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**An Empirical Analysis Of Marketing Activities in Indonesian
Islamic Banking Industry**

By

Muhammad Arham

A Doctoral Dissertation

Submitted in fulfilment of the requirements for the award of the Degree of Doctor of
Philosophy at the School of Government and International Affairs
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DECLARATION

I hereby declare that no portion of the work that appears in this study has been used in support of an application of another degree in qualification to this or any other university or institutions of learning

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ABSTRACT

Despite the fact that Indonesia is a predominantly Muslim country, the market share of Islamic banking sector in Indonesia stands around 4 percent in 2011 (Indonesian Central Bank, 2012:127). Although a plethora of study regarding the Indonesian Islamic banking industry has been conducted, not many of them touch the issue of low market share from marketing perspectives.

This research aims at exploring and examining the marketing developed and utilised by the Islamic banking industry in Indonesia. In doing so, this study aims at measuring the perceptions, attitudes, and opinions of the participants having accounts in Islamic banks in evaluating various dimensions of Islamic banking marketing in terms of process, consequence and outcome as well as their general perceptions on Islamic finance and banking. The study also aims to evaluate the marketing of Islamic banks through the norms of the Islamic moral economy as well as the perceived practices of marketing activities.

During the process of primary data collection, 1063 questionnaires were gathered and were divided into three categories: conventional banking only depositors (412 respondents), dual banking only depositors (523 respondents), and *Shari'ah* banking only depositors (128 respondents). In addition, interviews were conducted by leading individuals from the Islamic banking industry. Apart from that secondary data collection was also conducted from various secondary sources.

In general, one could argue that the three group of respondent share similar demographical characteristics. For *Shari'ah* banking only depositor, the only difference lies in respondents' marital status, while for conventional banking only depositor, the difference lies in the income. In addition, almost all respondents prefer to bank with local *Shari'ah* bank. The primary reason for this is neither nationalism nor Halal and Haram issue, but rather the excellence of the product. In overall, respondents who are married, Muslim, highly educated, and have a domicile in Java are likely to go for *Shari'ah* bank. Knowledge regarding *Shari'ah* bank is also explored and it is shown that the amount of particular areas of knowledge gets better as with attachment to *Shari'ah* bank. Furthermore, respondents' perceptions on several issues are also presented. In general, respondents perceive *Shari'ah* bank as positive except when they think that *Shari'ah* bank is only for the needy. Nevertheless, contrasting opinions could be seen on the perceptions regarding *Shari'ah* banking product: the more respondents get attached to *Shari'ah* bank, the more they perceive *Shari'ah* bank's depositing product to be competitive. However, the more respondents get attached to *Shari'ah* bank, the more they perceive *Shari'ah* bank's housing and vehicle financing product to be uncompetitive. On the issue of advertisement, the more respondents get attached to *Shari'ah* bank, the more positive is their opinions towards the statements. Moreover, when asked on the perceptions of advertisement characteristics, all respondents showed encouraging views. The same views are held regarding the actual experience with *Shari'ah* bank. Finally, the results regarding the perceptions in actual service and advertisement of *Shari'ah* bank vary across the three respondent groups.

In light of these findings, this research proposes that the industry applies greater transparency by having national *Shari'ah* rating system. In addition, the industry should concentrate more on the non-price aspects. Furthermore, *Shari'ah* banks should launch more innovative products and communicate those products in accordance to *Shari'ah*. Moreover, improvement in employees' salary, training and facilities should be made in order to amplify the quality of service. Also, socialization should be conducted regarding the fact that the industry is not religion-specific.

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CHAPTER 1

INTRODUCTION

1.1. INTRODUCTION

Marketing is important for business yet not all of them engage in marketing activities. From the supplier's perspective, marketing gives them the opportunity to inform the public about their products, and, for the consumers, it provides easy access to information about the products. Recalling that one of the conditions of the perfect market system is the accessibility and free nature of information, marketing, in the second best world of the market system, provides such a facility. Therefore, the banking sector, including Islamic banking, is certainly not an exception towards this reality.

There are arguably many academic works regarding marketing in the Islamic¹ banking sector. The work of Ahmad *et al.* (2011); Amin and Isa (2008); and Metawa and Almossawi (1998) are among the papers, which explore the various marketing phenomena surrounding the Islamic banking industry.

Despite the plethora of academic works regarding marketing in the Islamic banking industry, no such works have been dedicated to discuss the development of Islamic banking industry from the point of view of Islamic marketing. While it is important to construct an Islamic moral economy and also Islamic finance and banking, it is also essential that knowledge on Islamic marketing within the Islamic ontology and epistemology, through the framework of the Islamic moral economy, be attempted to be constructed. The 'Islamic way of marketing' is needed in order to purify the whole marketing process of giving services to the customers in the same way the Islamic finance process aims to filter financing activities through Islamic principles.

¹Within the whole dissertation, the terms 'Islamic' and 'Shari'ah' are used interchangeably and refer to the same meaning (in accordance of Islamic law).

As a country where Islamic banks² are already a reality, the Indonesian Islamic banking industry needs to consider a service delivery process, which is in line with the Islamic concept and the framework of an Islamic moral economy in order to make a sustainable impact. This research, therefore, argues that marketing issues need to be dealt with seriously, especially in developing strategies to develop Islamic marketing strategies, which are as important as the financial structuring of Islamic banks. This research, hence, aims to not only serve the purpose of exploring the marketing strategies of the Indonesian Islamic banking industry but, at the same time, also aims to develop an Islamic marketing strategy.

1.2. PROBLEM DEFINITION

After the issuance of the new bill regarding Indonesian Islamic banking, there is an increasing propensity to initiate new Islamic banks in Indonesia. It can be said that these investors may either be native or come from foreign countries. Looking at this phenomenon, one can assume that the development of Islamic banking business in Indonesia is now taking roots in the financial system. However, a critical perspective might suggest that this assumption may not be entirely right.

Although many investors are eager to open up Islamic banks in Indonesia, there are only around 8.1 million *Shari'ah* accounts in Indonesia (Indonesian Central Bank, 2012: 128), which is ironic as Indonesia is a country with the biggest Muslim population in the world (Armandhanu, 2011). It can be said that without finding ways and strategies to increase its market share, it is very challenging to meet the Indonesia Central Bank's blueprint to increase the market share of Islamic banks to 5% by 2011 (Gunawan, 2007). This can be seen by the latest figures from the Indonesian Central Bank (2012: 127), which show that the market share is only 4.19%, which implies that the target has not been achieved.

²It should be noted that Islamic bank and *Shari'ah* bank as concepts are used interchangeably in this research, as both refers to the same concept and institution. The distinction is only semantically, as the Indonesian environment uses *Shari'ah* bank rather than Islamic bank by referring to the legal nature of the process.

This research, therefore, stems from the fact that one of the reasons for the low take up of Islamic banking in Indonesia is related to difficulties in accessing information and hence the awareness level of individuals have not been developed. This is a serious marketing issue which has various aspects, both religious as well as banking. Based on this, the research aims at exploring the prospects of Islamic marketing for the Islamic banking industry in Indonesia as the development of the industry is very much related to the marketing of its institutions and its products in accordance with Islamic values. In doing so, marketing in a positivist manner and also Islamic marketing in a normative meaning will be used as a framework.

1.3. AIMS, OBJECTIVES AND RESEARCH QUESTIONS

As mentioned previously, Indonesia, being the largest Muslim-populated country on the globe, eagerly aims to develop the Islamic finance industry. Due to institutional and awareness-related difficulties, the industry has not shown the progress expected from it since its inception in the early 1990s. It is believed that the shortcomings in the marketing aspect of Islamic banking are one of the factors that limit the development of the industry.

This research, hence, aims at exploring and examining the marketing strategies developed and utilised by the Islamic banking industry in Indonesia. In doing so, this study aims at measuring the perceptions, attitudes, and opinions of the participants having accounts in Islamic banks in evaluating various dimensions of Islamic banking marketing in terms of process, consequence and outcome as well as their general perceptions on Islamic finance and banking. The study also aims to evaluate the marketing strategies of Islamic banks through the norms of the Islamic moral economy as well the perceived practices of a marketing strategy.

In order to fulfil the identified aims, the following objectives are developed:

- (i) to explore what types of marketing theories / strategies are most relevant for Islamic banking;
- (ii) to investigate the market potential for Islamic finance in Indonesia;

- (iii) to assess consumer responsiveness to marketing in Indonesia;
- (iv) to explore the marketing and branding strategies of Islamic banks;
- (v) to critically identify the Islamic marketing practices in comparison with Islamic marketing principles as informed by the ontological sources of Islam.
- (vi) to explore and examine the management's perception of the importance of marketing in Islamic financial products;
- (vii) to discuss the findings in a larger context with the objective of providing further meaning.

In responding to the aims and objectives of the study, the following main research question is developed:

- (i) What are the issues that Indonesian *Shari'ah* banks face in developing their market coverage?
- (ii) What are the issues that the Indonesian people face in getting accustomed with *Shari'ah* banks in Indonesia?
- (iii) What particular marketing programmes are pursued by the Indonesian Islamic banking industry and what consequences they have in terms of the marketing of Islamic banking in Indonesia?

1.4. SCOPE OF THE RESEARCH

This study does not only focus on the marketing practices of the Islamic banking industry in Indonesia, as perceived by the customers, but it also emphasises the evaluation of Islamic banking practices in relation to the normative dynamics of Islamic moral economy related with its implications for Islamic marketing. In doing so, an initial attempt is made to understand what constitutes Islamic marketing in the realm of normative knowledge informed by Islamic ontological sources. Secondly, this research develops an understanding of the current marketing strategies of Islamic banks through the opinions and perceptions of the participants, which provides positive knowledge in

terms of the practices. In the end, the positivist knowledge is compared and contrasted with the normative knowledge, which can then help to construct the emerging nature of the marketing concept, which will be developed through the analysis conducted in this study.

1.5. SIGNIFICANCE OF THE STUDY

This research argues that Islamic banking should be a promising business in the future, especially in Indonesia. This is because Indonesia is the largest Muslim-populated country in the world. Thus, it could be said that big opportunities lie ahead for any parties interested in opening an Islamic banking business in Indonesia, provided they follow the right strategies, including the marketing strategy.

The findings and consequences of this research will help to find the ways to increase the market share of the Islamic banking industry and their products in the Indonesian market. Some marketing strategies will be proposed by this research to make the Islamic banking industry more appealing in the eyes of the Indonesian public. This, arguably, could increase the market share of the industry in the Indonesian market.

The research, given the time frame allowed, should result in a strategy for increasing the market penetration of Islamic banking in Indonesia, whereby relevant strategies that should be considered by the industry in order to increase their market share, for which a particular marketing mix is proposed by this study.

In general, it could be said that this research attempted to shed some light on our understanding of Indonesian Islamic banking industry through the following contributions (among others):

(i) Providing introductory information regarding the status of Indonesian Islamic banking industry, in terms of its market share and their amount.

(ii) Providing detailed analysis in relation to the understanding of various demographic compositions for three groups of account holders (conventional only, dual banking only, and sharia only);

(iii) Providing a detailed analysis as regards to the opinions of respondents in opting for sharia and local sharia banks, the level of understanding of respondents over several issues (knowledge of *Shari'ah* banking, the opinions of sharia banking, opinions on advertisements, and so on);

(iv) Providing a detailed analysis on the perception of respondents on Islamic bank advertisement, and the perception of respondents when entering *Shari'ah* banks;

(v) Providing the information, from the industry regulator itself, regarding the struggle of developing *Shari'ah* banks in Indonesia, as well as its development until present time.

Apart from these, the interviews analysed in this study also reveal several insights into other critical areas such as why *mudharabah* remains a difficult area for Islamic banks, the lesson behind prohibiting *Riba* without considering the consequences, and so on.

Furthermore, the secondary data related research also provides some insights into the developments and trends into *Shari'ah* banks over time, in terms of the numbers of Islamic bank accounts over time. This should also be considered as an updated contribution of this study.

Lastly, and importantly, each chapter should be considered as empirically oriented chapters. Instead of providing a descriptive literature review chapters on conceptual issues and previous empirical studies, this research constructed the literature review chapters according to the marketing mix developed and is proposed by this study. In other words, initially the proposed marketing mix strategy is conceptualised, and then each aspects of these strategy is examined and explored with the help of available body of knowledge in the literature. In other words, thus, literature review chapters are not necessarily follow the convention. For example, Chapter 2 aims at discusses marketing strategy proposal considered and relates to the Indonesian case. Chapter 3 discusses Islamic marketing concept, together with research methodological aspects. Similarly, Chapter 4 does not only provide a descriptive understanding of the Indonesian Islamic banking market, but also conducts an empirical analysis by identifying various dynamics affecting Islamic banking business in Indonesia. All these are reconsidered in chapter 6

through further discussion and contextualisation with the findings established in chapter 4. This research, thus, argues that having the foundational chapters as literature review-empirical mix should be considered as one of the strengths of this research.

1.6. METHODOLOGY

The research methodology of this research is inductive positivist statistical approach as it aims to measure the attitudes, opinions, and perceptions of the individual bank account holders. In addition, the research methods of this study are structured questionnaire and face to face unstructured interview, thus triangulation constitutes the research method of data collection and data analysis.

In general, this study relies on primary and secondary sources. For primary research, a questionnaire survey was conducted through an online system to measure the perceptions and opinions of the individual participants in relations to the banking and marketing aspects of banking. The sample consists of those individuals who possess *Shari'ah* bank accounts, conventional bank accounts, or both. In addition, in-depth interviews were conducted with the management of Islamic banks in gathering first hand data on their own marketing strategies as opposed to people's perceptions of the concerned banks' marketing strategies.

For secondary sources, various literature concerning Islamic banking, theories on marketing, conference papers, and internet material are utilised.

1.7. OVERVIEW OF THE RESEARCH

This research is divided into several chapters. This section will be devoted to briefly communicate the contents of the dissertation.

Chapter 2 presents the Indonesian retail banking market for which PEST analysis is utilised, as well as the elements of marketing strategy. As a starting point, PEST analysis tries to analyse the political, economic, social, and technological environment of the Indonesian market. Going further, A micro-environmental analysis is also included in the discussion. In this analysis, Porter's five forces analysis is utilised in order to show the competition in the market. This analysis is followed by the SWOT model, which explains

the current strengths, weaknesses, opportunities, and threats faced by the industry. Moving further, the internal environment analysis is presented, where two elements, namely resource and competence-related issues are exhibited. The former discusses human, financial, and physical resources while the latter discusses certain capabilities that must be possessed by companies in order to survive in a competition. Going forward, this chapter discusses elements of strategic marketing planning for Indonesian Islamic banking by identifying the components and dimensions of marketing strategy. In general, the section presents the steps in conducting a marketing strategy, which ranges from the statements of a mission and objectives until the deployment of service mix.

Chapter 3 opens a discussion regarding Islamic marketing as a concept through a normative understanding, which argues that Islamic teachings could be implemented into marketing paradigms and strategies. Furthermore, it is further argued that religion and marketing can blend together without any problems. This part also proposes the inclusion of *aqad* as a principle and as a new element of the marketing mix, and hence provides conceptual constituents of Islamic marketing. Moving further, this chapter also exhibits detailed analysis in relation to the research methodology.

Chapter 4 exhibits the initial empirical findings of the data obtained from both the questionnaire and the interviews are presented with the use of descriptive statistical analyses. In addition, it also presents the data analyses and the findings by using inferential statistical analysis. In this, the Islamic marketing perspective is considered as a guide as developed in Chapter 3, to provide further meaning to the results.

Chapter 5 presents an in depth analysis of the findings from the interviews. The interview was taken from Bank Indonesia, as well as 2 other Indonesian *Shari'ah* commercial banks.

Chapter 6 develops a discussion in relation to the proposed marketing strategies that could be implemented in the Indonesian Islamic banking industry. For instance, this chapter proposes the idea of a *Shari'ah* rating system. In terms of segmentation, the chapter also presents the segmentation in terms of banking affiliation. In general, the rest of the chapter deals with marketing strategies that could be implemented based on the

results obtained from the questionnaire. The sections covering STP (Segmentation, Targeting, and Positioning) are presented, which is followed by the issue of branding in relation to iB logo. The discussion presented in the chapter also relates the conceptual model with the empirical findings produced for various marketing mix issues. It should be noted that various proposals are presented in this chapter. For example, on product issue, the chapter discusses the issue from the perspective of product anatomy, while on pricing, the discussion of using non-pricing factor. On facilities and services, the importance of smoothening service process and the provision of Islamic physical environment and professional human resources can not be neglected. It should be mentioned that one emerging result (among others) is that certain demographic attributes have more chances to become *Shari'ah* bank's customers. Last but not least, the last part of this section presents the main conclusion and recommendations, as well as the direction for future research.

CHAPTER 2

A SURVEY OF INDONESIAN ISLAMIC RETAIL BANKING MARKET

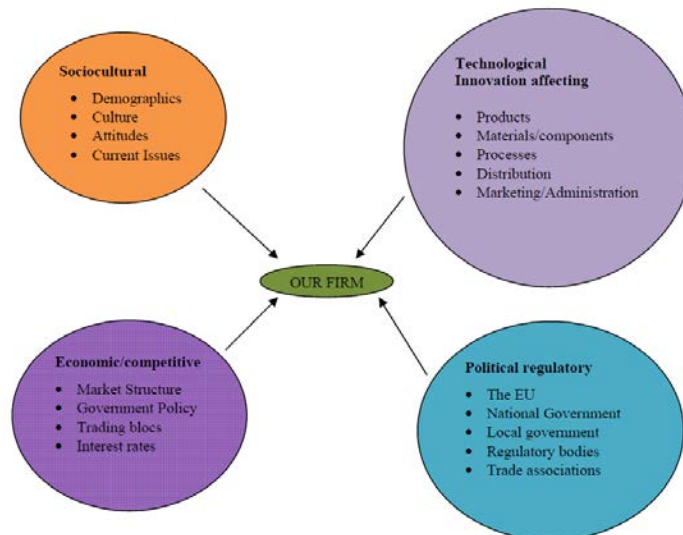
2. INTRODUCTION

Since this research aims to explore various aspects of Islamic retail banking in Indonesia in relation to marketing, this chapter focuses on presenting the case of Indonesian *Shari'ah* banking through both macro- and micro- environmental analyses as well as internal environment analysis (of the industry).

2.1. THE MACRO ENVIRONMENT

This section presents some elements within macro-environmental analysis of the Indonesia in order to locate the developments in Islamic finance in the country for a better understanding. The macro-environmental analyses include the socio cultural element, technological/innovation element, economic/competition element, and political/regulation environment (STEP) element, which is shown by figure 2.1. Each of these will be examined within the context of the Indonesian market.

Figure 2.1: Elements of the External Environment



Source: Brassington and Pettitt (2005:35)

Before continuing to discuss the identified elements of the macro-environment, table 2.1 presents some Indonesian key indicators.

Table 2.1: Some Key Indicators of Indonesia In 2012

Key Indicators	Amount
Total Population	237.6 million ¹
Population Growth	1.18% ²
Population Of Poor People	29.1 Million ³
Percentage Below Poverty Line	12% ³
GDP Per Capita (Indonesian Rupiah)	16.5 Million ⁴
Economic Growth	6.50%
Percentage Of Open Unemployment	6.3% ³
Inflation Rate	4.5% ⁵
¹ Based on the latest 2010 Census. ² Condition In August 2010 ³ Condition In March 2012 ⁴ 1 US \$ = 9615 Indonesian Rupiah. ⁵ As of June 2012	

Source: Indonesian Central Statistical Bureau (2012: 2)

2.1.1. Sociocultural Dynamics

As can be seen in table 2.1., demographically, Indonesia is a country with a very large population, which makes it the largest Muslim country in the world in terms of population. It should be noted that in Indonesia, "... 88% of the population is Muslim ..." (International Religious Freedom Report 2008, 2008)³. This is a significant number from a marketing perspective, especially in terms of marketing Islamic banking products.

Considering cross-cultural dynamics of management, Indonesians also have some dimensions, which need to be properly considered by marketers. Hofstede (2003) calls these 'Cultural Dimensions', which are a collection of several traits, namely 'Power Distance Index', 'Individualism', 'Masculinity', 'Uncertainty Avoidance Index', and 'Long Term Orientation'.

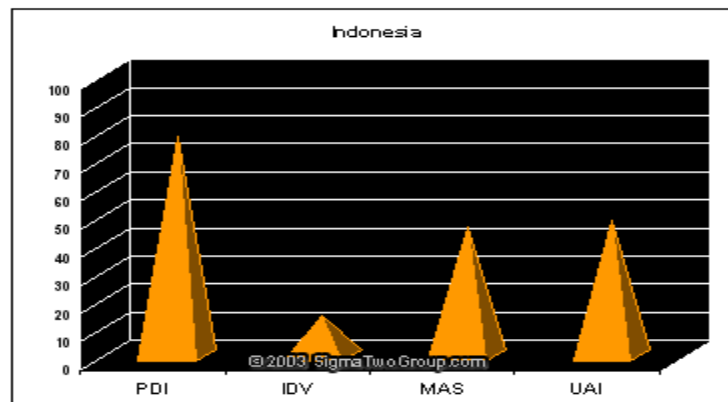
'Power Distance Index (PDI)' is "the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed

³The percentage was taken from the Indonesian Central Statistical Bureau's census which was done in 2000. The author tried to go to Indonesian Central Statistical Bureau's website and found nothing. The author assumed that the information concerning Indonesian Muslim population was taken from printed material.

unequally” (Hofstede, 2003). ‘Individualism’ simply means the level to which an individual is deeply connected with other people (Hofstede, 2003). ‘Masculinity’ means “the distribution of roles between the genders which another fundamental issue for any society to which a range of solutions are found” (Hofstede, 2003). ‘Uncertainty Avoidance Index (UAI)’ simply refers to the way people react to unpredictability and multiple meanings (Hofstede, 2003). Another dimension mentioned by Hofstede that is not shown in the diagram is ‘Long Term Orientation’, which refers to the values that are important in the years ahead (Hofstede, 2003).

All of these are unique, depending on which country these traits are applied to. For Indonesia, the results can be seen in figure 2.2 below, which clearly shows Indonesia’s cultural dimensions. Firstly, power distance in Indonesia is big implying the existence of inequality in the society. This inequality might be caused by strength or material abundance, according to Hofstede (2003). In the marketing sense, this power should be used in order to market Islamic banking products successfully. In other words, one needs a good ‘endorser’. This can be anyone from the president to famous Islamic scholars that often show themselves on the media, who can be used as role models in encouraging the use of Islamic banking products. Since PDI score is very high, it can be argued that marketers should find ways to promote the products to these people first.

Figure 2.2: The Cultural Dimensions of Indonesia



Source: Hofstede (2003)

The high PDI score, for example, could be used in choosing the right medium of communication. Apart from using the highly influential individuals, marketers can also use highly influential media or events in order to deliver this information, as, each market segment might enjoy certain magazines or watch certain programmes. These media can be used as the mediums to deliver appropriate messages to the intended market segments. Of course, the selected medium of communication should be in line with Islamic teachings.

As figure 2.2 shows, Indonesia has a low score on this matter which implies that Indonesian people are less individualist. In Hofstede's (2003) terms, Indonesia has a "...collectivist society". From a marketing perspective, this information can be used in order to determine which products are to be sold. Perhaps, products that benefit many people could be the solution. This might be an Islamic mortgage or a deposit with an Islamic insurance scheme.

As can be seen in figure 2.2, the MAS scores are relatively high in Indonesia. This means that men have relatively more roles than women. Although this is not entirely true, this information is still useful for marketers. In the context of Indonesia, product positioning on certain products could be aimed at men. For example, when communicating certain work insurances, Islamic banks could try to emphasize their importance, especially to those with families.

The figure 2.2 also shows that Indonesia scores relatively high in uncertainty avoidance, which represents an opportunity for Indonesian Islamic banks to persuade people to take Islamic banks since Islamic banks are not allowed to have excessive uncertainty (gharar).

Finally, though this does not appear in the figure 2.2, Islamic banks should also consider the notion of the long-term orientation of Indonesians. In Islam, Muslims believe in eternal physical life in the hereafter and every deed will be compensated accordingly - no matter how small. To Islamic banks, this can be used as a point in order to persuade people to take Islamic banking products. The banks could persuade Indonesian Muslims that entrusting Islamic banks to all their financial matters is a way of showing obedience towards Islam since Islam prohibits the practice of interest (riba). Apart from that, Islamic

banks should also emphasize the need for long-term security. Therefore, Islamic banks should also be more proactive in developing and delivering more financial products which are long-term based.

2.1.2. Technology/Innovation

In terms of technology adoption, Indonesia is not far behind other countries. This, among other things, can be seen by the amount of both internet subscribers and users since 1998, which is shown in table 2.2⁴.

Table 2.2: Official Estimates on Indonesian Internet Subscribers and Users

Year	Users
1998	500,000
1999	1 Million
2000	1.9 Million
2001	4.2 Million
2002	4.5 Million
2003	8 Million
2004	11.2 Million
2005	16 Million
2006	20 Million
2007	20 Million
2008	25 Million
2009	30 Million
2010	42 Million
2011	55 Million
2012	63 Million
2013	82 Million
2014	107 Million
2015	139 Million

Source: Indonesian Internet Service Provider Association (n.d)

In relation to technology, a new project called ‘Palapa Ring’ should be mentioned, which aims to provide optical cable in all parts of Indonesia so that all Indonesians can enjoy broadband internet (Yuliasuti, 2007).

Such developments should be considered as positive for Indonesian Islamic banks, as they could utilise technology to deliver their service via internet banking, for instance.

⁴ The numbers shown are in real terms. Therefore in 2000, for instance, of all Indonesian people, there are 1,900,000 internet users. Furthermore, the numbers are taken from the association’s website and are recreated in excel.

These technological advancements could also provide opportunities for Islamic banks to explore new media for which to communicate with their customers.

2.1.3. Economy/Competition

In terms of the economy, as far as marketing in the Indonesian market is concerned, the key indicators shown in table 2.1 indicate that there is room for Islamic banks to expand their businesses. The size of the population is certainly the main economic concern. The challenge lies in the fact that unemployment is still high. Therefore, Islamic banks in Indonesia should develop creative programs in order to boost the real economic sector. Indonesian Islamic banks should channel their entire corporate social responsibility fund to all sectors, which are related to poverty alleviation. One of these is the education sector.

2.1.4. Politics/Regulation

After the collapse of Suharto's regime (Indonesia's 2nd president) in 1998, Indonesia moved into democratic era. According to United Nations Development Programme (2008), "Since its transition to democracy almost a decade ago, Indonesia has conducted two successful, free and fair general elections in 1999 and 2004."

The Indonesian government also negotiated a successful peace agreement with the Acehese rebels who had been trying to separate from Indonesia for thirty years (Kaisiepo, 2006).

From a legislative perspective, it should be noted that the Indonesian parliament also enacted the first act concerning Islamic Banking on June 2008 (Agung, 2008), which served as a catalyst for the further development of the Indonesian Islamic banking business in particular and the Indonesian Islamic financial industry in general (Agung, 2008).

It should be noted that there are no serious political threats that might hinder the development of Indonesian Islamic banking business.

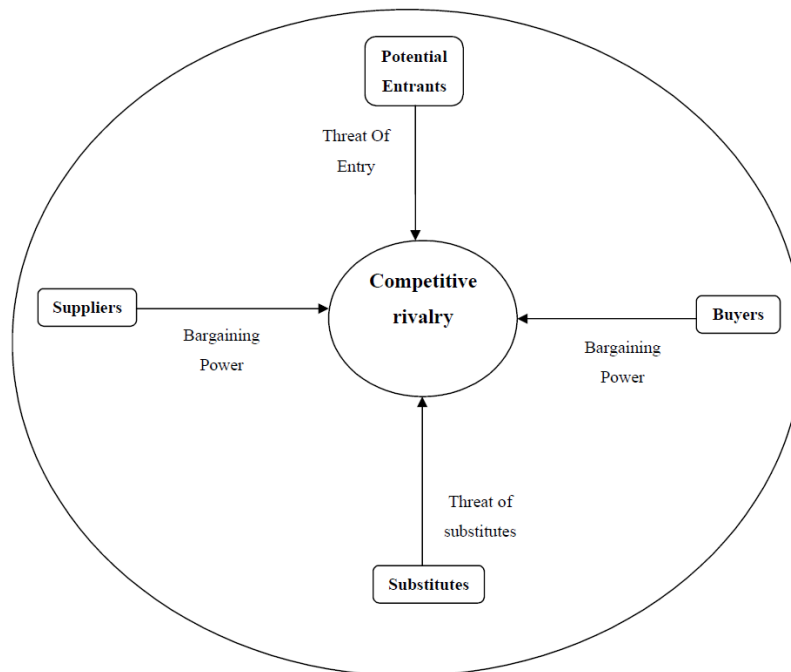
2.2. THE MICRO ENVIRONMENT

After discussing the macro-environmental issues, this section discusses the micro-environmental matters concerning Porter's 5 forces and the SWOT analysis in relation to Islamic retail banking marketing.

2.2.1. Porter's 5 Forces Analysis

The Porter's 5 forces model is used to analyse whether an industry is promising enough to be entered (Johnson *et al.*, 2008:59). As one can see from figure 2.3, an assessment of potential entrants, the bargaining power of both buyers and suppliers, plus the likely threats from suppliers, are necessary considerations before one decides to enter an industry.

Figure 2.3: Porter's 5 Forces



Source: Johnson *et al.* (2008:60)

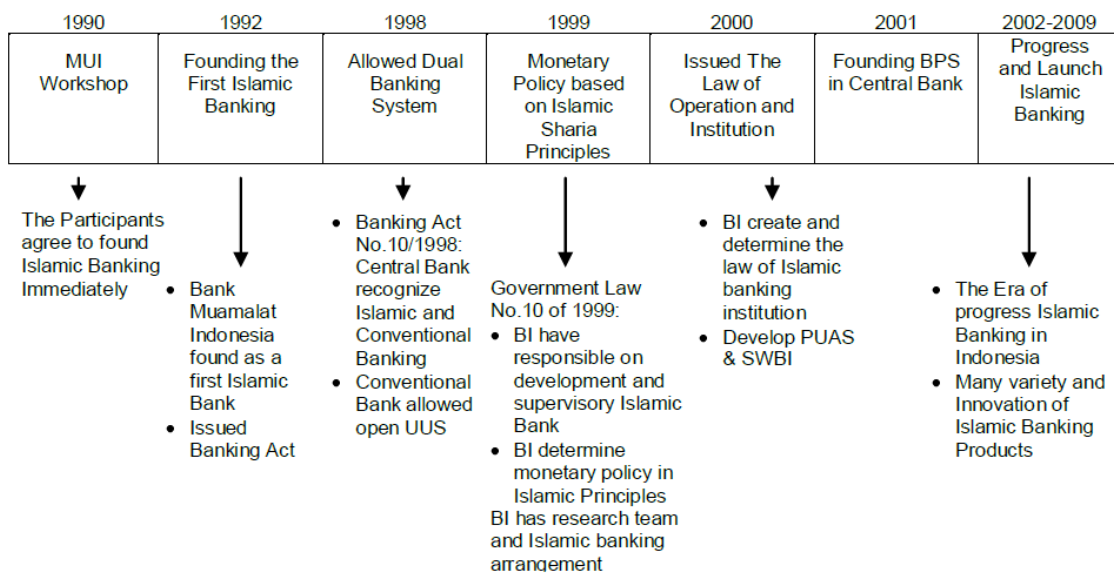
2.2.1.1. Threat of entry

According to Johnson *et al* (2008:61), there are several factors that play role in determining the degree of difficulty in competing in a particular industry. Johnson *et al* (2008:61) also mentions factors like "Scale and Experience, "Access to supply or

distribution channels”, “Expected retaliation”, “Government legislation”, and “differentiation”.

It can be argued that the issue of entry is related to the clarity of rules. Therefore, the entry process could be made easier if an appropriate legal infrastructure, among others, exists. On the issue of government legislation, it could be said that Indonesia has experienced several changes in order to accommodate its Islamic banking industry. Figure 2.4 shows the development of regulations which try to accommodate the industry, among others:

Figure 2.4: Evolution of Indonesian Islamic Banking Industry



Source: Hasbi and Haruman (2011:61)⁵⁶

Bank Muamalat Indonesia was the first Islamic bank established in the country. As figure 2.4. shows, Hasbi and Haruman (2011:61) state in the figure above that Bank Muamalat

⁵The statement “Government Law No 10 of 1999” is supposed to be “Act No. 23 of 1999” regarding Central Bank. The author decided to make this footnote after consulting the book of Sudarsono (2003:34), looking at the website of Indonesian Central Bank, and goggling to find out the so-called “Government Law No 10 of 1999”. As a result, the author concluded that “Government Law No 10 of 1999” does not exist.

⁶ PUAS, in english equivalent, stands for Sharia Interbank Money Market. SWBI, in english equivalent, stands for Central Bank Wadiah Certificate.

Indonesia was established after a workshop conducted by MUI⁷. Rivai *et al* (2007:733) also stated that in 1992, a new banking act which recognized the practice of dual banking system came into force. In 1998, a new banking act was enacted, namely Act no.10 of 1998, which provided more opportunities to develop the Islamic banking industry more comprehensively (Rivai *et al.*, 2007:733).

Furthermore, to ensure better governance in the industry, the new Central Bank Act (Act No.23 of 1999) gave the Central Bank the authority to govern the development of Islamic banks in Indonesia (Rivai *et al.*, 2007:742). Since then, many Islamic banking businesses have been established as either commercial or Islamic banking units of many conventional banks. According to the statistics shown in table 2.3, as per 2011, Indonesia has 11 commercial banks, 24 Islamic banking units, and 155 Islamic rural banks.

On 16th July 2008, Act no. 21 year 2008 regarding Shari'ah bank was passed (Indonesian Central Bank, 2009: vi). Through this act, Islamic banks in Indonesia received a strong legal basis for which to conduct business in Indonesia (Ismal, 2008).

The amount of experience should also be considered when entering the industry (Johnson *et al.*, 2008: 61). The older and the more experienced the competitors, the more difficult and expensive it is to enter the market (Johnson *et al.*, 2008:61). However, prompt action should be emphasized. This means that any prospective new entrants should decide, within an adequate time frame, on whether to enter or not to cancel their plans to open Islamic banks in Indonesia.

⁷ "MUI" stands for "Majelis Ulama Indonesia" or the "Indonesian Council Of Ulema".

Table 2.3: Indonesian Islamic Commercial Banks, Islamic Banking Units, and Islamic Rural Banks 2008 – 2011

Types Of Bank	2008	2009	Dec -10	Dec-11
Islamic Commercial Bank	5	6	11	11
Islamic Banking Unit	27	25	23	24
Islamic Rural Bank	131	138	150	155

Source: Indonesian Central Bank (2012:126)

From a strategic perspective, there are still a lot of rooms to compete within the Indonesian Islamic banking industry, despite the numbers shown in table 2.3. This is because, among other things, the market share of Indonesian Islamic banks is still very low compared to those of conventional banks. This situation is described in table 2.4 below. Based on the information on table 2.3 and 2.4, it seems that the amount of Islamic banks in Indonesian might contribute to their market share in Indonesia. However, it could be said that distribution is only one contributing problems. Based on both secondary and primary findings, one could see that the industry still faces many challenges, such as human resources, pricing, and so on.

Table 2.4: Market Share of Islamic Banks in Indonesian Banking Industry (in billion rupiahs)

	2008	2009	2010	Dec-11
Market Share	2.14%	2.72%	3.24%	4.19%

Source: Indonesian Central Bank (2012:127)

It is also crucial to observe the market share comparison between Indonesia and selected south East Asian countries and between Indonesia and selected Gulf countries. This way, the relative position of Indonesia, compared to other nations, can be seen clearly. Table 2.5 shows the Indonesian Islamic banking market share relative to the Islamic banking share in selected ASEAN countries. As the table shows the Indonesian Islamic banking industry is relatively smaller than Malaysia and Brunei. However it should be stated that the Indonesian government has a lot of work in increasing the Islamic banking market share in Indonesia.

Moreover, looking at the market share of several Gulf States, one can argue that their Islamic banking penetration rate is rather high compared to that of Indonesia. One vivid

lesson to learn from this is the fact that the size of the Muslim population does not guarantee smooth market penetration. Saudi Arabia, with slightly over 97% Muslim population, only enjoys 15.9% of the market share. Qatar experiences a similar phenomenon, with slightly over 77% Muslim population yet with only 19% of the market share. Based on the percentage between the Muslim population and Islamic bank market share shown by table 2.5, reliance on only the Muslim market is another way of simplifying the problem of market penetration. However, other factors might play in the low penetration of Islamic bank. Marketing may be one of them.

Table 2.5: Islamic Banking Market Share Comparison

Country	Market Share Of Islamic Bank	Percentage Of Muslim Population (As Of 2010)
Saudi Arabia	15.9% ¹	97.1% ⁵
Bahrain	10.9% ¹	81.2% ⁵
Kuwait	34.3% ¹	86.4% ⁵
Qatar	19% ¹	77.5% ⁵
UAE	14% ¹	76% ⁵
Malaysia	24.2% (As of July 2012) ²	61.4% ⁵
Brunei Darussalam	40% ³	51.9% ⁵
Indonesia	4.36% ⁴	88.1% ⁵
¹ Zawya (2012) ² Reuters (2012) ³ The Brunei Times (2012) ⁴ Indonesian Central Bank (2012:128) ⁵ The PEW Forum On Religion & Public Life (2011)		

Source: Zawya (2012); Reuters (2012), The Brunei Times (2012); Indonesian Central Bank (2012), The PEW Forum On Religion & Public Life (2011)

Another point to consider is access to supply, which implies the number of Islamic banks already available in the market. As for the Indonesian market, one can see that there are already 11 Islamic commercial banks so far. However, table 2.5 above shows that the market share of Islamic bank in Indonesia is only 4.36 percent. This information, among others, shows a strong indication that there are opportunities for new entrants to compete in other parts of Indonesia. As for competition, since all Islamic banks do not operate in all parts of Indonesia, new entrants can still target prospective customers in other geographical areas of Indonesia which are less covered by existing Islamic banks.

It should be noted that the presence of new Islamic banking laws could give prospective investors clear rules of the game. However, decisions should be made quickly so that new entrants do not lose momentum.

2.2.1.2. Bargaining power of suppliers

Johnson *et al* (2008:63) state that “Suppliers are those who supply the organisation with what it needs to produce the product or service”.

There is no detailed information on how many suppliers supply operational equipment to Islamic banks. Ennew and Waite (2007:80) stated that “Powerful suppliers can force up the prices paid by an organization for its inputs, and thus reduce profitability”.

Therefore, the success depends on the amount of suppliers in the market. Free competition among suppliers will benefit Islamic banks. However, the opposite will happen if the market for office supplies is either oligopolistic or monopolistic. At the moment, it can only be assumed that suppliers are abundant.

Another type of supply which Islamic banks need to pay attention to is the availability of human resources. It can be said that the availability of human resources might support the development of this industry. For that, Islamic banks should cooperate with educational institutions in order to make a program which is more practical and suitable for utilization in the Islamic banking industry. In general, it can be said that the bargaining power of suppliers is rather low due to their abundance.

2.2.1.3. Bargaining power of buyers

Common sense dictates that no companies can exist without customers buying their products. Thus, Johnson *et al* (2008:62-63) argue that buyers can have high bargaining powers provided that they are few in numbers, that the switching costs to other companies is inexpensive, and that the buyers pose challenges to the competition.

If one looks at the Indonesian Islamic banking industry, their bargaining power is still in favour of Islamic banks since there are still a lot of untapped potential among those people who own conventional bank accounts. Indonesian Islamic banks still have a lot of room for expansion, just in case the customers close their accounts. Thus, arguably, the

bargaining position of customers is still low since the Islamic banks' switching costs are not expensive at the moment⁸. As a proof, according to the report by Indonesian Central Bank (2008a: 31), there are 90 million accounts in conventional banks compared with 2.8 million accounts in Islamic banks⁹.

Strategically, this means that the Islamic banking industry has 90 million prospective people to acquire as new customers, 2.8 million people to keep so that they do not move to conventional banks again, and more than 100 million prospective people to be taken in as new account holders¹⁰. Since the number of account holders is high, there are not many bargains that customers can get. As more competitors get in and more product developments are introduced, the favour will swing more towards the customers.

