

# opción

Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía,  
Lingüística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

Año 36, abril 2020 N°

91

Revista de Ciencias Humanas y Sociales

ISSN 1012-1537/ ISSNc: 2477-9385

Depósito Legal pp 198402ZU45



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# Factors that influencing the customer decision to purchase Islamic banking products

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## Abstract

This study aims to determine the factors that influence the decision to purchase or intention to use Islamic banking service products in Indonesia. The design of this study is a quantitative approach. For analyzing the multiple relationships, we use Linear Structural Relations (LISREL version 8.0). The results of this study indicate that the customer's decision or intention to use Islamic Bank product services is influenced by the perception of product diversity with a contribution of 21%. In conclusion, attention dimension contributes 95% to marketing communications carried out by Islamic Banks in Indonesia.

**Keywords:** Product, Diversification, Service value, Marketing.

## Factores que influyen en la decisión del cliente de comprar productos bancarios islámicos

## Resumen

Este estudio tiene como objetivo determinar los factores que influyen en la decisión de comprar o la intención de utilizar productos de servicios bancarios islámicos en Indonesia. El diseño de este estudio es un enfoque cuantitativo. Para analizar las relaciones múltiples, utilizamos relaciones estructurales lineales (LISREL versión

8.0). Los resultados de este estudio indican que la decisión o la intención del cliente de utilizar los servicios de productos del Banco Islámico está influenciada por la percepción de la diversidad de productos con una contribución del 21%. En conclusión, la dimensión de atención contribuye en un 95% a las comunicaciones de marketing realizadas por los bancos islámicos en Indonesia.

**Palabras clave:** Producto, Diversificación, Valor del servicio, Marketing.

## 1. INTRODUCTION

An Islamic bank is an intermediary media whose main business is to provide financing and other services in the payment traffic as well as the circulation of money whose operations are based on Islamic sharia in the form of sale, profit sharing, and rent. However, explicitly the concept of results truly represents the concept of Islam in banking, because besides being able to move the real sector in a balanced way, it also has a long-term indication so that it will contribute to sustainable economic growth. So based on the above understanding, ideally Islamic Banks are profit-sharing banks that prioritize the concept of loss and profit-sharing in developing their products. In its development, Islamic Banks in Indonesia (BERGER, DEYOUNG, GENAY & UDELL, 2001: SOLOVYEV et al, 2019).

The development of Islamic Banks in Indonesia according to the FSA shows that Islamic Banking in June 2018 experienced positive growth and improved intermediation with increased assets, disbursed financing and third-party funds which were higher than the period the same year before. The performance of Islamic Banks in June 2018

generally improved compared to the end of 2017 as indicated by the main financial ratios, both in terms of liquidity, efficiency, profitability, and capital, which showed improvement. However, when viewed from its market share compared to conventional banks in Indonesia the portion was still small in 2018, only has a 5.70% market share, and compared to conventional banks 94.3% (CHETAN, 2014).

The market share of only 5.7% also consists of Islamic Commercial Banks (BUS) of 66.22%; Sharia Business Unit (UUS) at 31.25% and Sharia People's Financing Bank (BPRS) only at 2.53%. When compared to the situation in 2017, the market share of BUS decreased from 68.08% in 2017 to 66.22% in 2018. While the UUS market share rose from 29.40% to 31.25% and BPRS experienced an increase from 2.52% to 2.53%. The figures above show that Indonesian Islamic finance still needs to be developed so that it can offset the growth of conventional finance in order to grow the financial industry as a whole (BELCH & BELCH, 2003: WICHMANN, 2020).

The small market share of Islamic Banks in Indonesia compared to conventional banks' market share can indicate that the Indonesian community still uses more conventional banks compared to Islamic Banks. Therefore, the potential of the large Indonesian community can be explored further so that the Indonesian people use banks as partners in financial support for the Indonesian people. The Intention to use Islamic Bank is an action taken by consumers to become customers of Islamic Banks in Indonesia. So that Islamic Banks in Indonesia carry out various strategies so that Indonesian people, who are mostly

Muslim, decide to buy Islamic Bank products. Products in Islamic Banks are very diverse (AMIN, 2013; H TARASOVA et al, 2019).

