

## **Brand Preference In Islamic Banking**

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### **ABSTRACT**

University students have a clear need for bank accounts as they have fees, expenses and cash needs. The usefulness of a current account is therefore pre-evident and Islamic banks need to focus on their brand image and the services they offer. Indeed, understanding bank selection from Muslim customer's perspective can provide useful information to banks' senior management to help them allocate resources and design products that promise to attract and better satisfy customers. Literature collected so far suggests a strong Islamic brand reputation as well as better financial and banking services is the main factors which influence the selection of a brand. The purpose of this paper is to test this within a positivistic empirical framework and amongst the younger generation in Indonesia. The sample for this study was selected from a population of 1,700 people. The majority of them were young – 19-25 years old. A sample of 34 university students was selected as respondents because they are young customers and potential future customers of the bank

**Keywords:** Islam, Marketing, Banks, Indonesia

## INTRODUCTION

Previous literature shows that factors such as the strong Islamic reputation of the banks as well as better financial and banking services are major factors in the selection of the Islamic bank in question. Although the idea of an Islamic banking system is still in its infancy, it has attracted much attention from many local and foreign investors. . Therefore, the purpose of this study is to examine the bank selection criteria used by university students in Indonesia a. Henceforth, the choice of younger customers will reflect the future potential market for Islamic banking marketing services who are on average between 19 and 25 years old. Customers and financial institutions both seek reciprocal relationships (Cronin, 1997). Therefore, gathering relationship information through survey studies is particularly relevant for bank management who need to formulate the right brand and marketing strategies needed to attract new customers as well as retain existing ones (Kayak and Kucukemiroglu, 1992).

This applies generally to all types of banks including Islamic banking institutions. Recently, Islamic banking and finance has emerged as one of the most important trends in financial sector expansion. With the development of viable Islamic alternatives to conventional banking and finance, Muslims and to some extent non-Muslims are seeking Shariah-based solutions for their financial needs. Nimes confirmed that the year-on-year growth of Islamic banking continues to be positively maintained, even during the pandemic.

Based on the Islamic Banking Statistics of the Financial Services Authority (OJK) quoted on Thursday (11/4), the total assets of Islamic commercial banks (BUS) and Islamic business units (UUS) as of the end of January 2024 reached IDR 845.61 trillion, growing 10.48% on an annual basis (year on year). As a result, Islamic banks in the national financial system are not only located in Muslim-dominated countries such as Indonesia, but also countries with Muslim minorities such as Singapore, the United Kingdom, and Kenya. What is even more interesting is that many non-Muslims have also realized certain desirable aspects of Islamic banking (El Qorchi, 2005). The benefit of this research comes from understanding how to strengthen relationships with existing customers and also how to acquire new customers. This research attempts to investigate the factors that determine a customer's choice of a particular bank as a provider of their financial services needs.

## LITERATURE REVIEW

The study of how customers select their bank has been an important issue in the field of banking services marketing. Although the existing literature provides a number of different studies on bank

selection decisions, there has been little research on Islamic banking decisions of students in the Asia, particularly Indonesia Bengkulu. Thus, the aim of this paper is to redress this gap in the literature by exploring the decision criteria of university students (who are likely to move onto careers as professionals employees) in their brand choice of Islamic banking services **Sufitrayati and Fanny Nailufar (2018)** This study shows that cultural, social, personal, and psychological factors have a significant effect on customer decisions in choosing Islamic banks in Banda Aceh City. **Indah Pangestuti et al (2019)** This study analyzes the factors that influence customer saving decisions at Bank Syariah Mandiri Samarinda Branch. The sub-objectives are as follows:

- (1) To determine the demographic profile of Islamic bank customers in UINFAS BENGKULU
- (2) To study the brand awareness and usage of various Islamic bank product/services among Islamic bank customers in the university
- (3) To identify any demographic relationships with the usage of different products and services offered by Islamic banks and
- (4) To measure the level of customer satisfaction with various basic brands attributes. In this paper, we particularly focus on five factors, financial benefit, and technology/physical facilities and brand it

## **METHOD, DATA, AND ANALYSIS**

The sample for this study was selected from a population of 1,700 people. The majority of them were young – 19-25 years old. A sample of 34 university students was selected as respondents because they are young customers and potential future customers of the bank. The 34 samples were taken from students who are customers of Islamic banks in Indonesia, each faculty in the university was taken as a sample. To obtain a representative sample, students were selected from all five (faculties), namely Faculty of Tarbiyah and Tardif, Faculty of Sharia and Law, Faculty of Ushuluddin Adab and Dakwah, Faculty of Economics and Islamic Business, Postgraduate Program (Strata-2). And the Institute of Education with different proportions. Using easy selection criteria, students were selected from each kulliyah in a 50:50 ratio of male to female. The necessary data was collected through direct interviews with the students. In total, 34 questionnaires were returned with a 100% return rate. The first section collected demographic information. The second section asked respondents to rate the relative importance of eight factors in the selection of an Islamic bank using a five-point Liker scale ranging from 'very important' to 'not important at all'. Reliability in using this questionnaire was monitored directly by the author, where each time a student had completed this questionnaire, the student was asked to send proof of completion. The data collected was analyzed using SPSS (version 13) and

the mean rank technique. Factor analysis was then used to identify five evaluative criteria using eigenvalues greater than one rule.