However, when one discusses switching costs, it seems that the favour is still with the customers. Certainly, it is not very difficult to switch from one Islamic bank to another. One can easily abandon one's account without even filling in paperwork. This is especially true for the coming future, since there would be many more Islamic banks commencing operation in Indonesia.

It could be argued that it is unlikely for depositors find another way to deposit their money without using banks. Though their wealth may be invested, some money needs to be stored in a bank. At least the money needed for daily activities, such as buying houses or cars can also be done without the involvement of banks, provided that the transactions are paid in cash. However, this is rarely the case. Most people buy cars or houses through credit facilities. Thus, one can assume that the customers do not pose threats to the banks.

⁸One could approve the statement, if the analysis is only based on the amount of people that do not have Islamic bank accounts. In reality, certainly any bank will try very hard to keep its existing customers. However, looking solely at the numbers that do not have Islamic bank accounts, one could argue that in general customers' power is still low.

⁹Certainly, there are people who possess both Islamic and conventional accounts. So far, the author has not got such figures. Thus, one could assume that those who possess conventional bank accounts do not possess Islamic bank accounts and vice versa.

¹⁰For the purpose of this study, this paper is only focusing on those who have bank accounts. The 100 million people is, among others, assumed to be financially inadequate to open one or they are not yet in a life stage whereby opening an account is necessary (these people include babies, primary, secondary, or senior high school).

2.2.1.4. Threat of substitutes

According to Ennew and Waite (2007:81), the availability of nearly identical substitutes will provide people with more options to satisfy their problems.

Ennew and Waite (2007:81) stated that substitutes are rare in the financial industry. The banks have no competitors in terms of a place for saving money. However, in terms of opportunity costs, customers might shift their money to other forms of investment. Despite this, some money still needs to be allocated in savings accounts for daily needs. In terms of getting a loan, one can still find substitutes for banks. In the case of Indonesia, these are pawnshops and loan sharks¹¹. Nevertheless, in general one can say that there are no real substitutes for banks.

2.2.1.5. Competitive rivalry

According to Johnson *et al* (2008:64), “Competitive rivals are organisations with similar products and services aimed at the same customer group ...”. From an industry perspective, competitive rivals are those from similar industries which target the same customer groups. Thus, one could argue that conventional banks are similar banks which target the majority of customer groups as Islamic banks¹².

Johnson *et al* (2008:64) further state that the amount of competitors, the industry’s development rate, the degree of fixed costs, the cost of exit, and the degree of uniqueness are several things that need to be considered when discussing competitive rivals.

The size of the Indonesian Islamic banking industry, compared to that of Indonesian conventional banking industry is obvious. One parameter, among others, is the number of

¹¹In big Islamic festivities, Indonesian Muslims have some money to spend. These range from a shirt to a train ticket. When they are really in need, they go to the nearest pawnshop to swap their valuables with certain amount of money. Later, when their money is enough, they will redeem their valuables. In Islam, the practice is called Rahn (Pawning). In Indonesia, both conventional and Sharia pawnshops exist. Loan sharks, however, are used by some farmers in Indonesia. Prior to waiting for harvest time, some farmers need some money to spend. Since most of them are not bankable and are not interested in banks’ complicated paperwork, they turn their attention to loan sharks. The farmers will repay the loan sharks in harvest time. However, in general one could say that pawnshops and loan sharks only deal with borrowing money. There are too many things that those institutions can not do, in comparison with banks.

¹²The author used the word ‘Majority’ since not all business could be financed by the Indonesian Islamic banks. Indonesian Islamic banks are not allowed to finance alcohol industry, pornography, and tobacco (among others). These types of businesses are not allowed by Islamic teachings.

conventional account holders compared to those of Islamic banks. However, there is one interesting fact that cannot be matched by conventional banks, no matter how good they are in doing business. This is the prohibition of 'interest'. It can be argued that the prohibition of interest is obviously one factor that can boost the development of the Islamic banking industry in Indonesia. It is just a matter of time before Indonesian Muslims realize that¹³. Furthermore, the Islamic banking industry's growth rate is significant. According to Zuhdi (2008), since 1992 the Islamic banking industry in Indonesia has enjoyed a 60% average growth rate.

Furthermore, fixed costs need to be considered in competitive rivalry, as the commercial banking industry is, arguably, one with high fixed costs. These costs range from an employee's salary to the maintenance cost of all branches. This is a challenge for commercial banks, since it is difficult to utilize their staff's capacity. Therefore, the technological assessment in STEP analysis is useful in order to know the likely implementation of state of the art technology to back the banks' operations.

Moreover, Johnson *et al* (2008:64) state that leaving a business might be very difficult due to the fact that, for instance, some possessions are unable to be sold. In terms of Indonesian Islamic banks, it is challenging to explain the experience of bankruptcy since none of the banks have experienced it so far.

However, the new Islamic banking act (Undang Undang Republik Indonesia No. 21 tahun 2008) covers actions that must be taken by the Indonesian Central Bank in case an Islamic bank in Indonesia experiences difficulties, which could jeopardize its business (Sinar Grafika, 2008:39-40).

Johnson *et al* (2008:64) points out that whereby uniqueness is unclear, the degree of competition is intense since the only uniqueness to notice is the price.

¹³The author used the word 'Realize' because Interest is known to be prohibited in Islam. However, not many people realize it. People know and realize that alcohol, pork, and fornication are prohibited in Islam. Thus, the author argued that the industry that sells either of them will never sell well in Indonesia. Interestingly, those people who do not drink alcohol, do not eat pork, and do not commit fornication still think that interest is allowed. The lesson concerning the prohibition of interest is clearly given at school, thus it is unlikely that the majority of people who studied at school do not know the prohibition of interest. The only problem lies in their awareness.

2.2.2. Industry Structure Analysis

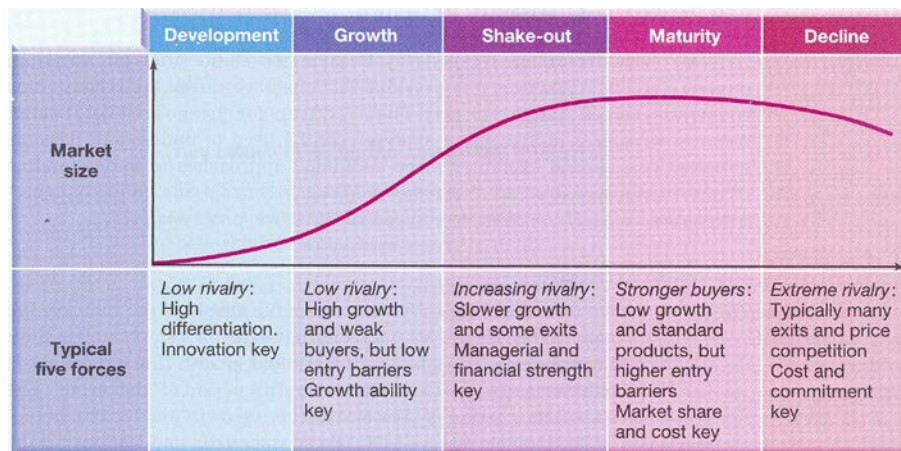
Porter’s 5 forces analyses can help to develop an understanding of the Indonesian Islamic banking industry at present. However, Johnson *et al* (2008:67) “... raised the issue of how competitive forces change *over time*”. Therefore, Johnson *et al* (2008:67) stated that there are “... three additional approaches to understanding change in industry structure: the industry *life-cycle* concept; the notion of *hypercompetitive cycles of competition*; and *comparative five forces analyses*”.

2.2.2.1. Industry life cycle

The industry life cycle, shown on figure 2.5, is basically a life cycle concept of an industry from its birth until its decline. Each phase in the life cycle is marked by characteristics within the five forces. As one can see from the figure 2.5, any industry will go through 5 life cycles during its existence.

The ‘development’ cycle is marked by little competition and the product’s high uniqueness (Johnson *et al.*, 2008:68). Further, Johnson *et al.* (2008: 68) state that all of the elements of the five forces are not very strong and companies might experience low returns due to huge outlay.

Figure 2.5: Industry Life Cycle



Source: Johnson *et al* (2008:68)

According to Johnson *et al.* (2008:68), in the ‘growth’ stage the degree of competition is still small since there are many rooms for all entrants. In addition, Johnson *et al*

(2008:68) states that “... barriers to entry may be low, as existing competitors have not built up much scale, experience or customer loyalty.”

Johnson *et al.* (2008:68) state that, in the ‘shake-out’ stage, the survival of the fittest will dictate the market, since the rate of industry development is decreasing.

Johnson *et al.* (2008:68) points out that, as soon as the industry reaches ‘maturity’, the difficulties in entering the market are very high since industry players have established sound logistics, have experienced low operational costs, and have acquired significant knowledge concerning competition. Further, Johnson *et al.* (2008:68) also state that products tend to be identical and switching costs is very low for the customers since there are plenty of companies in the market.

Finally, Johnson *et al.* (2008:68) points out that, in ‘decline’ stage, competition is heightened, especially when the price of quitting is big.

After looking at each step in the life cycle concept, it can be seen that the Indonesian Islamic banking industry has already experienced two stages, namely ‘development’ and ‘growth’. The description of the ‘development’ phase is consistent with what happened to Indonesian Islamic banking industry in 1992. At that time, there was no specific act on Islamic banks other than Act No. 7/1992 concerning banking, which recognized the practice of profit sharing (Rivai *et al.*, 2007:741). Furthermore, BMI was the only Islamic commercial bank available in Indonesia back then (Rivai *et al.*, 2007:743). This situation lasted for about 6 years. In 1998, Indonesian Islamic banking industry entered the ‘growth’ stage in the industry life cycle.

In this stage, consistent to what Johnson *et al.* (2008:68) states, there are only 11 commercial banks at the moment. Three of them have been in the market for ten years or more. The rest could still be considered as new entrants. Nevertheless, the opportunity is still wide open for these Islamic banks and any other parties that would like to open Islamic commercial banks in Indonesia. A report published by the Indonesian central bank clearly show that, geographically, not all parts in Indonesia are covered well.

How the competition looks like is something that one will witness in the future. However, one can try to predict the level of competition based on the current situation. To make the predictions simple, it is better to look from figure 2.6.

Socioculturally, one can gain some insights concerning the demography of Indonesia and analyse the Indonesian people based on Hofstede's cultural dimensions. Technologically, one knows that, currently, the Indonesian Government is working on a massive infrastructure project in order to spread the utilisation of broadband Internet in all parts of Indonesia. Economically, the Indonesian economy is still steady with a reasonable inflation rate. Fortunately, Indonesia is also politically stable. Above all, the Indonesian parliament passed the new Islamic banking act which could spur the development of Islamic banking industry.

As for the analysis based on Porter's 5 forces analysis for the Indonesian Islamic retail banking, first, in general the threats of entry are still low but over time they are predicted to increase. The key things to drive stiff competition are arguably the number of players that are currently entered in the market, geographical areas that are not well developed by incumbents, and the new Islamic banking act that will provide sound legality.

In terms of the suppliers' bargaining power, the number of suppliers that supply office related materials are sufficient. Thus, Islamic banks are assumed to be in a pretty good condition for making good bargains to drive costs down, since there are a lot of suppliers to look at.

It should be noted that at the moment Islamic banks do have some bargaining power over customers since there are not many Islamic banks at the moment. Over time, arguably, the situation will be likely to change as more new entrants compete in the market. Thus, over time, the bargaining power of customers will increase while the opposite will be true of Islamic banks.

As for substitutes, the only issue worth considering is paying more attention towards better financial access to banks so that loan shark practices may be eliminated. Thus, one can say that the industry will be attractive in the long run.

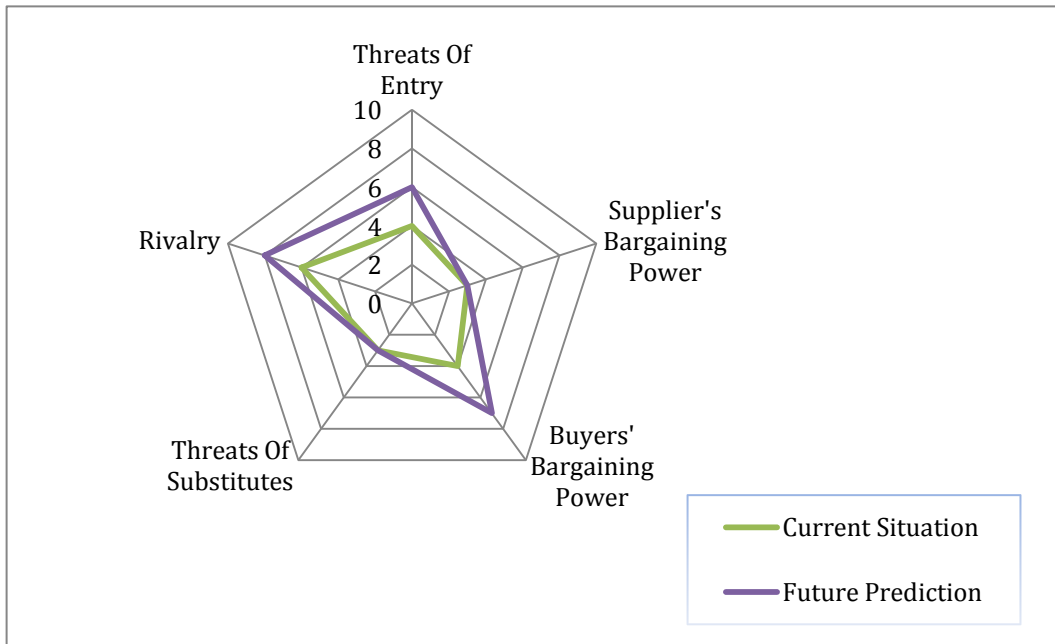
Finally, one might see intense rivalry within the Indonesian banking industry. The first is between Islamic banks and conventional banks. The second is rivalry among Islamic banks. However, in the long run, the competition between Islamic and conventional banks will relax while that among Islamic banks will get more intense.

2.2.2.2. Comparative industry structure analyses

In order to get a better picture of the analyses conducted so far, this part shows the current situation of the Indonesian Islamic banking industry and its future predictions. This can be done by utilising a radar plot, as shown in figure 2.6, which depicts two radar plots. The first one in green shows the present situation while the second radar in purple shows the future predictions of the five forces. In order to create the radar plot, a valuation scale ranging from 1 (lowest) to 10 (highest) is established. Each force was valued based on the information given before¹⁴.

¹⁴The valuation is a subjective matter. However, the valuation will allow us to see what is going on in the future. At least one could see the forces which are worth to be noted in the future.

Figure 2.6: Comparative Industry Structure Analyses Of Indonesian Islamic Banking Industry



Source: Arham (2008:52)

‘Threats of entry’ is valued at 4 points since, currently, the threats are low. However, it is predicted that the ‘threats of entry’ will get more serious as many new entrants join; and therefore 6 points is given. This is due to the fact that at least within the medium term, there will not be many Islamic commercial banks that commence business in Indonesia¹⁵.

As for the value of ‘supplier bargaining power’, it stays still, as there will be a lot of suppliers for office equipment and also an abundance of human resource supplies from both fresh graduate students and the employees of conventional banks. Thus, the value stays the same.

When it comes to ‘buyer’s bargaining power’, customers at the moment do not get many bargaining positions since there are not many Islamic banks around, and hence 4 points is

¹⁵It is true that Islamic banking is drawing much attention in Indonesia and many other countries. However, there are many things to be done prior to opening one. Technically speaking, the prospective investors might want to conduct thorough negotiations with Indonesian government. This will take some time. Also, prospective investors might also want to conduct serious marketing analyses. It is doubtful that everything can be done in a year, unless the prospective investors are ambitious.

given. However, as competition increases and more new products are introduced, customers get many more options in terms of bargaining power. Also, it is very easy to switch from one bank to another since no paperwork is necessary. All the customers are able to abandon current bank accounts. In the future, however, customers will have more power, and therefore 7 points are given.

As for ‘threats of substitute’, it is not something to worry about since one cannot predict a very good substitute for banks. Investment strategies might change. However, people will still go to banks to save their money. Based on that, nothing will be changed on the radar plot.

At the moment, ‘rivalry’ is already high. This, arguably, is a rivalry between Islamic and conventional banks and rivalry among Islamic banks. Therefore, 6 points are given for the current situation. In the future, it can be argued that rivalry will get more intense. As more Islamic banks enter the market with a variety of products, customers may permanently abandon their conventional bank accounts¹⁶. Therefore, 8 points are given to this in the radar plot.

2.2.2.3. Competitive cycles and hypercompetition

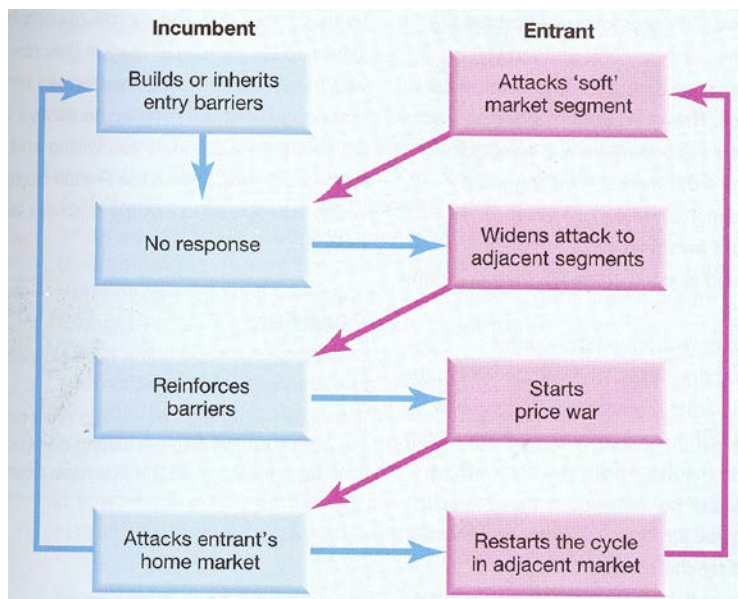
So far, this chapter has discussed the current forces at play in the Indonesian Islamic banking industry. Through the radar plot in figure 2.6, one can also deduce that the likely forces that play important roles in the coming future. The predictions may or may not be true. However, at least one can comprehend what is going on in the Indonesian Islamic banking industry.

According to Johnson *et al* (2008:69), “Competitors constantly interact in terms of competitive moves: prices cuts are matched and innovations imitated. These consequences ... are called *cycles of competition*”. Furthermore, the concept is represented by figure 2.7.

¹⁶Customers might abandon their conventional bank accounts. However, it should be noted that they still be able to have multiple Islamic bank accounts.

As can be seen from the figure 2.7, one can see that new entrants will try to attack market segments, which are not occupied by incumbents (Johnson *et al.*, 2008:71). In the Indonesian context, this might be the remaining three islands, namely Kalimantan, Sulawesi, and Papua. If opponents show no response, then new entrants might attack the market segments, which are close to those of the incumbents (Johnson *et al.*, 2008:71). When this happens, opponents may adjust entry barriers in order to make it difficult for new entrants (Johnson *et al.*, 2008:71). Seeing this, newcomers may retaliate by initiating a price adjustment (Johnson *et al.*, 2008:71). As competition increases, the opponents will attack the newcomers' home market and hoped that new players can quit the competition (Johnson *et al.*, 2008:71).

Figure 2.7: Cycles of Competition



Source: Johnson *et al.* (2008:69)

Overall, such a scenario might occur in the Indonesian market in the future. However, it all depends on the eagerness of the Indonesian people to accept and trust Islamic banks to manage the customers' financial matters.

2.2.3. SWOT Analyses

The STEP analysis and the Porter's 5 forces discussed above provide some contents concerning the possible strengths, weaknesses, opportunities, and threats of the Indonesian Islamic banking industry. Table 2.8 provides a summary of the likely strengths, weakness, opportunities, and threats of retail Islamic banking in Indonesia. Each component of SWOT analysis is discussed and contextualised as follows:

2.2.3.1. Strengths

One of the strengths in the Indonesian Islamic banking industry is the availability of a legal infrastructure. As discussed previously, the Indonesian parliament already passed the Islamic banking act in 2008 (Indonesian Central Bank, 2009: vi). This is arguably a bold step towards developing a sound Islamic banking industry in Indonesia.

Furthermore, it is argued that the characteristics of Islamic banking practices lie within its strict banking practice. This can be seen from the elimination of everything disallowed by Islam (Antonio, 2000:198). Additionally, a strict adherence to Islamic teachings can also be applied to the Islamic bank's marketing practice. Therefore, from marketing perspectives, one can argue that an adherence to Islamic law forms the uniqueness of marketing Islamic banking products.

According to the Indonesian Central Bank (2011:1), the Indonesian Islamic banking industry has grown by 47.6 percent in 2010 while conventional banking has only grown by 18.7% in 2010. It can, therefore, be stated that the Islamic banking business is more promising than its conventional counterpart.

Last but not least, the Indonesian Islamic banking industry is also supported by other Islamic financial institutions, such as Islamic insurance, Islamic pawning, and so on. It can be argued that the development of these industries could strengthen the business performance of Indonesian Islamic banks. For example, Indonesian Islamic banking industries could cooperate with Indonesian Islamic insurance. In this cooperation, Islamic banks could sell their products together with an insurance cover, whereby customers would automatically be covered should they get an accident.

2.2.3.2. Weaknesses

One challenges in the Indonesian Islamic banking industry concerns with human capital (Siregar and Ilyas, 2000:191). Based on several sources, it can be said that human resources is a rather serious problem in this industry, both quantity and quality-wise. Quality-wise, the amount of universities and colleges are still unable to supply human resources qualified to work in Islamic banks (REPUBLIKA, 2010c). Furthermore, the amount of colleges and universities are still unable to meet the demand needed by the industry (REPUBLIKA, 2010c). This situation is worsening if one looks at the fact that the Islamic banking industry is not the only industry within the context of an Islamic economy. Within an Islamic economy, there are other institutions (for instance Islamic Insurance, Islamic Stock Market, and Islamic Commodity Market), which need a lot of human resources as well. Although Islamic banks can obtain resources from conventional banks, one could argue that such practice would not solve the problem over longer periods. This is due to the difference between the conventional banking culture and the Islamic banking culture.

Another weakness currently faced by the Indonesian Islamic banking industry is slow product development (Maradona, 2011). Again, the quality of human resources plays a vital role in the slow process of product innovation (Harja, 2011). As a result, Islamic banks should allocate additional budget in order to conduct workshops or training on product innovation (Harja, 2011) and human resources and skills developments.

2.2.3.3. Opportunities

Apart from the strengths and weaknesses, the Indonesian Islamic banking industry also faces several opportunities. These opportunities, if utilized well, will arguably become strengths. One opportunity to consider is the fact that Indonesia is a country with the biggest Muslim population in the world (Armandhanu, 2011). Therefore, this situation can be utilized well if Indonesian Islamic banks are able to educate Indonesian Muslims regarding the importance of depositing their money in Islamic banks in order to stay away from bank interest.

Furthermore, it can also be argued that Indonesian governments could utilize surplus revenue from countries in the GCC countries as an opportunity for Islamic bank investment in Indonesia. Some of the 100 billion surplus revenue in the GCC countries (Harto, 2010) could be invested in Indonesia, if the Indonesian government provides a positive investment climate, especially from a political perspective.

Another opportunity comes for students, as the Indonesian Islamic banks are progressing with their business every year. At the same time, the Indonesian Central Bank (2011: 24) also recorded a development in the human resource supply of almost 38% in 2010. The real number of workers who have worked in the Indonesian Islamic banking industry as of September 2010 is displayed on table 2.6:

Table 2.6: Number Of Worker In Indonesian Islamic Banking Industry

	2005	2006	2007	2008	2009	2009				2010								
						Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Bank Umum Syariah (<i>Islamic Commercial Bank</i>)	3,523	3,913	4,311	6,609	10,348	9,275	9,587	9,880	10,348	10,304	10,840	11,082	11,919	12,439	13,349	13,594	13,829	13,828
Unit Usaha Syariah (<i>Islamic Business Unit</i>)	1,436	1,797	2,266	2,562	2,296	2,179	2,232	2,250	2,296	2,365	2,354	2,439	2,469	2,273	1,615	1,717	1,750	1,752

Source: Indonesian Central Bank (2010b:5)

As can be seen in table 2.6, the number of workers has been increasing over time. Therefore, there are a lot of opportunities for students from related backgrounds to pursue a career in the Islamic banking industry.

Lastly, it is said that past economic crises could be used as a ‘Blessing in Disguise’ in order to show the resiliency of Islamic banks. According to Rachman (2011), Muamalat Bank can be used as a living proof when it comes to resiliency in times of crises. At the time, Muamalat Bank did not receive a bailout fund from the Indonesian government (Rachman, 2011), in order to sustain the bank’s existence.

Based on the discussion, hence, it could be stated that Indonesian Islamic banking industry should be optimistic with the bright prospects of the Islamic banking business.

2.2.3.4. Threats

One of the threats, especially in the Indonesian Islamic banking industry, is the low acceptance that the public have towards the industry (Badrun, 2008). Public education is equally important so that Islamic banks can be publicly accepted, as many people still think that Islamic bank cannot be trusted (Badrun, 2008). Islamic banks also need to advertise that they are for non-Muslim, as Indonesia has a large non-Muslim population as well. Thus, Islamic banking industry has to develop strategies in giving the correct information concerning Islamic banks.

Another threat comes in times when an economic crisis appears. It is said that in the event where interest rates are higher than the profit sharing rate, depositors might shift their money to a conventional bank account. On the other hand, it can be argued that depositors may revert back to their Islamic bank account if otherwise.

Moreover, it can also be said that the boom in the Islamic banking industry could be used by opportunists to invest their time and money only for the sake of profit. In this manner, it could be said that such an attitude might not assist the development of industry in a way expected by pioneers in the industry. This is very important as it is said that the Islamic banking industry is envisioned to be the solution for human kind.

2.2.3.5. Summarising the SWOT analysis

Based on the discussion on the components of SWOT analysis, table 2.7 provides a summary, which helps to observe each of the components in a clear manner.

Table 2.7: SWOT Analyses of Indonesian Islamic Banking Industry

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> - Strong legal aspect due to the new Islamic banking act. That means the government pays attention to the development of Islamic banking. - Islamic banking practice eliminates everything disallowed by Islam (Antonio, 2000:198) - The growth of business which surpasses the growth of conventional bank (Indonesian Central Bank, 2011:1). - Supported by other Indonesian Islamic financial institutions (Islamic insurance, Zakat and Waqaf Institutions, Islamic Pawning Institutions, and so on). 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> - Human capital issue (Siregar and Ilyas, 2000:191). - Product development is still slow (Maradona, 2011).
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> - Indonesia is a country with the biggest Muslim population in the world (Armandhanu, 2011). - Surplus revenues in Arab countries due to oil booming (Harto, 2010). This could be used to invest in Indonesian Islamic banking sector. - Opportunities for a lot of students of Islamic banking and finance to pursue their career. - Current crises might be a “blessing in disguised” in showing the resiliency of Islamic banking system. 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> - Public’s low acceptance towards the industry (Badrun, 2008). - The current crises might prompt government to increase interest rates, which make profit sharing rates unattractive. - The booming of Islamic banking industry could be used by opportunists to invest their time and money only for the sake of profit.

So far, this chapter has presented both the macro and micro environmental analyses of Indonesian Islamic banking industry. After presenting the analyses on Indonesian market, this chapter would like to analyze the industry from marketing perspectives.

2.3. MARKETING ENVIRONMENT

This section would like to present the marketing concepts that might be employed in the Islamic banking market. In general, this section is divided into three main parts. These

main parts are “Strategic Marketing Planning In Service Firms”, “Building Service Model”, and “Conclusion”.

2.4. STRATEGIC MARKETING PLANNING IN SERVICE FIRMS

This part discusses the steps when performing strategic marketing planning in the Indonesian Islamic banking market. This section is divided into six parts, namely the “Setting Missions And Objectives”, the “Situation Analysis”, the “Marketing Objectives”, the “Marketing Strategy”, the “Market Specific Strategy”, and the “Implementation”.

2.4.1. Setting Missions And Objectives

In 2002, the Indonesian Central Bank issued a blueprint of the development for the Indonesian Islamic banking industry (Indonesian Central Bank, 2002). In that blueprint, the Indonesian Central Bank stated its vision and mission statements as well as its targets (Indonesian Central Bank, 2002:16). The vision, mission, and targets were all qualitative in nature. However, it can be argued that its implementation should not be difficult as all Indonesian Islamic banks could translate the three elements into something which is quantitative in nature.

The point of the vision stated by the bank was the appearance of a sharia banking system based on profit sharing as well as real transactions, which bring fairness to society in general (Indonesian Central Bank, 2002:16).

As for the mission statement, the Indonesian Central Bank (2002:16) wanted to have an environment that was able to support the development of a sharia based banking system by doing the following things: First, enhancing research activity regarding the true potential of the Indonesian Islamic Banking Industry (Indonesian Central Bank, 2002:16). Second, strengthening the surveillance system in order to make the Islamic banking industry follow Islamic principles (Indonesian Central Bank, 2002:16). Third, increasing operational capabilities which support the commercial aspects of running Islamic banks (Indonesian Central Bank, 2002:16). Last but not least, designing both entry and exit strategies in order to support stability in the market (Indonesian Central Bank, 2002:16).

There has been much progress in service provision ever since the Industry established the first Islamic bank in Indonesia. However, there are many things which must be done in order to make the Industry more acceptable in the eyes of all Indonesian people. At least, this can be seen from various intellectual works which have been written. These works involved various aspects of marketing such as service quality (Firmanto, 2004; Rasyawal, 2005; Kurochman, 2006; Kaban, 2008), consumer behaviour (Windarti, 2004; Samsudin, 2004; Subagja, 2005; Wahyuningsih, 2005; Rohmy, 2005; Nilawati, 2007; Murwani, 2007; Budiman, 2008; Nurnasrina, 2008), product (Prawira, 2005; Rizki, 2005; Triswardhani, 2006; Hafidudin, 2006; Tjahjono, 2007; Zain, 2007; Prammulia, 2007; Sitasari, 2008; Halim, 2008; Samudra, 2008; Satria, 2009; Putri, 2009), people (Muzammil, 2006; Roehadi, 2007; AA, 2008; Tenriwali, 2008; Erlangga, 2009; Putra, 2009; Dewi, 2009), marketing communication (Atmowidjaja, 2001; Supraha, 2006; Saefudin, 2006; Nurdiyanti, 2006; Destimanto, 2007; Cholifah, 2007; Sari, 2009) distribution channel (Hadiyati, 2008; Astria, 2009), and marketing mix (Citarayani, 2007; Hermawan, 2008).

Some of the contents, despite the paper's attempt to concentrate on only a few things, were not only limited to one particular issue. Although, from a limited perspective, those papers also consider a few other things. Therefore, one can expect the utilization of those papers in various other topics.

2.4.2. Situation Analysis

The situational analysis discussed by Ennew and Waite (2007:96) refer to the macro and micro environmental analysis presented in chapter 2. Furthermore, Ennew and Waite (2007:96) state that the information obtained from the analysis can be utilized to "... meet customers' needs more effectively than the competition, and to make the most of its available resources".

The presence of Islamic banks in Indonesia is in accordance with the explanation presented by Ennew and Waite (2007:96), although various marketing related research has been done within the Indonesian Islamic banking environment. The Islamic Banks'

presence is arguably valuable as Indonesia is the largest Muslim-populated country in the world. Thus, Islamic banks may get a maximum value from their operation in Indonesia.

Nevertheless, as it is argued that an industry with strong Islamic values should be introduced in the environment, one should also remember that the market should be educated in order to grasp the essence of the industry. This is important as one should understand that the industry behaves differently from others in the same business.

It can be argued that a good strategy is needed to acquire a market with products which are highly unknown by many people. Therefore, setting objectives is highly crucial before formulating a sound strategy.

2.4.3. Marketing Objectives

Looking at the blueprint of the development of Indonesian Islamic banking industry (Indonesian Central Bank, 2002), one may argue that the Indonesian Central Bank does not have clear aims, such as the amount of market share that it wants to achieve in a particular time span. This hinders any strategic attempts to increase the influence of the industry in the Indonesian banking market. Nevertheless, the Indonesian Central Bank used to have an acceleration policy which set up a clear target market share.

The Indonesian Central Bank (n.d:3) had a plan to increase the market share of the Indonesian Islamic Banking Industry by 5 percent in 2008. This plan was put under a document titled “Kebijakan Akselerasi Pengembangan Perbankan Syariah 2007-2008 (Acceleration Policy In Developing Sharia Banking 2007-2008) (Indonesian Central Bank, n.d). However, such a plan was considered too ambitious since the industry’s market share was only 1.7 percent in 2007 (Suara Karya, 2007). However, the Indonesian Central Bank commented that the projected share for 2008 was 2.8 percent (Suara Karya, 2007).

The pessimism was justified as, according to the Indonesian Central Bank (2010a:131), in 2009 the total asset of the Indonesian Islamic banking industry only reached 2.61 percent. This figure clearly dismisses even the lower projected share for the Indonesian market.

After the issuance of the acceleration policy, as far as the Indonesian Central Bank's documents were concerned, no such policy has ever been issued again.

Looking back at the blueprint, although the time to achieve the targets were specific (until 2011), the Indonesian Central Bank did not state anything quantifiable. This is rather ironic considering the Indonesian Central Banks need to boost the industry to a level which enables the Islamic Banks to compete with conventional banks.

2.4.4. Marketing Strategy

After commenting on the nature of objectives of the Indonesian Islamic banking industry, the paper would like to discuss the current practice of market segmentation, targeting, and the positioning of the Indonesian Islamic banking industry.

2.4.4.1. Market Segmentation

Although every form of segmentation has its own advantages and disadvantages (Tynan and Drayton, 1987:328), the latest report from the Indonesian Central Bank reveals that the consumers of the Indonesian Islamic banks are divided into five categories which are arguably based on psychographic segmentation (Indonesian Central Bank, 2009:42). These are “Sharia Bank, No Matter What”, “Followers”, “According To Needs And Usage”, “Have No Option But Islamic Bank” and “Conventional Bank No Matter What”¹⁷. There are some important points that must be raised concerning the chosen segmentations. First, the segmentation criteria were done by a marketing consultant. It is not clear whether, during each of the research processes, if people from the central bank were involved in commenting on the work.

Second, as a result of outside work, it is doubtful on whether the consultant has considered all segmentation possibilities. This is important as the current segmentation types may not explain the market comprehensively enough. The report issued by the Indonesian Central Bank (2009:42) reveals that those who belong to “Islamic Bank No Matter What” category also possess an account in conventional banks. Therefore, the author sees that there is a basis for questioning the uniqueness of the individuals who

¹⁷In its yearly report on Indonesian Islamic Banking Industry, the criteria mentioned are in Indonesian language. However, the author tried to find the best translation for each of the criteria.

belong to the criteria set above. According to the author, the previous categories mentioned by the Indonesian Central Bank (2010:42) could be classified as psychographic segmentations. As Brassington and Pettitt (2005:122) have argued, using only one particular type of segmentation is less effective than that of multiple segmentations because of the amount of products available and the complexity of customer interactions with those products.

The particular academic discussion of the market segmentation of the Indonesian Islamic banking industry barely occurs. The only paper which particularly discusses the segmentation within Indonesian banking is the one composed by Alfansi and Sargeant (2000). Even so, Alfansi and Sargeant (2000) did not specify whether their research only applies to either the conventional or Islamic banking industry. Furthermore, Alfansi and Sargeant (2000:72) did not label respondents into particular segmented groups in their conclusion. Rather, Alfansi and Sargeant (2000:72) only stated the elements of banking which were perceived to be crucial by the respondents. This is rather different from a report issued by the Indonesian Central Bank (2010:42).

Specific research concerning the aspects of segmentation for the Indonesian Islamic banking industry is not yet available. It could be argued that such a situation arises from at least two reasons. Firstly, a study on segmentation has not been considered by researchers, especially Indonesian academicians. Secondly, perhaps Indonesian academic researchers argue that segmentation can automatically be done in any research which presents “clusters”. From the study, “clusters” can be made available based on the data taken.

Previous studies regarding Islamic Banking marketing in Indonesia did contain elements of segmentation and almost all of these used multivariable segmentation to profile respondents, although none of these studies particularly discussed market segmentation alone. The studies conducted by Subagja (2005), Rohmy (2005), Rizki (2005), Prammulia (2007), Nurdiyanti (2006), and Triswardhani (2006) are those in which the elements of segment profiling could be found. When it comes to the issue of market

segmentation, barely any authors proposed segmentation based only on one segmentation criteria.

A study conducted by Subagja (2005: xi) found the following, among others:

Those who are considered financially self sufficient, age more than 45 years old, university educated, middle income, sharia minded, do not consider return as important, prefer product variation, and place importance on promotion have a big potential to become clients of Islamic banks.

On the other hand, Subagja (2005: xi) also found the following, among others:

Those who are considered less than 45 years old, senior high school educated, low income, not sharia minded, consider return as important, prefer product variation, and place importance on promotion do not have the potential to become clients of Islamic banks.

A study conducted by Rohmy (2005: vii) on Bank Muamalat Indonesia (BMI) found the following, among others:

Clients who are considered university educated (Bachelor, Master, or Ph.D), middle income, BMI's account holders for less than a year, and having average monthly transactions for more than three times have a big potential to become a big deposit account holder.

On the other hand, Rohmy (2005: vii) also stated the following, among others:

Clients who are considered having more than three conventional bank accounts, high income, having BMI's deposit accounts for more than two years, and having average monthly transactions for less than three times do not have the potential to become a big deposit account holder.

Research conducted by Rizki (2005: vii) regarding the preference over "Tabungan Mabru" from Bank Syariah Mandiri showed the following, among others:

Within five percent of significance level, level of income between one million and two millions Rupiahs and between two million and four millions Rupiahs prefer a product called “Tabungan Mabrur.

However, Rizki (2005: vii) also added the following, among others:

However, within seven percent significance level, additional variables such as monthly income between four million and six million Rupiahs and the amount of information that the prospective clients received regarding “Tabungan Mabrur” affects their decision to have it.

Research conducted by Prammulia (2007: viii) revealed the following, among others:

... the biggest probability for people in order to get interested on BNI Syariah Card lies to those who are university educated (Diploma and Bachelor), are working (housewife/student/professional), and are possessing income of more than eight million Rupiahs.

A study conducted by Nurdianti (2006:102) on Bank DKI Syariah revealed the following, among others:

...clients who are categorized as diploma educated, middle income worker, having side jobs (apart from becoming civil servant and private sector employees), and having age of more than 40 years old have the tendency to be influenced by advertising when making purchase.

Nurdianti (2006:102) also found the following result, among others:

Clients who are categorized as highly educated, having high income, having work in private sector, and having age between 31 and 40 years old have the tendency to be influenced by publicity when making purchase.

Furthermore, Nurdianti’s research (2006:102) also found the following, among others:

Clients who are categorized as having low education, having low income, having a job as civil servant, and having age between 21 and 30 years old have the tendency to be influenced by other types of promotion.

Triswardhani (2006: v), on the research regarding Bank Muamalat Indonesia's Shar-E, found the following:

The biggest opportunity to sell Shar-E product lies in those who believe that interest is prohibited in Islam, like to bring money in non-cash form, like to deal with bank which have attractive physical appearance and network coverage, are university graduates, and have monthly income of less than 2.5 million Rupiahs.

As one can see, although a few researchers above segmented the respondents into some demographic traits, the majority of classifications mentioned above used multivariable segmentation. Nevertheless, there is one clear lesson that can be drawn from the above examples. The research regarding market segmentation in the Indonesian Islamic banking industry is already present, although the quantity and the scope are rather limited. Therefore, much more research needs to be conducted in order to better understand the characteristics of Indonesian depositors in the industry.

2.4.4.2. Targeting

In the case of the Indonesian Islamic Banking Market, it was previously argued that the discussion on market segmentation already exists, although the quantity and the scope are rather limited. As a consequence, devising a targeting strategy for this industry is rather limited as well. Nevertheless, it could be said that a combination of these studies and the research conducted by the Indonesian Central Bank (2008:42; 2009:42) regarding the issue of segmentation can be utilized as a good starting point to devise a targeting strategy.