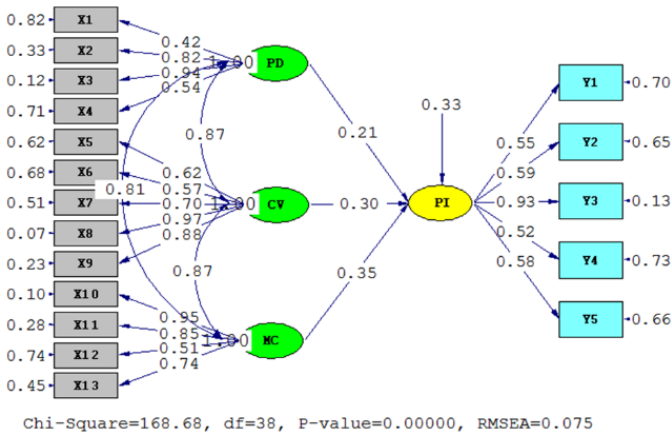
## **2. METHODOLOGY**

For presenting a clear description of product diversification, this quantitative study applied the perceived customer value, marketing communication and intention to use of Islamic Banks product in Indonesia. By the objectives to be achieved, then used a type of research is descriptive research that aims to obtain a description of the characteristics of variables. The type of descriptive research is conducted through data collection, the research method used survey methods is a descriptive survey and descriptive development. The type of investigation is investigative analysis (DUSUKI & ABDULLAH, 2007). In verification, research will be analyzed the influence over the independent variable to the dependent variable. The unit of analysis is individual, meaning that the unit analyzed, in this case, the bank customers in Indonesia. The cross-sectional data collected as much as 200 respondents with a random sampling technique. Also, data analyzed by using Linear Structural Relation (LISREL) version 8.0 (RAMAYAH, MD-TAIB, LING, 2006).

## **3. RESULTS AND DISCUSSION**

From the results of data processing, the model structure of the research framework is depicted in the figure below. Can show several things that resulted from this research, apart from the contribution of

each independent variable to the dependent variable can also be studied more deeply about the dimensions of each variable that contributes to the variable. The structural model is:



The structure above can show the number of things resulting from this research, apart from the contribution of each independent variable to the dependent variable can also be studied more deeply about the dimensions of each variable that contributed to the variable. All constructs or measuring instruments of each valid and reliable variable. The validity can be seen from the Expected Cross-Validation Index (ECVI) of 0.37, with a range of confidence levels for the ECVI interval between 0.31-0.44. To find out the structure model developed can be seen from the Goodness of Fit Index (GFI) of 0.95; meaning that the structural model has a 95% accuracy. While the mean square error of approximation (RMSEA) level is 0.075; with the confidence level of RMSEA with a range of 0.064 - 0.087. The overall structure of

the model shows that the proposed hypothesis is proven to have a positive effect or contribute to the dependent variable, namely the decision to purchase or intention to use Islamic Banking service products in Indonesia. In general, the equation is:  $PI = 0.21 * PD + 0.30 * CV + 0.35 * MC$ , Error-var = 0.33,  $R^2 = 0.67$  (PENNATHUR, SUBRAHMANYAM & VISHWASRAO, 2012).

From the results of the analysis show that the diversity of Islamic Bank products in Indonesia contributes in shaping the perception of intention to use by customers by 21.0%, this shows that the diversity of Islamic Bank products perceived by customers as a factor that can influence intention to use Islamic Bank services products with contributed 21%. In order to increase the contribution value of this product diversity, customer product knowledge is important through education, literacy which is always communicated to the public. The biggest contribution of the dimensions of the diversity of Islamic Bank products consisting of the dimensions of benefits and sacrifices or value functionally, economically, psychologically and socially and emotionally, in the context of forming a variable of product diversity contributed by the dimensions of psychological and social functions which 94% (SAFEENA, DATE, KAMMANI, & HUNDEWALE, 2012).

This means that the diversity of Islamic Bank products perceived by customers has a high value in terms of benefits compared to psychological and social sacrifices. Psychological and social benefits and benefits are psychological and social benefits and



benefits, for example, with a variety of Islamic Bank products, psychologically, they can provide benefits, namely high self-confidence compared to psychological costs, such as concerns for customers (AHMAD & AHMAD, 2019; LUARN & LIN, 2005).

The contribution of this psychological and social function dimension to the diversity of Islamic Bank products is perceived as 94%. The diversity of products contributed 21% to intention to use Islamic Bank product services in Indonesia is contributed by the 94% psychological and social function dimension. It can also be said that the diversity of products in terms of psychological and social functions has a high value for its customers but not necessarily the psychological and social value of this high diversity of Islamic Bank products can influence the intention to use Islamic Banking service products in Indonesia (MAHISWARAN, 2018; AHMAD & AHMAD, 2018).

