t count is 4.715 with a significance value of 0.000. This means that Islamic financial knowledge has a positive and significant influence on preference.

F Test

Simultaneous test (F Test) is used to determine whether independent variables simultaneously affect the dependent variable. If the probability significance number <0.05 then the hypothesis is accepted. However, if the probability significance value > 0.05 then the hypothesis is rejected.

Table 6 F Test Results

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3240.686	3	1080.229	93.518	0.000[b]
	Residual	2079.178	180	11.551		
	Total	5319.864	183			

Source: Processed primary data, 2024

Based on the results of simultaneous calculations of the influence of Religiousness, Islamic Branding and Islamic Financial Knowledge on Preferences, at a significance level of 5%, the calculated F was 93.518 with a significance of F of 0.000. The significance value of F is 0.05, so it can be concluded that Religiousness, Islamic Branding and Islamic Financial Knowledge have a significant influence on the Preferences of Indonesian youth regarding Sharia KPR.

Coefficient of Determination (R^2)

The coefficient of determination is a test to see how much contribution the dependent variable explains to the independent variable obtained from predictions using the regression equation that has been formed.

Table 7 Results of Determination Coefficient (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.780[a]	0.609	0.603	3.39867

Source: Processed primary data, 2024

Based on the table above, it shows the magnitude of the determination coefficient (Adjusted R2) = 0.609, meaning that the independent variables (Religiosity, Islamic Branding and Islamic Financial Knowledge) together influence the dependent variable (Preference) by 60.9%, the remaining 39.1% is influenced by other variables that are not included in the research model.

Discussion

The Influence of Religiosity on Indonesian Youth's Preferences for Sharia Mortgage

This study shows that the variable Religiosity has a positive and significant influence on Preference. Religiosity is a person's religious experience that involves symbols, beliefs, values and behaviors that are influenced by a person's spiritual strength. If an individual

has internalized and internalized its teachings into himself, then religious teachings will influence all his actions and views on life. In conclusion, religiosity has a significant influence on the preferences of young people in Indonesia towards Sharia KPR. Religious values, education, government support, social factors, and risk perceptions all contribute to this tendency.

The results of this study are in line with or supported by research conducted by Komalasari & Galuh (2022), Anwar et al., (2022), Hasanah (2019), Rachmatulloh & Solekah (2021), dan Lajuni et al., (2018). Which states that Religiosity Knowledge influences the preference for using Sharia products.

The Influence of Islamic Branding on Indonesian Youth Preferences for Sharia Mortgage

This study shows that the Islamic Branding variable has a positive and significant influence on Preferences. Islamic branding is interpreted as the use of names or terms related to Islam or indicating a halal identity for a product. So if the product contains Islamic and halal names, the product will not have an impact on consumer preferences for the product. Islamic branding has a significant influence on the preferences of young people in Indonesia for Sharia Home Ownership Credit (KPR). Islamic branding is a marketing strategy that combines Islamic values with products and services to attract Muslim consumers. Some of the ways in which Islamic branding influences young people's preferences are trust and credibility, religious identity and values, and perceptions of quality and excellence, understanding these influences, banks and financial institutions can be more effective in developing and marketing Sharia KPR products to the religious youth segment in Indonesia.

The results of this study are in line with or supported by research conducted by Nuruddin (2023), Hendratmi & Laksana (2019), dan Jalil & Rahman (2014). Which states that Islamic Branding influences the preference for using Sharia products.

The Influence of Islamic Financial Knowledge on Indonesian Youth Preferences Regarding Sharia Mortgage

This study shows that the Islamic Financial Knowledge variable has a positive and significant influence on Preferences. Islamic financial knowledge is all information about financial concepts and mechanisms that are carried out based on sharia principles derived from the Quran, Hadith, and As-Sunnah. A person acts on the basis of the knowledge he has, including in choosing the financial products he needs. Islamic financial knowledge has a significant influence on the preferences of Indonesian youth regarding Sharia Mortgage. Good knowledge of Islamic financial principles, religious motivation, financial comfort and security, and social and cultural factors all contribute to shaping this preference. To strengthen youth preferences for Sharia Mortgage, ongoing efforts are needed in Islamic financial education and literacy, as well as improving the quality of products and services by Islamic financial institutions.

The results of this study are in line with or supported by research conducted by Komalasari & Galuh (2022), Rachmatulloh & Solekah (2021), Hasanah (2019) dan Azizah

(2020). Which states that Islamic Financial Knowledge influences the preference for using Sharia products.

Conclusion

The results of this study indicate that religiosity, Islamic branding and Islamic financial knowledge have a positive and significant influence on young people's preferences regarding Sharia mortgages. And religiosity, Islamic branding and Islamic financial knowledge together influence preferences by 60.9%, the remaining 39.1% is influenced by other variables outside the study. So it can be concluded that these three variables influence young people's tendencies towards Sharia mortgages in home ownership. Based on the analysis in this study, it shows that the level of religiosity, Islamic branding and Islamic financial knowledge has an influence on preferences for using sharia products, especially mortgages.

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