There are three general targeting strategies that can be pursued, namely the "Undifferentiated Strategy", "Differentiated Strategy", and "Concentrated Strategy" (Brassington and Pettitt, 2005:123; Hooley et al., 2008:293). From the segmentation presented by several researchers above (Subagja, 2005: xi; Rohmy, 2005: vii; Rizky,

2005: vii; Prammulia, 2007: viii; Nurdiyanti 2006: 102), one may argue that the targeting strategy might not be the same for all segments. In other words, using an undifferentiated strategy would be rather challenging to pursue.

Nevertheless, based on the research conducted so far, it is rather challenging to devise a sound targeting strategy since the amount of segmentation research is rather limited.

2.4.4.3. Positioning

At the moment, the Indonesian Islamic banks are positioned as the type of bank that brings benefits to both parties by employing a unique variety of products managed transparently by professional bankers and also as a bank that employs an up to date, as well as user friendly, IT system (Indonesian Central Bank, 2008: 42). It can be argued that the above proposition covers several positioning types.

Positioning based on “Product Attributes” can be seen within the phrase “... managed transparently...” (Indonesian Central Bank, 2008: 42). It could be said that transparent management demonstrates an ethical and professional way of managing the products. This is in line with the principle of *‘Shiddiq’* or honesty, which is one of the traits of the prophets (Sula and Kartajaya, 2008:98). However, the reality is rather different to the theory. Although one may argue that the employees hold strict ethics, the lack of high quality human resources makes it difficult to maintain professionalism (REPUBLIKA, 2010a).

Positioning based on “Price Or Quality” can be seen from the statement “...benefit to both parties...”. It could be argued that in order to give benefits to both parties, Indonesian Islamic Banks should manage their business portfolios well so that they can offer attractive profit sharing rates to their customers.

Furthermore, the statement above also mentioned something on a “...unique variety of products...” which arguably belongs to the “Use or Application” positioning. It could be said that the statement clearly indicates the willingness to have an Islamic Banking Industry which is rich in product offering. However, as far as reality is concerned, the industry needs a long time to fulfil this statement. Firstly, Islamic banking products rely

on the type of contracts allowed by Islamic law. There is also a possibility of combining them, thereby creating a more complex product. Secondly, in order to understand how different types of contracts work, the industry needs people who are good in both Islamic finance and Islamic law. Unfortunately, this is not the case at present.

“Cultural Symbol” is arguably inseparable when dealing with the Islamic banking industry in the world. The above statement also includes the phrase “...Islamic Banks...” which shows that the industry will follow Islamic law. However, one must not think that the industry only caters to Muslims. In fact, the industry is open to everyone.

Looking at the already available research on Islamic banks in Indonesia, one may argue for the effectiveness of positioning based on “Cultural Symbol” to the prospective customers. Although more research needs to be done in this field, preliminary findings from previous academic works seem to have various results.

Kurochman (2006: vii) showed that “the most influential dimension for service quality is “Compliance””¹⁸. Although the theme of the research is rather different, several authors also showed similar findings when it came to the importance of religion in choosing Islamic banks. The research of Windarti (2004: i) also showed that “...religion and education are the two most important factors when becoming the clients of sharia bank...”. A similar study done by Wahyuningsih (2005:72) revealed that one of the reasons why people trust Islamic banks is because “...the system agrees with their faith...”.

On the other hand, the work of Rasyawal (2005: ix) shows that “the most important dimension within the service quality dimension is “Empathy””. Research done by Kaban (2008:143) showed that the “... *empathy* dimension is the most important dimension perceived by the clients”. A study by Samsudin (2004:156) also found that ““Facility and Service” is the most influential factor when choosing Islamic bank”. A study by Subagja (2005:85) also found that “...rational (not emotional) people are the most potential people to become clients in Islamic bank”. Research by Budiman (2008:103) shows that

¹⁸ Based on the observation of Kurochman’s questionnaire (2006:94), it seems that the term ‘Compliance’ refers to the ability to agree with *Shari’ah* rules.

“...personality, value, and lifestyle variable is the one which consistently influence people in making decision to join Islamic bank ...”. Nurnasrina (2008: xiv) also found that the ““Social Economic” variable influences the people to choose Islamic bank (office channelling)”. A study by Sitasari (2008:80) also showed that “religious commitment has no effect towards the development of preference and behaviour”. Research by Tjahjono (2007) also showed the following:

The spiritual segment, a segment which belongs to those who possess high commitment to their religion and who always value religiosity in all aspects of their life, do not always choose BMI as their main bank when it comes to the issue of placing fund.

Research done by Atmowidjaja (2001:178) on those who participated in an informal lecture on Islamic economics also revealed that “... there is no significant influence between ethical consideration and moral intention to put money in sharia banks by participants of socialization program”. Furthermore, Atmowidjaja (2001:179) also stated that “in general, it could be said that the dominance of teleological evaluation towards ethical consideration and moral intention explain the rationality of the participants as prospective depositor”.

Based on the above information, there are several lessons that one might learn. First, it seems that religion is not always effective to be used to market the Islamic banks’ products. Of nine papers found, only three papers discussed the importance of religion towards choosing Islamic banks. Second, as a consequence of this, positioning a strategy based on “Cultural Symbol” is not really strategic. Third, based on the above information, positioning based upon “Product Attributes” (Pelsmacker et al., 2005:65), “Price or Quality” (De Pelsmacker et al., 2005:65), or “Use or Application” (De Pelsmacker et al., 2005:65) seems to be plausible. Nevertheless, more research needs to be conducted in order to deploy the most effective and strategic positioning.

2.4.5. Market Specific Strategy

The report by the Indonesian Central Bank shows that the industry needs to implement better strategies to gain more market share. However, the strategy should not violate

Islamic law. More importantly, it is argued that the implementation of strategy should be backed by a sound service model.

2.4.6. Implementation

It could be argued that, at present, the implementation of strategy is rather weak. Thus, one may argue that the industry needs a better strategy to increase its market share. Previously, it was pointed out that the implementation of any strategy should conform to the strength of the funds available, the quality of human resources, and the clarity of the strategy which will be deployed.

Furthermore, together with a sound service model, Indonesian Islamic banking industry would be capable of increasing its share in the Indonesian market.

2.5. BUILDING SERVICE MODEL

In this part, the paper would like to discuss the strategy of building a sound service model. More importantly, this part will discuss the development of literature which deals with the elements of the service model. This paper will commence with the development of the service concept and then discuss the pricing issue in the Indonesian Islamic banking industry. Next, the paper will discuss the issue of the distribution and communication strategy. After that, the paper will touch upon the issue of developing the service process and the issue of the service environment. Next, this part will elaborate the issue of both people and productivity and quality. Finally, the paper will present its conclusions.

2.5.1. Designing Service Concept

This part will discuss the issue regarding the service concept of the Indonesian Islamic banking industry. To begin with, the paper would like to discuss the application of product anatomy and the previous research which deals with this concept. Furthermore, this part will discuss previous academic research regarding branding.

2.5.1.1. Product Anatomy

In terms of the Indonesian Islamic banking industry, the issue here is a lack of product variety. The Indonesian Central Bank (2007:35) states that current Indonesian Islamic

banking products only mimic those of conventional banking products with little variations that make them acceptable to Islamic law. This situation is also similar with the findings of Erol and El- Bdour (1989:34), Erol et al.(1990:35), and Haron et al. (1994:39).

Furthermore, the development of products in Islamic Banking is rather unique. The product will not get permission from the central bank if it violates the principles of Islamic law. The availability of highly qualified human resources in the field of Islamic contracts is needed¹⁹.

It is argued that product is one of the most important issues at the moment in the Indonesian Islamic banking industry. The academic works concerning Islamic banking products have received attention from several academicians. Prawira (2005:70) found that “To take role as a financial intermediary, PT Bank Jabar Syariah needs to develop sharia products which can answer the need of the people, so that the bank is not dominated by few products only”. Prawira (2005:70) also stated that “Developing service network is also important so that clients of PT Bank Jabar Syariah could conduct their transactions with ease”.

Research on “Tabungan Mabrutur”²⁰ by Rizki (2005:84) revealed several points. First, “the conditions of taking deposit product should be made accessible to people from all kinds of income level”. Second, the “Expected Offer” (Hooley et al., 2008:309) should be available to the depositors. In this case, one of the solutions from Rizki (2005:84) is “...the availability of financial planning”. Third, “Optimizing the already available benefits to make prospective clients interested to the product” (Rizki, 2005:85). Finally, Rizki (2005:85) proposed “.... product innovation to stay competitive from the competition”.

Hafidudin (2006:155) also found that, for non-muslim depositors of Bank International Indonesia Syariah, “the product factor is the chief reason for non-muslim depositors ...”.

¹⁹The discussion on human resources is available on section 2.2.7.

²⁰This is one of the products from Bank Syariah Mandiri for those who would like to plan their pilgrimage to Mecca.

Furthermore, Triswardhani (2006:138) found that "... 60 percent of Shar-E clients is not satisfied with Shar-E and the majority of the clients still possess accounts in other banks".

Research by Murwani (2007:113) on Bank Muamalat Indonesia's Shar-E product also found that "the majority of clients stated that they are not satisfied with the product".

2.5.1.2. Branding

It is argued that branding is also a crucial point in a product. One advice received from Zain (2007:90), when researching PermataBank Syariah, is that "Brand awareness of PermataBank Syariah is more influenced by product quality". Furthermore, one advice from Sitasari (2008:80), when researching Bank Danamon Syariah, is that "Brand, Cost, and Feature influence the preference and behaviour. Therefore, developing the three is strongly encouraged". A study by Samudra (2008:90) on Bank Syariah Mandiri's education financing also revealed that "According to the respondents' statements, brand is the key dimension for respondents to initiate a purchase". A study by Satria (2009) also found that "Bank Syariah Mandiri which is a sharia based bank is still influenced by its parent bank, Bank Mandiri". A study by Putri (2009:88) also found that "Psychological approach which is directed towards emotional bonding is the strategy to make people loyal towards BNI Syariah brand".

Moreover, Tjahjono (2007:106) in research involving the customers of both sharia banks (Bank Muamalat Indonesia) and conventional banks (Bank Central Asia (BCA)) found the following:

Brand value determines the customer's preference on choosing either BMI or BCA as the main brand in which they will put their money. That means, if clients have good perception towards brand value of either bank ..., then they will put their fund within a bank which has better brand value.

So far, this part has presented readily available works which are connected directly with the issue of product. So far, the issue of product innovation, product offer, and the optimization of product offering dominates the research being done. More importantly,

the issue of branding and brand awareness is also important to consider when discussing Islamic banking products in Indonesia.

Last but not least, it could be argued that product is not the only element in marketing strategy. Therefore, in the following part, this paper would like to discuss the issue of pricing in the Indonesian Islamic banking industry.

2.5.2. Pricing

The pricing in Indonesian Islamic banks is not competitive due to the fact that, among other things, the structure of Islamic Banks' funds are dominated by the "Expensive Fund" (Koran Jakarta, 2010). The "Expensive Fund" refers to funds which can only be withdrawn within a specific time frame, such as a '*Mudharabah*' time deposit (Ismal, 2010). Consequently, banks must compensate this with a high return (Ismal, 2010), hence the jargon "Expensive".

On the other hand, according to Ismal (2010), the "Cheap Fund" refers to ones which can be withdrawn anytime, like a '*Mudharabah*' saving deposit. Consequently, Islamic banks then do not have to compensate this with a high return (Ismal, 2010). In real terms, a "Cheap Fund" might become expensive if it takes a lot of financial commitment to get it (REPUBLIKA, 2010). This may be due to a heavy communication budget and many prizes (REPUBLIKA, 2010).

The whole issue of the above discussion is the fact that pricing in Islamic bank is still perceived to be expensive. So far, the author has not found any Indonesian academic literature regarding the perception of price in Indonesia. What exists is literature which discusses other things but touches upon the issue of pricing only narrowly. This could be seen, among other things, in a research conducted by Putri (2009) and Citarayani (2009). In Putri's research (2009), Putri (2009: 88) stated the following:

The marketers of sharia banks are advised to pay attention to the importance of good pricing, since profit sharing rate is one of the factors which are considered by the clients in making a decision to put their money.

Furthermore, Citarayani (2009: vii) also found that “... the perception of high price could lower the brand equity”. Therefore, Indonesian Islamic banks should try to eliminate any unnecessary cost components in order to stay competitive in the eyes of Indonesian depositors.

In addition, discussion outside academic literature also exists. Regarding the nature of the sharia financing, Khoiriyah (Kontan.co.id, 2010) wrote the following:

... many people still think that sharia financing is more expensive than conventional financing. This is due to the various financing elements whose risks need to be considered. This calculation, therefore, make sharia financing seems to be more expensive.

However, Khoiriyah (Kontan.co.id, 2010) also wrote the following:

However, compared to that of conventional bank, the financing in sharia bank brings more security because interest rate adjustment always happens in conventional bank. On the other hand, the opposite happens to the financing in sharia bank.

Nevertheless, it is argued that the issue of the perception of pricing in the Indonesian Islamic banking industry has never been touched. Therefore, marketing research which incorporates this element should be encouraged.

Having discussed pricing, the next part will then continue on by discussing the issue of distribution.

2.5.3. Distribution

It can be argued that the distribution process within the financial services industry does not merely concern the processes involved in delivering financial products to the clients but also the moral responsibility which is ingrained within the delivery process itself (Estelami, 2007:151). With that in mind, it is already known that there are two types of distribution channels. The first is the direct distribution channel and the second is the indirect distribution channel (Estelami, 2007:153; Ennew and Waite, 2007: 255).

After studying the types of channels available and the research regarding the matter, it could be said that the research surrounding the issue of distribution channels was rather limited. At the moment, based on readily available articles, there were only two articles which included the issue of office channelling. These papers were authored by Hadiyati (2008) and Astria (2009). However, only paper by Hadiyati (2008) specifically touches upon the issue of office channelling (direct distribution channel). As for the paper by Astria (2008), it only discusses the issue of office channelling from a human resource perspective. Research by Hadiyati (2008: 93) within Bank Negara Indonesia (BNI) Syariah revealed that “there is a significant relationship between the amounts of *office channelling* and the increase of third party fund in BNI Syariah”.

It could be said that no literature so far has discussed the best distribution channel for delivering Islamic banking products in the Indonesian market. This is rather ironic, since a study by Rasyawal (2005: ix) found that “... empathy is the most influential factor for service quality”. A study conducted by Citarayani (2009: vii) also found that “... distribution [...] could influence brand equity in positive way”.

Moreover, research regarding the best distribution strategy has not yet been conducted or is perhaps very limited in nature. A study done by Rasyawal (2005) and Kurochman (2006) only touched upon the issue regarding the most influential dimensions of service quality. However, none of these papers discuss the best distribution channel for delivering Islamic banking products. Such a study might involve an understanding of customer characteristics in order to find the best way to approach them.

Perhaps the new Islamic banking act contributes to the small amount of research papers regarding this topic. According to the new Islamic banking act, “In the event of Islamic banking unit’s asset reaches 50 percent of the total assets of its parent or 15 years after the enactment of the act, it is obligatory to transform the unit into a commercial bank” (Sinar Grafika Team, 2008:49-50).

Research regarding the physical appearance of a branch might be more interesting than research on the effectiveness of office channelling.

Nevertheless, further study regarding this matter should be conducted. Next, this paper will discuss the importance of communication strategies in the Indonesian Islamic banking industry.

2.5.4. Communication Strategy

In the case of the Indonesian Islamic Banking Industry, there are certain issues related to marketing communication. First, the Indonesian Islamic Banking industry does not allocate a large budget for communicating their service. According to the Indonesian Central Bank (2007:34), the total amount of the budget spent for both below and above the line media was only 134.8 billion rupiahs (around 14 million US dollars). Furthermore, this amount is only 2 percent of the total budget spent by conventional banks for the same purpose (Indonesian Central Bank, 2007:34).

Second, the communication strategy has not yielded a satisfactory result despite the medium used. This can be seen from the report of the Indonesian Central Bank (2009:42) which state that the industry has also utilized the so-called “Web 2.0”. Yet, the market share was still far from satisfactory. It is argued that the industry did not maximise the communication strategy as the targeted segments depend upon media in order to understand the offerings of the industry (Indonesian Central Bank, 2007:35). Education through media is crucial since any persons still unaware with the terminology need to be educated over time.

So far, research regarding communication is already available although the amount is rather limited. A study conducted by Saefudin (2006:ii) regarding the Shar-e card revealed that “... the communication for Shar-e as a new product have been done with focus, integrated, and effective and have been able to increase the amount of customers significantly”. Sari (2009: ix) also studied “...the way Bank Muamalat Indonesia utilizes public relations in building product knowledge of Shar-E...”. Furthermore, Sari (2009: ix) also found out that BMI stresses the utilization of publicity in giving information”. A study conducted by Nurdianti (2006: 102) revealed that “... advertising and publicity influences the clients a lot when making purchases”. Furthermore, Citarayani (2008: vii) also found that “... advertising [...] could influence brand equity in positive way”.

Research by Cholifah (2007:72) found that “there is a significant relationship between relationship marketing and customers’ loyalty in Bank Muamalat Indonesia”. Last but not least, Destimanto’s research (2007:86) revealed that “... public relation, publicity, and advertising have a positive significant correlation towards [...] company’s image”.

On the other hand, Supraha (2006:91) argued that “... the utilization of presentation, preaching, and coordination at the same time are still ineffective to influence the selling of Shar-e product ...”.

It can be argued that academic works in this field are rather limited. The author also argues that communication strategies are important in increasing Indonesian Islamic banks’ competitiveness. Despite findings by Supraha (2008: 91), the author argues that one should not dismiss the importance of marketing communication in delivering the true message of the product. However, it is argued that communication alone is not sufficient.

It is worth looking at other factors, which in the subsequent part, will be discussed. The paper, thus, would like to discuss the issue of service process.

2.5.5. Developing Service Process

In its guideline, the Indonesian Central Bank (2005:18) stipulated that all interior must be in line with Islamic law. Furthermore, the Indonesian Central Bank (2005:18) also stipulated that all Sharia banks in Indonesia must utilize the word “Syariah” after the word “Bank”²¹ and “Syariah Office Branch”²² in case it belongs to a conventional entity.

When it comes to the service process, it could be said that no intellectual works have been done in this field. Perhaps, no customers pay attention to the process of delivering the service. This is rather understandable since customers are only aware of what they see and do not understand the processes behind what they see. In other words, customers only pay attention to the practical aspects of the service and not the processes behind it. Therefore, it can be argued that the issue of the development of the service process from the customers’ point of view is rather impractical. Nevertheless, that does not mean that

²¹The word “Bank” belongs to the full fledged Islamic bank.

²²This is just the equivalent in English. The Indonesian term would be “Kantor Cabang Syariah”.

service quality is not important. On the contrary, it can be argued that the application of good service blueprints could be viewed within the framework of the service environment, the people, and their productivity and quality.

2.5.6. Service Environment

It could be argued that the issue of the service environment is also crucial in delivering a high quality service. Bitner (1992:57) also argued that the inseparability in services also makes the physical environment a source of the customers' assessment. However, it can be argued that current literature specifically aimed at service environments does not yet exist, at least with regards to Indonesian Islamic banking.

Previous academic works (Rasyawal, 2005: ix; Kurochman, 2006: vii; Windarti, 2004: i; Samsudin, 2004: 156; Subagja, 2005: 84; Wahyuningsih, 2005: ii; Rohmy, 2005: 84; Nurnasrina, 2008: L-4; Citarayani, 2008: vii; Hermawan, 2008: vii; Firmanto, 2004: 84) did touch upon the issue of physical environment. However, none of these works specifically discuss the physical environment of Indonesian Islamic banks. Based on the literature collected, so far only Citarayani (2008: vii) wrote that "... office image [...] could influence brand equity in positive way". It could be said that only the work of Hermawan (2008: vii) which stated that "... location [...] is the most influential factor towards the collection of third party fund for *Tabungan Haji Mabror* in Bank Syariah Mandiri" was similar. However, Firmanto (2008: 84) found that "... parking space is still an issue, so that customers with vehicles could not be served well".

According to Hoffman and Bateson (2006:225), it is rather complicated to value service without bias due to the fact that service is unable to be seen. Therefore, Hoffman and Bateson (2006:225) argued that the availability of physical support could aid customers in judging the quality of service providers. Based on this information, attempts to form academic literature on this issue should be encouraged, especially with regards to Indonesian Islamic banks. At least, the work Of Citarayani (2008: vii) and Hermawan (2008: vii) did mention the importance of a physical environment, although not in detail.

Nevertheless, it is argued that good service will cease to exist without the inclusion of good people. Therefore, in the next part, this paper will touch upon the issue of human resources in the Indonesian Islamic banking industry.

2.5.7. People

Human resource is a crucial sector that is taken into consideration by the Indonesian Central Bank. At the moment, the industry needs people that can work in this sector while the supply is quite tight (REPUBLIKA, 2010). This issue needs to be addressed as the supply of high quality human resources is crucial for the industry. Halide (2010:3) stated that there were only around 8,000 people available for the industry out of the 22,000 needed to increase the industry's market share to 5 percent. It could be said that the amount only depicts the quantity needed rather than the quality required. Moreover, according to Daniel (2010), Indonesian Islamic banks need to increase their quality of human resources.

Looking at previous research, academic papers regarding human resources in the Indonesian Islamic banking industry have already existed. However, the theme of these papers is divided into two. The first kind studies internal human resource management on various issues and the second studies the perception of customers towards the quality of Islamic banks. The works of Muzammil (2006), Roehadi (2007), AA (2008), Tenriwali (2008), Putra (2009), Dewi (2009), and Astria (2009) belong to the first category while the work of Erlangga (2009) belongs to the second. In order to comprehend the issue discussed so far, the previously mentioned works will be elaborated.

In Muzammil's work (2006) concerning the front liners' level of knowledge of Niaga Bank's Islamic banking unit, Muzammil (2006: v) found that "... the knowledge of the front liners towards the product and the service of sharia bank is still adequate or less, thus it could be concluded that the employees are not ready to implement office channelling". Muzammil (2006: 93) also found that those "... who hold at least bachelor degree, who have 11- 15 years working experience, and who is below 30 years of age could be considered as the front liners of Niaga Bank's office channelling". In general,

Muzammil (2006: 93) stated that the readiness level of Niaga Bank's staff in implementing a sharia service is still far from satisfactory.

In Roehadi's work (2007: vi) with regards to corporate social responsibility (CSR) where Bank Negara Indonesia's Islamic banking unit was concerned, the following was found:

The longer the working experience, the better the perception of CSR in economic aspect, and the higher the position [...] the better the tendency to comprehend CSR from legal perspective [...], and the longer the working experience the better the tendency to comprehend CSR from donation perspective.

The above issue regarding CSR²³ teaches a valuable lesson. It can be argued that employees who have a lot of work experience tend to have better understanding of various aspects (new products, CSR, and so on).

AA's (2008: viii) work on human resource in Bank Syariah Mandiri revealed the following:

... there is a significant relationship between ability and motivation, and the performance of the staffs of Bank Syariah Mandiri Bogor Branch so that evaluation towards performance could be done continuously to achieve optimal results.

Academic work done by Tenriwali (2008: vii) regarding the perception towards branch managers and non performing financing (NPF) also revealed the following result:

... there is a significant relationship between employees' negative perception towards the branch manager and the level of NPF and the employees' positive perception with the realization of financing....

²³Although the discussion regarding corporate social responsibility is way beyond the scope of this dissertation, the author would like to argue that Islam offers a more comprehensive system in dealing with the society than the already available concept of "Corporate Social Responsibility". It could be said that the concept of *Zakah*, *Infaq*, *Sadaqah*, and *Waqf* are more superior than just a yearly activity called "Corporate Social Responsibility".

Research conducted by Putra (2009: viii) found that “Spiritual variable has the greatest effects towards increasing the level of employees’ performance in Sharia bank, compared to other variables”.

A study by Dewi (2009: x) within Bank Syariah Mandiri South Jakarta Branch showed that “... the quality of human resources influences service quality significantly, while training does not influence service quality significantly”.

Research by Astria (2009: 81) in the sharia banking unit of Bank Tabungan Nasional revealed that “in terms of service, the knowledge of the staffs [...] is still inadequate when it comes to the sharia banking product of BTN”.

A study conducted by Erlangga (2008:10) revealed that “... clients’ perception significantly influence the level of clients’ satisfaction within the area of *zone of tolerance*”. Although not directly related to the theme of this sub-part, the message from Erlangga (2008:10) is rather obvious. The employees of Indonesian Islamic banks should strive to serve their customers in order to increase the perception of their clients.

Looking at readily available research, it is interesting to note that research which specifically aims at the perception of clients towards the quality of sharia banks’ human resources does not exist yet. Therefore, future researchers should consider the possibility of researching this theme.

It can be argued that one cannot distinguish between the discussion regarding human resources and the discussion concerning productivity and quality. Therefore, in the next session, this paper would like to discuss the importance of productivity and quality, especially within the Indonesian Islamic banking industry.

2.5.8. Productivity And Quality

The issue of productivity and quality spans this chapter. Although not specifically stated, the spirit of all of the works (Rasyawal, 2005;Kurochman, 2006; Firmanto, 2004; Cholifah, 2007; Kaban, 2008; Budiman, 2008; Wahyuningsih, 2005; Nilawati, 2007; Rohmy, 2005; Windarti, 2004; Samsudin, 2004; Subagja, 2005; Nurnasrina, 2008; Murwani, 2007; Atmowidjaja, 2001; Halim, 2005; Prammulia, 2007; Zain, 2007;

Prawira, 2005; Rizki, 2005; Hafidudin, 2006; Sitasari, 2008; Samudra, 2008; Satria, 2009; Putri, 2009; Tjahjono, 2007; Hadiyati, 2008; Astria, 2009; AA, 2008; Roehadi, 2007; Muzammil, 2006; Tenriwali, 2008; Erlangga, 2009; Putra, 2009; Dewi, 2009; Hermawan, 2008; Citarayani, 2007; Saefudin, 2006; Nurdiyanti, 2006; Sari, 2009; Triswardhani, 2006; Supraha, 2006; Destimanto, 2007) are all about increasing quality. Although not explicitly stated, it can be argued that all of the above works signal the importance of productivity (in human resources) and quality (product, pricing, and so on). No matter how productivity and quality is achieved, it is argued that the process should not be against the guidelines set by Islam.

Last but not least, it can be argued that any service offered should get a guarantee from the service providers. Muslims should attempt to guarantee their creations in order to protect their customers to the best possible extent. Service providers should make check and balances to ensure the quality of their service.

Having a high quality service does not mean that mistakes are not allowed to happen. In the service world, this is rather difficult due to service variability. However, the concept of a guarantee should be placed in the context of service recovery. This means that if the service experiences a defect, then management should be able to anticipate this in order to make the customers happy.

2.6. CONCLUSION

This chapter discusses many aspects of the Indonesian Islamic retail banking market. From the macro-environmental analysis, one can conclude that the Indonesian market satisfies the conditions to establish an Islamic banking business. Considering that demographically, Indonesia is also the largest Muslim country in the world, this is a crucial advantage for establishing an Islamic bank in Indonesia. Another point to consider is the increasing amount of Internet subscribers in Indonesia. Strategically, this means that the variety of internet based services should be considered by the industry. On the economic side, it could be stated that Indonesian government still has great tasks in managing the economy such as substantially reducing unemployment. However, it can be said that Islamic banks could use this as an opportunity to channel their funds without

risking a default. As regards to the political side, the fall of the Suharto regime and the success of the general election might be used as an indicator towards a supportive political environment. It could be said that the supportive political environment might lead towards a supportive business environment.

Furthermore, from micro-environmental perspectives, the threat for new entry is rather low at the moment. As more Islamic commercial banks exist, one can argue that competition will get tighter. However, potential entrants should not enter the Indonesian market simply because Indonesia has a lot of Muslims. One should carefully evaluate the strategy of conquering the Indonesian Islamic banking market although the presence of new Islamic banking laws could arguably give prospective investors clear rules of the game.

On the bargaining power of suppliers, it could be argued that the provision of high quality suppliers for day-to-day operations should be considered by the management of Islamic banks. In addition, one could argue that the human resource supply is also crucial to the development of this industry. Due to its growth, the Indonesian Islamic banking industry needs many people to work in this sector. However, it could be said that the threats from this sector are rather low. Furthermore, for Muslims, working in Islamic banks is not only about getting a salary but also a way of purifying the source of income. As the awareness of the *halal* salary increases for workers in the financial industry, the need to move to the *halal* financial industry will increase as well.

Regarding the bargaining power of buyers, it can be said that depositors are still unable to form high bargaining powers, although switching costs are arguably low. This is due to the high number of other people who are not yet Islamic bank depositors. Nevertheless, as the market shrinks over time, the bargaining power of customers will become higher.

As for the threat of substitutes, it can be said that there is no real substitute for banks. Although depositors can shift their money into other types of investments, one can argue that some money will go back to the depositors' savings accounts. Although pawnshops and loan sharks also exist, their existence is not able to fully substitute the role of banks.

The issue of competitive rivalry is also important for consideration. In this case, it could be argued that conventional banks also target the same customer groups which Islamic banks target. Nevertheless, the business model of conventional banks is rather different than that of Islamic banks. Moreover, it could be argued that the size of the Indonesian Islamic banking industry is still not as big as that of the Indonesian conventional banking industry. In other words, competition between Islamic banks and conventional banks in Indonesia is not tight as of yet. As a conclusion, the issue of competitive rivalry between Islamic banks and conventional banks in Indonesia is still low at the moment. On the issue of an exit barrier, it could be argued that this is rather challenging to elaborate since no Indonesian Islamic banks have faced bankruptcy so far.

On the issue of industry structure analysis, there are three elements which are arguably crucial for discussion. These are 'industry life-cycle concept', 'hypercompetitive cycles of information', and 'comparative 5 forces analysis'.

On the issue of the industry life-cycle concept, the Indonesian Islamic banking industry has already left the development stage and is now on the growth stage. As the industry enters the shake-out process, it could be said that competition will intensify.

On the issue of a comparative industry structure analysis, threats of entry in the future are still low as the amount of commercial banks is not very high at the moment. Nevertheless, this might increase in the future as competition intensifies. On the other hand, suppliers are still abundant in the future. Thus, this might not bring pressure on the industry. When it comes to the buyer's bargaining power, customers still do not have many options in choosing an Islamic bank. However, as competition increases, more Islamic banks will open and offer a variety of products. This in turn will increase the bargaining power of buyers.

As for substitutes, there is no substitute for banks at the moment. Although entities like loan sharks and pawnshops exist, those two do not resemble the function of banks. Therefore, threats from this issue are minimal or non-existent. Furthermore, competitive rivalry is rather high at the moment. This is due to the competitive nature between Islamic and conventional banks. In the future, this competition will intensify.

Furthermore, one might speculate that depositors could completely abandon conventional banks if Islamic banks can offer more product variety.

On the area of competitive cycles and hypercompetition, the scenario of competitive cycles and hypercompetition could be present in the Indonesian market. However, it can be argued that this depends on the eagerness of the Indonesian people to acknowledge and believe in Islamic banks to manage their funds.

In conducting a SWOT analysis for the Indonesian Islamic banking industry, Indonesia has several strong points to develop in its Islamic banking industry. A strong legal position due to the enactment of the Islamic banking act has served as a catalyst to develop this industry further. Moreover, the uniqueness of the Islamic banking business is argued to be compelling for Indonesian people. In addition, due to the uniqueness of conducting business, the growth of the Islamic banking industry in Indonesia could surpass that of the Indonesian conventional banking industry (Indonesian Central Bank, 2011:1). Furthermore, the industry is surrounded by other supporting Islamic financial institutions such as Islamic insurance, *zakat* and *waqaf* institutions. Arguably, the availability of these institutions could strengthen the Islamic financial industry in Indonesia.

Apart from its strengths, human capital issues (Siregar and Ilyas, 2000:191) and slow product development (Maradona, 2011) form the weaknesses of this industry at the moment. However, it can be argued that government support could turn these weaknesses into strengths.

Opportunities could also lie ahead in the Indonesian Islamic banking industry. As Indonesia is a country with the biggest Muslim population in the world (Armandhanu, 2011), it has the untapped potential to be the leader in the global Islamic retail banking industry. Moreover, opportunities for investment from the GCC countries could be utilized to lure more investors to open Islamic banks in this country. Furthermore, the growth of the Indonesian Islamic banking sector could be utilized as a catalyst to observe young talents that are interested in developing their career in the *halal* banking industry. Other opportunities lie within the financial crisis that hit Indonesia. The past financial

crisis in Indonesia has proven that Indonesian Islamic banks are rather resilient than their conventional counterparts. It could be argued that financial crises could be used as a 'blessing in disguise', particularly for the Indonesian Islamic banking industry.

Apart from the opportunities, several threats are also present in the Indonesian Islamic banking industry. If not managed well, these threats might hinder the development of the Indonesian Islamic banking industry. The view that Islamic banks are not 100 percent Islamic is true. However, if not managed well, it could be argued that people will perceive that Islamic banks and conventional banks are just the same. Furthermore, in the event where a financial crisis hits, conventional banks may increase interest rates as a response. This will arguably make profit sharing rate unattractive. Last but not least, the booming of the Islamic banking industry can be utilized by some people as a way to generate profit. Such attitudes arguably hinder the true cause of development in the Islamic banking industry.

So far, this paper has attempted to include all possible research regarding the Indonesian Islamic banking industry. To gain insight into all the research papers that have been done, this section would like to present all of them on the next page. From the presentation below, one can draw several conclusions.

Firstly, the majority of academic works are in the form of master's theses. Of 44 titles, 43 are in the form of master's thesis while only one is in the form of a journal paper. This represents two sides of a coin. On one side, one could argue that these research topics have been widely elaborated in Indonesia. However, access to those works is hindered by linguistic differences and access availability. It is very challenging to guarantee the same level of access in the future since there is no guarantee that the same materials will be available again. Therefore, one could conclude that future researchers should pay attention to develop more works for journals.

Secondly, the area of research has mainly been in Jakarta and its surrounding cities. Only two academic works whose area covered the whole nation were found. All of these are exhibited by table 2.8 on the next page. Although it is understandable that costs and time might be an issue, future researchers should aim for research that is on a national scale.

For that, the utilization of online surveys is encouraged. Time permitting, it would be better for future researchers to have it for a journal paper.

Thirdly, none of the works attempt to discuss a marketing strategy for the Indonesian Islamic banking industry in Indonesia, let alone the Islamic marketing strategy for the Indonesian Islamic banking industry in Indonesia. Based on previous academic works, one could argue that the research theme needs to be elaborated. Moreover, it is argued that more research needs to be done on the existing topic. Even within the existing topic, research on the sub-topics is also encouraged.

Finally, with the increasing number of Islamic banks in Indonesia, it is argued that future researchers should try to get their hands on those new banks.

In general, the development of the Islamic banking industry in Indonesia is promising. However, there are a great number of tasks to be completed in order to make the industry get to the same level with its conventional counterpart. Moreover, it could be said that all stakeholders in the Indonesian Islamic banking industry should work together in order to increase the market share of the industry. More importantly, education is needed so that Muslim people in Indonesia are aware of the prohibition of interest.

Table 2.8: Previous Research

Author(s)	Year	Research Type	Topic	Object Of Analysis	Area Researched
Firmanto	2004	Master Thesis	Service Quality	Bukopin Islamic Banking Unit	Jakarta
Rasyawal	2005	Master Thesis	Service Quality	Bank Muamalat Indonesia and Bank Syariah Mandiri	Jakarta
Kurochman	2006	Master Thesis	Service Quality	Bank Muamalat Indonesia, Bank Syariah Mandiri, Bank Syariah Mega Indonesia	Jakarta
Kaban	2008	Master Thesis	Service Quality	Bank Syariah Mandiri	Depok
Windarti	2004	Master Thesis	Consumer Behaviour	Community In Central Java	Central Java
Samsudin	2004	Master Thesis	Consumer Behaviour	Bank Syariah Mandiri	Jakarta
Subagja	2005	Master Thesis	Consumer Behaviour	Community In Jakarta	Jakarta and Surrounding
Wahyuningsih	2005	Master Thesis	Consumer Behaviour	Community In Jakarta	Jakarta
Rohmy	2005	Master Thesis	Consumer Behaviour	Bank Muamalat Indonesia	Bekasi
Nilawati	2007	Master Thesis	Consumer Behaviour	Bank Syariah Mandiri	Jakarta and Surrounding
Murwani	2007	Master Thesis	Consumer Behaviour	Bank Muamalat Indonesia	Jakarta
Budiman	2008	Master Thesis	Consumer Behaviour	Bank Syariah Mandiri	Jakarta
Nurnasrina	2008	Master Thesis	Consumer Behaviour	BNI Syariah And BTN Syariah	Jakarta
Prawira	2005	Master Thesis	Product	Bank Jabar Syariah	N.A
Rizki	2005	Master Thesis	Product	Bank Syariah Mandiri	Jakarta
Triswardhani	2006	Master Thesis	Product	Bank Muamalat Indonesia	Indonesia
Hafidudin	2006	Master Thesis	Product	BII Syariah	Jakarta
Tjahjono	2007	Master Thesis	Product	Bank Muamalat Indonesia	Jakarta
Zain	2007	Master Thesis	Product	PermataBank Syariah	Jakarta
Prammulia	2007	Master Thesis	Product	BNI Syariah	Jakarta
Sitasari	2008	Master Thesis	Product	Bank Danamon Syariah	Jakarta and Surrounding
Halim	2008	Master Thesis	Product	BNI Syariah	Classified
Samudra	2008	Master Thesis	Product	Bank Syariah Mandiri	Depok
Satria	2009	Master Thesis	Product	Bank Syariah Mandiri	Jakarta
Putri	2009	Master Thesis	Product	BNI Syariah	Jakarta
Muzammil	2006	Master Thesis	People	Bank Niaga Syariah	Jakarta
Rohadi	2007	Master Thesis	People	BNI Syariah	Jakarta
AA	2008	Master Thesis	People	Bank Syariah Mandiri	Bogor
Tenriwali	2008	Master Thesis	People	Syariah Bank (Classified)	Indonesia
Erlangga	2009	Master Thesis	People	Bank Syariah Mandiri	Jakarta and Surrounding
Putra	2009	Master Thesis	People	Bank Syariah Mandiri and Bank Muamalat Indonesia	Jakarta
Dewi	2009	Master Thesis	People	Bank Syariah Mandiri	Jakarta
Atmowidjaja	2001	Master Thesis	Marketing Communication	Seminar Participants In University Of Indonesia	Jakarta
Supraha	2006	Master Thesis	Marketing Communication	Da'I Muamalat	N.A
Saefudin	2006	Master Thesis	Marketing Communication	Bank Muamalat Indonesia	N.A
Nurdiyanti	2006	Master Thesis	Marketing Communication	Bank DKI Syariah	Jakarta
Destimanto	2007	Master Thesis	Marketing Communication	Bank DKI Syariah	Jakarta
Cholifah	2007	Master Thesis	Marketing Communication	Bank Muamalat Indonesia	Jakarta
Sari	2009	Master Thesis	Marketing Communication	Bank Muamalat Indonesia	Jakarta
Hadiyati	2008	Master Thesis	Distribution Channel	BNI Syariah	N.A
Astria	2009	Master Thesis	Distribution Channel	BTN Islamic Banking Unit	N.A
Citarayani	2007	Master Thesis	Marketing Mix	BNI Syariah	Jakarta
Hermawan	2008	Master Thesis	Marketing Mix	Bank Syariah Mandiri	Jakarta
Alfansi and Sargeant	2000	Journal	Market Segmentation	Bankers and Community	Southwest Sumatera

CHAPTER 3

ELEMENTS OF ISLAMIC MARKETING AND RESEARCH METHODOLOGY

3.1. INTRODUCTION²⁴

According to Kotler and Armstrong (2010:29), Marketing could be defined as “The process by which companies create value for customers and build strong customer relationship in order to capture value from customers in return”. Therefore, one may argue that marketing encompasses activities which are valuable in the eyes of the customers so that a form of relationship could be build. As one may know, these activities span from planning to the actual sales of the products. Arguably, one may think that understanding what customers value is central in building a lasting relationship. However, the process of delivering this value should not violate ethics.

According to Kurtz (2008:24), “Ethics are moral standards of behaviour expected by a society”. Therefore, this chapter would like to introduce marketing concepts from the moral standards of Islam.