Psychologically and socially, the value of product diversity is perceived by customers as high, but this is not necessarily a dominant consideration in the intention to use Islamic Banking services in Indonesia. This also means that with a variety of Islamic Banking products psychologically and socially, customers have high values, such as giving a high sense of trust, that Islamic Bank products can be trusted, can be guaranteed to be safe, appealing to the heart, the satisfaction obtained is the same as when using the product. Conventional banks and so on psychologically and socially. Another psychological and social function is to avoid usury. In Islam, usury is *haram* and must be abandoned. Besides that, psychological and social

function means participating in implementing Islamic sharia and having done muamalah based on Islam (AHMAD & SAHAR, 2019; MESLIER, TACNENG & TARAZI, 2014).

This certainly will bring a reward for those who do it. One of the advantages and benefits of saving at an Islamic Bank is that the funds used will be used for things that are in accordance with sharia. While conventional bank customers will not know what the money will be placed or used for, so it does not rule out the benefits derived from usury. Its social function is that funds are kept intended for the benefit and benefit of the people. In other words, these funds are the funds of the people which are obtained from the people and will be returned for the benefit of the people. Another dimension of Islamic Bank product diversity is the dimension of economic function, this dimension contributes 82% in shaping the perception of Islamic Bank product diversity. The economic function can be interpreted that economically the diversity of Islamic Bank products has a high benefit value for its customers (PILLAI, BRUSCO, GOLDSMITH & HOFACKER, 2015).

This is possible for those who understand Islamic Bank products economically provide greater benefits compared to conventional bank products. For example, one of the Islamic Bank products is Al-Mudharabah, which is a product with the principle of deposit or deposit funds, it can also be used in an agreement between the owner of the fund and the executor of the business and the bank as an intermediary. In this agreement, the owner of the fund and the

executor of the business can enter into an agreement regarding the type of business activity, implementation, and profit-sharing, while the bank as the party who has brought together and facilitated the agreement gets a commission. Economically the results of this product can be compared economically compared to the types of savings products in conventional banks, both savings and time deposits.

However, it is the same with psychological and social benefits, although it provides a large benefit value to the diversity of products, this economic function does not necessarily contribute to the consideration of customers in using Islamic Banking services in Indonesia. This is likely due to the lack of information conveyed by the management of Islamic Banks in Indonesia about the economic benefits of Islamic Bank products that have greater economic functions compared to conventional bank products. The advantage of the profit-sharing system is that the customer avoids the risk of interest being usury. In addition, the profit-sharing system will benefit the customers who deposit their funds in Islamic Banks. One of the advantages of saving at an Islamic Bank is that almost all national Islamic Banks apply a low savings balance to their customers.

This minimum balance value is certainly a distinct advantage for those who want to have savings with a small settling balance. The diversity of Islamic Bank products provides benefits. Emotionally the contribution made to the diversity of products by 54% shows that the diversity of products has an emotional influence on customers of Islamic Banks in Indonesia in order to make the intention to use

Islamic Bank services in Indonesia. This is perceived as a diverse product of Islamic Banks in accordance with religious teachings so that emotionally influences intention to use. In terms of the function of the diversity of Islamic Bank, products contributed 42%, this shows that the benefits of the diversity function of Islamic Bank products provide different functions from conventional bank products for customers. This may be felt by customers by comparing conventional products that have the function of merely obtaining interest, but Islamic Bank products can function not only for interest but can function more like for the benefit of the people and the welfare of society.

The value of Islamic Bank customers in Indonesia perceived by their customers contributes significantly to the intention to use Islamic Bank services in Indonesia. The customer's value contributes to the intention to use it by 30%. When making a decision to use an Islamic Bank product service in Indonesia, they consider the value of the customer or involve their perception of the benefits of an Islamic Bank as consideration for making a decision intention to use an Islamic Bank product service. This customer value perception involves several dimensions, namely customer value that is built on the basis of functions as entities, as a service function, economic function, psychological and social functions as well as emotional functions.

Functioning as a financial institution entity, it is hoped that Islamic Banks in Indonesia can help solve financial and banking problems faced by the community, improve welfare and provide

benefits in accordance with community needs. As a service function, Islamic Banks are expected to be able to help serve and solve the problems of people's lives. In terms of economic function, it is expected to increase community economic activities and growth so that the community will prosper. Psychological and social functions can provide confidence, security and provide satisfaction for its customers. In the emotional function of Islamic Banks in Indonesia can provide pride, prestige, and peace for life in the world and the hereafter.

The biggest contribution is given by psychological and social functions, which is 97% related to psychological benefits, such as self-confidence, security and providing satisfaction as well as providing social benefits for the community. This means that Islamic Banks are perceived as customer value based on large psychological and social considerations. This is due to the fact that financial and banking businesses are essentially trusts, the high trust will have a psychological and social impact on society. In terms of the emotional function of Islamic Bank customer value contributed by 88%, the emotional function is related to emotional benefits such as pride, prestige or prestige, self-confidence and calm when using it.