## RESULT AND DISCUSSION

### 1.1 Respondent profiles

Of the 34 questionnaires distributed, questionnaires were received back in almost equal numbers between male and female respondents (Table I).

All respondents are bank customers within UINFAS Bengkulu and most are between 19 and 24 years old. Most of the students are from Bengkulu city (56%) and 44% from other areas as illustrated in Table II.

### 1.2 Convenience in using the bsi application

As illustrated in Table III, most respondents stated that they agree with the factors that measure convenience. The mean scores for these factors were between 3.82 and 3.22. It can be said that all these items are important dimensions in bank selection. The most important factor is the BSI Mobile app with an average of 3.82 followed by the BSI Merchant app with an average of 3.22. Therefore, it seems that the convenience in using the existing applications of BSI is very important, ATM availability is also very important with all three factors relating to this service ranking highly, this is true for both male and female respondents

	Frequency	%	Valid (%)	Cumulative (%)
Male	17	50.9	50.9	50.9
Female	17	49.1	49.1	100.0
Total	34	100.0	100.0	

**Table 1**

#### Gender Respondent

Area	Frequency	%	Cumulative (%)
Bengkulu Selatan	12	4,08	4,08
Bengkulu Utara	10	3,4	3,4
Linggau	8	2,72	2,72
Padang	4	1,36	1,36

**Table 2**

#### National of Respondent

Factor	N	Min	Max	Mean	SD
BSI Mobile	34	1	5	3,82	0,922
BSI Merchant app	34	1	5	3,22	1,184

**Table 3**  
**Convenience factors**

### *1.3 conveniences in transactions*

As expected, the factors relating to transaction convenience were all rated highly with averages ranging from 3.05 to 3.57. The highest ranked item is bsi mobile banking with an average of 3.57, the other factors are the ease of transacting using the bsi merchant app (3.32), and finally the attractive rewards (3.05) indicating that students at UINFAS are more willing to pay for transactions. (Table IV)

### *1.4 Technology and physical facilities*

In this explanation, it can be seen that most respondents strongly agree on the importance of mobile banking from Indonesian Islamic banks. The average value ranges from 3.63 to 3.84. The most important thing is that students can use mobile banking anywhere and anytime (3.79).

### *1.5 Brand choice*

This explanation is key as it identifies the main factors relating to brand choice. As expected, recommendations from friends and relatives come out on top, as does (the convenience factor?) the university using the same bank. Confidence and comfort using Bsi mobile also showed values above 3.9 indicating (especially in the early stages of interaction) that the human dimension is important - be it approachability or trust as evidenced by their confidence. By far, the most important factor is the bank's reputation - or brand. It is possible that with less financial acumen and experience, students in their early twenties are more likely to choose a bank with a good and well-known brand name (Flavian et al., 2005).

	Frequency	%	Cumulative
Very insignificant	4	2,8	2,8
insignificant	8	3,7	3,7
Moderate	2	1,5	1,5
Significant	10	5,2	5,2
Very significant	10	5,2	5,2

**Table 4**  
**The importance of convenience in transactions**

. This study indicates that young customers' knowledge of Islamic products is limited and they are not aware of the range of services available to them. The bank brand is an indicator of trust so it seems that this and the convenience factor are the main drivers for choice. There is a strong drive to choose an Islamic bank - but it seems that the convenience factor may override this especially if the bank selection is done in a hurry. If indeed the students become more interested in the Islamic products on offer as they get older, the bank can provide more information - but it seems that the brand itself is the most important thing at first.

This research proves that the dimensions identified are indeed important in the bank selection process. In addition, from the results of the analysis, an overall average was calculated to ascertain the following key factors:

- BSI Mobile Application with an average of 3.82
- BSI Merchant App with an average of 3.22
- ease of transacting using the bsi merchant app (3.32)
- attractive rewards (3.05)
- technology and physical facilities 3.79
- brand choice 3.9

Lastly, this study examined one type of young customer, namely university students, although important, other segments of young customers who may have different selection

criteria should not be overlooked. Similarly, this study was conducted in Indonesia; other Southeast Asian countries may show different selection criteria

## CONCLUSION

As explained above, although the concepts underlying the Islamic banking system are not very similar to those of the non-Islamic banking system, Islamic banking institutions face strong competition from both Islamic and conventional banks. With respect to convenience (aka ease of use - see Ndubisi and Guriting (2006)) this seems to drive customer satisfaction and brand selection primarily in the first instance. Key factors such as the use of Bsi mobile are very important for students because students can make transactions anywhere and anytime, therefore Islamic banks are also able to make mobile banking like conventional banks in general.

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