Islam teaches to engage ourselves in a decent ways of wealth acquisition, as indicated in the Quranic verse (4:29):

O you who believe! Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent. And do not kill yourselves (nor kill one another). Surely, Allah is Most Merciful to you

From the above verse, one could find a strong message concerning trading: Islamic teaching encourages individuals to engage in commercial activities and to refrain from the practice of charging interest/usury. Therefore, exchange in any form including the delivery of services is something that is viewed essential in Islam for as long as the process is parallel with Islamic teachings on doing business. This was so much so that

²⁴The original version of this chapter has been accepted as a journal paper on the Journal of Islamic Marketing (2010), 1 (2), 149-164.

Prophet Muhammad was a successful businessman before his prophetic life (Antonio, 2007:89; Trim, 2009:29). Since Islam is a way of life, one may then advance the logic that Islam must have written codes of conducts in doing business, among many other things; as the emerging field of Islamic finance has evidenced.

When companies do business, the marketing department plays a role in delivering products and services, which suit the costumers' expectations. Though not alone, the marketing departments contribute to the success of companies. However, nature of the business and the nature of conducting business is also important. Despite the hegemonic market economy in delivering their products and services, it is argued that companies are expected to do so in a morally acceptable way. Therefore, this paper aims to identify the foundations of an Islamic marketing understanding shaped by the moral economy of Islam.

3.2. ISLAM AND REAL SECTOR

Islam is a comprehensive way of life, which has implications for everyday life, including commercial activities. Through the Qur'an and *Hadith*, the two main sources of reference for Islamic law, Islam exhorts its followers to avoid usury and instead maintain the quality of their wealth through 'just' trading. This can be seen from one of the Quranic verses below:

Those who eat *Riba* (usury) will not stand (on the Day of Resurrection) except like the standing of a person beaten by *Shaitan* (Satan) leading him to insanity. That is because they say: "Trading is only like *Riba* (usury)," whereas Allah has permitted trading and forbidden *Riba* (usury). So whosoever receives an admonition from his Lord and stops eating *Riba* (usury) shall not be punished for the past; his case is for Allah (to judge); but whoever returns [to *Riba* (usury)], such are the dwellers of the Fire – they will abide therein. (Al-Quran 2:275)

There are few points worth considering from the above verse. It can be argued that Islam encourages wealth generation. However, freedom in wealth acquisition is not unlimited, which implies that Islam exhorts its followers to acquire wealth by actively participating in real sectors and not through acquiring 'easy money' by practicing interest. Therefore,

an important feature of Islamic finance is its embedment in the sense of being a financing method directly embedded and hence related to real economy. In addition, Islamic moral filter is considered to filter the economic activity to produce an ethical outcome and making sure that wealth generation is morally acceptable. Allah through His messengers gave an example of participating in the real sector. For this, Prophet Muhammad stated the following:

Narrated Abu Hurairah(ra); The Prophet (saw) said, “Allah did not send any Prophet but he shepherded sheep.” His Companions asked him. “Did you do the same?” The Prophet (saw) replied, “Yes, I used to shepherd the sheep of the people of Makkah for some *Qirat*.” (Khan, 1997: 254)

The word ‘sheep’ depicted in the above *Hadith* represents the real sector. One can argue that investment in the real sector is very important since it attracts the creation of capital and decreases the amount of unemployment. However, Islam also rules the conditions of participation in the real sector; and as a result it has implications for marketing as well. Therefore, through the Islamic moral economy principles it is possible to develop Islamic marketing paradigm, which is attempted in this chapter.

3.3. THE RATIONALE FOR ISLAMIC MARKETING

Despite the hegemonic nature of neo-liberalism, in particular with the impact of the global financial crisis, large number of stakeholder in their discourse, protest and positioning, they articulated the moral deficiency of the established system. This has implications for economy, business and finance related activities. Thus, at least Muslims, constantly identifies themselves with the aspirational world of Islam and its moral economy in their everyday life including the ‘marketing’ issues.

In the post-industrial world, the expectation was that the religion would lose its impact on society and individual. However, the return of ‘God’ in various societies provided another opportunity space for the believers to utilise religion for their own end as well. This section, hence, aims to discuss the utilisation of religion as a marketing tool. The discussion starts from the objectives of Islamic marketing and go through the Islamic view of utilising religious teachings to market products and services.

It can be argued that the objectives of Islamic marketing cannot be separated from the objectives of the *Shari'ah*. In the section related to the rationale for Islamic marketing, it is clear that humans are Allah's envoys in this world, who are entrusted with the world to control and manage in accordance to Allah's will (Khan, 1991:250; Haneef, 1997:45; Hassan and Lewis, 2007:6). This view is rather different from the concept of humans in conventional economics, as cited by Haneef (1997:45), as "this is of course totally at variance with modern 'economic man', who is not obliged to consider any form of submission to a transcendent God". Thus, a reference is made to 'homoeconomicus' (Asutay, 2007).

Therefore the trust that Allah gives bestowed on individuals might be utilised in all aspects of life, including marketing, although in reality, different ways might be taken to utilise that trust as long as they meet certain principles. These principles, according to Ahmad (1989:26), are the following:

- (i) Agree with the principles of Islamic law or *Shari'ah*;
- (ii) Achieve the economic and social goal of Islamic civilization.

Despite having such core principles and foundational philosophy, it is a difficult task to arrive at a single and definitive objective of Islamic marketing. However, since any objectives need to align with the principles of *Shari'ah* in particular and Islamic teaching in general, one could try to elaborate the objectives of Islamic marketing as the following:

Islamic marketing has two important objectives: First, to bring forward marketing theory to a new realm, whereby modern marketing theory interrelates with Islamic teaching. Second, Islamic marketing should be able to develop within the framework of Islamic moral economy in contributing to social justice.

Given the objectives set above, perhaps one may question the notion of religious teachings being utilised as a marketing tool. This notion is important to consider, as failing to address the issue will create doubt on whether religious teaching should isolate itself from any commercial decision making. Therefore, this furthers the discussion.

As regards to use of religious teaching, in this case, Islamic teaching, it can be argued that religious teachings could be utilised as a marketing tool, as there is the religious aspiration of shaping the process as well as the outcome according to the norms and principles of religion. As far as Islamic teaching is concerned, there is evidence that can be presented in light of this proposition. First, the Qur'an provides many verses related to commercial transactions. These verses, among others, include the prohibition of interest (Qur'an 2:275), being straightforward in negotiations (Qur'an 33:70), acting with justice and others.

Furthermore, one can also witness the Islamic concept of commercial transactions through the many sayings of the Prophet Muhammad. On selling products in a transparent manner, for example, Prophet Muhammad stated the following:

Narrated Hakim bin Hizam: Allah's Messenger said, "The seller and the buyer have the right to keep or return goods as long as they have not parted, or till they part; and if both the parties spoke the truth and described the defects and qualities (of the goods), then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost". (Khan, 1997: 173)

Moreover, as far as a legal ruling is concerned, there are no prohibitions towards the utilisation of religion as a marketing tool nor are there any prohibitions for labelling certain marketing strategies as 'Islamic Marketing Strategy', 'Christian Marketing Strategy', 'Hindu Marketing Strategy' and so on. Therefore, since each religion including Islam provides norms for everyday life including business matters, and aims to shape the conduct and the outcome of all the tasks including marketing, it can be argued that the incorporation of religious teachings in marketing is feasible.

Finally, one cannot fully exclude religious teachings from the marketing concept even if marketing strategy development is built from non-religious teachings. One example is the development of relationship marketing or the rise of social media (such as Facebook). Such social a phenomenon is parallel to the Islamic concept of unity (brotherhood).

Therefore, even without scrolling through any religious text, one might set up a strategy parallel with the teaching of Islam.

In rationalising the ethical norms shaping marketing strategy and activities, Harrison (2005:278) states that the bounded ethical principles specifically for marketing are suggested to be the following:

- (i) the improvement of human life (morality seen as a defence for the weak, etc.);
- (ii) recognition of Society's constraints (the law; consumer needs);
- (iii) working within a market economy, with its emphasis on the reward of risk taking, hard work and creativity (issues of distributive justice);
- (iv) recognising the constraints of human capabilities and limitations (e.g. the link between psychological egoism and theories of motivation).

As can be seen Harrison's position is very close to Islamic teachings. The issues on 'the improvement of human being' and 'recognition of society's constraints' can be seen from the above mentioned *hadith* concerning product transparency. In understanding these principles, for example, product transparency can hinder consumers from any harm that the products may cause. Islam also teaches the concepts of 'hard working' as part of work ethics and 'distributive justice' as part of social justice (Quran, 3:1-3; Qur'an, 6-141).

Harrison's (2005) position on 'constraints of human capabilities and limitations' also validates the idea of having an Islamic marketing paradigm, as Islam teaches its followers to work hard with a maximum capability and then submit everything to the will of Allah. This is shown by the following verse:

And by the Mercy of Allah, you dealt with them gently. And had you been severe and harsh-hearted, they would have broken away from about you; so pass over (their faults), and ask (Allah's) Forgiveness for them; and consult them in the affairs. Then when you have taken a decision, put your trust in Allah, certainly, Allah loves those who put their trust (in Him). (Al-Quran 3:159)

In sum, since religions including Islam has ethical and moral implications for everyday life and conduct of individual with the objective of developing and conducting the tasks in terms of process and outcome according to the spirit of religion, it is valid to argue for the development of Islamic marketing as a paradigm. Islam provides the foundational axioms and operational principles for such an understanding.

Following the above rationalising, the following section presents an attempt in constructing the foundational aspects of Islamic marketing by making direct reference to its philosophical aspects. It can be argued that building the philosophical concept is crucial towards the development of knowledge, as the philosophy of knowledge dictates the way one shapes the elements of Islamic marketing, in this case. The following discussion, hence, aims to identify the foundational aspects of Islamic marketing through the ethical system of Islamic moral economy.

3.4. ISLAMIC MARKETING PHILOSOPHY

The Islamic ontology is articulated through the concept of *Tawhid* or oneness of God²⁵ (Alhabshi, 1987:2; Haneef, 1997:44), which is the most important concept that Muslims must understand in order to live and survive in this world and the hereafter and get salvation in both the worlds. This as the main ethical foundation of Islam has implications for everyday life including economy, business and commerce (Rice, 1999:347).

Being the vertical ethical axiom of Islamic moral economy, *Tawhid* is articulated as both vertical and horizontal dimensions ((Abusulayman, 1998:90). The vertical ethical dimension aims to regulate the relationship between humans and its creator, while the horizontal relationship portrays the inter-human relationship based on Allah's law (Abusulayman, 1998:91).

²⁵One shall dismiss the argument that the concept of oneness should be skipped when discussing matters like Islamic economics, finance, and management. Such notion is baseless and depicts the intellectual "incompleteness" in comprehending the essence of Islamic teachings. This is, by no means, the most important concept in Islam since it will influence all sort of things. For instance, the way pricing concept will be developed and the types of transactions allowed in Islam. Therefore, in terms of Islamic Marketing, one should comprehend this concept before discussing other concepts such as Marketing mix, for example. Finally, the underlying message that must be understood from the concept of *Tawhid* is that, from Islamic perspective, dichotomy between knowledge and religion is obviously impossible.

The Tawhidic principle also suggests that human beings are the vicegerent or the *khalifah* of Allah on earth, which implies that human beings are tasked to manage this world and its resources in a ‘just’ way (Abusulayman, 1998:92; Badawi, 2002:4). This implies that *Tawhid* indicates that human beings are given equal rights in terms of their access to the resources created by God. In terms of marketing, it can be argued that justice can be implemented in smoothing the flow and distribution of goods, among others. By smoothing the flow of goods, one will ease customers in meeting their needs. Furthermore, smoothing the flow of goods can prevent the practice of hoarding, which is condemned by Islamic teachings.

Tawhid, hence, essentialises equality between human beings to have equal access to resources implying that all individuals have equal rights to get the products that they want in order to satisfy their needs. Hoarding, on the other hand, will inflate prices and create injustice to those who cannot afford the products that they need²⁶.

Importantly, *Tawhid* also provides the foundation for social accounting in the sense of introducing the hereafter into the utility function. This gives a rationale for the meaning of tasks in this world, as they would have implications for hereafter. Since Islamic moral economy defines the human objective function in relation to *falah* (salvation) in this world and in the hereafter, individual aiming to achieve salvation essentialises *tawhid* and its implications in life. The hereafter related spiritual and social accounting introduces a moral filter to marketing activities to make sure that they are *Shari’ah* based.

As being the foundational axiom of Islamic moral economy (Asutay, 2007; 2012), *tawhid*, thus, constitutes the foundation of Islamic marketing, has discussed the important principles of Islamic Marketing. Therefore, one needs to discuss traits that can help shape this ‘character’, which can be energized with the spirit of *Tawhid*. This ‘Shape’ would,

²⁶The phrase “...the particular product...” here resembles the products from particular brand that might capture the majority of the market share. That product, in the absence of hoarding, could be purchased at normal price. However, in the event of hoarding, not all people could purchase the product. If the product is available, its quantity will not be able to meet the customers’ demand. Furthermore, those who can not get it are expected to buy a replacement product whose quality might be inferior or go home with nothing at hand.

thus, be recognized as the characteristic of Islamic marketing, unique traits infused with the *Tawhidic* spirit that can be utilised in the context of modern marketing theory.

Other foundational axioms of Islamic moral economy, such as *adalah* (social justice), *ihsan* (beneficence), *rububiyah* (perfection), *tazkiyah* (growth in harmony) and *khalifah* or vicegerent (Asutay, 2007; 2012), define the philosophical framework of Islamic marketing. Each of these axioms has implications for Islamic marketing, and defines various aspects and nature of Islamic marketing. For example, Islamic marketing has to essentialise *adalah* with the objective of helping individuals to reach beneficence (*ihsan*) level with the understanding that growth has to be in harmony (*tazkiyah*) with all the stakeholders as all the creatures and stakeholders have a particular development path as defined by *rububiyah*.

3.5. CHARACTERISTICS OF ISLAMIC MARKETING

In general, there are four characteristics that shapes the Islamic marketing concept. These are the spiritualistic, ethical, realistic, and humanistic characteristics (Kartajaya and Sula, 2006:28). These four characteristics are related to the five pillars of Islam and the implementation of the characteristics. These concepts are explored in this section:

3.5.1. Spirituality

The feature of ‘spirituality’ is the umbrella of all teachings in Islamic marketing²⁷, which means that all business conducts must be coherent with the teachings of the Qur’an and *Sunnah*. Moreover, Islamic marketers must fully believe that Islamic law is the ultimate law that must be used as a guidance, which is just, perfect, and is the source of all goodness (SHARING, 2006: 47; Kartajaya and Sula, 2006: 28).

The first pillar of Islam, the *shahadah*, is the heart of this concept, which is the ultimate confession of a human to his or her creator. By confessing the *shahadah*, a Muslim is

²⁷In this thesis, the term ‘Islamic Marketing’ is used rather than ‘*Shari’ah* Marketing’. There are reasons for that. First, the author would like to emphasize the ‘Islamicness’ of Marketing in this thesis and not any other concept. Second, the term ‘*Shari’ah* Marketing’ is vague since it can be interpreted differently by many people. For instance, ‘*Shari’ah* Marketing’ may mean ‘Christian Marketing’, ‘Buddhist Marketing’, or any other faith-based marketing. Therefore, the term ‘Islamic Marketing’ will bring a clear and exact meaning to any reader of this thesis.

bound with the 'terms and condition' set by Allah to live in this world. Within this framework, spirituality enables individuals to articulate the axioms of Islamic moral economy to Islamic marketing related tasks, as individuals can relate to the process and outcomes of these axioms through developing spiritual dimension in one's life.

In terms of Islamic marketing, total submission to Allah means that all aspects of marketing must be parallel with the teachings of Islam. Of course, in some ways, its implementation must vary. From a marketing perspective, this means that the whole marketing process must be done within the ethical boundaries set by Islamic teachings. However, it can be argued that in order to achieve the spirit of spiritualism, some enforcement mechanisms must take place.

3.5.2. Ethicality

Spiritual enhancement within Islamic marketing forms Islamic ethics within business transactions. Kartajaya and Sula (2006: 32) state that one of the characteristics of Islamic marketers is to be full of ethical consideration. This ethical conduct must follow the teachings of the Qur'an and *hadith*, and hence the reference to 'Islamic Ethics'.

The concept of Islamic ethics is articulated through the foundational axioms identified above. As an example, Islamic ethics can be seen from the practice of the Islamic daily prayers, the second pillar of Islam, which requires physical and spiritual cleansing. In other words, certain preparations that make Muslims clean must be done before 'conversing' with their creator.

In the marketing sense, Islamic marketers must make themselves ready. They must be 'purified' before commencing their marketing activities. The term 'purified' refers to any attempt of 'self-cleansing' before serving the market. For instance, companies must train their marketers so that all marketing activities can be done in the ethical standards set by Islamic teachings. Thus, all marketing activities should go through a moral filter.

As Islamic teaching requires, companies must clearly inform their staff that they must realistically accept any results that appear in front of them, so long as they have worked hard and done everything they can.

3.5.3. Realism

According to Kartajaya and Sula (2006: 35), *Shari'ah* marketers should not be so 'rigid' in practicing Islamic marketing, so long as it does not violate Islam, and they must be confident differentiating themselves from any other marketers which partially or do not use Islamic principles in conducting business. The content is more important than the appearance²⁸. However, it must be noted that being realism does not mean that in case of an 'emergency', Muslim marketers can do something which violates the principles of Islamic law²⁹.

From a marketing point of view, being realistic means an opportunity for creativity. This is a state in which a marketers' ability is tested in order to create a breakthrough. For instance, if one knows that one is selling expensive products, one had better sell the product in credit rather than asking people to buy it in cash. It would also be possible to offer the least expensive products. This may encourage the customers' willingness to buy. These two examples show how the state of being realistic creates hope, which in turn creates the inner power to make a breakthrough. It is important for Islamic marketers to understand this concept since it will increase the spirit of marketing their products.

Together with the above-mentioned features, Islamic marketing necessitates that companies should view markets humanely. This means that companies should realize that it is the human being, who buys the products and not just a set of 'beings', who can be treated like objects. Therefore, Islamic marketing aims at to be humanistic.

3.5.4. Humanistic

'Humanistic' here means that Islam, like any other religion, teaches values that differentiate people from any other creatures that inhabit this world. Thus, one should be able to distance oneself with inhumane desires such as greed (Kartajaya and Sula, 2006:38).

²⁸For instance, it does not matter if Islamic banks employ non-muslim employees. For as long as the employees are competent and want to obey the rules and regulations stipulated in their contract, then there is no reason for Islamic banks to reject them. This is parallel with the universality of Islamic law.

²⁹For instance, Muslim marketers should not make any "move" which could violate the basic tenets of Islamic business in the middle of a very important negotiation which has a big probability to fail.

In relation to Islamic rituals, being humanistic is equal to the fourth and the fifth pillar of Islam, namely *zakah* and *hajj*³⁰. This is due to the fact that paying *zakah* will increase social sensitivity towards the poor while going to *hajj* increases the social acceptance of people from different ethnicities and races as well as socio-economic backgrounds.

Furthermore, being humanistic also affects the discipline of marketing, which is referred as ‘sustainable marketing’ in modern marketing (Kotler and Armstrong, 2010:606). Basically, it is a concept of marketing which tries to balance market demand and environmental preservation (Kotler and Armstrong, 2010:606). Considering the recent developments and trends, today’s companies do pay more attention to the society and, more importantly, to the environment.

In overall, this section presented the philosophy and characteristics of Islamic marketing. Before delving into the issues further, it can be argued that the philosophy and characteristics of Islamic marketing need one further substance, which is important in determining whether people, especially Muslims, will accept Islamic marketing as a new concept or whether this is regarded as a ‘me too’ marketing concept fabricated to satisfy the emerging Muslim market.

One needs to question the eligibility of utilizing religious concept to sell products and services and of exploiting people’s religious beliefs to purchase certain products claimed to be ‘ethical’. In order to keep the discussion on track, these questions are discussed in this section from the viewpoint of Islamic teachings. However, before further discussion, initially the objectives of Islamic marketing is discussed.

After establishing the characteristics of Islamic marketing, the next section aims to elaborate the conceptual implementation of Islamic marketing. In this regard, focus will be on the conceptual implementation of Islamic teachings in marketing strategy.

³⁰*Zakah* means paying charities under predetermined rate, while *Hajj* means performing religious ritual in the city of Mecca and Medina, Saudi Arabia.

3.6. FUNDAMENTAL ELEMENTS OF ISLAMIC MARKETING STRATEGY

The concept of Islamic marketing is useful if one can turn philosophical concepts into modern marketing concepts. In this part, the implementation of Islamic teachings in a marketing mix is presented.

The first step towards applying Islamic marketing is to understand the basic principles of Islamic marketing. Kartajaya and Sula (2006:141-142) state 17 principles of Islamic marketing that should be applied when institutions want to be classified as those who are based on Islamic marketing. These 17 principles are presented in table 2.1. In general, these principles are divided into 4 broad categories.

The first category belongs to the landscape of Islamic business, which consists of all the elements in business, namely 'competitor', 'change', 'Customers', and 'Company' (Kartajaya and Sula, 2006:142-143).

The second category belongs to elements of marketing strategy. Kartajaya and Sula (2006:143) further divide these into three sub categories, namely 'Syariah marketing strategy', 'Syariah marketing tactics', and 'Syariah marketing value'.

Furthermore, the third category is related to *Shari'ah* scorecard, which can be used as a tool to balance between the Islamic values that a company promotes and the actors that support and promote these values (Kartajaya and Sula, 2006:148).

Finally, the fourth category relates to a 'Syariah enterprise'. Kartajaya and Sula (2006:150) argue that those values have a strong relationship with 'inspiration', 'Culture', and 'Institution' and must also obey the principles set by Islamic teachings.

For the purpose of marketing strategy, this paper will focus the discussion on the second category concerning the elements of strategic business architecture³¹.

³¹ The decision is not an attempt to underestimate the importance of other principles of Islamic marketing within the box. The author would like to emphasise the discussion concerning the elements of strategic business architecture since the discussion relates strongly with the theme of this thesis.

Table 3.1: Principles of Islamic Marketing

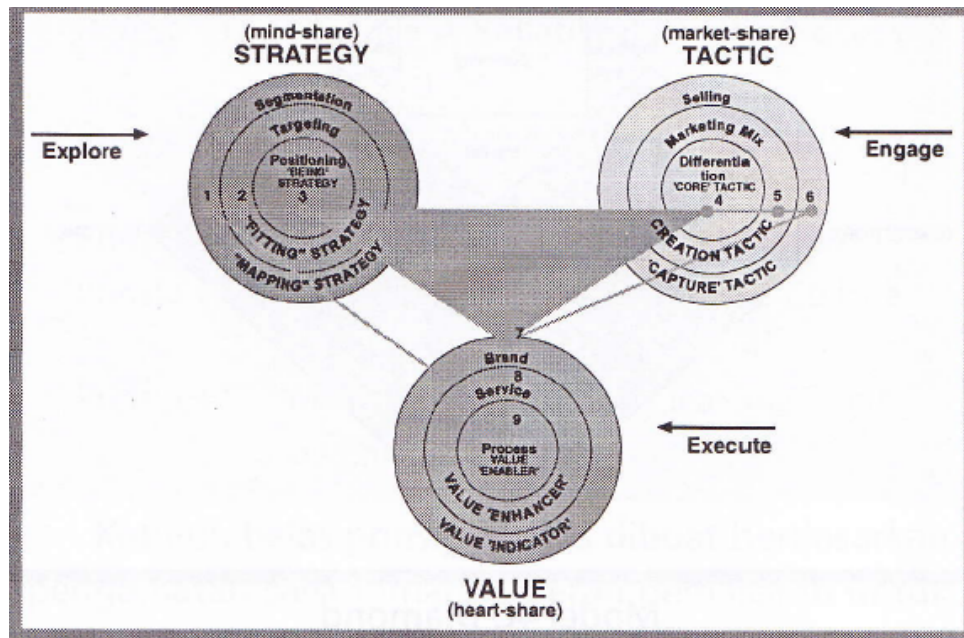
<p style="text-align: center;">Landscapes of Islamic Business</p> <ol style="list-style-type: none"> 1. Information Technology Allows Us To Be Transparent (Change) 2. Be Respectful To Your Competitors (Competitor) 3. The Emergence Of Customers Global Paradox (Customer) 4. Develop A Spiritual-Based Organization (Company) 	<p style="text-align: center;">Sharia Scorecard</p> <ol style="list-style-type: none"> 14. Create Value To Your Stakeholders (Scorecard)
<p style="text-align: center;">Elements Of Strategic Business Architectures</p> <ol style="list-style-type: none"> 5. View Market Universally (Segmentation) 6. Target Customer's Heart And Soul (Targeting) 7. Build A Belief System (Positioning) 8. Differ Yourself With A Good Package Of Content And Context (Differentiation) 9. Be Honest With Your 4Ps (Marketing Mix) 10. Practice A Relationship – Based Selling 11. Use A Spiritual Brand Character (Brand) 12. Services Should Have The Ability To Transform (Service) 13. Practice A Reliable Business Process 	<p style="text-align: center;">Sharia Enterprise</p> <ol style="list-style-type: none"> 15. Create A Noble Cause (Inspiration) 16. Develop An Ethical Corporate Culture (Culture) 17. Measurement Must Be Clear And Transparent (Institution)

Source: Kartajaya and Sula (2006:141-142)

3.6.1. Islamic Marketing Strategy

Kartajaya and Sula (2006: 144) devised 9 core elements of marketing. These elements are depicted in figure 3.1, which show that the core elements of marketing are interrelated. Kartajaya and Sula (2006:144) divide the core elements into 3 broad categories, namely 'Syariah marketing strategy', 'Syariah marketing tactic', and 'Syariah marketing value'.

Figure 3.1: Nine Core Elements of Marketing



Source: Kartajaya and Sula (2006:144)

Within the strategic phase, companies explore the market by performing the segmentation of the market, targeting a particular segment, and positioning products or services in the minds of the consumers within that particular segment (Kartajaya and Sula, 2006:144).

Once companies position their products or services, they should move tactically in order to gain a market share and differentiate in terms of 'content', 'context', and 'infrastructure', since differentiation is a fundamental strategy towards winning the market share (Kartajaya and Sula, 2006: 145). Differentiation should be followed by a 'creation tactic' in the form of the marketing mix and the 'capture tactic' in the form of the selling process (Kartajaya and Sula, 2006:145).

Lastly, Kartajaya and Sula (2006:146) view that the strategy and the tactics created by companies will not bring their maximum impact with the absence of a value proposition as it is important in order to capture market's 'heart share.

In the following sections, the elements of Islamic marketing are discussed in more detail. As a start, commences the discussion with Islamic marketing strategies which consist of segmentation, targeting, and positioning.

3.6.1.1. Segmentation

Gunara and Sudibyو (2007:17) presented an interesting example of segmentation practiced by Prophet Muhammad, who conducted his trading business in several important markets in the Arabic peninsula (Trim, 2009: 124), including the one in Bahrain called 'Mushaqqar' (Antonio, 2007: 82; Gunara and Sudibyو, 2007:17). Gunara and Sudibyو (2007:17) also add that Prophet Muhammad knew the way of life and the manners of the people of Bahrain.

In reflecting and contextualising, one can argue that the Prophet Muhammad used some attributes of geographic, demographic, and psychographic segmentation in doing his business³². From the way Prophet Muhammad conducted his business, one can learn that market segmentation can be done through the mental process of market identification. The term 'Mental Process' is used in order to show how one should come to observe his or her market before conducting segmentation. Prophet Muhammad knew the situation in Bahrain, since he was there and was involved in the trading process. In the process, it is argued that Prophet Muhammad utilized multiple types of market segmentation. He knew

³²It is not clear whether the ability to segment the market was something developed naturally, taught by someone, or both. Prophet Muhammad SAW began to know entrepreneurship when he was 12 year old (Antonio, 81:2007; Trim, 15:2009; Trim, 3: 2008; Kamaluddin, 2007: 28). At that time, together with his uncle Abdul Muthalib, he began his first trading mission to a place called "Syam" (Antonio, 81:2007; Trim, 15:2009; Trim, 3: 2008; Kamaluddin, 2007: 28). It could be argued that the journey to Syam marked Prophet Muhammad as "Young Entrepreneur". During his life, Prophet Muhammad SAW had visited many countries in Arab peninsula (Antonio, 82; 2007). Though it is not clear how exactly Prophet Muhammad SAW learned about segmenting markets, the author argued that this ability might come from both experience and the teachings of other people, including his uncles. The author used the phrase "other people" since Prophet Muhammad SAW might learn segmentation from many people other than his uncles. This could be the people that he met during his journey or other people from the Quraisy tribe. The phrase "his uncles" is used since, according to Trim (2008: 3), Prophet Muhammad also had an uncle called Abbas Bin Abdul Muthalib who was also a trader. The author argued that Abbas Bin Abdul Muthalib might also teach young Muhammad the strategy and tactics of conducting business, including market segmentation.

the location of important markets in the Arab peninsula (geographic segmentation), the type of people he met in the market (demographic segmentation), and the lifestyle of those he met in the market (lifestyle segmentation).

3.6.1.2. Targeting

As regards to the Prophetic tradition of targeting the segmented markets, modern marketing theory teaches that the various segments available should be evaluated in order to know which segments can be served well (Kotler and Armstrong, 2010:225).

How Prophet Muhammad exactly targeted his segments³³ needs to be researched thoroughly. However, Gunara and Sudibyo (2007:21-22) argue that Prophet Muhammad could target all of his segments. In modern marketing, such a targeting strategy is called 'differentiated marketing', a segmentation strategy whereby companies create several different products for several different segments (Kotler and Armstrong, 2010:226).

The problem that remains is the quest towards searching for a good targeting strategy. Perhaps, in this part, the key lies within the positioning strategy.

3.6.1.3. Positioning

According to Kotler and Armstrong (2010:233), companies must position their products so that products can be deemed valuable from the customers' perspectives.

When one contextualises this theory within the time of Prophet Muhammad, one can find some similarities in the product offering. First, the consumers in that era were arguably as careful as those in the present time. Logically, they would also buy the best products in accordance with their financial ability. Second, many sellers offer multiple products to sell.

An examination from several literature (Kamaluddin, 2007:15; Al-Fatih, 2009:46; Trim, 2009:27) suggests that Prophet Muhammad positioned himself as an honest trader, rather than positioning the products he sold. In other words, it seems that the sellers were more

³³This paper solely discusses everything regarding business concept of Prophet Muhammad SAW. One could also apply the theory of segmentation, targeting, and positioning of Prophet Muhammad SAW when promoting Islam. However, such discussion is beyond the scope of this paper.

important that the objects being sold. This does not mean that Prophet Muhammad did not think about the quality of his products. Rather, Prophet Muhammad performed total positioning, as he did not just position the products he sold but also the way he sold them. With his personality, Prophet Muhammad differentiated his offering.

3.6.2. *Shari'ah* Marketing Tactics

In addition to Islamic marketing strategy, there are two elements need to be discussed in constructing *Shari'ah* marketing tactics. These are differentiation and marketing mix, as further explored below:

3.6.2.1. Differentiation

The type of differentiation that Prophet Muhammad performed was unique during his time. It can be argued that the differentiation of both sellers and the products they sell must be coherent. This is because due to the principle of transparency. One obvious differentiation that the Prophet Muhammad did was his moral obligation to tell every customer about the weak points of his products (Al-Fatih, 2009: 101), as he never concealed anything from his customers, including any defects that his products contained³⁴. Al Fatih (2009:101) also added that informing the defects of the products sold was something of a must for Prophet Muhammad.

Thus, it can be argued that one should re-think the philosophy behind the modern concept of differentiation. Perhaps, one should re-tool the concept and put more emphasis on differentiation based upon the sellers' merit rather than solely relying on the imaginary components of the products. Arguably, this is important for consideration as differentiating products on the basis of the sellers' morality might bring a real impact to the quality of the products sold.

³⁴The practice needs to be researched thoroughly if one wants to apply it in modern business. Due to the complex nature of distribution channel, one needs to find ways to think about this issue. For instance, is it possible to view a small, almost unseen scratch as "defect"? Even if it is possible, how do companies design a distribution process which can avoid even the smallest scratch at low cost? Such things are worth to be considered if companies want to have a business with total transparency.

3.6.2.2. Designing Marketing Mix

Prophet Muhammad taught some lessons to his followers in conducting business, which can be implemented in the marketing mix. In the following, an attempt is made to discuss the components of the marketing mix and their utilization in modern times.

3.6.2.2.1. Pricing

On *pricing*, Prophet Muhammad sold his products with a price that could be absorbed by the market (Trim, 2008: 49). In other words, he received profit based on sales volume (Trim, 2008:49). Arguably, this was a good strategy to take since he could enter all market segments with such a pricing. There are at least 2 important discussions with regards to pricing. These are “The Covenant between the Buyer and the Seller” (Alserhan, 2011:74) and “The Buyer – Seller Shared Responsibility for Pricing” (Alserhan, 2011:74).

On the first issue, Alserhan (2011:74) highlighted 3 elements which “... describe transactions between people themselves and between people and Allah”. These are “*Mithaq* (covenant), *Ahid* (also covenant), and *Aqid* (contract; the plural is *Auqood*)” (Alserhan, 2012:74). Furthermore, Alserhan (2011:74) also stated that “In Islam all Shariah-compliant transactions are covenants approved by God and must be honoured by all those who agreed to their terms”.

In the modern practice of pricing, one could observe the controversial practice in the tenet of the *Shari’ah*. For instance, the application of so-called psychological pricing is rather deceiving in the eyes of the customer. Therefore, the practice of psychological pricing brings more harm than good since it tends to cheat the customers, and *Shari’ah* is very clear on this.

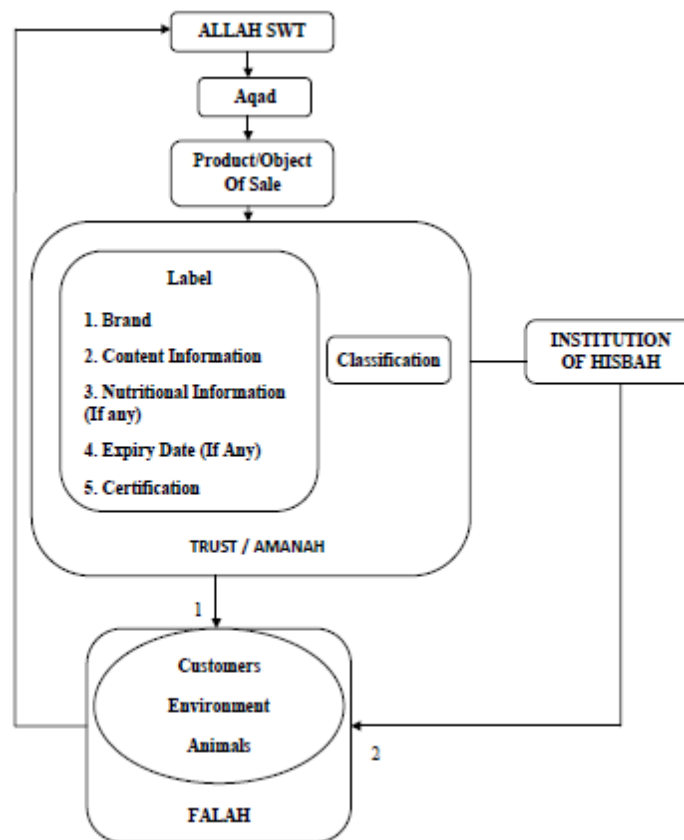
The practice of psychological pricing in Indonesia shows how this type of pricing has a great tendency to cheat customers in many ways. First, it deceives the customers in terms of real price. Second, the pricing structure does not match the denomination of the Indonesian currency. For instance, the price of 2,354 Rupiahs does not make sense, at least from an Indonesian perspective. This is due to the fact that Indonesian currency does not have 1 Rupiah as a denomination. Thus, pricing in such a way can cause harm to both

the buyers and sellers. The former will lose their money in the case of rounding down while the latter will lose theirs in the case of rounding up.

3.6.2.2.2. Product

The concept of product could be explained by figure 3.2 below. According to the figure, it seems that the concept of product in Islamic Marketing is not as straightforward as that of conventional marketing.

Figure 3.2: Philosophical Model of Product in Islamic Marketing



Source: Arham (2011:126)

According to Arham (2011: 127), “... the inclusion of “Allah” ... is arguably a statement that all products produced must conform to the law stated by Allah SWT. In other words, the products produced must not against the *Shari’a* (Islamic Law)”.

Furthermore, on the issue of “Aqad”, Arham (2011:127) stated the following:

... *Aqad* serves as a promise that the producers make to Allah SWT, the customers, and the environment. It is arguably the highest moral commitment that the particular product produced conforms to the regulation set by Allah, safe to consume by human being, and does not harm the environment in the process of making³⁵.

Arham (2011:127) also stated that “Finally, the whole process is determined to get *Falah* (success) in here and the hereafter”. Moving further, the model also incorporates the presence of *Al-Hisbah*. According to Al-Buraey (1985:262), “... the institution of *hisbah* is the office in which the officer, called *muhtasib* (also known as *sahib as-suq*, the market inspector or supervisor), has the task ‘to promote good and prevent evil’, as outlined in the Islamic ethical code”. In this context, one may argue that this institution could control any misconduct from the producers’ products (including, but not limited to brand, nutritional information, and so on).

It is also important to discuss the classification of products from Islamic point of view. In this regard, Rushd (1996, 154) stated the following:

Each transaction between two individuals is an exchange, either of corporeal property for corporeal property, or of corporeal property for a corresponding liability, or of a liability for another liability. Each one of these three is either delayed or immediate. Each one of these again is either immediate for both parties or delayed for both, or is immediate for one party and delayed for the other.

Although the detail concerning these exchanges is beyond the scope of this part, one could say that Islam has a particular way of dealing with the concept of product and rules the exchange between two persons³⁶.

There are some examples which could be seen from Prophet Muhammad on this issue. Prophet Muhammad chose to sell commodities which were needed by all people and

³⁵ As an additional note, what “... highest moral commitment...” (Arham, 2011:127) mean could be seen, among others, from the figure such as “Brand, Content Information, Nutritional Information (If Any), Expiry Date (If Any), and Certification” (Arham, 2011:126).

³⁶ For detailed information, please consult the work of Rushd (1996).

were not rotten (Trim, 2009:124). According to Trim (2009:124), Prophet Muhammad chose to go for clothing³⁷. According to Al-Fatih (2009:62), Prophet Muhammad also prohibited displaying low-quality and high-quality products in the same place. Arguably, this was an act of transparency so that customers could easily differentiate between high and low grade products.

In discussing transparency, it can be argued that enforcement should be made in making sure that all products sold to the market conform to the market's best interests. For instance, in the month of Ramadhan, supermarkets in Indonesia undertake campaigns to sell various things to consumers. However, some supermarkets behave unethically by selling expired goods. Though the Indonesian government already has a special bureau to observe such matters, it could be argued that tougher measurements must be imposed so that no sellers sell expired products.

3.6.2.2.3. Place (Distribution)

The issue of Islamic distribution could be seen from the point of view of distributing products from one place to another. According to Alserhan (2011: 101):

Many countries in the world, both Muslim and non-Muslim, are making substantial investments to become regional Halal hubs that provide special manufacturing centres as well as systems for Halal logistics in order to maintain product purity during shipping and storage.

Furthermore, Alserhan (2011:106) also stated the following:

Halal logistics providers should ensure the prevention of: (1) cross-contamination that could result from shared facilities and handling, and (2) contamination from residuals and traces such as aromas, which could result from shared use and inefficient cleaning.

Although there is much to be discussed regarding this matter, one could see that the provision of *Halal* distribution could bring several impacts. For instance, there should be a regulation regarding *Halal* distribution centre, including the certification from *Ulemas*. Furthermore, such provision could ensure the purity of *Halal* products during their

³⁷The author argued that the essence of the above statement is that the products should be commodities which do not get rotten easily. This is because Prophet Muhammad SAW must have sold many products other than clothing.

distribution process from the factory until they reach retailers. Moreover, the rise of *Halal* industry could also lead to the rise of *Halal* retailers. Such opportunities could add more values to the society in terms of job creation.