Emotional calm is believed to be calm in life both in the world and in the hereafter. Economic functioning, it seems not seen in terms of interest, but the economic benefits for increasing economic activity and public welfare contributes economic function to the perception of customer value by 70%. As a financial institution entity, the value of

Islamic Bank customers is expected to be able to help financial and banking problems in the community and can meet the needs of the community. His contribution was 62%. This means that the value of customers perceived by Islamic Bank customers is significantly influenced by the function of Islamic Bank entities as financial institutions that can provide benefits to help solve financial and banking problems in the community. The service function provides the smallest contribution of 57%, to the perception of customer value, because customers assume that service in an Islamic Bank is not much different from service in a conventional bank.

Marketing communications conducted by Islamic Banks in Indonesia have made a major contribution to influencing customer intention to use Islamic Bank service products. 35% contributed, shows that there is a significant influence between marketing communication and purchasing decisions. The attention dimension of the marketing communication carried out provides the largest contribution to the marketing communication undertaken. This attention includes messages that attract attention, the purpose of communication, advertising figures (endorsers) and the products offered as well as the value offered can attract the attention of the public to decide on the purchase of Islamic Bank product services. This attention contributes 95% to marketing communications carried out by Islamic Banks in Indonesia.

Communication by Islamic Banks in Indonesia can arouse the desire of the public to purchase Islamic Bank products. Desire

generated contributed 85%, meaning that marketing communication can be created can arouse the desire of large communities to want to make a purchase. Channels or media used by Islamic Banks in Indonesia contributed 77% in the context of supporting marketing communications carried out by Islamic banks in Indonesia. The media becomes important in marketing communication in addition to messages (messages), goals (mission), costs (money) and measurement of the effectiveness of marketing communications (measurement).

Marketing communication carried out by Islamic Banks in Indonesia has no appeal for the public to purchase Islamic Banking service products. It can be seen that the appeal of marketing communication only contributes 51%, the smallest contribution among the dimensions of marketing communication carried out. In fact, marketing communication carried out by Islamic Banks in Indonesia is not as intensive as that of conventional banks, so the attention and attractiveness of Islamic Banks are smaller than the appeal of marketing communications by conventional banks in Indonesia.

The consequence of managerial implications for Islamic Banking is that Islamic Banks in terms of product diversity must be able to provide functional, economic, emotional and psychological and social benefits. This means increasing the function of product diversity as a point of selling that with the diversity of the population it will provide benefits in order to help solve economic, financial and banking problems in the community. High customer value will give public trust to purchase Islamic Banking service products. The dimension of

customer value that Islamic Banks really provide services needs attention. This is in line with the banking business entity is offering services, therefore the quality of service needs to get more attention compared to other things.

Quality of service will improve if there are improvements in aspects of facilities, employee empathy, and speed of response to complaints, reliability, and guarantees for the use of Islamic Bank product services in Indonesia. As an entity, a banking institution must be able to give full trust to the community that an Islamic Bank is a trusted banking institution in addition to being able to provide economic value for improving the welfare of the community. Increasing the attractiveness of marketing communications can be improved through various ways including, among others, the use of an appropriate endorser and communicating more of the benefits of a variety of Islamic Bank products, what is the saleable point for the customer, what is the feature of the product, etc.

#### **4. CONCLUSION**

Almost the Independent variable of product diversity perceived service value and marketing communication has been contributed to the dependent variable of Intention to use of Islamic Banking Products and significantly. To increase market share through increasing the number of customers who use Islamic Bank products in Indonesia, there are several factors that can be used as references or tools that can



be used, including product diversity, increasing perceptions of customer value and the use of integrated marketing communications. The product diversity of Islamic Bank contributed to activating customer perceptions for using Islamic Bank products by 21%; the biggest contribution of the dimensions of the diversity product of Islamic Bank consisting of the dimensions of benefits and sacrifices or value functionally, economically, psychologically and socially and emotionally.

In the context of forming a variety of products, diversity contributed by the dimensions of psychological and social functions which contributed 94%; The customer value perception contributed to raising customer intention to used Islamic Bank products by 30%. The biggest contribution is given by psychological and social functions, which is 97% related to psychological benefits. Implementation of integrated marketing communications, contributing 35% to customer intention to use Islamic Bank products. Attention dimension contributes 95% to marketing communications carried out by Islamic Banks in Indonesia

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Revista de Ciencias Humanas y Sociales

Año 36, N° 91 (2020)

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.  
Maracaibo - Venezuela

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