

Conference Paper

Basic Knowledge of Sharia Brand in Islamic Financial Institutions

Andhita Yukihana Rahmayanti

Accounting and Auditing Laboratory, Vocational Program, Universitas Indonesia, Depok, Indonesia

Abstract

Islamic finance institutions (IFI) need to understand people's knowledge of the sharia system. Understanding more clearly about this problems, this article has analyzed customer's knowledge and preference about Sharia Brands. The respondents include students and scholars with any kind of profession, such as lecturer, banker, government employee and others, aged between 15 and 60 years. The research concludes that people only know that the Islamic system differs from conventional systems because it is not the permissibility of interest (*riba*) in the transaction, but they do not understand that there are sharia supervisory board to oversee the IFI's sharia-compliance in its operations. The preferences of selection factors that people liked are because of bank location, because of other's recommendation and because of efficient bank services.

Keywords: sharia brand, islamic marketing, muslim customers, sharia compliance

Corresponding Author:

Andhita Yukihana Rahmayanti
a.yukihana@ui.ac.id

Received: 8 June 2018

Accepted: 17 July 2018

Published: 8 August 2018

Publishing services provided by
Knowledge E

© Andhita Yukihana

Rahmayanti. This article is distributed under the terms of the [Creative Commons](#)

[Attribution License](#), which permits unrestricted use and redistribution provided that the original author and source are credited.

Selection and Peer-review under the responsibility of the 2nd ICVHE Conference Committee.

1. Introduction

Nowadays, many companies shifting their business into a service company which put the customer's interest in first order, include Islamic Financial Institutions (IFI). Islamic financial institutions (IFI) prohibits *riba* (interest), *gharar* (speculation or uncertainty transactions) and *maysir* (gambling). This study analyze how people perceive the sharia brand of IFI. In previous literature, reputation of the banks and better financial and banking services are the leading factor in the selection of Islamic Bank [1]. Both moslems and non-moslems can be a customer of the IFI. They are seeking sharia-based system as their financial need solutions.

Naming Sharia in its brands does become a trademark of financial institution with sharia-based. The sharia brand defines as a product or services with sharia-based, but any parties, especially sharia supervisory board in the IFI should have seriously to keep the company meet their compliant to the regulations with sharia-based. Sharia supervisory board have implementing the appropriate and strict procedures when the

OPEN ACCESS

IFI produces the products. The important thing in promoting and improving the IFI to the customers, marketers should follow the regulations that required by sharia supervisory board, moreover The IFI’s practice and branding features getting trust and confident by IFI’s customers without ssharia brands in its name. The customers didn’t realized there’s sharia supervisory board to differ the sharia financial institutions.

2. Literature Review

2.1. Theoretical framework

The process of purchasing through more one models over the years which known as hierarchy of effect models. The illustration how the models have been developed over the years shown in Figure 1 [3]:

	Knowledge	Feeling	Motivation → Action	Post purchase
AIDA(S) Strong 1925	Attention	Interest	Desire	Action (Satisfaction)
DAGMAR Colley 1961	Awareness	Comprehension	Conviction	Purchase
Lavidge and Steiner 1961	Awareness	Liking	Conviction	
		Knowledge	Preference	Purchase
Wells et all 1965	Awareness		Persuasion	
	Perception	Understanding		
Rogers 1983	Awareness		Decision	Confirmation
		Persuasion	Implementation	
Bovee et all. 1995	Awareness	Acceptance	Ownership	
		Comprehension	Preferenc	Reinforcement
Court, 2009	Awareness	Familiarity	Consideration	Purchase
Wijaya 2012	Attention	Interest	Desire	Action
		Search		Share Love/Hate Like/dislike
	Cognitive	Affective	Conative	Conative

Figure 1: Extended hierarchy of effects models [3].

The Hierarchy of Effects Model was created in 1961 by Robert J Lavidge and Gary A Steiner. The six step (shown in Figure 2) consists awareness, knowledge, liking, preference, conviction, purchase.

2.2. Other literature

Previous researchers, Kaufman (1967) found the determinants of bank selection are convenient location to home or place of business, length of bank–customers relationships and quality of services offered by the bank, Mason and Mayer (1974) suggested that among other important selection criterions used by the customer, convenient

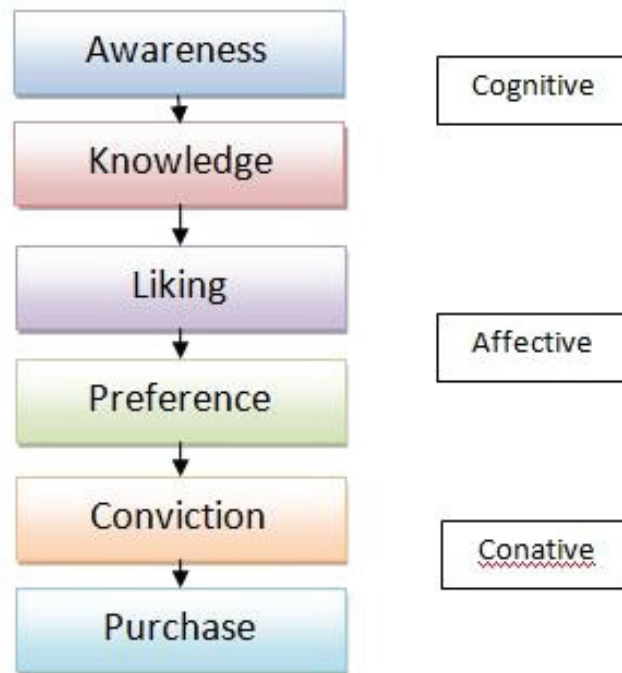


Figure 2: Hierarchy of effects models.