3.6.2.2.4. Promotion

Promotion is an important part of the Shari'ah strategy. In this context, Islam prohibits the practice of over promising (Trim, 2008:73), and therefore products should be communicated within ethical boundaries so that customers do not feel deceived. There are several issues concerning this matter. The first is concerned with the morality of the appearance of images within the advertisement. As far as Islamic banking is concerned, the use of images does not pose a problem for as long as such images do not go against the teachings of the *Shari'ah*. However, ethical principles should be prioritised in shaping the advertisements; and hence Islamic moral economy principles should be considered as moral filters.

Since deception is condemned in Islam, in the promotional activities, as mentioned previously, deception must be avoided. For this, more education needs to be provided in order to make sure that people really comprehend the essence of Islamic banking and are not merely mesmerized by the 'hospitality' shown in the advertisement.

Another concern comes from the practice of special promotion. One example that Kotler and Armstrong (2010:445) utilized was the practice of the so-called "bait and switch" promotion whereby the advertised product is cheap but where the quality of the product inferior so that by the time customers are aware of the situation, they are offered to buy another product which is more expensive than the advertised one. This practice does not have any moral ground and totally breaches the tenets of *Shari'ah* since such a practice is categorized as *tadlis* or deception (Karim, 2004: 31).

3.6.2.2.5. Physical Environment

Hoffman and Bateson (2006:226) divide the function of physical environment into four distinct functions: Packaging, Assisting Service Delivery, Staff Socialization, and Source For Added Value. Those functions will be elaborated below.

3.6.2.2.5.1. Packaging

According to Hoffman and Bateson (2006:227), this issue plays an important aspect in service delivery. Furthermore, since the service itself does not have a tangible aspect, the appearance of tangible aspect will deliver “... quality cues [...] and adds value to the service in terms of image development (Hoffman and Bateson, 2006:227). Furthermore, it could be argued that the appearance of physical environment is not enough. Additional features of the building are also important for consideration. According to Hoffman and Bateson (2006:227), “the firm’s exterior appearance, interior elements, and other tangibles create the package that surrounds the service”.

3.6.2.2.5.2. Assisting Service Delivery

Physical environment is also useful in assisting service delivery (Hoffman and Bateson, 2006:227). Furthermore, Hoffman and Bateson (2006:227) argued that the presence of service environment could also exhibit the way the service is created. Lovelock and Wirtz (2007:291) also argued that the presence of physical appearance could speed up the process of servicing clients and increase production. Furthermore, according to Wilson *et al* (2008:247), “A well-designed, functional facility can make the service a pleasure to experience from the customer’s point of view and a pleasure to perform from the employee’s”.

Although the service delivery is important, it is argued that the sustainability of service delivery during the customers’ stay is important. Fisk *et al* (2008:68) argued that “... physical setting becomes more significant when the customer spends substantial time in the environment ...”. The management needs to consider any sudden events that could jeopardize the process of service delivery. As an example, the application of electric generator in most of the building in Jakarta, in case sudden blackout occurs.

Moreover, the provision of service setting needs to consider the cultural aspects where the business resides. For example, since most Indonesians are Muslims, the provision of adequate prayer room is encouraged.

3.6.2.2.5.3. Staff Socialization

The presence of physical environment could pave way towards smooth relationship between staffs and consumers and among staffs themselves (Hoffman and Bateson, 2006:228). However, staff socialization should be friendlier and meet the requirement of the sharia. The last point needs to be considered when providing physical environment to staffs. It could be said that the physical settings should not limit interactions between employees and their superiors. This is in accordance to the following Quranic verse:

“O mankind! We have created you from a male and a female, and made you into nations and tribes, that you may know one another. Verily, the most honourable of you with Allah is that (believer) who has At-Taqwa [i.e. he is one of the Muttaqun (the pious. See V.2:2)]. Verily, Allah is All-Knowing, All-Aware” (Al-Quran 49:13).

As an example, in a Muslim company, all facilities should be available to everyone. Therefore, all employees from board of directors until security should share the same shared facilities in the office.

3.6.2.2.5.4. Source For Added Value

According to Hoffman and Bateson (2006:229), “the effective management of the physical evidence can also be a source of differentiation”. Moreover, according to Hoffman and Bateson (2006:229), the look of the service personnel and the style of the facility will determine the way the clients think of the quality of the service. Additionally, Fisk *et al* (2008:69) argued that “in some instances, a service’s setting represents its chief means of distinguishing itself and becomes the most important element in the organization’s services marketing mix”.

In general, the provision of physical setting should add more values to the companies’ offering. Simply stated, the availability of physical environment should offer something not found elsewhere.

So far, this paper has discussed the issue of physical environment in delivering service. It could be argued that the provision of service setting could enhance the process of service delivery. Also, one may argue that the provision of service environment could enhance the probability of success in communicating the service to both customers and prospective customers. However, it could be said that the good physical settings will be optimized if it is filled with high quality staffs. Therefore, in the following sub-part, this paper would like to discuss the role of high quality resources in delivering high quality service.

3.6.2.2.6. People

People issue is also important to be considered, since services is basically people intensive activity. According to Hoffman and Bateson (2006:253), there is a connection between employee happiness and customer happiness. Schneider and Bowen (1993:39) argued that “being served [...] is not only a consumptive act but a personal and psychological experience”. Therefore, it is important that Islamic banks’ employees serve their customers by heart.

Prophet Muhammad *SAW* mentioned the following:

“Narrated Jabir bin ‘Abdullah *RA*: Allah’s Apostle *SAW* said, “May Allah’s mercy be on him who is lenient in his buying, selling, and in demanding back his money” (Khan, 1997:164).

In order to serve customers well, it is argued that staff recruitment, intensive training, and handsome reward need to be conducted to all employees.

3.6.2.2.7. Productivity And Quality

Productivity could be argued as one sign of profitability, as a result of high quality service. Hoffman and Bateson (2006:333) defined service quality as “an attitude formed by a long-term, overall evaluation of a firm’s performance”. With the advancement of technology, Islamic organizations could increase their productivity in order to stay competitive in the market.

3.6.2.2.8. Process

Finally, on *process*, Islam teaches its followers to present an agreement in the process of buying and selling. This is very important in Islam as failing to meet the conditions of buying and selling will cause the process to be unacceptable (Ayub, 2007:106)³⁸.

3.6.3. Shari'ah Marketing Value

According to Kartajaya and Sula (2006:146), all efforts to sell products and service will doom to fail without any attempts to include the product or service values. Hence, the concept of value within a brand (value indicator), service (value enhancer), and process (value enabler) come into play, which are explored further as follows:

On the value indicator, Kartajaya and Sula (2006:146) state that the appearance of a brand presents the total service that companies offer, starting from product purchase to after-sales service. Kotler and Armstrong (2010:255) argue that brand conveys a unique message to its audience and consumers try to link themselves emotionally with it. In the case of Prophet Muhammad, his name was a guarantee for quality, honesty, and integrity³⁹, as he had been considered as 'Muhammad al-amin' namely 'trustable Muhammad'.

On value enhancer, Kartajaya and Sula (2006: 147) state that buyers need to serve their customers well. It is argued that one indicator of good service was the lack of complaints. Rabi Bin Badr, one of Prophet Muhammad's business partners, once said that the Prophet Muhammad was the best partner he had had, as he never quarrelled with the Prophet Muhammad and the Prophet Muhammad never cheated either (Antonio, 2007: 83).

It could be argued that one can apply the above theory to modern business practices. For instance, it can be argued that the brand and any information within the product's label

³⁸This element, together with other elements in Islamic Marketing Strategy, shall be discussed deeply in other papers.

³⁹The author argued that companies need to re-think the essence of buying and selling. Does one really buy and sell products, or does one actually buy and sell honesty and integrity? Is zero-defect something that customers really want? If yes, why did people keep coming to Prophet Muhammad SAW, despite the fact that some of his products contained defects? It is argued that companies should spend some time thinking about this issue.

should represent the true nature of the product. The brand, since it is an asset to the company (Kotler and Armstrong, 2010:259), should live up to its promises.

Finally, Kartajaya and Sula (2006:148) state that the value enabler serves as a catalyst in provision of good service. It is argued that everything needs process (throughput). How one does the job could differentiate the end result.

While an attempt is made here to elaborate the concept of Islamic marketing, there are still some challenges, which lie ahead in order to make Islamic marketing acceptable by the market players including the Islamic banks and financial institutions. These challenges are discussed in the subsequent parts.

3.7. CHALLENGES AHEAD

The development of Islamic marketing, both a theoretical and a practical paradigm, face challenges that need to be resolved in order to see future progress, as this is a socially constructed paradigm based on the interpretation of the Islamic ontology and epistemology. The following is some of the challenges that should be considered:

(i) Immersing Islamic teaching within modern law

It is quite surprising to see that the present way of life also contains elements, which represent the teachings of Islam. In the Indonesian context, the country has a body which rules out any attempts at a market monopoly⁴⁰. Indonesia also possesses other supervisory bodies which supervise the quality of the food, both from the spiritual perspective⁴¹, the hygienic perspective⁴², and many others. The key point here is to achieve justice in society (Wilson, 2006: 113).

Therefore, Islamic marketing can find its role in the body of modern law.

⁴⁰Supervised by the so-called “Monitoring Agency For Business Competition”

⁴¹Supervised by the so-called “Indonesian Council Of Ulema”.

⁴²Supervised by the so-called “National Agency Of Drug And Food Control”

(ii) Narrowing intellectual gap

Another challenge that emerges is the ability for Islamic marketing to screen any relevant theory of conventional marketing in order to position itself uniquely in the body area of marketing literature. Dar and Presley (1999: 1) states regarding the lack of conventional theory when building the Islamic paradigm that:

Islamic writers have focused upon the Koran and mainly Asian literature without utilising a wide body of literature in the West which would assist with the development of the Islamic paradigm.

As has happened with the discussion concerning the chemistry between Islamic and ethical banking (Saidi, 2009: 44), it seems that Islamic marketing could go for the same kind of issue. Although Islamic Marketing is not similar to ethical marketing but extension of ethical marketing, further discussions should be gathered in order to confirm or contradict the issue.

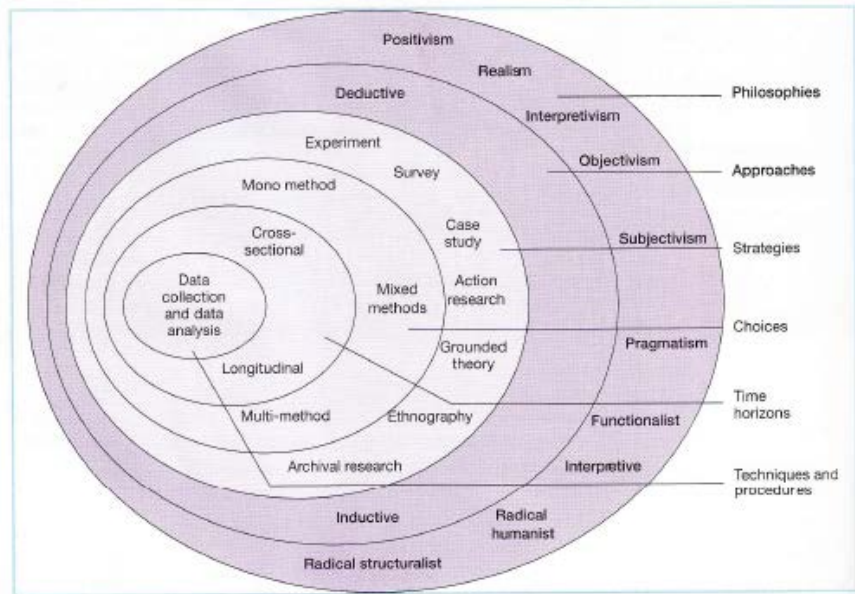
So far, this chapter has discussed the elements of Islamic Marketing. Next, the discussion would like to shift to the elements of research methodology.

3.8. INTRODUCTION TO RESEARCH METHODOLOGY

This chapter aims to elaborate on the methodology and methods of the research which were employed. In providing a structure and hence context for the research process, a 'Research Onion' (Saunders *et al.*, 2007:100), as shown in Figure 3.3 is utilised. This implies that the research follows a six layer process.

This chapter commences with the differences between research, research methods and research methodology. Next, this paper elaborates on the philosophical aspects of research as well as the research approach. After that, it presents the concept of the research strategy and method selection. Then the paper discusses the difference between cross-sectional and longitudinal data, and later it moves towards the discussion of quantitative data analysis. Finally, this chapter ends by stating the research questions and hypotheses statements.

Figure 3.3: Research Onion



Source: Saunders *et al.* (2007:102)

3.9. RESEARCH PHILOSOPHY

This part discusses the components of the research philosophy. Saunders *et al.* (2007:101) argue that this encompasses the concept of “...epistemology, ontology, and axiology”, which are discussed in the following sections.

3.9.1. Ontology⁴³

According to Saunders *et al.* (2007:108), ontology “...is concerned with the nature of reality” with the objective of relating “...what is considered to exist and ... what does not exist in the environment we are studying” (Maylor and Blackmon, 2005:155). Ontological positionings can be classified into ‘objectivism’ and ‘subjectivism’ (Saunders *et al.*, 2007:108), as well as ‘pragmatism’ (Saunders *et al.*, 2007:110).

As regards to this study, it is rather challenging to position this research into one strict ontological position. However, due to the nature of the study, it is suffice to say that this research is mainly concerned with subjectivism.

⁴³Due to limited space, ontological related aspects of research methodology could not be discussed in detail.

3.9.2. Epistemology⁴⁴

It can be argued that epistemology is one of the most important concepts in research. According to Johnson and Duberley (2000:3), "...epistemology is pivotal to science since 'proper' scientific theorizing can only occur after the development of epistemological theory". Therefore, this term could be defined as "...what constitutes acceptable knowledge in a field of study" (Saunders *et al.*, 2007:102). According to Maylor and Blackmon (2005:156), "epistemology concerns what is and isn't considered as knowledge in the field" (See also: Bryman, 2008:13; and Johnson and Duberley, 2000:3). By definition, epistemology refers to subjective worldviews regarding knowledge. Therefore, it is argued that each person has his or her own definition regarding 'knowledge', depending on how he or she views the universe. Therefore, various epistemological positions were developed to articulate individual positionings regarding the way knowledge is perceived. These include: 'positivism', 'realism' (which can be split into 'direct realism' and 'critical realism'), and 'interpretivism' (which can be split into 'phenomenology' and 'symbolic interactionism').

As for this dissertation, the methodology employed is positivist inductive approach.

3.10. RESEARCH METHODOLOGY

There are arguably many definitions of research. The term 'Research' can be defined as "...an organized, systematic, data-based, critical, objective, scientific inquiry or investigation into a specific problem, undertaken with the purpose of finding answers or solutions to it" (Sekaran, 2003:5). In supporting this, Maylor and Blackmon (2005:5) define it as "...a process of finding out information and investigating the unknown to solve a problem".

Although the two definitions might be somewhat different, it can be argued that they carry similar messages. First, one conducts research in order to answer questions regarding a phenomenon. Furthermore, it can be argued that research is an activity of data gathering. Last but not least, when doing research, researchers carry their activities in certain unique ways or steps. Therefore, one might argue that researchers conduct their

⁴⁴Due to the limited space, various epistemology concepts could not be discussed in detail.

activity intentionally through data collection with the expectation of finding an explanation with regards to their questions.

Considering the aspects of research, it is important that research methodology and method be properly understood in conducting research. Research method is defined as "... techniques and procedures used to obtain and analyse data" (Saunders *et al.*, 2007:3), which encompasses techniques for data gathering and analysis, among others. However, research methodology is defined by Saunders *et al.* (2007:3) as "...the theory of how research should be conducted". The distinction needs to be comprehended in order to utilise them appropriately so that misunderstandings can be avoided at the outset.

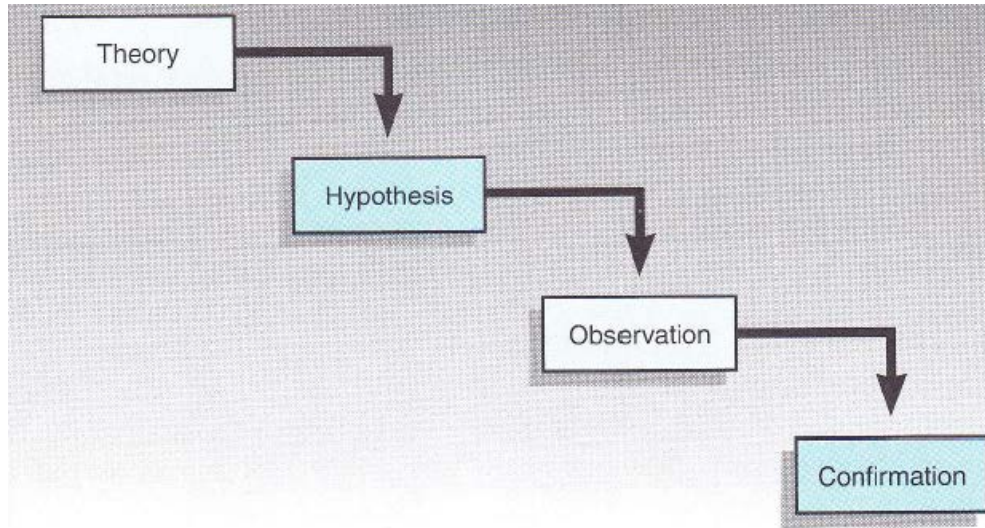
When researchers collect data, their data could be classified either as 'quantitative' or 'qualitative'. According to Trochim (2005:10), "Typically, data is called **quantitative data** if it is in numerical form and **qualitative data** if it is not". Malhotra (2009:180) stated that "**Qualitative research** provides insight into and understanding of the problem setting. It explores the problem with few preconceived notions about the outcome of that exploration". Furthermore, Malhotra (2009:180) also stated that "... **quantitative research** seeks to quantify the data. It seeks conclusive evidence based on large, representative samples and typically involving some form of statistical analysis".

As for this research, since this research aims to gauge or explore the opinions and perceptions of customers of Islamic and conventional banks regarding marketing-related issues, it should be considered as a qualitative research methodology. In addition, having primary data as the main data set relating to the perceptions, opinions and attitudes of bank customers collected through a questionnaire survey makes this research qualitative research. Furthermore, this research aims to reveal the opinions of other stakeholders through interviews on the same issues as it could further be considered as a qualitative research methodology oriented study.

3.11. RESEARCH STRATEGY

The issue regarding research strategy will arguably arrive at the difference between the “top-down approach” (Trochim, 2005:14) and the “bottom-up” approach (Trochim, 2005:15).

Figure 3.4: Deductive Approach

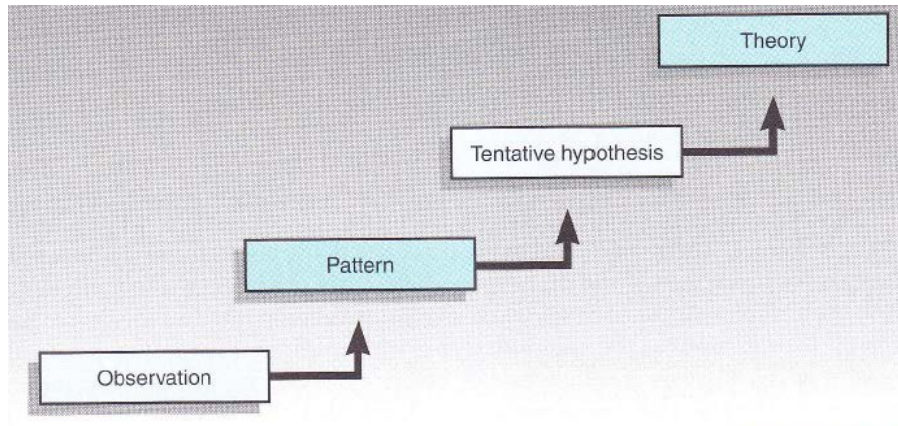


Source: Trochim (2005:15)

Figure 3.4 shows the steps in conducting deductive research, or “... *top-down approach*” (Trochim, 2005:14). As one can observe, the step starts from ‘theory’ (Trochim, 2005:15) and terminates in ‘confirmation’ (Trochim, 2005:15). Furthermore, Trochim (2005:14) argues that deductive research commences from universality and ends in explicit details.

On the other hand, “... inductive reasoning ... begin with specific observations and measures, begin detecting patterns and regularities, formulate some tentative hypotheses ..., and finally end up developing some general conclusions or theories” (Trochim, 2005:15). Moreover, it should be noted that “Inductive reasoning ... is more open-ended and exploratory...” (Trochim, 2005:15). Figure 3.5 below shows the process of research using inductive approach, or “... *bottom-up approach*” (Trochim, 2005:15).

Figure 3.5: Inductive Approach



Source: Trochim (2005:15)

Although research strategies can be classified as ‘deductive’ and ‘inductive’, Trochim (2005:15) argues that “...most social research involves both inductive and deductive reasoning process at some time in the project”.

Having discussed the elements in the research approach, Saunders *et al.* (2007:117) states that “...deduction owes more to positivism and induction to interpretivism...”. However, Saunders *et al.* (2007:117) also states that “...such labelling is potentially misleading and of no real practical value”.

Judging from the above information, it can be argued that researchers should not be so strict in determining the relationship between research philosophy and research strategy. Although one may argue that a sense of comprehension is needed when choosing a research philosophy, the author agrees with Saunders *et al.* (2007:117) above.

On the issue between the deductive and inductive, the inductive approach is the methodological approach utilised in answering the research questions. This is based on the nature of the study whereby this work has tried its best to explore the reasons behind the rather small market share of the Indonesian Islamic banking industry. The data collected could then be used to better comprehend the condition inside the Indonesian Islamic banking industry.

3.12. RESEARCH DESIGN

In order to understand research design, a research purpose should be explored and identified, as it is the latter, which defines research design. Saunders *et al.* (2007:133-134) classifies research purposes into three: ‘Exploratory’, ‘Descriptive’, and ‘Explanatory’.

Exploratory research “...is undertaken when not much is known about the situation at hand, or no information is available on how similar problems or research issues have been solved in the past” (Sekaran, 2003:119). Moreover, Sekaran (2003:120) also argues that, “Exploratory studies are also necessary when some facts are known, but more information is needed for developing a viable theoretical framework”. The intention to carry this type of research, hence, is “...to better comprehend the nature of the problem since very few studies might have been conducted in that area” (Sekaran, 2003:119).

Descriptive research, on the other hand, is conducted with the intention of portraying and finding out the nature of elements which concern researchers in a particular setting (Sekaran, 2003:121) with the objective being “...to offer to the researcher a profile or to describe relevant aspects of the phenomena of interest from an individual, organizational, industry-oriented, or other perspective”. It can be argued that descriptive studies go hand-in-hand with exploratory research.

With regards to *explanatory studies*, Saunders *et al.* (2007:134) states that this type of research is employed in order to find connections between elements under investigation. Matthews and Ross (2010:57) state that this type of research is involved with the “Why”.

Evaluative Research is another research design often utilised in designing empirical research, which is involved “...with the value of a particular social practice or phenomenon...”. Furthermore, Matthews and Ross (2010:57) also argue that this type of research can be employed in order to make progress on something.

In addition to the identified research designs, there are other types of research designs, which are directly related to the operational aspects of the research. Saunders *et al.* (2007:135) state that some of these strategies “...belong to the deductive approach, others

to the inductive approach”. These include ‘experimental research’, ‘survey research’, ‘case study’, ‘action research’, ‘grounded theory’, ‘ethnography’, and ‘archival research’. The survey and case study are relevant to this study and therefore they are explained as follows:

Apart from doing an *experimental study*, it can be argued that researchers could also opt for a survey strategy⁴⁵. Bryman (2008:46) provides a rather complete intellectual exhibition concerning this strategy below:

Survey research comprises a cross-sectional design in relation to which data are collected predominantly by questionnaire or by structured interview on *more than one case* (usually quite a lot more than one) and at *a single point in time* in order to collect a body of *quantitative* or *quantifiable data* in connection with two or more variables (usually many more than two), which are then examined to detect *patterns of association*.

In *survey design*, questionnaires and interviews seem to be the main tools for data collection, although it seems that Bryman (2008:46) argues for the utilization of either one. Saunders *et al.* (2007:138) argues that this research design is widely employed in “...business and management research...”. Furthermore, Saunders *et al.* (2007:138) also argues that the design “...is most frequently used to answer who, what where, how much and how many questions”.

With regards to the *case study*, according to Matthews and Ross (2010:128), researchers utilize one or few cases but with meticulous elaboration for which a state, an individual, a phenomenon, or even a company can be the source of the project.

It could also be argued that the choice for when it is appropriate to opt for a case study approach is not clear-cut. According to Yin (2009:4), “There’s no formula, but your choice depends in large part on your research question(s)”. However, Yin (2009:4) argues that the more information researchers need from the respondents, the more the likelihood that this research design would be employed.

⁴⁵As this academic work adopts the survey strategy, especially the online survey strategy, most of the discussion in this section will be directed towards this section.

In concluding this section, one might arrive at the notion that researchers are only allowed to use one of them. However, Matthews and Ross (2010:57) state that researchers can employ more than one type of research. This is possible since “...most research projects have more than one research question” (Matthews and Ross, 2010:57).

With regards to research design, this research mostly benefits from an exploratory research design as it aims to explore the opinions, perceptions, and attitudes of Indonesian bank customers. In addition, it also aims to explore the views of other stakeholders. Since such data can only be collected as primary data in the form of questionnaires and interviews, this study is also designed as a survey study. Lastly, since this research focuses on Indonesian bank customers, it is considered a case study.

3.13. RESEARCH METHODS: DATA COLLECTION

Research method is defined as the “... technique and procedures used to obtain and analyse data” (Saunders *et al.*, 2007:3).

Research methods are classified into ‘qualitative’ and ‘quantitative’ research methods depending on the nature of the data collection and analysis. Since this research involves primary data in the form of questionnaires, which are quantitative, and interviews, which are qualitative, this research should be considered to be employing triangulation as a research method. This implies a mixed method, which is further enriched with the descriptive method in the form of secondary data. As for secondary data, materials have been taken from various sources such as newspapers, books, journals, and so on.

3.13.1. Questionnaire

Questionnaires are defined as “... a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives” (Sekaran, 2003: 236). With such features, it was considered as an important tool of gathering primary data for this study.

In general, there are different types of questionnaires. Sekaran (2003:236) divides questionnaire based on the modes of arrangement in order for that questionnaire to be received by their respective respondents. In general, Sekaran (2003:236) states that it “...

can be administered personally, mailed to the respondents, or electronically distributed”. For this research, the questionnaire was electronically distributed via the Internet.

Technology was utilised for the efficient conduct of the questionnaire for this study. The use of an electronic survey to collect data and the electronic means used to deliver the questionnaire greatly reduced the costs involved and the timing needed to collect the survey. On top of that, issues such as manual data coding could be completely eliminated as well. More importantly, double filling could also be greatly reduced with a feature provided by SurveyMonkey®.

Moving further, before discussing the structure of the questionnaire, this part would like to present table 3.2 below.

Table 3.2: Elements Of Research

Main Research Questions	Marketing Theoretical Underpinnings To Answer Research Questions	Methodology	
		Theory	Method
1. What are the issues that Indonesian <i>Shari’ah</i> banks face in developing their market coverage?	Segmentation, Branding, Pricing, Promotion, Distribution, People (Human Resource)	Interview Theory	Qualitative: Interviews; Secondary data collection
2. What are the issues that the Indonesian people face in getting accustomed with <i>Shari’ah</i> banks in Indonesia?	Pricing, Aqad Terms (Sharia’ah Knowledge), People (Human Resource)	Interview Theory, Questionnaire Theory, Inferential Statistical Theory	Qualitative: Interview; Quantitative: Questionnaire
3. What particular marketing programmes are pursued by the Indonesian Islamic banking industry and what consequences they have in terms of the marketing of Islamic banking in Indonesia?	Segmentation, Product, Pricing, Distribution, Promotion, People	Interview Theory, Questionnaire Theory, Inferential Statistical Theory	Qualitative: Interview; Quantitative: Questionnaire

The above table exhibits how the research is conducted in general, as well as the theories that support the research. As one could see, there are 3 main research questions which are answered by various marketing theories and whose process is done by doing both

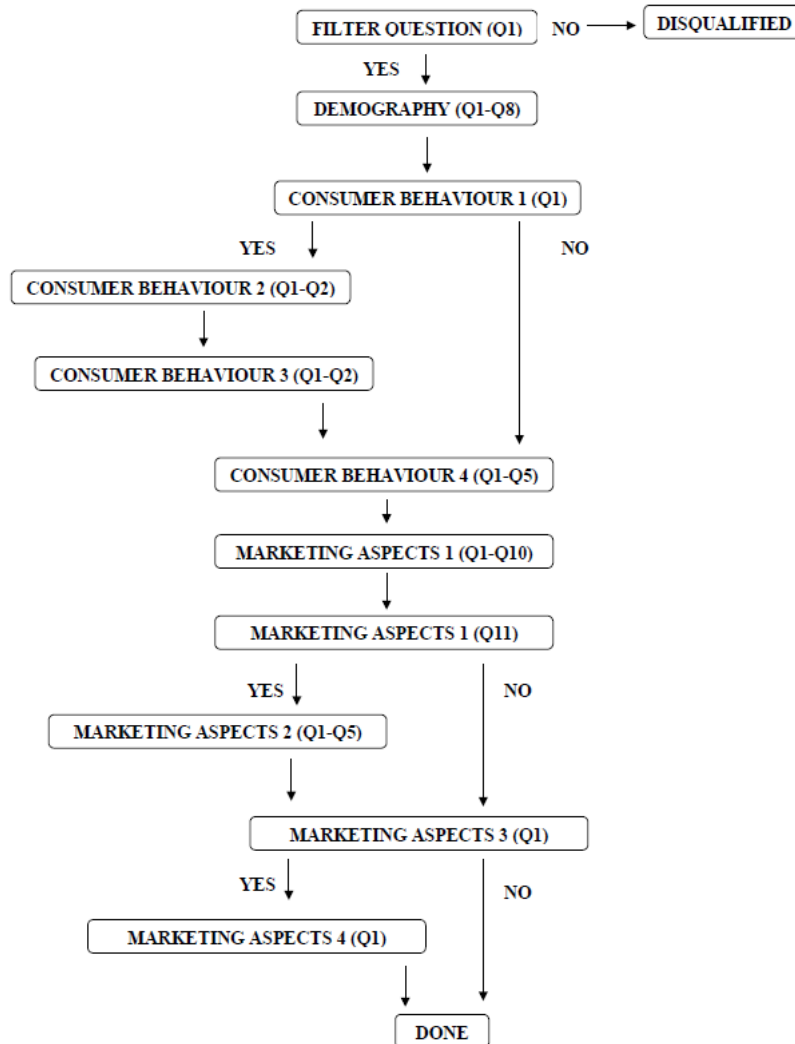
qualitative and quantitative research. Furthermore, interview and questionnaire are used to collect data.

3.13.1.1. Questionnaire Structure

As an overview, the general plan of the questionnaire can be presented in figure 3.6. In general, the questionnaire is divided into 4 distinct parts. The first section is the filtering part. Filtering is very important in order to determine whether prospective respondents possess at least one bank account. With the assistance of special features within SurveyMonkey®, it is highly unlikely that the same respondent could participate in the survey twice. The second part consists of questions which could show the demographics of respondents. There were 8 questions asked in this part. The first question in this part asked about the gender of respondents followed by their age, marital status, religion, last education attained, occupation, monthly income, and place of domicile.

Moving on, in the section of ‘Consumer Behaviour 1’, the respondents only dealt with one question. This question asked whether respondents possessed Islamic bank accounts and it was a ‘yes/no’ question. As one can see from the above figure, the answer given on question 1 (there is only 1 question) will determine the path respondents will be placed. Respondents who answer ‘no’ will be directed towards ‘Consumer Behaviour 4’ while those who answer ‘yes’ will be directed towards ‘Consumer Behaviour 2’ and subsequently towards ‘Consumer behaviour 3’.

Figure 3.6: Questionnaire Chart



‘Consumer Behaviour 2’ consists of 2 questions. The first question simply asks whether respondents also possess conventional bank accounts. This is a ‘yes/no’ question. Subsequently, question 2 asks the respondents to assess the degree of importance towards choosing a *Shari’ah* bank. This question spans over 23 sub-questions which use a likert-type scale. Next, respondents who finish ‘Consumer Behaviour 2’ will be taken automatically to ‘Consumer Behaviour 3’. In this section, the questionnaire presents two questions. Question number one asks whether respondents would put their money in an international *Shari’ah* bank or a local *Shari’ah* bank. Afterwards, this part also requests respondents to choose from several statements in a scale ranging from ‘absolutely disagree’ to ‘absolutely agree’. Furthermore, the statements are intended to be compared

with whatever answer they did not answer on question number 1. Therefore, if respondents choose to answer 'International *Shari'ah* Bank', the answer which respondents give will be used as a comparison with 'Local *Shari'ah* Bank'. Alternatively, if respondents chose to answer 'Local *Shari'ah* Bank', the answer which respondents give will be used as a comparison with 'International *Shari'ah* Bank'.

The next part is 'Consumer Behaviour 4'. This part is intended for all respondents, irrespective of whether they have a *Shari'ah* bank account or not. This part presents 5 questions. The first question tries to test respondents' knowledge about Islamic banking. In this question, there are 16 terms related to Islamic banking. Respondents are questioned on whether they know, are in doubt, or are not familiar with the terms.

The second question deals with 10 statements related to respondents' opinion concerning *Shari'ah* banks. The answers range from 'Strongly Disagree – Strongly Agree'. The third question asks about the nature in which respondents can classify themselves. There are 6 multiple choice answers on this question. Moving forward, the questionnaire asks the respondents to name a maximum of 3 conventional banks which respondents have. In this case, there are 19 conventional bank names plus one other answer called 'none'. The 'none' answer was provided in case respondents did not possess any conventional bank accounts. Similarly, the last question also requests respondents to name maximum 3 *Shari'ah* banks which respondents have. In this case, there are 19 *Shari'ah* bank names, plus one other answer called 'none'. The 'none' answer was provided in case respondents do not possess any *Shari'ah* bank accounts.

In the section relating to 'Marketing Aspects 1', 11 questions are presented. The first question asks respondents to choose any conventional banking product, which they have. Unlike the two previous questions on bank names (conventional and *Shari'ah*), this question does not limit the amount of products which respondents can choose. In total, there are 17 products from conventional banks presented plus one other answer called 'none'. The 'none' answer is provided in case respondents do not possess any conventional banking products (as a result of not having a conventional bank account). Similarly, the next question also asks the same thing of a *Shari'ah* bank. This question

contains 15 products from *Shari'ah* banks plus one other answer called 'none'. The 'none' answer is provided in case respondents do not possess any *Shari'ah* banking products (as a result of not having a *Shari'ah* bank account). Moving forward, the third question asks respondents to choose the banking facilities they use. Like the previous two questions, this question does not limit the amount of answers which respondents can answer. Question four presents the logo of the Indonesian Islamic banking industry. However, for the purposes of this research, this logo is presented without the jargon "Perbankan Syariah (*Shari'ah* Banking)". Therefore, this question can provide a picture on whether or not people recognize this logo. In total, there are two sub-questions on this part with a likert-type answer. In question 5, respondents' are requested to give their perception regarding the rates of both Islamic and conventional banks. Answers to this question are also given in a likert style. In question 6, respondents are also requested to give their view regarding the cost of borrowing between Islamic and conventional banks (this is based on a likert style). The seventh question asks for the level of interaction to several media of communication. Answers range from 'very low' to 'very high'. Next, question no.8 asks respondents to remember from where did they discover the phrase '*Shari'ah* Bank' for the first time. Answers to this question are presented in multiple-choice format. Moving on, the next question requires respondents to give their perceptions regarding the concept of advertisements in Islam. Three statements are given and each can be assessed by choosing a likert-type answer. The tenth question asks for the respondents' opinion regarding whether it is appropriate for Islamic banks to advertise their products. It is a multiple choice question with three answers. Last but not least, the last question on this part asks whether respondents have seen *Shari'ah* banking advertisements. As far as one can see from figure 3.6, this question is a branch question. In the event where respondents answer 'no', they will be taken to 'Marketing Aspects 3'. On the other hand, respondents will be directed towards 'Marketing Aspects 2' if they opt for 'yes'.

The next part after 'Marketing Aspects 1' is the 'Marketing Aspects 2' part. This part consists of 5 questions. The first question asks if respondents still remember any unique words or phrases from the advertisements they have seen. This is a 'yes/no' question but with the additional instruction to write down any memorable words or phrases if the

respondents opt for 'yes'. The next question asks for the respondents' evaluation of six statements concerning *Shari'ah* banking products' advertisements in Indonesia. Answers are likert-type, ranging from 'Strongly Disagree' to 'Strongly Agree'. Moving forward, the third question asks for the most exhibited symbol when respondents see such an advertisement. Six answers are presented in a multiple-choice format. The fourth question asks whether respondents are satisfied with any symbols used in that advertisement. This is also a multiple-choice question with three choices. Last but not least, the fifth question asks whether respondents think that the advertisement of *Shari'ah* banks contains the themes presented in the questionnaire. In total, there are 11 themes presented with a likert-type answer.

After going through 'Marketing Aspects 2', respondents will be directed again towards 'Marketing Aspects 3', which has only has 1 question. As one can see from figure 3.6, respondents' answer in this part determines whether they will be directed towards 'Marketing Aspects 4' or towards the end of the questionnaire. Those opting for 'no' will be directed towards the end of the questionnaire. On the contrary, those who opt for 'yes' will be directed towards 'Marketing Aspects 4'.

In 'Marketing Aspects 3', respondents are only confronted with one question. This question asks if respondents have been to any one of the *Shari'ah* banks and have interacted with their staffs. This is a simple 'yes/no' question. If respondents opt for 'no', they will be directed automatically towards the end of the questionnaire. Otherwise, they will be directed towards 'Marketing Aspects 4' if they opt for 'yes'.

'Marketing Aspects 4' is the last part of the questionnaire. In this part, respondents are asked on whether or not they feel that certain elements exist when they enter one of the *Shari'ah* banks and interact with the staff. These 11 elements are presented and they are exactly the same as the elements in question 5 under 'Marketing Aspects 2'. In total, there are 11 themes presented with a likert-type answer.

Before leaving this section, it should be noted that there are 37 questions in total with an estimated time of between 15 – 25 minutes for answering. Furthermore, the questionnaire is also equipped with 4 "skip-logic" questions.

3.13.1.2. Scale Utilization

Stevens (1946:678) proposed a scale utilised in this study as well, namely the ‘nominal’, ‘ordinal’, ‘interval’, and ‘ratio’ (Stevens, 1946:678). According to Mazzocchi (2010:7), in the nominal scale, “... no ranking or distance measurement is possible”. The question which uses this scale is the one on gender (Male or Female).

According to Berenson *et al.* (2006:9), “An ordinal scale classifies data into distinct categories in which ranking is implied”. One example is a question which asks for respondents’ opinions regarding certain issues. Respondents are then asked to rate their level of agreement or disagreement (Absolutely disagree, Disagree, Neutral, Agree, Absolutely Agree).

Furthermore, Conover (1999:74) stated that “The interval scale involves the concept of a unit distance, and the distance between any two measurements may be expressed as some number of units”. An example of this scale is the score on the GMAT test.

The ratio scale, according to Mason *et al.* (2000:14), “... has all the characteristics of the interval level, but in addition, the 0 point is meaningful and the ratio between two numbers is meaningful”. An example of this is the amount of money that one possesses.

Moving forward, this dissertation has only 3 scales are involved. These are the nominal, the ordinal, and the ratio.

3.13.1.3. Other Aspects of The Questionnaire

After the final draft of the questionnaire was completed, the draft is then re-typed in SurveyMonkey®. Before the survey was sent to the final respondents, the questionnaire was sent to 36 people for testing as part of the pilot study. According to the feedback received, a few adjustments were made in the questionnaire, including adding a few questions. The questionnaire was launched by SurveyMonkey® on June 2011 until November 2011 to the final respondents as soon as everything was ready. When launching the questionnaire, it was sent to mailing lists in Indonesia. These mailing lists were collected over time. Those mailing lists came from both Yahoo!® and Google® Group.

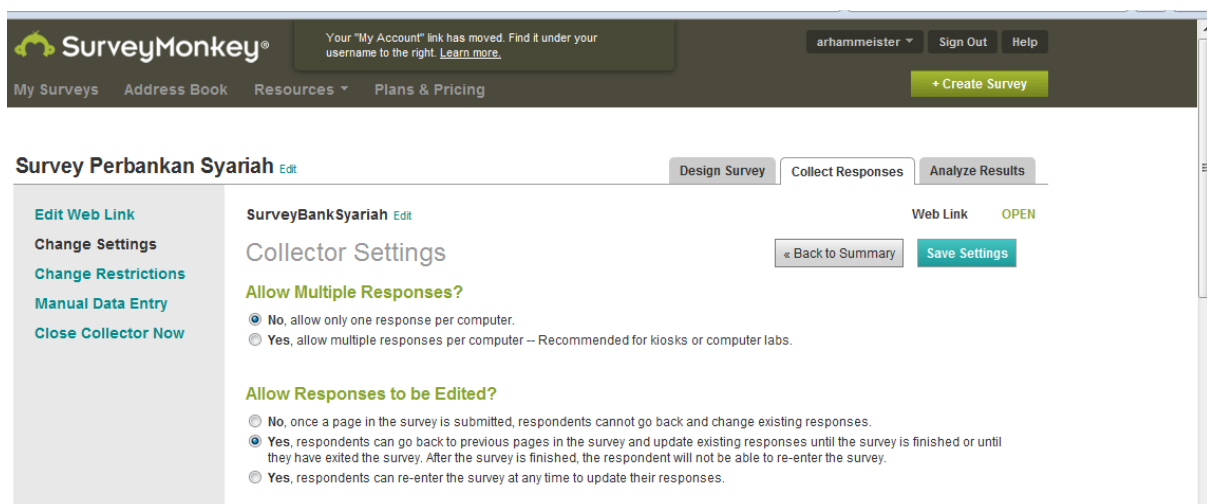
The results from the questionnaire were transferred automatically to SPSS for analysis. This facility was allowed by SurveyMonkey®.

3.13.1.3.1. Features of SurveyMonkey®

The construction of the questionnaire was assisted by some features provided by SurveyMonkey®. The first feature is the so-called ‘skip-logic’. With this feature, respondents are directed automatically towards another part of the questionnaire if they choose a particular answer from a question. As one can observe from figure 3.6, the questionnaire for this research has four skip-logic questions. By using this automatic feature, respondents do not have to follow manual ‘Branching’ instructions similar to those in manual questionnaires.

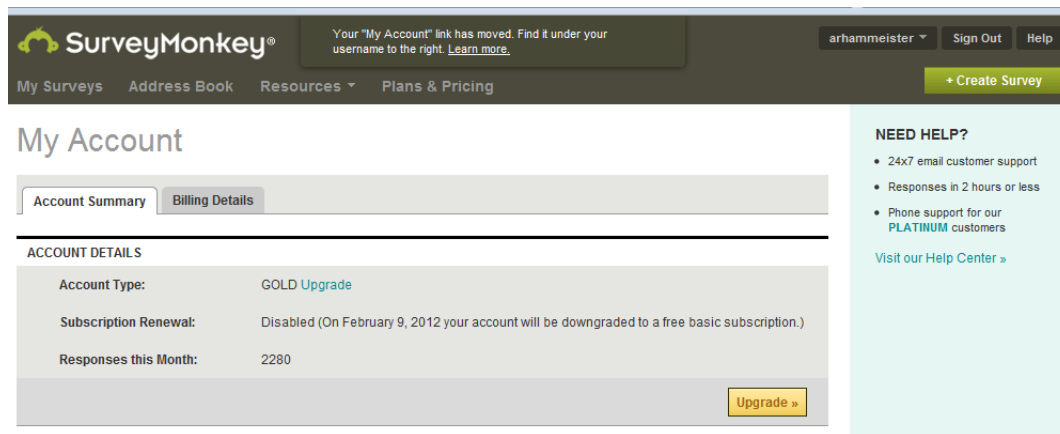
The second feature from SurveyMonkey® is the availability of the ‘Multiple Responses’ facility. By disallowing this facility, only one respondent per IP number was allowed. Therefore, several people could not access several computers from the same IP number and inflate the respondent’s number. SurveyMonkey® was able to detect a unique property from respondents’ computer. If this property was the same, respondents were not allowed to fill in the questionnaire if they had already finished it. The facility is exhibited by figure 3.7.

Figure 3.7: SurveyMonkey® Feature1



Source: SurveyMonkey® (2012)

Figure 3.8: SurveyMonkey® Feature 2



Another facility was total responses. Based on the information given by figure 3.8, there were 2280 visitors to the questionnaire site.⁴⁶ However, it must be noted that not all the people who visited the survey site filled the questionnaire completely. Of those who filled it in completely, only 1063 respondents filled the questionnaire completely well.⁴⁷

3.13.1.4. Population and Sample

As for the population, this research was aimed at bank customers who have bank accounts. Thus, the participants were chosen from those who possessed any three from *Shari'ah* bank accounts only, conventional bank accounts only, and or both accounts. For the interview, it was decided to opt only for managers and scholars from two Indonesian Islamic banks whose combined market share were dominant in the Indonesian Islamic banking industry. The Directorate of Islamic Banking of the Indonesian Central Bank was also chosen for interview due to their regulatory role.

⁴⁶As the researcher has extended the service to 2013, apparently Survey Monkey does not keep the information under “Responses This Month”. Furthermore, there are 3 additional responses which were done well during the writing process of this dissertation. However, the 3 responses were not included as they came when the author was in the middle of finishing chapter 7. Technically, at that time, it was rather complicated to incorporate the 3 responses.

⁴⁷The number under the ‘Responses This Month’ shows the accumulated number of responses, plus the number of responses of that particular month. For instance, the total response on January 2012 was equal to the total number of responses on December 2011, plus whatever responses the author obtained on January 2012.

3.13.2. Interview

For the interview, only 3 interviews were successfully conducted for this research. The first interview was conducted with one senior staff of Bank Indonesia. The Second interview was conducted with somebody from Bank Syariah Mandiri. Finally, the third interview was conducted a staff from Bank Muamalat. All interviews were conducted in February 2012.

Interview was conducted in order to get more insight from the players of the Industry, as well as the view of the regulator with regards to several issues in this sector. As for the amount of interviewees from *Shari'ah banks*, it was decided to conduct interview with only 2 banks as those two banks have the majority of market share in Indonesia. This was decided because both banks have combined market share of over 50 percent. Bank Syariah Mandiri has 33.62%, while Bank Muamalat has 21.24% (infobanknews.com, 2011).

Moreover, as for the amount of interview, due to cost and time, as well as the quality of information, the interviews were only conducted to the most important figures that could be found from the industry.

3.13.3. Ethical Concerns

According to Fowler (2002:147), "... researcher needs to be attentive to the ethical manner in which the research is carried out". Therefore, ethical clearance was obtained from the School of Government and International Affairs before the field research commenced. Furthermore, an understanding of the respondents who filled out the questionnaire was developed in the process. Lastly, in overcoming ethical concerns, it was made sure that respondents also knew how and why they were filling in the questionnaire.

The same procedure was followed for interviews as well, as permission was obtained to conduct the interview. Furthermore, the interviewees were informed about the purpose behind the interview and were aware that the interviews were recorded.

3.14. RESEARCH METHODS: DATA ANALYSIS

Concerning data analysis, two types of analysis were conducted. The first analysis was quantitative and based on statistics, especially descriptive and non-parametric statistics. This analysis used the data from the questionnaire. The second analysis was qualitative by using interpretative methods to analyse data from the interviews. Thus, triangulation constituted the data analysis methods.

3.14.1. Quantitative Data Analysis

Quantitative data analysis in this research is aimed at analysing the data gathered from the questionnaires with the objective of developing a detailed understanding of the issues involved but also with the objective of making generalisations through constructing meaning.

3.14.2. Qualitative Data Analysis

Apart from having a questionnaire, 3 interviews were also conducted. The analysis of the interview data was conducted using a thematic analysis. According to Riessman (2008:53), "... in thematic analysis, content is the exclusive focus". Thus, in order to focus on the contents and developed an understanding our of the contents, thematic analysis in a structured manner was utilised. Briefly speaking, in this dissertation, the interviews are divided into several marketing themes. These themes are (among others) product, pricing, promotion, consumer behaviour, and so on.

3.15. RELIABILITY AND VALIDITY

It could be argued that the issue regarding reliability, validity, and replication has a strong connection with the presence of measurements. Trochim and Donnelly (2007:56) state that "Measurement is the process of observing and recording the observations that are collected as part of a research effort".

Observations on the argument advanced by Saunders *et al.* (2007:149) revealed that researchers are only able to "...reduce the possibility of getting the answer wrong"⁴⁸.

⁴⁸At a glance, such notion may make sense if one employs the positivist perspective. Nevertheless, imagine a situation where a Muslim researcher would like to know the best tax rate for Muslims. The author argued that it would be meaningless to follow what Saunders *et al.* (2007:149) had said. This is because Islam has

Therefore, Saunders *et al.* (2007:149) argues for the robustness of a researcher's research strategy. For that matter, Saunders *et al.* (2007:149) argues for "...two particular emphases on research design: reliability and validity".

3.15.1. Reliability

According to Trochim and Donnelly (2007:80), the term could be defined as the "degree to which a measure is consistent or dependable; the degree to which it would give you the same result over and over again, assuming the underlying phenomenon is not changing". It, therefore, refers to the ability of the research to be repeatable and yield identical outcomes. In other words, if other researchers repeat the process, then they shall expect the same results from the research.

Bryman (2008: 149-150) argues that there are some factors which should be taken into account when discussing this concept, such as 'stability'. According to Bryman (2008:149), "This consideration entails asking whether a measure is stable over time, so that we can be confident that the results relating to that measure ... do not fluctuate".

The second aspect regarding reliability is "internal Validity" (Bryman, 2008:150). According to Bryman (2008:150) "The key issue is whether the indicators that make up the scale or index are consistent – in other words, whether respondents' scores on any one indicator tend to be related to their scores on the other indicators".

It should be noted that the 'Cronbach Alpha' measurement is used in order to assess reliability, something that is available on statistical software such as SPSS®, among other things. For this research, Cronbach Alpha was utilised in order to ensure the reliability of the data collected through the questionnaire. As for this research, Cronbach alpha was presented below:

already mentioned the rate to be 2.5 percent. Therefore, one may argue that Islamic researchers make research to employ the manuals (Al-Quran and Hadith) in this world. On the contrary, the conventional researchers conduct research to find something as "manuals". As a result, the author argued that instead of asking "What is the best tax rate for Muslims?", Islamic researchers should ask (among others) "What is the effect of having 2.5 percent tax on poverty level?".

Table 3.3: Cronbach Alpha

Reliability Statistics	
Cronbach's Alpha	N of Items
.873	112

Based on the above table, it can be argued that the above Cronbach's Alpha is considered "... very good" (De Vellis, 2012: 109).

The third aspect concerning reliability is the 'inter-observer consistency' (Bryman, 2008:150). In principle, this type of reliability arises when more than one person is involved in data capture. As a result, the comprehension of each person in grouping items varies from one another (Bryman, 2008:150). It can be argued that inter-personnel communication is crucial when more than one person is involved in a research activity.

In addition to the concept of reliability, one should also understand the importance of having validity for the research. Realizing its importance, the following part will elaborate the concept of validity.

3.15.2. Validity

According to Trochim and Donnelly (2007:56), this validity is defined as "The best available approximation of the truth of a given proposition, inference, or conclusion". Saunders *et al.* (2007:143) argues that "Validity is concerned with whether the findings are really about what they appear to be about".

To minimise the threat of validity, several measures were taken. First, a pilot test was conducted before sending the questionnaires out to the real respondents. Second, as a consequence of taking the pilot tests, useful comments were obtained for developing the questionnaires before sending out the questionnaires to the real respondents. Third, development of the questionnaire was closely supervised by the supervisor.

3.16. LIMITATION AND DIFFICULTIES

There are several contributing factors in choosing the current research strategy, which also imply the limitations. These are time, geographical distance, cost, and technology. Each of these will be elaborated below.

The survey was conducted due to the time issue. The current research strategy was chosen because it would shorten data collection time. No time would be spent to go and meet each respondent individually. This contributed greatly to the time saving. The survey was formally conducted from June 2011 – October 2011. However, technical problems prolonged the survey until mid November 2011.

3.16.1. Geographical Distance

It would be unwise to collect data manually since Indonesia is arguably a geographically vast country. Therefore, current data collection techniques were employed in order to deal with the geographical issue. In order to have a chance of getting a response from respondents from all over Indonesia, an effort was made to enlist as many mailing lists as possible.

3.16.2. Cost

Finding the current amount of respondents needed a great amount of financial commitment. In order to bridge the gap, it was decided to employ the current data collection technique and to use mailing lists to deliver the survey. In general, the monetary cost for conducting the survey was minimal. The only thing to pay was the service provided by SurveyMonkey®. SurveyMonkey® has several paid plans, as well as a free one. However, it was decided to go for a paid one since it gave more facilities in terms of the amount of respondents and the variability of questioning style which could be employed.

Nevertheless, it is argued that a non-monetary cost also exists. Time was certainly the biggest non-monetary cost during both pre-questionnaire sending stage, and when the actual questionnaire had already been sent.

3.17. CONCLUSIONS

Religious teachings, at least from an Islamic perspective, could be utilised as a marketing tool. As a consequence, one could build another body of knowledge called ‘Islamic marketing’ as another way to look at the science of marketing along the lines of Islamic banking and finance, Islamic economics, and Islamic finance etc. As in the case of the latter, Islamic marketing is based on the values, norms and principles of Islamic ontology

and epistemology, which has different consequences for marketing strategy. Islamic marketing needs to be enriched in order to gain acceptance from the scientific community. Therefore, it is the duty of all researchers interested in this issue to develop this knowledge.

Moving forward, this chapter also covers the issue of research methodology. This research adopts positivist inductive approach for its methodology. As for data collection, it uses both questionnaire and interview. At the end, 1063 questionnaires were received and were analyzed. People who possess bank account(s) (Conventional Bank Account(s) only, *Shari'ah* bank account(s) only, or both) were chosen as the population of interest. The questionnaire was launched by SurveyMonkey® on June 2011 until November 2011. As for the interviews, 3 interviews were arranged. An interview was conducted with somebody from the Central Bank and 2 interviews were conducted with a staff from Bank Syariah Mandiri and Bank Muamalat.

CHAPTER 4

LOCATING THE PERCEPTIONS OF THE PARTICIPANTS ON THE FEATURES AND ASPECTS OF *SHARI'AH* BANKING AND MARKETING IN INDONESIA: DESCRIPTIVE AND EMPIRICAL ANALYSES

4.1. INTRODUCTION

This chapter discusses the aspects of Indonesian Islamic banking depositors based on questionnaire responses with the objective of developing an understanding of their behaviour on Islamic finance and Islamic marketing issues. As has been mentioned in the previous chapter, the questionnaire is divided into four general parts. These parts are 'Filter', 'Demographic', 'Consumer Behaviour', and 'Marketing Aspects'. In addition, the questionnaire also contains 4 skip-logic questions. In this chapter, descriptive statistical methods are utilised to establish findings. In doing so, it shows a general picture of respondents' answers on 'Demographic', 'Consumer Behaviour', and 'Marketing Aspects' by using 'Filter' part as an instrument rather than a theme.

Moreover, this chapter also aims to take the analysis a step further by using inferential statistical analysis.

4.2. DEMOGRAPHIC PROFILE

This part presents the findings on various aspects of demographics of the participants, as depicted in table 4.1. Questions in the demographic section relate to the gender of the respondents, followed by age, marital status, religion, last education attained, occupation, monthly income, and place of residence.

Table 4.1a shows that 67.9% of the participants were males and 32.1% were females. This result should not imply the absence of women from the public sphere, but, since the data was randomly collected online, it implies that the majority of the participants were male.

The same table also shows that .4% respondents were younger than 18 years, 51.3% belonged to the '18 – 30' category, 30.9% belonged to the '31 – 40' age group, 13.1% belonged to the '41 – 50' age group, 3.7% belonged to the '51 – 60' age group, and only .8% belonged to the 'Above 60' category. Except for those who belonged to the 'Below 18' age group, one can observe that the older the respondent group, the smaller the size. One reason for that might be the ability to deal with internet, as the data collected for this research through internet: Younger respondents might be familiar with internet more than their older counterparts.

Table 4.1a: Demographics of Islamic Bank Deposit Account Holders - 1

Gender Of Respondent							
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Male	722	67.9	67.9	67.9	1.32	4.67
	Female	341	32.1	32.1	100.0		
	Total	1063	100.0	100.0			
Age Of Respondent							
Valid	Below 18	4	.4	.4	.4	2.71	0.887
	18-30	545	51.3	51.3	51.6		
	31-40	328	30.9	30.9	82.5		
	41-50	139	13.1	13.1	95.6		
	51-60	39	3.7	3.7	99.2		
	Above 60	8	.8	.8	100.0		
	Total	1063	100.0	100.0			
Marital Status							
Valid	Single	440	41.4	41.4	41.4	1.6	5.2
	Married	615	57.9	57.9	99.2		
	Widower	4	.4	.4	99.6		
	Widow	4	.4	.4	100.0		
	Total	1063	100.0	100.0			
Religion Of Respondent							
Valid	Islam	1019	95.9	95.9	95.9	1.08	0.484
	Protestant	16	1.5	1.5	97.4		
	Catholic	20	1.9	1.9	99.2		
	Hindu	3	.3	.3	99.5		
	Buddhist	3	.3	.3	99.8		
	Cultist	1	.1	.1	99.9		
	No Religion	1	.1	.1	100.0		
	Total	1063	100.0	100.0			

Furthermore, as can be seen from table 4.1a, 41.4% of the respondents were single, 57.9% were already married, .4% were widowers, and .4% were widows.

Moreover, 95.9% of the respondents were Muslim. As table 6.1a shows, this was followed by 1.5% Protestants, 1.9% Catholics, .3% Hindus, .3% Buddhists, 1 Cultist, and 1 respondent with no religion. With Indonesia being the largest Muslim country in the world, it is not surprising to find that a majority of respondents were also Muslim. Furthermore, in this question, 'Confucian' was also included as one of the choices. However, since no respondents appear to be Confucian, the results did not report it on the table.

Moving further, table 4.1b shows the absence of 'Junior High School or Equivalent' as one of the choices as no respondent appears to be in that educational level. The table exhibits that there is only 1 'Primary School' respondent, while 11% of the respondents are with 'Senior High School or Equivalent' education, 8% with 'Diploma', 50.7% with 'Bachelor', and 30.2% with 'Post Graduate' education. The majority of respondents come from higher education background (bachelor and post graduate). These respondents were arguably more familiar with internet technology (hence their majority). As for those with a primary school background, the level of internet literacy (due to the level of education) might contribute to the low response from this particular educational background.

Table 4.1b also shows that 1.8% of respondents were 'Unemployed', 15.8% were 'Student' respondents, and 11 were 'Housewife' participants, 15.9% were 'Teacher/Lecture' participants, 16.9% 'Civil servants (including state companies, army, and police)', 32.3% 'Employees in private companies', 7.2% 'Own A Business', 8.1% 'Professionals', and 10 'Retired'. The majority of respondents came from 'Employees in private companies', followed by 'Civil servants (including state companies, army, and police)', 'Student', and 'Teacher/Lecturer'. It should be noted that employees in private companies frequently work in front of their computers and have access to the internet. In contrast, civil servants in Indonesia might not enjoy such a luxury. Consequently, the regularity of civil servants in checking their emails might be somewhat lower than that of private companies. Furthermore, the lower percentage of student participants can be explained by their attitude towards the questionnaires (in terms of their motivational level in filling the questionnaire, and so on). As for teachers or lecturers, their ability in

accessing the questionnaire might be hindered by their teaching schedule and access to the Internet in the place where they live.

Table 4.1b: Demographics of Islamic Bank Deposit Account Holders - 2

Education of Respondent							
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Primary School	1	.1	.1	.1	5	0.915
	Senior High School Or Equivalent	117	11.0	11.0	11.1		
	Diploma	85	8.0	8.0	19.1		
	Bachelor	539	50.7	50.7	69.8		
	Post Graduate	321	30.2	30.2	100.0		
	Total	1063	100.0	100.0			
Occupation							
Valid	Unemployed	19	1.8	1.8	1.8	5.02	1.845
	Student	168	15.8	15.8	17.6		
	Housewife	11	1.0	1.0	18.6		
	Teacher/Lecture	169	15.9	15.9	34.5		
	Civil Servant (Incl. State Companies, Army, And Police)	180	16.9	16.9	51.5		
	Employees In Private Companies	343	32.3	32.3	83.7		
	Own A Business	77	7.2	7.2	91.0		
	Professional	86	8.1	8.1	99.1		
	Retired	10	.9	.9	100.0		
	Total	1063	100.0	100.0			
Income of Respondent							
Valid	Below 1,000,000 Rupiahs	164	15.4	15.4	15.4	3.32	1.398
	1,000,000 - 1,999,999 Rupiahs	134	12.6	12.6	28.0		
	2,000,000 - 3,999,999 Rupiahs	261	24.6	24.6	52.6		
	4,000,000 - 5,999,999 Rupiahs	208	19.6	19.6	72.2		
	Above 6,000,000 Rupiahs	296	27.8	27.8	100.0		
	Total	1063	100.0	100.0			
Place of Domicile							
Valid	Java	821	77.2	77.2	77.2	1.41	0.83
	Sumatera	91	8.6	8.6	85.8		
	Celebes	114	10.7	10.7	96.5		
	Borneo	33	3.1	3.1	99.6		
	Papua	4	.4	.4	100.0		
	Total	1063	100.0	100.0			

Table 4.1b above also shows that 15.4% come from ‘Below 1,000,000 Rupiahs’ level, followed by 12.6% who come from ‘1,000,000 - 1,999,999 Rupiahs’ level, 24.6% who come from ‘2,000,000 - 3,999,999 Rupiahs’ level, 19.6 % who come from ‘4,000,000 -

5,999,999 Rupiahs' level, and 27.8% who belong to 'Above 6,000,000 Rupiahs' level respectively⁴⁹.

Finally, as can be seen in table 4.1b, 77.2% of the respondents were in Java, 8.6% were in Sumatera, 10.7% were in Celebes, 3.1% were in Borneo, and 4 responses were from Papua. The result is not surprising due to the fact that the quality of infrastructure in Indonesia, especially the Internet infrastructure, is not equal from one place to another. Therefore, it is not surprising if the majority of respondents were from Java Island.

4.2.1. Correlating Type Of Depositors With Demographics Of The Respondents

Table 4.2a and 4.2b provides the results of the cross-tabulation analysis of demographical profile of all types of depositors (sharia bank account, conventional bank account, and dual banking depositors) with their demographic profile.

On 'gender' of respondents, when segregated by the type of depositor, it can be said that male respondents dominated across the three types of depositors. In addition, in terms of the 'age' of respondents, when it is cross-tabulated with the type of depositor, it could be said that 18-30 age group dominated across the three types of depositors. Furthermore, as can be seen the cross-tabulation of the 'marital status' of respondents with the by type of depositors, it could be said that respondents who were still single dominated the 'sharia banking only' depositor group. On the other hand, dual banking depositor group was dominated by those who were married. As for the 'conventional banking only' depositor group, it was dominated by respondents who were still single. Moreover, the cross-tabulation of 'religious affiliation' with the type of depositor show that Islam was the dominant religion across the three depositor groups.

As can be seen in table 4.2b, when the 'education level' of respondents is cross-tabulated with the type of depositor, respondents with bachelor's degrees were dominant across the three groups of depositors. On the 'occupation' of respondents, it can be said that respondents who work as employees in private companies were dominant among the three groups of depositors. Furthermore, when 'income' of respondents is cross-tabulated

⁴⁹1 British Pound = 15,433.28 Indonesian Rupiahs. The figures represent monthly income.

with the depositor type it can be seen that ‘2,000,000-3,999,999’ income level dominates the ‘sharia banking only’ and the ‘dual banking’ depositors, while the ‘Above 6,000,000’ income level dominated the ‘conventional banking only’ depositors. In relation to the ‘domicile’ of respondents, the cross-tabulation with the type of depositor show that the majority of respondents from the three groups were depositors living in Java.

Table 4.2a: Cross-tabulation between Demographical Information and Type of Depositors - 1

Gender Of Respondent * Type Of Depositor 1 Crosstabulation					
		Type Of Depositor 1			Total
		Conventional Banking Only Depositor	Dual Banking Depositor	Sharia Banking Only Depositor	
Gender Of Respondent	Male	281	363	78	722
	Female	131	160	50	341
Total		412	523	128	1063
Age Of Respondent * Type Of Depositor 1 Crosstabulation					
Age Of Respondent	Below 18	3	0	1	4
	18-30	216	230	99	545
	31-40	121	184	23	328
	41-50	49	86	4	139
	51-60	18	20	1	39
	Above 60	5	3	0	8
Total		412	523	128	1063
Marital Status * Type Of Depositor 1 Crosstabulation					
Marital Status	Single	205	163	72	440
	Married	206	355	54	615
	Widower	1	1	2	4
	Widow	0	4	0	4
Total		412	523	128	1063
Religion Of Respondent * Type Of Depositor 1 Crosstabulation					
Religion Of Respondent	Islam	372	519	128	1019
	Protestant	13	3	0	16
	Catholic	19	1	0	20
	Hindu	3	0	0	3
	Buddhist	3	0	0	3
	Cultist	1	0	0	1
	No Religion	1	0	0	1
Total		412	523	128	1063

Table 4.2b: Cross-tabulation between Demographical Information and Type of Depositors - 2

Education Of Respondent * Type Of Depositor 1 Crosstabulation					
		Type Of Depositor 1			Total
		Conventional Banking Only Depositor	Dual Banking Depositor	Sharia Banking Only Depositor	
Education Of Respondent	Primary School	1	0	0	1
	Senior High School Or Equivalent	68	34	15	117
	Diploma	42	37	6	85
	Bachelor	188	274	77	539
	Post Graduate	113	178	30	321
Total		412	523	128	1063
Occupation * Type Of Depositor 1 Crosstabulation					
Occupation	Unemployed	10	4	5	19
	Student	88	49	31	168
	Housewife	2	9	0	11
	Teacher/Lecture	50	91	28	169
	Civil Servant (Incl. State Companies, Army, And Police)	62	113	5	180
	Employees In Private Companies	137	169	37	343
	Own A Business	27	43	7	77
	Professional	31	41	14	86
	Retired	5	4	1	10
	Total		412	523	128
Income Of Respondent * Type Of Depositor 1 Crosstabulation					
Income Of Respondent	Below 1,000,000 Rupiahs	83	48	33	164
	1,000,000 - 1,999,999 Rupiahs	50	59	25	134
	2,000,000 - 3,999,999 Rupiahs	90	137	34	261
	4,000,000 - 5,999,999 Rupiahs	74	118	16	208
	Above 6,000,000 Rupiahs	115	161	20	296
	Total		412	523	128
Place Of Domicile * Type Of Depositor 1 Crosstabulation					
Place Of Domicile	Java	290	420	111	821
	Sumatera	29	51	11	91
	Celebes	82	29	3	114
	Borneo	10	20	3	33
	Papua	1	3	0	4
Total		412	523	128	1063

As an answer to the ‘research question 1’, table 4.3 below shows the summary of cross-tabulation between the demographic characteristics and ‘depositor type’ as discussed above. The ‘sharia banking only’ depositor group was dominated by single respondents while the other two were dominated by married respondents. In addition, the ‘sharia banking only’ depositor group was dominated by respondents from the ‘2,000,000-3,999,999’ income level while the other two were dominated by respondents from the

‘Above 6,000,000’ income level. In general, one could argue that differences only lie with both marital status and monthly income. The rest of the demographics were the same. Thus, as a generalization for this section, it can be stated that all groups were dominated by males, the ‘18-30’ age group, Muslims, bachelors, working as employees in private companies, and having a domicile in Java.

Table 4.3: The Nature Demographics in Terms of Type of Depositors

Type Of Depositor		
Sharia Banking Only Depositor	Dual Banking Depositor	Conventional Banking Only Depositor
Dominantly	Dominantly	Dominantly
Male	Male	Male
18-30	18-30	18-30
Single	Married	Married
Islam	Islam	Islam
Bachelor	Bachelor	Bachelor
Employees In Private Companies	Employees In Private Companies	Employees In Private Companies
2,000,000 - 3,999,999	Above 6,000,000	Above 6,000,000
Java	Java	Java

4.2.2. Demography And *Shari’ah* Bank Affiliation

This part is intends to utilize non-parametric procedure, namely Chi-Square, in order to find out the magnitude of correlation between various demographical factors and the affiliation to sharia banks, as two categorical variable⁵⁰. Prior to conducting the analysis, an attempt was made to ensure that every single respondent is being counted, which is evidenced with the statistics produced in table 4.4.

Table 4.5a and 4.5b displays the crosstabulation results. According to Field (2005:689), “for chi-square to be accurate, ... expected counts must exceed certain values. The basic rule of thumb is that with 2x2 contingency tables no expected values should be below 5”.

⁵⁰As a note for the readers, the author performed chi-square to variables (both non-recoded categorical variables and recoded categorical variables) whose values were not dummy coded. Although some re-codings were done, the author only re-code various demographic questions which need to re-coded, but with ‘1’ and ‘2’ as attached values. A test performed under various conditions between gender and the possession of sharia bank shows that there was only a very small difference for both chi square and Cramer’s V when they were calculated among non-dummy coded variables, dummy coded variables, and a mix between non-dummy and dummy coded variables. Based on the calculation, the author decided to stick with non-dummy coded calculation as the author assumed that any of the three calculations will yield exactly the same conclusion to the rest of demographical variables.

As none of the expected counts showed a figure less than 5, one can expect the Chi-Square calculation to be accurate.

Table 4.4: Case Processing Summaries

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender Of Respondent * Possess Sharia Bank Account?	1063	100.0%	0	.0%	1063	100.0%
Marital Status New Variable * Possess Sharia Bank Account?	1063	100.0%	0	.0%	1063	100.0%
Religious Affiliation New Variable * Possess Sharia Bank Account?	1063	100.0%	0	.0%	1063	100.0%
Education New Variable * Possess Sharia Bank Account?	1063	100.0%	0	.0%	1063	100.0%
Income New Variable * Possess Sharia Bank Account?	1063	100.0%	0	.0%	1063	100.0%
Domicile New Variable * Possess Sharia Bank Account?	1063	100.0%	0	.0%	1063	100.0%

Table 4.6a and 4.6b displays various Chi-Square calculations and their respective significant values. Although the table exhibits various Chi-Square tests, Pearson chi-square⁵¹ is utilised to reach conclusions from the findings. As the results show except for income and gender, the following variables show significant results: marital status (.000), religion (.000), education (.000), and place of domicile (.000).

As for the percentage, the following percentages apply to those who possess *Shari'ah* bank account: Marital Status ('Have Not Married' with 22.1%; 'Have Married' with 39.1%), Religious Affiliation ('Muslim' with 60.9%; 'Non-Muslim' with .4%), Education ('Low Education Level' with 4.6%; 'High Education Level' with 56.6%), Domicile ('Java' with 50%; 'Non Java' with 11.3%).

Furthermore, the following percentages apply to those who do not possess *Shari'ah* bank account: Marital Status ('Have Not Married' with 19.3%; 'Have Married' with 19.5%), Religious Affiliation ('Muslim' with 35%; 'Non-Muslim' with 3.8%), Education ('Low Education Level' with 6.5%; 'High Education Level' with 32.3%), Domicile ('Java' with 27.3%; 'Non Java' with 11.5%).

⁵¹ Although Pallant (2007:216) suggested the use of continuity correction for 2x2 table, but the author decided to follow Field's (2005: 686) advice not to take the number into account. Therefore, Pearson's Chi-square will be used instead. In addition, letter 'b' which refers to "Computed only for a 2x2 table" (Continuity Correction) is removed as the "Continuity Correction" which the letter 'b' represents is also removed.

Table 4.5a: Demographic Variables and Having *Shari'ah* Bank Account - 1

Crosstab					
			Possess Sharia Bank Account?		Total
			Yes	No	
Gender Of Respondent	Male	Count	441	281	722
		Expected Count	442.2	279.8	722.0
		% within Gender Of Respondent	61.1%	38.9%	100.0%
		% within Possess Sharia Bank Account?	67.7%	68.2%	67.9%
		% of Total	41.5%	26.4%	67.9%
	Female	Count	210	131	341
		Expected Count	208.8	132.2	341.0
		% within Gender Of Respondent	61.6%	38.4%	100.0%
		% within Possess Sharia Bank Account?	32.3%	31.8%	32.1%
		% of Total	19.8%	12.3%	32.1%
Total	Count	651	412	1063	
	Expected Count	651.0	412.0	1063.0	
	% within Gender Of Respondent	61.2%	38.8%	100.0%	
	% within Possess Sharia Bank Account?	100.0%	100.0%	100.0%	
	% of Total	61.2%	38.8%	100.0%	
Marital Status New Variable	Have Not Married	Count	235	205	440
		Expected Count	269.5	170.5	440.0
		% within Marital Status New Variable	53.4%	46.6%	100.0%
		% within Possess Sharia Bank Account?	36.1%	49.8%	41.4%
		% of Total	22.1%	19.3%	41.4%
	Have Married	Count	416	207	623
		Expected Count	381.5	241.5	623.0
		% within Marital Status New Variable	66.8%	33.2%	100.0%
		% within Possess Sharia Bank Account?	63.9%	50.2%	58.6%
		% of Total	39.1%	19.5%	58.6%
Total	Count	651	412	1063	
	Expected Count	651.0	412.0	1063.0	
	% within Marital Status New Variable	61.2%	38.8%	100.0%	
	% within Possess Sharia Bank Account?	100.0%	100.0%	100.0%	
	% of Total	61.2%	38.8%	100.0%	
Religious Affiliation New Variable	Muslim	Count	647	372	1019
		Expected Count	624.1	394.9	1019.0
		% within Religious Affiliation New Variable	63.5%	36.5%	100.0%
		% within Possess Sharia Bank Account?	99.4%	90.3%	95.9%
		% of Total	60.9%	35.0%	95.9%
	Non-Muslim	Count	4	40	44
		Expected Count	26.9	17.1	44.0
		% within Religious Affiliation New Variable	9.1%	90.9%	100.0%
		% within Possess Sharia Bank Account?	.6%	9.7%	4.1%
		% of Total	.4%	3.8%	4.1%
Total	Count	651	412	1063	
	Expected Count	651.0	412.0	1063.0	
	% within Religious Affiliation New Variable	61.2%	38.8%	100.0%	
	% within Possess Sharia Bank Account?	100.0%	100.0%	100.0%	
	% of Total	61.2%	38.8%	100.0%	

Table 4.5b: Demographic Variables and Having *Shari'ah* Bank Account - 2

Crosstab					
			Possess Sharia Bank Account?		Total
			Yes	No	
Education New Variable	Low Education Level	Count	49	69	118
		Expected Count	72.3	45.7	118.0
		% within Education New Variable	41.5%	58.5%	100.0%
		% within Possess Sharia Bank Account?	7.5%	16.7%	11.1%
		% of Total	4.6%	6.5%	11.1%
	High Education Level	Count	602	343	945
		Expected Count	578.7	366.3	945.0
		% within Education New Variable	63.7%	36.3%	100.0%
		% within Possess Sharia Bank Account?	92.5%	83.3%	88.9%
		% of Total	56.6%	32.3%	88.9%
Total		Count	651	412	1063
		Expected Count	651.0	412.0	1063.0
		% within Education New Variable	61.2%	38.8%	100.0%
		% within Possess Sharia Bank Account?	100.0%	100.0%	100.0%
		% of Total	61.2%	38.8%	100.0%
Income New Variable	Low Income	Count	336	223	559
		Expected Count	342.3	216.7	559.0
		% within Income New Variable	60.1%	39.9%	100.0%
		% within Possess Sharia Bank Account?	51.6%	54.1%	52.6%
		% of Total	31.6%	21.0%	52.6%
	High Income	Count	315	189	504
		Expected Count	308.7	195.3	504.0
		% within Income New Variable	62.5%	37.5%	100.0%
		% within Possess Sharia Bank Account?	48.4%	45.9%	47.4%
		% of Total	29.6%	17.8%	47.4%
Total		Count	651	412	1063
		Expected Count	651.0	412.0	1063.0
		% within Income New Variable	61.2%	38.8%	100.0%
		% within Possess Sharia Bank Account?	100.0%	100.0%	100.0%
		% of Total	61.2%	38.8%	100.0%
Domicile New Variable	Java	Count	531	290	821
		Expected Count	502.8	318.2	821.0
		% within Domicile New Variable	64.7%	35.3%	100.0%
		% within Possess Sharia Bank Account?	81.6%	70.4%	77.2%
		% of Total	50.0%	27.3%	77.2%
	Non Java	Count	120	122	242
		Expected Count	148.2	93.8	242.0
		% within Domicile New Variable	49.6%	50.4%	100.0%
		% within Possess Sharia Bank Account?	18.4%	29.6%	22.8%
		% of Total	11.3%	11.5%	22.8%
Total		Count	651	412	1063
		Expected Count	651.0	412.0	1063.0
		% within Domicile New Variable	61.2%	38.8%	100.0%
		% within Possess Sharia Bank Account?	100.0%	100.0%	100.0%
		% of Total	61.2%	38.8%	100.0%

Table 4.6: Correlation Results for Demographic Variables and Having Shari’ah Bank Account

Chi-Square Tests^d Gender Of Respondent * Possess Sharia Bank Account?			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.025 ^a	1	.875
N of Valid Cases	1063		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 132.17.			
c. The standardized statistic is -.157.			
d. For 2x2 crosstabulation, exact results are provided instead of Monte Carlo results.			
Chi-Square Tests^d Marital Status New Variable * Possess Sharia Bank Account?			
Pearson Chi-Square	19.405 ^a	1	.000
N of Valid Cases	1063		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 170.54.			
c. The standardized statistic is -4.403.			
d. For 2x2 crosstabulation, exact results are provided instead of Monte Carlo results.			
Chi-Square Tests^d Religious Affiliation New Variable * Possess Sharia Bank Account?			
Pearson Chi-Square	52.592 ^a	1	.000
N of Valid Cases	1063		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.05.			
c. The standardized statistic is 7.249.			
d. For 2x2 crosstabulation, exact results are provided instead of Monte Carlo results.			
Chi-Square Tests^d Education New Variable * Possess Sharia Bank Account?			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.738 ^a	1	.000
N of Valid Cases	1063		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 45.73.			
c. The standardized statistic is -4.660.			
d. For 2x2 crosstabulation, exact results are provided instead of Monte Carlo results.			
Chi-Square Tests^d Income New Variable * Possess Sharia Bank Account?			
Pearson Chi-Square	.639 ^a	1	.424
N of Valid Cases	1063		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 195.34.			
c. The standardized statistic is -.799.			
d. For 2x2 crosstabulation, exact results are provided instead of Monte Carlo results.			
Chi-Square Tests^d Domicile New Variable * Possess Sharia Bank Account?			
Pearson Chi-Square	17.932 ^a	1	.000
N of Valid Cases	1063		
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 93.79.			
c. The standardized statistic is 4.233.			
d. For 2x2 crosstabulation, exact results are provided instead of Monte Carlo results.			

Before moving to the next part, the odds ratio for this analysis should be identified. Basically, this ratio portrays the effect size in categorical analysis (Field, 205:693). For ‘marital status’, based on Field (2005:694), it can be said that the ratio for ‘Have Married’ is equal to ‘Married and Possess Sharia Bank’ divided by ‘Married and Do Not Possess Sharia Bank’. The same thing can be applied to the ratio for ‘Not Married’, which is equal to ‘Not Married and Possess Sharia Bank’ divided by ‘Not Married and Do Not Possess Sharia Bank’. Both results are exhibited by table 4.7. The calculations for the rest of the variables are identical.