location came on the top the priority, followed by other important factors like friendly personnel, favorable loan experience, advice of friends and influence of relatives' opinion, Martenson's findings (1985) of various studies reveal that consumer choice of bank depends on a multiple set of criteria including bank location, availability of loans and the default salary account of a particular bank. Another study by Arora et al. (1985) found that customer selection of banking services is mainly determined by dependability of institutions, accessibility, 'easiness' of processes for transactions, variety of services offered and availability of loans at competitive interest rates, and Laroche et al. (1986) found that friendliness of staff plays the major role in the bank decision process, followed by hours of operations, size of waiting lines, convenience of location and efficiency of personnel [4]. Hayat M. Awan Khuram Shahzad Bukhari (2011) found there are two over-riding dimension different aspects of Islamic Bank selection criteria, consist product features and service of quality of Islamic Banks.

3. Methodology

3.1. Research questions

This study was made to investigate the following research questions:

RQ1. This study is to analyze the knowledge of people about the brand of Islamic Financial Institution.

RQ2. In order to understand the important factor determinant the people select the Islamic Financial Institutions.

RQ3. In order to analyze the understanding of people in distinguishing Islamic financial institution with conventional financial institutions.

3.2. Research methodology

This study is based on a questionnaire survey about Islamic Banks. The sample size of 100 respondents in Indonesia. An online survey questionnaire was used to collect data. The respondent are people aged 15–60 years old (shown in Figure 3).

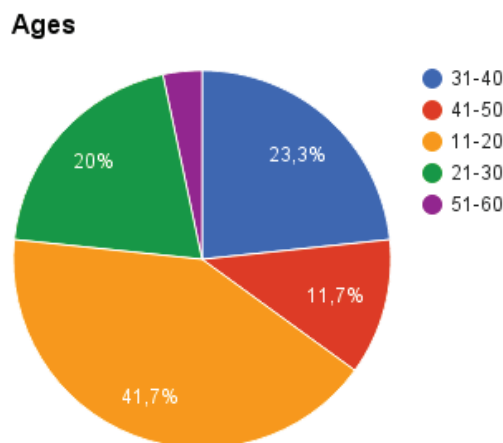


Figure 3: The ages of respondents.

The most respondents are students which aged 11–20 years old. Other profession of the respondents are scholars, lecturer, housewives, private employees and entrepreneurs. They are 73.3% female and 26.7% male, which 51.6% of the respondents are customer of Islamic Banks.

4. Research Findings

4.1. Factor analysis

The researcher get the knowledge of the respondents for as follows:

1. 96.8% of respondents know about the Islamic Financial Institutions (IFI),
2. 87.1% of respondents have seen the Islamic Banks near their home,
3. Only 75.8% of respondents can explain the distinctive of sharia system in IFI,
4. 61.3% of respondents could not explain the type of products in IFI,
5. 54.8% of respondents did not know in the IFI have sharia supervisory board who is in charge of overseeing that operation institution's sharia-compliant.
6. 85.5% of respondents liked the sharia system and the services in the IFIs.
7. 91.8% of respondents are still being a customer of conventional financial institutions.

The factors that influence people to select the Islamic Banks includes:

1. Bank location (30% of respondents)
2. Other people's recommendation (20% of respondents)
3. Efficient banking services (17.5% of respondents)
4. No charges of bank administration (10% of respondents)
5. Owner's reputations (7.5% of respondents)
6. ATM Facilities (7.5% of respondents)
7. Others Facilities (7.5% of respondents)

The respondents who is the customer of Islamic Banks get the information about the banks from:

1. Other people's recommendations (52.3%)
2. The advertisement in the electronic media (31.8%)
3. The employee of Islamic Banks (9.1%)
4. Other advertisements (6.8%)

Most of them (57.6%) have mudharabah savings account in their Islamic Banks and they use their bank account for investments. If they have financing from Islamic Banks, they would get financing for possession of residences.

5. Conclusions and Recommendations

The conclusion that the knowledge of people about the Islamic financial institutions only know that the Islamic system differs from conventional systems because it is not the permissibility of interest (riba) in the transaction, but they did not understand that there are sharia supervisory board overseeing operations of financial institutions in order to keep running the sharia-compliant. Other conclusions, they like the system of sharia, and they prefer Islamic banks near their location and because of a recommendation from the people.

This study is only a preliminary study that needs to be studied more deeply so that the Islamic financial institutions can improve sharia brand could give more meaning than just a brand.

References

- [1] Khaliq Ahmad Ghulam Ali Rustam Michael M. Dent, (2011), "Brand preference in Islamic banking", *Journal of Islamic Marketing*, Vol. 2 Iss 1 pp. 74 – 82.
- [2] Robert E. Hinson et al. (2013), "Determinants of Bank Selection: A Study of Undergraduate Students in University of Ghana", *Journal of Service Science and Management*, 2013, 6, 197-205.
- [3] Martinus Buis et al. (2015), "Fair Trade and its impact on the purchasing process: using the AIDA model", Master Thesis of Linnaeus University.
- [4] Hayat M. Awan Khuram Shahzad Bukhari (2011), "Customer's criteria for selecting an Islamic bank: evidence from Pakistan", *Journal of Islamic Marketing*, Vol. 2 Iss 1 pp. 14 – 27
- [5] Kotler, Philip. *Marketing Management*. Pearson, 2016.