Table 4.7: Odds Ratio

Marital Status	
Married And Possess Sharia Bank	416
Married And Do Not Possess Sharia Bank	207
Odds Ratio For 'Have Married'	2.01
Not Married And Possess Sharia Bank	235
Not Married And Do Not Possess Sharia Bank	205
Odds Ratio For 'Not Married'	1.15
Religion	
Muslim And Possess Sharia Bank	647
Muslim And Do Not Possess Sharia Bank	372
Odds Ratio For 'Muslim'	1.74
Non Muslim And Possess Sharia Bank	4
Non Muslim And Do Not Possess Sharia Bank	40
Odds Ratio For 'Non-Muslim'	0.10
Education	
Low Education And Possess Sharia Bank	49
Low Education And Do Not Possess Sharia Bank	69
Odds Ratio For 'Low Education'	0.71
High Education And Possess Sharia Bank	602
High Education And Do Not Possess Sharia Bank	343
Odds Ratio For 'High Education'	1.76
Place Of Domicile	
Java And Possess Sharia Bank	531
Java And Do Not Possess Sharia Bank	290
Odds Ratio For 'Java'	1.83
Non Java And Possess Sharia Bank	120
Non Java And Do Not Possess Sharia Bank	122
Odds Ratio For 'Non Java'	0.98

Based on the calculation in table 4.7, one can see that the ratio for 'Have Married' equals 2.01, while the ratio for 'Not Married' is equal to 1.15. Referring to Field (2005: 694), it can be said that respondents who are married are 2.01 times more likely to choose Shari'ah banks over those who are not. Although more academic works need to be conducted regarding this matter, several explanations might be used to explain this phenomenon. The first factor might be the maturity of those who are married. Those who are married might think about the calmness and the security of the Shari'ah banking system, while those who are not married might still be young and may still face more uncertainty in their lives. Furthermore, the influence from the spouses may also be the reason as why those who are married are more likely to choose Shari'ah banks than those who are not.

For 'religion', one can see that the ratio for 'Muslim' equals 1.74 while the ratio for 'Non Muslim' equals 0.10. Therefore, based on this result, it can be said that respondents who are Muslim are 1.74 times more likely to choose sharia banks than those who are not. It can be argued that this result is understandable as Muslims may be more attached to the concept of Islamic banks (irrespective of their decision to affiliate with Sharia bank) than Non-Muslims.

For 'education', as can be seen the ratio for 'Low Education' equals 0.71, while the ratio for 'High Education' equals 1.74. Therefore, based on this result, it could be said that respondents who are highly educated are 1.74 times more likely to choose Shari'ah banks than those who are not. This can be explained by the fact that highly educated respondents might be more equipped with information regarding Shari'ah banks compared to less educated ones. In addition, it can be said that the prohibition of *riba* may be more understood among the highly educated people than those with a lower education level.

For 'domicile', one can see that the ratio for 'Java' equals 1.83 while the ratio for 'Non Java' equals 0.98. Based on this result, it can be stated that respondents who have a domicile in Java are 1.83 times more likely to choose Shari'ah banks than those who do not. This result is not surprising since Java is arguably the most developed island in Indonesia. Therefore, it can be argued that respondents who reside in Java might be more equipped with information regarding Shari'ah banks, compared to the ones who do not. Furthermore, the extensive banking infrastructure, including branch availability, in Java might also play an important role towards the respondents' participation with Sharia banks.

4.3. DETERMINING FACTORS FOR HOLDING A *SHARI'AH* BANK ACCOUNT

This section presents the findings related to the first and second sections of the questionnaire, which focuses on whether respondents possess a *Shari'ah* bank account. For the sake of clarity, this part exhibits two kinds of table. The first table only presents the number of respondents who opted for 'yes' and 'no' answers. Those who opted for 'no' certainly possess conventional bank account(s) since those who opted for 'no' would then be automatically transferred to the next section focusing on conventional bank accounts. Therefore, they will not face a question on whether they also possess a conventional bank account.

However, for those who opted for 'yes', two possibilities remain. If respondents opt for a 'no' in the next question (a question on whether they also possess a conventional bank account), then one can conclude that they possess a *Shari'ah* bank account only. On the contrary, if respondents opt for a 'yes' in the next question (a question on whether they also possess a conventional bank account), then one can conclude that they possess both *Shari'ah* and conventional bank accounts. Finally, table 4.8 exhibits the true number of respondents who possess conventional bank account(s) only. Their number is found by calculating the total number of respondents who opted for 'no' when asked whether they only possessed a *Shari'ah* bank account.

4.3.1. Possession of *Shari'ah* and Conventional Bank

As the initial section, this part presents the results concerning the possession of both *Shari'ah* and conventional bank accounts. One can infer from table 4.8 that 61.2% respondents possess *Shari'ah* bank accounts, while 38.8% possess none.

Table 4.8: Possession of *Shari'ah* and Conventional Bank Account

Possess Sharia Bank Account?							
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Yes	651	61.2	61.2	61.2	1.39	0.487
	No	412	38.8	38.8	100.0		
	Total	1063	100.0	100.0			
Possess Conventional Bank Account?							
Valid	Yes	523	49.2	80.3	80.3	1.2	0.398
	No	128	12.0	19.7	100.0		
	Total	651	61.2	100.0			
Missing	System	412	38.8				
Total		1063	100.0				

On the possession of conventional bank account(s), 80.3% respondents opted for ‘yes’ while 19.7% opted for ‘no’. Like the previous part, this part also presents the true number of respondents who possess conventional bank account(s) only. However, as mentioned earlier, one cannot detect the true number of respondents who possess only *Shari'ah* bank account(s), possess both *Shari'ah* and conventional bank accounts, and possess only conventional bank account(s). Therefore, table 4.9 exhibits the number of those who belong to the three types of respondent. To find the true number of respondents who possess only *Shari'ah* bank account(s), it was decided to select only those who opted for ‘yes’ on the first question (a question on whether they possess *Shari'ah* bank account), but opted for ‘no’ on the second question (a question on whether they possess conventional bank account). An automatic selection was conducted through SPSS®.

Table 4.9 also shows the true number of respondents who hold only *Shari'ah* bank account(s). Based on the table, one can conclude that there are 128 respondents who possess only *Shari'ah* bank accounts⁵². Furthermore, one can observe that there are 412 respondents who possess only conventional bank accounts. This number is exactly the same as the number under ‘Missing System’ on table 4.8. This is because those who belong to ‘Missing System’ are those who opted for ‘no’ when asked whether or not they possessed a *Shari'ah* bank account. As for the true nature of respondents who have both *Shari'ah* and conventional bank account(s), the table demonstrates that 523 respondents

⁵²One will also obtain the exact result, only by inputting the code ‘ownconvbankacc=2’ in ‘Select Cases:if’ pane.

possess both accounts⁵³. As can be seen, this number is exactly the same as the number of respondent who opted for ‘yes’ when asked whether they possessed conventional bank accounts.

Table 4.9: Respondents who own *Shari’ah* Bank Account only

ownconvbankacc=2 (FILTER)							
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Selected	128	100.0	100.0	100.0	1	0
ownsharbankacc=2 (FILTER)							
Valid	Selected	412	100.0	100.0	100.0	1	0
ownsharbankacc=1 & ownconvbankacc=1 (FILTER)							
Valid	Selected	523	100.0	100.0	100.0	1	0

Note: ‘ownconvbankacc’ stands for holding a conventional bank account, while ‘ownsharbankacc’ stands for holding a *Shari’ah* bank account.

4.3.2. Factors Determining Choice of Islamic Bank

Table 4.10a and 4.10b exhibits the results for the determining factors in choosing Islamic bank accounts, which applies for both respondents who possess only *Shari’ah* bank account(s) and those who possess both *Shari’ah* and conventional bank accounts.

⁵³There are other ways which one could do in order to obtain the same number of bank respondents. This is true for all respondents (those who possess only sharia bank account(s), possess only conventional bank account(s), and both. Readers will find the same number presented again when this paper discusses other questions from other section of the questionnaire.

Table 4.10a: Factors For Having *Shari'ah* Bank Account - 1

Riba Prohibition				
		Frequency	Mean	Std Dev
Valid	Important	123	4.5	0.886
	Absolutely Important	447		
Profit Sharing				
Valid	Important	247	4.26	0.89
	Absolutely Important	310		
Sharia Banking Principles				
Valid	Important	199	4.47	0.788
	Absolutely Important	391		
Conducting Halal Investment				
Valid	Important	213	4.48	0.769
	Absolutely Important	390		
Developing Islamic Economy				
Valid	Important	233	4.39	0.791
	Absolutely Important	347		
Innovative And Interesting Product				
Valid	Important	244	3.76	0.943
	Absolutely Important	158		
Product Which Could Satisfy My Financial Needs				
Valid	Important	234	3.74	0.973
	Absolutely Important	160		
Easy To Get The Product				
Valid	Important	254	3.98	0.929
	Absolutely Important	216		
Supporting Product Features				
Valid	Important	269	3.76	0.943
	Absolutely Important	148		
Profit Sharing Bigger Than Interest				
Valid	Important	148	3.3	1.103
	Absolutely Important	114		
Financing Product Cheaper Than Conventional Bank				
Valid	Important	209	3.67	1.036
	Absolutely Important	161		
Low Administration Cost				
Valid	Important	240	3.82	1.004
	Absolutely Important	185		

Table 4.10b: Factors For Having Shari’ah Bank Account - 2

Location Everywhere				
		Frequency	Mean	Std Dev
Valid	Important	275	4.08	0.923
	Absolutely Important	239		
Location Easy To Reach				
Valid	Important	289	4.15	0.879
	Absolutely Important	251		
Safe Location				
Valid	Important	258	4.15	0.894
	Absolutely Important	266		
Influence From Certain People (Parents, Friends, etc)				
Valid	Neutral	264	2.85	1.059
Sharia Bank Advertisement In Media				
Valid	Important	170	3.2	1.071
	Absolutely Important	79		
Socialization From Certain People (Ulama, etc)				
Valid	Important	227	3.59	1.089
	Absolutely Important	146		
Service With Smile				
Valid	Important	249	4.09	0.911
	Absolutely Important	249		
Staff Able To Explain Banking Products Clearly				
Valid	Important	251	4.19	0.876
	Absolutely Important	278		
Staff Able To Handle Complaints Fast				
Valid	Important	231	4.27	0.873
	Absolutely Important	314		
Clean Toilets				
Valid	Important	229	3.89	1.007
	Absolutely Important	210		
Wide Parking Space				
Valid	Important	254	3.65	0.991
	Absolutely Important	131		

It should be noted that the question items were predominantly taken from the work of Samsudin (2004: L3-L4). This is a likert-type question whose answers span from ‘Absolutely Unimportant – Absolutely Important’⁵⁴. Each factor is discussed as follows:

4.3.2.1. Shari’ah Related Factors Determining Holding A Shari’ah Bank Account

This section presents the responses regarding *Shari’ah*-related statements. There are 5 statements in this category and they are shown by table 4.10a. The majority of respondents opted for either ‘Important’ or ‘Absolutely Important’. These statements are:

⁵⁴‘Absolutely Unimportant’ has a value of 1 while ‘Absolutely Important’ has a value of 5. However, table 4.10a and 4.10b and all of the subsequent tables show only results which are dominantly chosen by respondents.

Riba Prohibition with 87.6%, Profit Sharing Concept with 85.5%, Presence of *Shari'ah* Principles in Banking Practice with 90.7%, The Ability of *Shari'ah* Banks to Provide *Halal* Financing with 92.6%, and Developing Islamic Economy with 89.1%.

4.3.2.2. Product Related Factors Determining Holding A *Shari'ah* Bank Account

This section covers responses regarding product related statements. The majority of respondents opted for either 'Important' or 'Absolutely Important'. These statements and the attached percentages are: Innovative and Interesting Product with 61.8%, Banking Products Which Could Satisfy My Financial Needs with 60.5%, Easy To Get The Product with 72.2%, and Supporting Product Features with 64%.

4.3.2.3. Profit Related Factors Determining Holding A *Shari'ah* Bank Account

As regards to the profit related motivations, the majority of respondents also opted for either 'Important' or 'Absolutely Important'. These statements are: Profit Sharing Bigger Than Interest with 40.2%, Financing Product Cheaper Than Conventional Bank with 56.8%, and Low Administration Cost with 65.3%.

As a note regarding the 'Profit Sharing Bigger Than Interest' statement, the number of 'Neutral' responses was almost the same as the combined number of 'Important' and 'Absolutely Important' responses. This is not surprising, as the majority of respondents were 'Swing Depositors' in the sense of having two accounts (*Shari'ah* and Conventional) and could easily move their deposits when profit sharing rates were bigger than interest rates, or vice versa.

4.3.2.4. Location Related Factors Determining *Shari'ah* Bank Account Holding

Regarding the location or distribution related statements, the majority of respondents also opted for either 'Important' or 'Absolutely Important': Location Everywhere with 78.9%, Location Easy To Reach with 83%, and Safe Location with 80.5%.

4.3.2.5. Promotion Related Factors Determining *Shari'ah* Bank Account Holding

As for the impact of promotional factors on deciding to have *Shari'ah* bank account, table 4.10b shows that for the 'Influence from Certain People', the majority of respondents (40.6%) opted for 'Neutral' and about 23% considered important. However, the majority

of respondents opted for either 'Important' or 'Absolutely Important' when answering these statements: Sharia Bank Advertisement in Media with 38.2% and Socialization from Certain People with 57.3%.

4.3.2.6. Facilities and Service Related Factors Determining Having A *Shari'ah* Bank Account

Concerning the issue of facilities and service factor statements, the majority of respondents opted for either 'Important' or 'Absolutely Important'. These statements were: Service With Smile with 76.4%, Staff Able to Explain Banking Products Clearly with 81.3%, Staff Able to Handle Complaints Fast with 83.7%, Clean Toilet with 67.5%, and Wide Parking Space with 59.1%.

4.3.3. Exploring The Bank Selection Criteria

This section discusses the second research question using the Mann-Whitney *U* test, which aims at finding if there are any significant differences between a 'sharia-only banking group' and 'dual banking group' in terms of their decision factors to choose sharia banks. As one can observe from chapter 5, this research question is related to 23 sub-questions.

Table 4.11: Normality Tests

Tests of Normality ^b						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Riba Prohibition	.400	651	.000	.619	651	.000
Profit Sharing	.272	651	.000	.755	651	.000
Sharia Banking Principles	.351	651	.000	.679	651	.000
Conducting Halal Investment	.348	651	.000	.662	651	.000
Developing Islamic Economy	.314	651	.000	.726	651	.000
Innovative And Interesting Product	.217	651	.000	.878	651	.000
Product Which Could Satisfy My Financial Needs	.210	651	.000	.879	651	.000
Easy To Get The Product	.231	651	.000	.846	651	.000
Supporting Product Features	.241	651	.000	.875	651	.000
Profit Sharing Bigger Than Interest	.206	651	.000	.906	651	.000
Financing Product Cheaper Than Conventional Bank	.193	651	.000	.884	651	.000
Low Administration Cost	.225	651	.000	.869	651	.000
Location Everywhere	.256	651	.000	.814	651	.000
Location Easy To Reach	.263	651	.000	.793	651	.000
Safe Location	.237	651	.000	.802	651	.000
Influence From Certain People (Parents, Friends, etc)	.213	651	.000	.906	651	.000
Sharia Bank Advertisement In Media	.191	651	.000	.912	651	.000
Socialization From Certain People (Ulama, etc)	.218	651	.000	.891	651	.000
Service With Smile	.227	651	.000	.821	651	.000
Staff Able To Explain Banking Products Clearly	.251	651	.000	.798	651	.000
Staff Able To Handle Complaints Fast	.282	651	.000	.767	651	.000
Clean Toilets	.219	651	.000	.858	651	.000
Wide Parking Space	.230	651	.000	.884	651	.000

a. Lilliefors Significance Correction
b. ownsharbankacc=1 (FILTER) is constant. It has been omitted.

Before conducting the Mann-Whitney *U* test, it is important to ensure the non-normality of data, as it is a non parametric test which assumes non normality. The table 4.11 shows the results of normality tests, and as can be seen from the significance level that none of the statements are normal, which justifies the use of Mann-Whitney *U* test. Table 4.12 presents the initial descriptive result of the Mann-Whitney *U* test on all statements⁵⁵.

⁵⁵The author decided to conduct the test on each theme since it is not possible to exhibit the results of test statistics when all statements are analyzed at once.

Table 4.12: Mann-Whitney *U* test Results for Bank Selection Criteria Statements

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Riba Prohibition	651	4.50	.886	1	5
Profit Sharing	651	4.26	.890	1	5
Sharia Banking Principles	651	4.47	.788	1	5
Conducting Halal Investment	651	4.48	.769	1	5
Developing Islamic Economy	651	4.39	.791	1	5
Innovative And Interesting Product	651	3.76	.943	1	5
Product Which Could Satisfy My Financial Needs	651	3.74	.973	1	5
Easy To Get The Product	651	3.98	.929	1	5
Supporting Product Features	651	3.76	.943	1	5
Profit Sharing Bigger Than Interest	651	3.30	1.103	1	5
Financing Product Cheaper Than Conventional Bank	651	3.67	1.036	1	5
Low Administration Cost	651	3.82	1.004	1	5
Location Everywhere	651	4.08	.923	1	5
Location Easy To Reach	651	4.15	.879	1	5
Safe Location	651	4.15	.894	1	5
Influence From Certain People (Parents, Friends, etc)	651	2.85	1.059	1	5
Sharia Bank Advertisement In Media	651	3.20	1.071	1	5
Socialization From Certain People (Ulama, etc)	651	3.59	1.089	1	5
Service With Smile	651	4.09	.911	1	5
Staff Able To Explain Banking Products Clearly	651	4.19	.876	1	5
Staff Able To Handle Complaints Fast	651	4.27	.873	1	5
Clean Toilets	651	3.89	1.007	1	5
Wide Parking Space	651	3.65	.991	1	5
Type Of Depositor 1	651	2.20	.398	2	3

As can be seen from the table 4.12, although there were 1063 depositors in total, only 651 respondents participated in this part.⁵⁶ Furthermore, the minimum and maximum values for the type of depositors represent the scale range from 1 to 5 in the questionnaire. Although depositors in this questionnaire were divided into three categories⁵⁷, there were only two groups of depositor which were used in this analysis: ‘Sharia Banking Only Depositor’ and the ‘Dual Banking Depositor’. However, since all 1063 respondents were divided into three groups, SPSS® displayed all of the three groups.

Further results are provided in Table 4.13a and 4.13b showing the rank computation, as produced by Mann-Whitney *U* test, which only reports the results for the ‘Sharia Banking

⁵⁶Please refer to chapter 3 concerning the structure of the questionnaire.

⁵⁷These are ‘Sharia Banking Only Depositor’, ‘Dual Banking Depositor’, and ‘Conventional Banking Only Depositor’. The SPSS® grouping of these depositors is made by the author.

Only Depositor’ and ‘Dual Banking Depositor’⁵⁸ with the total number of 651 respondents. The rank values show that higher the mean rank for the type of depositor, that statement is important for that depositor group. For example, in ‘riba prohibition’ as a selection criteria, the mean rank for ‘Sharia Banking Only Depositor’ is 376.34, which is higher than 313.68 for the ‘Dual Banking Depositors’, which implies that this more important for the previous group than the latter.

Table 4.13a: Mann-Whitney *U* test Results for Bank Selection Criteria Statements - 1

Ranks			
	Type Of Depositor 1	N	Mean Rank
Riba Prohibition	Dual Banking Depositor	523	313.68
	Sharia Banking Only Depositor	128	376.34
Profit Sharing	Dual Banking Depositor	523	319.70
	Sharia Banking Only Depositor	128	351.76
Sharia Banking Principles	Dual Banking Depositor	523	318.23
	Sharia Banking Only Depositor	128	357.75
Conducting Halal Investment	Dual Banking Depositor	523	316.03
	Sharia Banking Only Depositor	128	366.73
Developing Islamic Economy	Dual Banking Depositor	523	316.85
	Sharia Banking Only Depositor	128	363.38
Innovative And Interesting Product	Dual Banking Depositor	523	318.87
	Sharia Banking Only Depositor	128	355.14
Product Which Could Satisfy My Financial Needs	Dual Banking Depositor	523	319.37
	Sharia Banking Only Depositor	128	353.07
Easy To Get The Product	Dual Banking Depositor	523	322.68
	Sharia Banking Only Depositor	128	339.57
Supporting Product Features	Dual Banking Depositor	523	320.56
	Sharia Banking Only Depositor	128	348.21
Profit Sharing Bigger Than Interest	Dual Banking Depositor	523	330.77
	Sharia Banking Only Depositor	128	306.52
Financing Product Cheaper Than Conventional Bank	Dual Banking Depositor	523	324.64
	Sharia Banking Only Depositor	128	331.55
Low Administration Cost	Dual Banking Depositor	523	322.65
	Sharia Banking Only Depositor	128	339.69

⁵⁸The author made a small set up so that SPSS conduct Mann-Whitney on the two types of depositor. Furthermore, the total amount of respondents (651) is not shown by table 4.13a and 4.13b because of space issues.

Table 4.13b: Mann-Whitney *U* test Results for Bank Selection Criteria Statements - 2

Ranks			
	Type Of Depositor 1	N	Mean Rank
Location Everywhere	Dual Banking Depositor	523	323.55
	Sharia Banking Only Depositor	128	336.02
Location Easy To Reach	Dual Banking Depositor	523	322.66
	Sharia Banking Only Depositor	128	339.65
Safe Location	Dual Banking Depositor	523	323.36
	Sharia Banking Only Depositor	128	336.80
Influence From Certain People (Parents, Friendsetc)	Dual Banking Depositor	523	318.10
	Sharia Banking Only Depositor	128	358.29
Sharia Bank Advertisement In Media	Dual Banking Depositor	523	321.05
	Sharia Banking Only Depositor	128	346.23
(Socialization From Certain People (Ulama, etc)	Dual Banking Depositor	523	317.05
	Sharia Banking Only Depositor	128	362.56
Service With Smile	Dual Banking Depositor	523	317.06
	Sharia Banking Only Depositor	128	362.52
Staff Able To Explain Banking Products Clearly	Dual Banking Depositor	523	318.96
	Sharia Banking Only Depositor	128	354.76
Staff Able To Handle Complaints Fast	Dual Banking Depositor	523	324.41
	Sharia Banking Only Depositor	128	332.52
Clean Toilets	Dual Banking Depositor	523	324.14
	Sharia Banking Only Depositor	128	333.59
Wide Parking Space	Dual Banking Depositor	523	323.90
	Sharia Banking Only Depositor	128	334.58

Finally, table 4.14a, 4.14b, 4.14c, and 4.14d show the test statistics for all sharia-related statements. Based on the tables, the following statements appear to be significant: Riba Prohibition (.000), Sharia Banking Principles (.013), Conducting Halal Investment (.001), Developing Islamic Economy (.005), Innovative and Interesting Product (.040), Influence From Certain People (.022), Service With Smile (.009), and Staff Able To Explain Banking Products Clearly (.038). Furthermore, as the mean rank of the ‘sharia banking only depositors’ is higher than that of the ‘dual banking depositors’ on all of the statements, it could be said that all of the significant factors in choosing sharia banks were more apparent in the sharia banking-only group than in the dual banking group.

Table 4.14a: Test Statistics for Mann-Whitney *U* test Results for Bank Selection Criteria Statements - 1

Test Statistics ^b							
			Riba Prohibition	Profit Sharing	Sharia Banking Principles	Conducting Halal Investment	Developing Islamic Economy
Z			-4.131	-1.890	-2.453	-3.157	-2.801
Monte Carlo Sig. (2-tailed)	Sig. 99% Confidence Interval	Lower Bound Upper Bound	.000 ^a .000 .000	.056 ^a .050 .062	.013 ^a .010 .016	.001 ^a .000 .002	.005 ^a .003 .007
a. Based on 10000 sampled tables with starting seed 2000000.							
b. Grouping Variable: Type Of Depositor 1							

Table 4.14b: Test Statistics Test Statistics for Mann-Whitney *U* test Results for Bank Selection Criteria Statements - 2

Test Statistics ^b						
			Innovative And Interesting Product	Product Which Could Satisfy My Financial Needs	Easy To Get The Product	Supporting Product Features
Z			-2.054	-1.904	-.964	-1.574
Monte Carlo Sig. (2-tailed)	Sig. 99% Confidence Interval	Lower Bound Upper Bound	.040 ^a .034 .045	.058 ^a .052 .064	.337 ^a .325 .349	.118 ^a .110 .127
a. Based on 10000 sampled tables with starting seed 2000000.						
b. Grouping Variable: Type Of Depositor 1						

Table 4.14c: Test Statistics Test Statistics for Mann-Whitney *U* test Results for Bank Selection Criteria Statements - 3

Test Statistics ^b					
			Profit Sharing Bigger Than Interest	Financing Product Cheaper Than Conventional Bank	Low Administration Cost
Z			-1.360	-388	-963
Monte Carlo Sig. (2-tailed)	Sig. 99% Confidence Interval	Lower Bound	.176 ^a	.704 ^a	.342 ^a
		Upper Bound	.166	.692	.330
			.186	.715	.354
			Location Everywhere	Location Easy To Reach	Safe Location
Z			-.721	-.992	-.779
Monte Carlo Sig. (2-tailed)	Sig. 99% Confidence Interval	Lower Bound	.472 ^a	.319 ^a	.434 ^a
		Upper Bound	.459	.307	.421
			.484	.331	.446
			Influence From Certain People (Parents, Friends, etc)	Sharia Bank Advertisement In Media	Socialization From Certain People (Ulama, etc)
Z			-2.272	-1.415	-2.551
Monte Carlo Sig. (2-tailed)	Sig. 99% Confidence Interval	Lower Bound	.022 ^a	.161 ^a	.011 ^a
		Upper Bound	.018	.151	.008
			.025	.170	.013
a. Based on 10000 sampled tables with starting seed 2000000.					
b. Grouping Variable: Type Of Depositor 1					

Table 4.14d: Test Statistics Test Statistics for Mann-Whitney *U* test Results for Bank Selection Criteria Statements - 4

Test Statistics ^b							
			Service With Smile	Staff Able To Explain Banking Products Clearly	Staff Able To Handle Complaints Fast	Clean Toilets	Wide Parking Space
Z			-2.611	-2.080	-.477	-.534	-.605
Monte Carlo Sig. (2-tailed)	Sig. 99% Confidence Interval	Lower Bound	.009 ^a	.038 ^a	.633 ^a	.594 ^a	.543 ^a
		Upper Bound	.006	.033	.621	.582	.530
			.011	.042	.646	.607	.555
a. Based on 10000 sampled tables with starting seed 2000000.							
b. Grouping Variable: Type Of Depositor 1							

An attempt was also made to measure the effect size for *Shari'ah*-related statements analysed in this section as part of the bank selection criteria, the result for which can be

seen in table 4.15a to 4.15c. The result shows that all of the statements have had small effect sizes. Therefore, it can be said that there is a small relationship between the types of depositors and the tendency to choose sharia banks based on the above sharia factors. For example, on ‘Riba Prohibition’ statement, the small effect size means that there is a small relationship between the affiliation towards one of the account type (Conventional Only, Dual Account, or *Shari’ah* only) and the decision to choose *Shari’ah* bank based on the prohibition of *Riba*.

Table 4.15a: Effect Sizes for Sharia-Related Bank Selection Criteria - 1

Effect Sizes 1									
	Riba Prohibition	Profit Sharing	Sharia Banking Principles	Conducting Halal Investment	Developing Islamic Economy	Innovative And Interesting Product	Product Which Could Satisfy My Financial Needs	Easy To Get The Product	Supporting Product Features
z	-4.131	-1.890	-2.453	-3.157	-2.801	-2.054	-1.904	-.964	-1.574
n	651	651	651	651	651	651	651	651	651
n^{^(1/2)}	25.515	25.515	25.515	25.515	25.515	25.515	25.515	25.515	25.515
ES	-0.16	-0.07	-0.10	-0.12	-0.11	-0.08	-0.07	-0.04	-0.06

Table 4.15b: Effect Sizes for Sharia-Related Bank Selection Criteria - 2

Effect Sizes 2									
	Profit Sharing Bigger Than Interest	Financing Product Cheaper Than Conventional Bank	Low Administration Cost	Location Everywhere	Location Easy To Reach	Safe Location	Influence From Certain People (Parents, Friends, etc)	Sharia Bank Advertisement In Media	Socialization From Certain People (Ulama, etc)
z	-1.360	-.388	-.963	-.721	-.992	-.779	-2.272	-1.415	-2.551
n	651	651	651	651	651	651	651	651	651
n^{^(1/2)}	25.515	25.515	25.515	25.515	25.515	25.515	25.515	25.515	25.515
ES	-0.05	-0.02	-0.04	-0.03	-0.04	-0.03	-0.09	-0.06	-0.10

Table 4.15c: Effect Sizes for Sharia-Related Bank Selection Criteria - 3

Effect Sizes 3					
	Service With Smile	Staff Able To Explain Banking Products Clearly	Staff Able To Handle Complaints Fast	Clean Toilets	Wide Parking Space
z	-2.611	-2.080	-0.477	-0.534	-0.605
n	651	651	651	651	651
n^{^(1/2)}	25.515	25.515	25.515	25.515	25.515
ES	-0.10	-0.08	-0.02	-0.02	-0.02

4.4. DETERMINING FACTORS FOR CHOICES OVER BANK OWNERSHIP

This section presents the findings related to two main aspects: whether respondents preferred either foreign or local *Shari'ah* banks and the reason for their choice and for those who choose 'Foreign Sharia Bank', their reasons were used against local *Shari'ah* banks and vice versa.

4.4.1. Foreign Vs Local *Shari'ah* Bank

Table 4.16 shows the percentage of respondents who opted for 'Foreign Sharia Bank' and 'Local Sharia Bank'. The mean value was not surprising since 99.5 %⁵⁹ opted for a local *Shari'ah* bank while only 3 respondents opted for foreign banks.

Table 4.16: Foreign Vs Local *Shari'ah* Bank

		Foreign Sharia Bank Or Local Sharia Bank?					
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Foreign Sharia Bank	3	.3	.5	.5	2	0.068
	Local Sharia Bank	648	61.0	99.5	100.0		
	Total	651	61.2	100.0			
Missing	System	412	38.8				
Total		1063	100.0				

4.4.2. Reasons Over Opting Foreign Or Local *Shari'ah* Bank

Following the responses above, this part elaborates on the reasons as to why respondents chose either a 'Foreign Sharia Bank' or a 'Local Sharia Bank'. As mentioned previously, for those who choose a 'Foreign Sharia Bank', their reasons were used against local *Shari'ah* bank and vice versa. Therefore, this part will separate the two types of answers.

4.4.2.1. Reasons Over Foreign *Shari'ah* Bank

This section presents the results from those who opted for foreign Shariah banks, which are presented in 4.17. The first few statements have the same results (2 respondents opted for 'Absolutely Disagree' while 1 opted for 'Disagree'⁶⁰): Love Local Bank, Avoid Capital Flight, Help Local Sharia Bank To Develop, and The Quality Of Aqad is More

⁵⁹This is 99.5 percent of 650 respondents who own sharia bank account.

⁶⁰ Answer choices range from 'Absolutely Disagree' to 'Absolutely Agree'. 'Absolutely Disagree' equals 1, while 'Absolutely Agree' equals 5.

Islamic. Other statements also have same results (1 respondent opted for 'Neutral', 1 for 'Agree', and 1 for 'Absolutely Agree'): More Variation on Product and Profit Sharing is Bigger. Furthermore, this statement has 1 respondent opted for 'Neutral', and 2 for 'Absolutely Agree': Safer in Depositing Money.

For Cheaper Financing Product only 1 respondent opted for 'Neutral', 1 for 'Agree', and 1 for 'Absolutely Agree'. Concerning More Trustable, 2 respondents opted for 'Agree', and 1 for 'Absolutely Agree'. Concerning Staff Is More Professional and Waiting Room More Convenient, responses were the following: 1 respondent opted for 'Disagree', 1 for 'Agree', and 1 for 'Absolutely Agree'. Concerning Cleaner Toilet and Wider parking Space, responses were the following: 1 respondent opted 'Absolutely Disagree', 1 for 'Neutral', and 1 for 'Absolutely Agree'.

4.4.2.2. Reasons over choosing local *Shari'ah* bank

This section presents the results for those who opted for 'Local Sharia Bank' in depositing their money. The results are shown in table 4.18. As can be seen, the majority of respondents opted for either 'Agree' or 'Absolutely Agree': Love Local Bank with 85.5%, Avoid Capital Flight with 82.4%, Help Local Sharia Bank To Develop with 94.3%, The Quality Of Aqad Is More Islamic with 63.2%, and Safer In Depositing Money with 57%. Moving forward, the majority of respondents opted for 'Neutral' on the following statements: More Variation on Product with 52.6% and Profit Sharing is Bigger with 62.7%.

Furthermore, the following statements were the ones where the majority of answers were 'Neutral': Cheaper Financing Product with 50.5%, Waiting Room More Convenient with 55.9%, Cleaner Toilet with 59.1% and Wider Parking Space with 60.6%. On the other hand, the following statements were the ones where the majority answers were either 'Agree' or 'Absolutely Agree': More Trustable with 61.3% and Staff Is More Professional with 48.8%.

Table 4.17: Reasons Over Choosing Foreign *Shari'ah* Bank

Love Local Bank				
		Frequency	Mean	Std Dev
Valid	Absolutely Disagree	2	1.33	0.577
	Disagree	1		
Avoid Capital Flight				
Valid	Absolutely Disagree	2	1.33	0.577
	Disagree	1		
Help Local Sharia Bank To Develop				
Valid	Absolutely Disagree	2	1.33	0.577
	Disagree	1		
The Quality Of Agad Is More Islamic				
Valid	Absolutely Disagree	2	1.33	0.577
	Disagree	1		
More Variation On Product				
Valid	Neutral	1	4	1
	Agree	1		
	Absolutely Agree	1		
Safer In Depositing Money				
Valid	Neutral	1	4.33	1.155
	Absolutely Agree	2		
Profit Sharing Is Bigger				
Valid	Absolutely Disagree	1	2.67	1.528
	Neutral	1		
	Agree	1		
Cheaper Financing Product				
Valid	Neutral	1	4	1
	Agree	1		
	Absolutely Agree	1		
More Trustable				
Valid	Agree	2	4.33	0.577
	Absolutely Agree	1		
Staff Is More Professional				
Valid	Disagree	1	3.67	1.528
	Agree	1		
	Absolutely Agree	1		
Waiting Room More Convenient				
Valid	Disagree	1	3.67	1.528
	Agree	1		
	Absolutely Agree	1		
Cleaner Toilet				
Valid	Absolutely Disagree	1	3	2
	Neutral	1		
	Absolutely Agree	1		
Wider Parking Space				
Valid	Absolutely Disagree	1	3	2
	Neutral	1		
	Absolutely Agree	1		

Table 4.18: Reasons For Choosing Local *Shari'ah* Bank

Love Local Bank					
		Frequency	Percent	Mean	Std Dev
Valid	Agree	295	45.5	4.22	0.796
	Absolutely Agree	259	40.0		
Avoid Capital Flight					
Valid	Agree	252	38.9	4.22	0.83
	Absolutely Agree	282	43.5		
Help Local Sharia Bank To Develop					
Valid	Agree	228	35.2	4.51	0.705
	Absolutely Agree	383	59.1		
The Quality Of Aqad Is More Islamic					
Valid	Agree	227	35.0	3.84	0.931
	Absolutely Agree	183	28.2		
More Variation On Product					
Valid	Neutral	341	52.6	3.44	0.815
Safer In Depositing Money					
Valid	Agree	248	38.3	3.71	0.827
	Absolutely Agree	121	18.7		
Profit Sharing Is Bigger					
Valid	Neutral	406	62.7	3.27	0.76
Cheaper Financing Product					
Valid	Neutral	327	50.5	3.46	0.813
More Trustable					
Valid	Agree	246	38.0	3.79	0.869
	Absolutely Agree	151	23.3		
Staff Is More Professional					
Valid	Agree	220	34.0	3.56	0.835
	Absolutely Agree	96	14.8		
Waiting Room More Convenient					
Valid	Neutral	362	55.9	3.35	0.788
Cleaner Toilet					
Valid	Neutral	383	59.1	3.33	0.809
Wider Parking Space					
Valid	Neutral	393	60.6	3.27	0.789

4.4.3. Bank Selection Criteria For A Local *Shari'ah* Bank

Having answered the second research question with the Mann-Whitney *U* Test, this section attempts to answer the third research question with factor analysis, which aims to investigate the underlying factors in choosing a local sharia bank. It should be stated that the analysis in this section is only related with the respondents who opted for local sharia banks. Recalling from the previous chapter, it is known that there were 648 respondents who are under this category⁶¹.

⁶¹The other 3 respondents opted for foreign sharia bank.

Since this section utilises factor analysis, the first issue is the size of respondents. As one can observe, 648 respondents participated in this analysis. Considering the minimum number of respondents expected for the efficient conduct of factor analysis, 648 is adequate in conducting a factor analysis.

As part of descriptive analysis, the descriptive statistics exhibited in table 4.19 shows the descriptive statistics for the 13 statements included in the analysis. It should be noted that the size of the respondents to be analyzed is also correct. In this analysis, only 648 respondents were used (of 651 respondents) and the same numbers appear on table 4.19 for all the categories.

Table 4.19: Descriptive Statistics

Descriptive Statistics			
	Mean	Std. Dev	Analysis N
Love Local Bank	4.22	.796	648
Avoid Capital Flight	4.22	.830	648
Help Local Sharia Bank To Develop	4.51	.705	648
The Quality Of Aqad Is More Islamic	3.84	.931	648
More Variation On Product	3.44	.815	648
Safer In Depositing Money	3.71	.827	648
Profit Sharing Is Bigger	3.27	.760	648
Cheaper Financing Product	3.46	.813	648
More Trustable	3.79	.869	648
Staff Is More Professional	3.56	.835	648
Waiting Room More Convenient	3.35	.788	648
Cleaner Toilet	3.33	.809	648
Wider Parking Space	3.27	.789	648

An efficient factor analysis requires that collinearity check should be conducted for the variables included in the analysis. According to Field (2005:648), in a factor analysis, it is desirable "...to have variables that correlate fairly well, but not perfectly, who also adds that researchers should consider removing any variables that do not have any correlation with other variables. For this, scanning the values in the correlation-matrix table in order to remove the non-correlating variable is advised (Field, 2005:648). Field (2005:648) further suggests to check for "significant values...greater than .05" and to look for "correlation coefficients themselves and look for any greater than .9". In addition, it is

also advised to examine if the determinant values are “greater than the necessary value of .00001” (Field, 2005:648).

Table 4.20: Correlation Matrix

Correlation Matrix ^a														
	bankreas1	bankreas2	bankreas3	bankreas4	bankreas5	bankreas6	bankreas7	bankreas8	bankreas9	bankreas10	bankreas11	bankreas12	bankreas13	
Correlation	bankreas1	1.000	.580	.590	.317	.301	.318	.207	.217	.286	.205	.234	.216	.200
	bankreas2	.580	1.000	.583	.313	.255	.291	.200	.211	.296	.203	.171	.193	.173
	bankreas3	.590	.583	1.000	.370	.259	.277	.193	.204	.281	.239	.167	.212	.161
	bankreas4	.317	.313	.370	1.000	.584	.557	.396	.474	.586	.506	.439	.427	.353
	bankreas5	.301	.255	.259	.584	1.000	.654	.569	.595	.521	.527	.553	.507	.471
	bankreas6	.318	.291	.277	.557	.654	1.000	.501	.547	.668	.582	.520	.472	.417
	bankreas7	.207	.200	.193	.396	.569	.501	1.000	.673	.493	.523	.532	.460	.481
	bankreas8	.217	.211	.204	.474	.595	.547	.673	1.000	.566	.593	.578	.527	.492
	bankreas9	.286	.296	.281	.586	.521	.668	.493	.566	1.000	.673	.547	.502	.449
	bankreas10	.205	.203	.239	.506	.527	.582	.523	.593	.673	1.000	.674	.611	.567
	bankreas11	.234	.171	.167	.439	.553	.520	.532	.578	.547	.674	1.000	.824	.833
	bankreas12	.216	.193	.212	.427	.507	.472	.460	.527	.502	.611	.824	1.000	.888
	bankreas13	.200	.173	.161	.353	.471	.417	.481	.492	.449	.567	.833	.888	1.000

a. Determinant = .000

The correlation matrix is provided in table 4.20⁶², which shows that there are no variables, which need to be deleted. Therefore, factor analysis can be conducted without deleting anything⁶³.

Factor analysis requires KMO and Bartlett’s test to be conducted to verify whether factor analysis can be used, namely determining the suitability of conducting a factor analysis. These results are shown in table 4.21 below.

⁶²The variables shown in table 4.20 are the same variables shown by tables 4.19. The order of those in table 4.20 is also the same with that of table 4.19. Therefore, for instance, the ‘bankreas1’ variable in table 4.20 corresponds to ‘Love Local Bank’ in table 4.19, and so on.

⁶³The variable of interest is the variable which is correlated highly with another variable, and NOT with itself. Therefore, one should ignore the diagonal “1.000” numbers.

Table 4.21: KMO And Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.898
Bartlett's Test of Sphericity	Approx. Chi-Square	5650.830
	df	78
	Sig.	.000

Table 4.21 shows two important test results. The first one is the Kaiser-Meyer-Olkin measure of sampling adequacy. According to Kaiser (1974:35), the criteria identified in Table 4.22 should be applied:

Table 4.22: Criteria For KMO Test

Value	Status
In the .90s	Marvelous
In the .80s	Meritorious
In the .70s	Middling
In the .60s	Mediocre
In the .50s	Miserable
Below .50	Unacceptable

Source: Kaiser (1974:35)

Based on Kaiser's (1974:35) information, it can be stated that the KMO value for this analysis is highly 'marvelous' as the test value is approximately .9. Once the data has passed the test, then Bartlett's test of sphericity should be checked. Based on the results depicted in table 4.22, Bartlett's test of sphericity is significant.

Lastly, the value of the anti-image correlation value⁶⁴ should also be checked in order to ensure that no values are below .5 (Field, 2005:650). As the results in table 7.23⁶⁵ shows, it could be argued that the factor analysis is allowed to be performed.

⁶⁴These values are the ones highlighted in blue.

⁶⁵The variables shown in table 4.23 are the same variables shown by tables 4.19. The order of those in table 4.23 is also the same with that of table 4.19. Therefore, for instance, the 'bankreas1' variable in table 4.23 corresponds to 'Love Local Bank' in table 4.19, and so on.

Table 4.23: Anti Image Correlation

Anti-image Matrices														
	bankreas1	bankreas2	bankreas3	bankreas4	bankreas5	bankreas6	bankreas7	bankreas8	bankreas9	bankreas10	bankreas11	bankreas12	bankreas13	
Anti-image Correlation	bankreas1	.829 ^a	-.333	-.365	.001	-.065	-.068	.016	.013	-.023	.085	-.099	.048	-.012
	bankreas2	-.333	.837 ^a	-.337	-.027	.005	-.037	-.016	-.014	-.075	.031	.058	.012	-.047
	bankreas3	-.365	-.337	.810 ^a	-.160	.018	.018	-.024	.020	.020	-.084	.095	-.090	.040
	bankreas4	.001	-.027	-.160	.932 ^a	-.272	-.072	.049	-.042	-.232	-.056	-.010	-.080	.081
	bankreas5	-.065	.005	.018	-.272	.920 ^a	-.329	-.186	-.149	.098	.010	-.077	-.027	-.005
	bankreas6	-.068	-.037	.018	-.072	-.329	.925 ^a	-.042	-.028	-.324	-.087	-.042	-.035	.065
	bankreas7	.016	-.016	-.024	.049	-.186	-.042	.912 ^a	-.407	-.046	-.058	-.045	.120	-.138
	bankreas8	.013	-.014	.020	-.042	-.149	-.028	-.407	.928 ^a	-.104	-.116	-.075	-.078	.060
	bankreas9	-.023	-.075	.020	-.232	.098	-.324	-.046	-.104	.915 ^a	-.309	-.033	-.023	.023
	bankreas10	.085	.031	-.084	-.056	.010	-.087	-.058	-.116	-.309	.941 ^a	-.238	-.072	.034
	bankreas11	-.099	.058	.095	-.010	-.077	-.042	-.045	-.075	-.033	-.238	.927 ^a	-.216	-.379
	bankreas12	.048	.012	-.090	-.080	-.027	-.035	.120	-.078	-.023	-.072	-.216	.865 ^a	-.659
	bankreas13	-.012	-.047	.040	.081	-.005	.065	-.138	.060	.023	.034	-.379	-.659	.834 ^a

a. Measures of Sampling Adequacy(MSA)

Initial part of the factor analysis requires factor extraction, which is depicted in table 4.24. As can be seen, the total initial eigenvalues for all 13 components are provided. Based on the table, under the ‘Initial Eigenvalues’, the total eigenvalues (ranging from 6.400 to .102) can be observed. Aaker *et al* (2011:495) state that “only factors with eigenvalues greater than 1.0 are retained”. Regarding the information provided by the table, only 3 factors in the form of components can be retained; and hence ‘three factor solution’ is considered, because their values are more than 1.0.

Table 4.24: Factor Extraction

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.400	49.234	49.234	6.400	49.234	49.234	4.121	31.698	31.698
2	1.887	14.513	63.747	1.887	14.513	63.747	2.931	22.547	54.245
3	1.067	8.207	71.954	1.067	8.207	71.954	2.302	17.709	71.954
4	.687	5.288	77.242						
5	.543	4.175	81.417						
6	.476	3.660	85.077						
7	.419	3.223	88.300						
8	.374	2.874	91.174						
9	.321	2.469	93.643						
10	.308	2.368	96.011						
11	.250	1.921	97.932						
12	.167	1.286	99.218						
13	.102	.782	100.000						

Extraction Method: Principal Component Analysis.

However, before making a final decision on whether to take these 3 factors, two further tools are employed to verify the results: the scree plot and the communalities box, as presented by figure 4.1 and table 4.25 respectively.

Figure 4.1 shows the scree plot on all the factors. As mentioned, only 3 factors solution is considered. The question is whether to retain the 3 factors or less than 3 factors are enough. As there is no sudden break in the curve after the second factor, it can be argued that the 3 factors were probably the best decision to make. However, to be on the safe side, a communalities box is also checked in order to ensure that the 3 factors can be retained.

Figure 4.1: Scree Plot

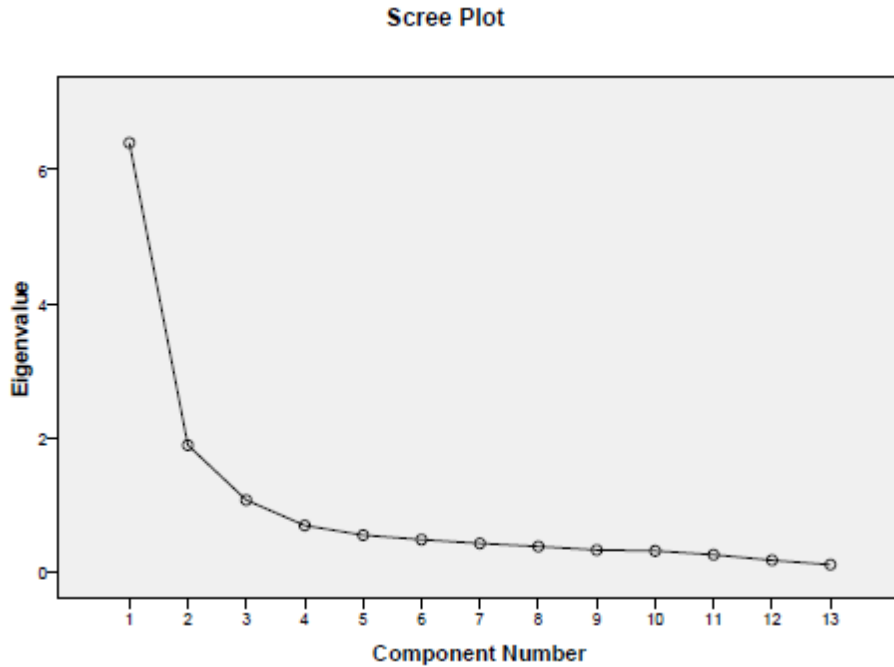


Table 4.25: Communalities

Communalities		
	Initial	Extraction
Love Local Bank	1.000	.717
Avoid Capital Flight	1.000	.711
Help Local Sharia Bank To Develop	1.000	.726
The Quality Of Aqad Is More Islamic	1.000	.600
More Variation On Product	1.000	.657
Safer In Depositing Money	1.000	.697
Profit Sharing Is Bigger	1.000	.565
Cheaper Financing Product	1.000	.655
More Trustable	1.000	.669
Staff Is More Professional	1.000	.664
Waiting Room More Convenient	1.000	.872
Cleaner Toilet	1.000	.899
Wider Parking Space	1.000	.921
Extraction Method: Principal Component Analysis.		

The communalities are depicted in table 4.25. According to Field (2005:655), “...Kaiser’s criterion ... is accurate when there are less than 30 variables and communalities after extraction are greater than .7 or when the sample size exceeds 250 and the average communality is greater than .6”. An observation of the communalities box shows that the average communality is .719. Based on this result, it does not matter which Kaiser’s

criterion is employed. There are those who suggest that either of the criterion could be followed. After these examinations, it should be noted that with the 3 factors 71.954 percent of variance can be explained.

In conducting the factor analysis, the next section is to examine whether the residual of the reproduced correlation is good enough for the model to fit. In this respect, Field (2005:656) states that no rule of thumb exists for the percentage of residual which exceeds .05 but maintained that the results should be examined if more than half exceed .05. In this case, the SPSS® table show that ‘There are 21 (26.0%) nonredundant residuals with absolute values greater than 0.05’; hence it could be stated that the data used for factor analysis has a good model fit.

Having decided the amount of factors that need to be retained and the quality of the model fit, this section discusses the factor loadings on each component. However, before this part proceeds further, varimax rotation is used due to the fact that “...is a robust and simple procedure that typically enhances the interpretability of factors, and it is consequently the most popular orthogonal rotation scheme” (Iacobucci and Churchill, 2010:501).

Table 4.26 depicts the rotated component matrix, which basically shows “... the correlations between each of the variables” (Green and Salkind, 2011: 319). In this rotated component matrix, it can be seen that some factors belongs to two factors. In such cases, factor with higher factor loadings should be chosen. Based on the results in table 4.26, 3 component solution is offered.

In completing the process, as suggested by Green and Salkind (2011: 319), “The factors are interpreted by naming them based on the size of the loadings”, although McDaniel and Gates (2012: 563) also state that “This is a somewhat subjective steps ...”. Thus, based on table 4.26, this research has identified 3 underlying factors, as defined by the components, in choosing local Sharia Banks. These factors are ‘Product Excellence’, ‘Physical Excellence’, and ‘Nationalism’. All of them describe 71.954 % of variance. It is interesting to note that, although nationalism plays a role in choosing a local sharia bank, respondents still place emphasis on the issues around ‘product’. This can be seen from the

fact that ‘Product And Service Excellence’ has the highest post-rotational percentage in explaining the variance (31.698 percent), followed by ‘Physical Excellence’ (22.547 percent), and ‘Nationalism’ (17.709 percent).

Table 4.26: Rotated Component Matrix

Rotated Component Matrix ^a			
	Component		
	1	2	3
Safer In Depositing Money	.789		
More Trustable	.754		
More Variation On Product	.750		
Cheaper Financing Product	.734		
The Quality Of Aqad Is More Islamic	.703		
Profit Sharing Is Bigger	.681		
Staff Is More Professional	.653	.480	
Wider Parking Space		.917	
Cleaner Toilet		.880	
Waiting Room More Convenient	.436	.822	
Help Local Sharia Bank To Develop			.835
Avoid Capital Flight			.827
Love Local Bank			.826

In general, it can be said that what was thought to be the central issue of the problem is not necessarily the first in the customers’ mind. Indeed, in this research, the majority of respondents opted for local sharia banks and put the issue of nationalism, as an important factor, as one of the factors in choosing local sharia banks. However, at least based on the results displayed in table 4.27, respondents still think that it is not the most important factor. It could be said that no matter how nationalist they are, they will still choose their local sharia bank based on the quality of the products.

Table 4.27: Factor Analysis Result

Factor Name	Variables
PRODUCT EXCELLENCE	Safer In Depositing Money
	More Trustable
	More Variation On Product
	Cheaper Financing Product
	The Quality Of Aqad Is More Islamic
	Profit Sharing Is Bigger
	Staff Is More Professional
PHYSICAL EXCELLENCE	Wider Parking Space
	Cleaner Toilet
	Waiting Room More Convenient
NATIONALISM	Help Local Sharia Bank To Develop
	Avoid Capital Flight
	Love Local Bank

Having identified the underlying factors, this part will conduct the reliability test for the factors obtained, because “a scale should consistently reflect the construct it is measuring” (Field, 2005:666). For this, Cronbach’s alpha was used. According to Bryman (2008:151), “The figure 0.80 is typically employed as a rule of thumb to denote an acceptable level of internal reliability, though many writers work with a slightly lower figure”.

The first test was conducted on the 3 factors, as depicted in table 4.28, which shows that all the alpha level on all the factors were within the acceptable range.

Table 4.28: Reliability Statistics For Product And Service Excellence

Reliability Statistics Product And Service Excellence		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.899	.900	7
Reliability Statistics On Physical Excellence		
.944	.944	3
Reliability Statistics On Nationalism		
.806	.808	3

Furthermore, table 4.29 presents both the variables and the relevant descriptive statistics, which indicated that there is no discrepancy found between what is intended to be analyzed and what is actually shown.

Table 4.29: Item Statistics for Product and Service Excellence

Item Statistics on Product and Service Excellence			
	Mean	Std. Dev	N
Safer In Depositing Money	3.71	.827	648
More Trustable	3.79	.869	648
More Variation On Product	3.44	.815	648
Cheaper Financing Product	3.46	.813	648
The Quality Of Aqad Is More Islamic	3.84	.931	648
Profit Sharing Is Bigger	3.27	.760	648
Staff Is More Professional	3.56	.835	648
Item Statistics on Physical Excellence			
Wider Parking Space	3.27	.789	648
Cleaner Toilet	3.33	.809	648
Waiting Room More Convenient	3.35	.788	648
Item Statistics on Nationalism			
Help Local Sharia Bank To Develop	4.51	.705	648
Avoid Capital Flight	4.22	.830	648
Love Local Bank	4.22	.796	648

As the last section in reliability test, table 4.30 shows the various calculations on item-total statistics. In addition “Corrected Item-Total Correlation” and “Cronbach’s Alpha If Item Deleted” measures should be considered. According to Field (2005:672), the former is defined as “... the correlations between each item and the total score from the questionnaire”, while the latter only exhibits the total Cronbach’s alpha if that particular variable is deleted. Field (2005: 672) also suggests finding out any number within the corrected item-total correlation which is lower than .3 as the existence of this number means “... that a particular item does not correlate very well with the scale overall”. Since none of the established results in table 4.30 have a corrected item-total correlation lower than .3, it can be said that all of the variables have a good correlation with the scale in general. Furthermore, since none of the variables are able to increase the total Cronbach’s alpha upon deletion, it can be said that no deletion is necessary on any of the variables.

Table 4.30: Item-Total Statistics For Product And Service Excellence

Item-Total Statistics On Product And Service Excellence					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Safer In Depositing Money	21.38	15.802	.741	.587	.879
More Trustable	21.30	15.529	.741	.608	.879
More Variation On Product	21.65	15.978	.724	.572	.881
Cheaper Financing Product	21.62	16.022	.719	.576	.882
The Quality Of Aqad Is More Islamic	21.24	15.733	.644	.460	.892
Profit Sharing Is Bigger	21.82	16.737	.650	.511	.890
Staff Is More Professional	21.52	15.907	.714	.542	.882
Item-Total Statistics On Physical Excellence					
Wider Parking Space	6.68	2.323	.901	.821	.903
Cleaner Toilet	6.62	2.280	.894	.812	.909
Waiting Room More Convenient	6.60	2.411	.852	.727	.941
Item-Total Statistics on Nationalism					
Help Local Sharia Bank To Develop	8.44	2.089	.660	.436	.734
Avoid Capital Flight	8.72	1.793	.652	.426	.738
Love Local Bank	8.73	1.870	.656	.432	.731

4.5. GAUGING AWARENESS ON SHARI’AH BANKING PRINCIPLES AND OPERATIONS AND THE FACTORS FOR SHARI’AH BANK PATRONAGE

In this last section of consumer behavior, 5 questions from the questionnaire are exhibited. The first question aims to gauge the participants’ awareness and knowledge on *Shari’ah* banking related terms. The second question asks for the respondents’ opinion on several statements regarding Shari’ah banks. The third question requires respondents to choose one of the several statements which they think are applicable to them. The fourth question requires respondents to choose three conventional banks (at most) should the respondents patron any. Finally, the last question also requires respondents to choose three *Shari’ah* banks (at most) should the respondents patron any.

4.5.1. Awareness on Shari’ah Bank-Related Terms

As can be seen in table 4.31, the following statements are the ones where the majority of answers were ‘Know’: Halal with 99.6%, Haram with 99.4%, Syariah with 90.3%, Riba with 95.5%, Mudharabah with 58.8%, Musyarakah with 47.8%, Murabaha with 44.9%, Wadiah with 38.4%. If one looks at the percentages, one may argue that there is a decreasing trend towards the term becoming more unfamiliar.

Moving further, the following statements are the ones whose majority answers were ‘Know’: Ijarah with 40.5%, Sharia Bank with 88.9%, Sharia Supervisory Board with 62.7%, National Sharia Council with 56.4%, Indonesian Council Of Ulema with 94.7%.

Moreover, the following statements were the ones where the majority of answers were ‘Do Not Know’: Istisna with 41.2%, Rahn with 42.6%, and Sharf with 47.6%. Since these terms are not used in everyday life commonly, they are not widely known.

Table 4.31: Knowledge on *Shari’ah* Banking Terms

Halal					
		Frequency	Percent	Mean	Std Dev
Valid	Know	1059	99.6	1.01	0.097
Haram					
Valid	Know	1057	99.4	1.01	0.106
Syariah					
Valid	Know	960	90.3	1.11	0.371
Riba					
Valid	Know	1015	95.5	1.06	0.276
Mudharabah					
Valid	Know	625	58.8	1.6	0.789
Musyarakah					
Valid	Know	508	47.8	1.78	0.828
Murabaha					
Valid	Know	477	44.9	1.85	0.853
Wadiah					
Valid	Know	408	38.4	1.98	0.862
Ijarah					
Valid	Know	430	40.5	1.94	0.867
Istisna					
Valid	Do Not Know	438	41.2	2.11	0.841
Rahn					
Valid	Do Not Know	453	42.6	2.1	0.862
Sharf					
Valid	Do Not Know	506	47.6	2.24	0.808
Sharia Bank					
Valid	Know	945	88.9	1.13	0.404
Sharia Supervisory Board					
Valid	Know	666	62.7	1.53	0.756
National Sharia Council					
Valid	Know	600	56.4	1.64	0.797
Indonesian Council Of Ulema					
Valid	Know	1007	94.7	1.07	0.318

4.5.2. Participants' Perception on *Shari'ah* Bank

This section presents the results of respondents' perceptions regarding several statements on *Shari'ah* bank, where respondents were required to rate several statements which were related to *Shari'ah* banks. In total, 10 statements were provided with 5 rating scales ('Absolutely Disagree' – 'Absolutely Agree')⁶⁶. The results are presented in tables 4.32.

Concerning the issue of facilities and service factor statements, the majority of respondents opted for either 'Absolutely Disagree' or 'Disagree'. These statements were: Sharia Bank Is Only Meant For Muslims with 85%, Sharia Bank Will Not Give Loans To Non Muslim with 75.8%, and Deposits In Islamic Banks Will Not Be Guaranteed By The Indonesian Deposit Insurance Corporation with 74.2%.

However, there were two other statements wherein the majority of answers were 'Neutral': The Practice Of Indonesia Sharia Banks Is Not Yet In Accordance To Sharia with 40.8% and There Is A Chance That Sharia Bank's Employees Steal My Money with 38.7%.

Moving further, the following statements received 'Neutral' position as the majority answer: Sharia Bank's Corporate Governance Are Just The Same As Conventional Banks with 42.1% and Sharia Banks Are Less Efficient If Compared With Conventional Banks with 42.2%. On the other hand, statements where the majority of respondents chose either 'Absolutely Disagree' or 'Disagree' were: Depositing Money In Sharia Bank Is Not Profitable with 64.4%, Sharia Bank Is Meant For Poor People with 89.2%, and Sharia Banks Do Not Have Social Responsibility with 82.7%.

Concerning the results for 'Sharia Bank Is Meant Only For Poor People', it should be noted that it would be rather premature to assume that *Shari'ah* banks exist solely for the needy. Instead, it could be said that *Shari'ah* banks are also meant for underprivileged people. Although one might argue that the presence of Islamic banks could be an attempt at poverty elimination, it could also be said that *Shari'ah* banks also offer financing facilities to anyone who need access to capital for business purposes.

⁶⁶ 'Absolutely Disagree' equals 1 while 'Absolutely Agree' equals 5.

Table 4.32: Perceptions on the Nature of *Shari'ah* Bank

Sharia bank is ONLY meant for Muslims					
		Frequency	Percent	Mean	Std Dev
Valid	Absolutely Disagree	480	45.2	1.81	0.976
	Disagree	423	39.8		
The Practice Of Indonesian Sharia Banks is NOT YET IN ACCORDANCE TO SHARIA					
Valid	Neutral	434	40.8	3.33	0.951
Sharia bank WILL NOT give loans to non-Muslims					
Valid	Absolutely Disagree	337	31.7	2.03	0.959
	Disagree	469	44.1		
Deposits in Islamic bank WILL NOT be guaranteed by the Indonesian Deposit Insurance Corporation					
Valid	Absolutely Disagree	365	34.3	1.97	0.896
	Disagree	424	39.9		
THERE IS A CHANCE THAT Sharia Bank's EMPLOYEES STEAL MY MONEY					
Valid	Neutral	411	38.7	2.75	1.062
Sharia bank's CORPORATE GOVERNANCE are JUST THE SAME as Conventional banks					
Valid	Neutral	448	42.1	2.92	1
Sharia banks are LESS EFFICIENT IF COMPARED WITH Conventional banks					
Valid	Neutral	449	42.2	2.67	0.95
Depositing money in Sharia bank IS NOT PROFITABLE					
Valid	Absolutely Disagree	230	21.6	2.19	0.832
	Disagree	455	42.8		
Sharia bank is ONLY meant for poor people					
Valid	Absolutely Disagree	505	47.5	1.65	0.707
	Disagree	443	41.7		
Sharia banks DO NOT HAVE SOCIAL RESPONSIBILITY					
Valid	Absolutely Disagree	461	43.4	1.77	0.809
	Disagree	418	39.3		

4.5.3. Identifying Customer Categories

In this section, the customer attitudes towards *Shari'ah* bank are attempted to be identified, as respondents were required to choose one answer, which described them best in terms of their banking attitude. The results of these questions are in table 4.33.

Table 4.33: Respondent Categories

Respondent Classification					
		Frequency	Percent	Mean	Std Dev
Valid	Only Sharia Bank	291	27.4	2.85	1.308
	Go to Sharia bank IF many people use it	18	1.7		
	Comfortable With Sharia And Conventional Bank	397	37.3		
	Any Bank That Could Help Me With My Payment Needs	292	27.5		
	Any Bank Which Has The Highest Return	44	4.1		
	Only Conventional Bank	21	2.0		
	Total	1063	100		

The majority of respondents opted for ‘Comfortable With Sharia and Conventional Bank’ (37.3%), ‘Only Sharia Bank’ (27.5%), and ‘Any Bank that Could Help Me With My Payment Needs’ (27.4%). These results did not really fit to the number of respondents who possessed only *Shari’ah* bank accounts, possessed both *Shari’ah* and conventional bank accounts, and possessed conventional bank accounts only. Previously, table 4.8 on page 134 shows that there are 1063 respondents who can be classified into three types of account possession: Those who possess only *Shari’ah* bank account (128 people), those who possess both *Shari’ah* and conventional bank accounts (523 people), and those who possess conventional bank account only (412 people). Unfortunately, table 4.33 does not segregate the respondents’ answers based on their banking affiliation.

Therefore, further analysis conducted through cross-tabulation to explain this and the results are presented in table 4.34, depicting the division of the respondents into ‘Sharia Bank Account Only’, ‘Both Sharia and Conventional Bank Account’, and ‘Conventional Bank Account Only’ in terms of respondent classification. At least two results can be identified according to the results: First, it can be argued that not all respondents who possess only *Shari’ah* bank accounts really mean to have only a *Shari’ah* bank account. Second, based on the results, it could also be said that few respondents who possess only *Shari’ah* bank account might do so because of factors other than being related to the *Shari’ah*.

Table 4.34: Response Categories In Terms Of Banking Affiliation

Sharia Bank Account Only					
		Frequency	Percent	Mean	Std Dev
Valid	Only Sharia Bank	119	93.0	1.2	0.732
	Comfortable With Sharia And Conventional Bank	3	2.3		
	Any Bank That Could Help Me With My Payment Needs	5	3.9		
	Any Bank Which Has The Highest Return	1	.8		
	Total	128	100.0		
Both Sharia And Conventional Bank Account					
Valid	Only Sharia Bank	148	28.3	2.57	1.062
	Go to Sharia bank IF many people use it	4	.8		
	Comfortable With Sharia And Conventional Bank	304	58.1		
	Any Bank That Could Help Me With My Payment Needs	61	11.7		
	Any Bank Which Has The Highest Return	5	1.0		
	Only Conventional Bank	1	.2		
	Total	523	100.0		
Conventional Bank Account Only					
Valid	Only Sharia Bank	24	5.8	3.73	1.046
	Go to Sharia bank IF many people use it	14	3.4		
	Comfortable With Sharia And Conventional Bank	90	21.8		
	Any Bank That Could Help Me With My Payment Needs	226	54.9		
	Any Bank Which Has The Highest Return	38	9.2		
	Only Conventional Bank	20	4.9		
	Total	412	100.0		

Table 4.34 also demonstrates the division of respondents who possess both *Shari'ah* and conventional bank account in terms of respondent classification. It could be argued that not all respondents who possess both *Shari'ah* and conventional bank accounts are really intent on having both. The results show that 148 respondents (28.3%) classified themselves as those who prefer only *Shari'ah* banks. It could be said that several respondents who possess both *Shari'ah* and conventional bank account, yet classify themselves as those who want to have accounts in *Shari'ah* bank only, might possess conventional bank accounts because of other factors.

As can be seen in table 4.34, conventional bank accounts holders are also disaggregated. It can be argued that not all respondents who possess only conventional bank accounts are really intent in having only conventional accounts, although the number is not as high as those who possess only conventional accounts and who possess both accounts. The results show that only 20 respondents (4.9%) classified themselves as those who prefer only conventional banks. Judging from the small number of respondents who opted for 'Only Conventional Bank', one could argue that there is still a chance of shifting these respondents to at least own both a *Shari'ah* and conventional bank account.

This section is intended to show several checks in order to ensure that the amount of respondents who have either one or two bank account(s) agrees with the total amount of respondents participated in the questionnaire.

4.5.4. Affiliation with Conventional Banks

This section aims to disclose the respondents of conventional bank(s) where they deposit their money (should they have one). For those who do not possess any conventional bank accounts, this question offers the ‘None At All’ answer. The number of those who opted for ‘None At All’ and those who have conventional banks account will be presented below.

Table 4.35: Respondents Who Do Not Possess any Conventional Bank Account

Do Not Possess Any Conventional Bank Account					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	128	12.0	100.0	100.0
Missing	System	935	88.0		
Total		1063	100.0		

Table 4.35 exhibits the number of respondents (128) who do not possess any conventional bank accounts. As informed earlier, these respondents belonged to those who possess only *Shari’ah* bank accounts. The above number was exactly similar to those with the number of respondents who possess only *Shari’ah* bank accounts. Therefore, one can argue that no discrepancies were found so far between those who possess only *Shari’ah* bank accounts and those who do not possess any conventional bank accounts.

Table 4.36 shows 124 respondents (30.10%)⁶⁷ who have only one conventional bank account. As can be seen, most respondents have an account in BNI46, Mandiri, BRI, and BCA banks respectively. The rest of the respondents were scattered throughout several banks.

⁶⁷ This is 30.09% of those who possess conventional bank account only (412).

Table 4.36: Respondents With Only Conventional Bank Account(s)

Descriptive Statistics			
	One Conventional Bank	Two Conventional Banks	Three Conventional Banks
	N	N	N
Mandiri	34	72	113
BRI	18	39	71
BCA	17	50	98
BNI46	45	52	102
CIMB Niaga	2	4	24
Danamon	3	6	11
Panin Bank	0	0	3
BII	2	1	1
BTN	0	12	17
Permata	1	5	8
Bukopin	2	3	5
Bank Mega	0	3	6
OCBC NISP	0	3	6
Bank Victoria International	0	0	1
BTPN	0	2	1
Bank Jabar	0	0	6
HSBC	0	2	3
Citibank	0	0	5
Standard Chartered Bank	0	0	2
Valid N (listwise)	0	0	0

Furthermore, the same table also shows 127 respondents (30.82%)⁶⁸ who have accounts in two conventional banks. Based on the descriptive statistics, Mandiri, BNI46, BCA, and BRI banks are listed first, second, third, and fourth place respectively in terms of the number of respondents who opted for them. The rest of the respondents were scattered throughout several banks.

As the results indicate from table 4.36, there are 161 respondents (39.08%)⁶⁹ who have accounts in three conventional banks. Based on the descriptive statistics, Mandiri, BNI46, BCA, and BRI banks occupy first, second, third, and fourth place respectively.

In concluding this section, this part presented the results in relation to the number of respondents who possess accounts in no conventional banks, one conventional bank, two

⁶⁸The first box only exhibits the number of respondents who possess 2 conventional bank accounts only. Since one respondent owns 2 bank accounts, the number of banks shown in the second box is equal to $2 \times 127 = 254$.

⁶⁹The first box only exhibits the number of respondents who possess 3 conventional bank accounts only. Since one respondent owns 3 bank accounts, the number of banks shown in the second box is equal to $3 \times 161 = 483$.

conventional banks, and three conventional banks respectively. It can be said that, so far, there have been no errors in calculation as the total number of respondents is 412⁷⁰. However, before moving on to *Shari'ah* bank respondents, error checks are conducted in order to lessen the probability for any flaws⁷¹.

4.5.5. Affiliation With *Shari'ah* Banks

Similar to the previous section, this section also requires respondents to list, at most, 3 *Shari'ah* banks where they deposit their money. For those who do not possess any *Shari'ah* bank accounts, this question offers the 'None At All' answer. The number of those who opted for 'None At All' and those who have *Shari'ah* bank accounts will be presented below.

Table 4.37 exhibits the number of respondents (412) who do not possess any *Shari'ah* bank accounts. These respondents belong to those who possess only conventional bank accounts. The number below is exactly the same as the number of respondents who possess only conventional bank accounts (412). Therefore, one could argue that no discrepancies have been found so far between those who possess only conventional bank accounts and those who do not possess any *Shari'ah* bank accounts.

Table 4.37: Possess No *Shari'ah* Bank Account

nosyarbank=1 (FILTER)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Selected	412	100.0	100.0	100.0

Concerning respondents with only *Shari'ah* bank accounts, table 4.38 shows the number of respondents who possess one account in a *Shari'ah* bank account only, two *Shari'ah* bank only, and three *Shari'ah* bank only. For responses, which demonstrate the number of people who own one account in a *Shari'ah* bank account only, one could observe that the majority of respondents custom with Muamalat and Mandiri Syariah. The rest of the

⁷⁰It could be said that the total number of those who possess only conventional bank must be equal to those who possess only one conventional bank, only two conventional bank, and only three conventional bank. Based on the above tables, one could argue that the total number of those who possess only conventional bank must be equal to those who possess only one conventional bank, only two conventional bank, and only three conventional bank ($412 = 124 + 127 + 161$).

⁷¹ Readers could view the results of these error checks in appendix C.

respondents are scattered throughout a few other banks. In total, 63 respondents (49.22%) possess one *Shari'ah* bank account only.

The table also presents the number of respondents who own only account in two *Shari'ah* bank⁷². Based on the results presented in table 4.38, the majority of respondents were affiliated with Mandiri Syariah and Muamalat respectively. The rest of the respondents were scattered throughout a few other banks. In total, 39 respondents (30.47%) belong in this category.

The table also shows the number of respondents with banks accounts with only three *Shari'ah* bank⁷³. Accordingly, the majority of respondents custom with Muamalat, Mandiri Syariah, and BNI46 Syariah respectively. The rest of the respondents were scattered throughout few other banks. In total, 26 respondents (20.31%) belong in this category.

As before, an attempt is made to conduct some error checks in order to ensure that there are no discrepancies in the data. In order to check for errors, several descriptive statistics are employed.

⁷²The 'Two Sharia Banks' only exhibits the number of respondents who possess 2 sharia bank accounts only. Since one respondent owns 2 bank accounts, the number of banks shown in the second box is equal to $2 \times 39 = 78$.

⁷³The 'Three Sharia Banks' only exhibits the number of respondents who possess 3 sharia bank accounts only. Since one respondent owns 3 bank accounts, the number of banks shown in the third box is equal to $3 \times 26 = 78$.

Table 4.38: Respondents With Only *Shari'ah* Bank Account(s)

Descriptive Statistics			
	One Sharia Bank	Two Sharia Banks	Three Sharia Banks
	N	N	N
Muamalat	28	27	22
Mandiri Syariah	27	28	20
BRI Syariah	2	7	8
BCA Syariah	0	0	1
BNI 46 Syariah	6	10	11
CIMB Niaga Syariah	0	0	4
Danamon Syariah	0	0	1
Panin Bank Syariah	0	0	0
BII Syariah	0	0	1
BTN Syariah	0	0	3
Permata Syariah	0	3	1
Bukopin Syariah	0	2	0
Bank Mega Syariah	0	0	3
OCBC NISP Syariah	0	0	0
Bank Victoria Syariah	0	0	0
BTPN Syariah	0	0	0
Bank Jabar Syariah	0	0	2
HSBC Amanah	0	1	0
Maybank Indonesia Syariah	0	0	1
Valid N (listwise)	0	0	0

4.5.6. Affiliation With Both *Shari'ah* And Conventional Banks

Although this section does not appear directly as a question, the fact that some respondents opted for both banks makes this analysis important to be conducted. Thus, this part aims to show the number of respondents who opted for both conventional and *Shari'ah* banks.

Table 4.39: Possession Of Conventional And *Shari'ah* Bank

ownsharbankacc=1 & ownconvbankacc=1 (FILTER)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Selected	523	100.0	100.0	100.0

As can be seen in table 4.39, the number of respondents who possess accounts both in conventional and *Shari'ah* banks is exactly the same as previous results. Therefore, it can be argued that the data presented here is accurate⁷⁴. In order to comprehend the structure of those who belong in this category, the respondents are divided into several categories. The first kind of respondent falls into those who have either 1 conventional bank with 1

⁷⁴If one sums up the number of respondents who possess sharia bank account only (128 respondents), possess conventional bank account only (412 respondents), and possess both accounts (523) then one will get '1063' as the result. This number is exactly the same with the total number of respondents analyzed in this chapter.

Shari'ah bank, and vice versa. The results presented in table 4.40 show that there are 140 individuals (26.77%) who possess 1 conventional bank and 1 *Shari'ah* bank. For conventional banks, most respondents still go to Mandiri, BNI46, BCA, and BRI. The rest of the respondents were scattered throughout several conventional banks. For *Shari'ah* banks, most respondents still opted for Mandiri Syariah, Muamalat, and BNI46 Syariah. The rest of the respondents were scattered throughout several *Shari'ah* banks.

Moving further, table 4.40 also exhibits the number of respondents who possess account in 1 conventional bank and 2 *Shari'ah* banks. Based on the results, one could observe that there were 58 respondents (11.09%) who possessed 1 conventional bank account and 2 *Shari'ah* bank accounts. For conventional banks, most respondents still go to Mandiri, BNI46, BCA, and BRI. The rest of the respondents were scattered throughout several conventional banks. For *Shari'ah* banks, most respondents still opted for Mandiri Syariah, Muamalat, and BNI46 Syariah. The rest of the respondents were scattered throughout several *Shari'ah* banks.

The table also exhibits the number of respondents who has accounts in 1 conventional bank and 3 *Shari'ah* banks. Accordingly, one could observe that there were 16 respondents (3.06%) who held accounts in 1 conventional bank account and 3 *Shari'ah* banks. For conventional banks, most respondents opted for Mandiri and BCA. The rest of the respondents were scattered throughout several conventional banks. For *Shari'ah* banks, most respondents opted for Muamalat, and Mandiri Syariah, while the rest of the respondents were scattered through several *Shari'ah* banks.

Table 4.40: Possession of 1 Conventional Bank and at Least 1 *Shari'ah* Bank

Descriptive Statistics			
	1 Conventional Bank And 1 Sharia Bank	1 Conventional Bank And 2 Sharia Banks	1 Conventional Bank And 3 Sharia Banks
	N	N	N
Mandiri	42	16	8
BRI	17	8	0
BCA	28	14	5
BNI46	41	15	1
CIMB Niaga	2	2	1
Danamon	1	0	0
Panin Bank	0	0	0
BII	1	0	0
BTN	3	0	0
Permata	0	1	1
Bukopin	1	0	0
Bank Mega	1	1	0
OCBC NISP	0	1	0
Bank Victoria International	0	0	0
BTPN	0	0	0
Bank Jabar	2	0	0
HSBC	1	0	0
Citibank	0	0	0
Standard Chartered Bank	0	0	0
Muamalat	55	45	13
Mandiri Syariah	56	42	13
BRI Syariah	7	3	7
BCA Syariah	0	0	1
BNI 46 Syariah	15	14	7
CIMB Niaga Syariah	4	6	2
Danamon Syariah	0	1	0
Panin Bank Syariah	0	0	1
BII Syariah	0	0	0
BTN Syariah	0	1	2
Permata Syariah	0	0	1
Bukopin Syariah	0	0	0
Bank Mega Syariah	2	2	0
OCBC NISP Syariah	0	0	0
Bank Victoria Syariah	0	0	0
BTPN Syariah	1	0	0
Bank Jabar Syariah	0	2	0
HSBC Amanah	0	0	1
Maybank Indonesia Syariah	0	0	0
Valid N (listwise)	0	0	0

Table 4.41 exhibits the number of respondents who possess accounts in 2 conventional banks and at least in 1 *Shari'ah* bank. As the results indicate there were 114 respondents (21.80%) who have accounts in 2 conventional bank and 1 *Shari'ah* bank. For conventional banks, most respondents still go to Mandiri and BCA. The rest of the respondents were scattered throughout several conventional banks. For *Shari'ah* banks, most respondents still opted for Muamalat and Mandiri Syariah.

Subsequently, table 4.41 also presents the number of respondents who possess accounts in 2 conventional banks and 2 *Shari'ah* banks, according to which there were 56 respondents (10.71%) who possessed account in 2 conventional bank and 2 *Shari'ah* bank accounts. For conventional banks, most respondents opted for Mandiri, BCA, BRI, and BNI4, while for *Shari'ah* banks, most respondents indicated Muamalat and Mandiri Syariah.

Last but not least, the table also displays the number of respondents who held accounts in 2 conventional banks and 3 *Shari'ah* banks. The results show that there were 14 respondents (2.68%) who held accounts in 2 conventional banks and 3 *Shari'ah* banks. While most of the respondents indicated Mandiri and BCA as their conventional banks, for *Shari'ah* banks, most respondents opted for Muamalat and Mandiri Syariah.

Table 4.41: Possession of Accounts in 2 Conventional Banks and At Least 1 Shari'ah Bank

Descriptive Statistics			
	2 Conventional Banks And 1 Sharia Bank	2 Conventional Banks And 2 Sharia Banks	2 Conventional Banks And 3 Sharia Banks
	N	N	N
Mandiri	67	37	11
BRI	28	15	4
BCA	51	31	8
BNI46	49	12	4
CIMB Niaga	10	6	1
Danamon	0	1	0
Panin Bank	1	1	0
BII	1	2	0
BTN	6	2	0
Permata	1	0	0
Bukopin	7	4	0
Bank Mega	0	1	0
OCBC NISP	2	0	0
Bank Victoria International	0	0	0
BTPN	0	0	0
Bank Jabar	2	0	0
HSBC	1	0	0
Citibank	2	0	0
Standard Chartered Bank	0	0	0
Muamalat	35	47	14
Mandiri Syariah	56	44	12
BRI Syariah	2	5	4
BCA Syariah	3	0	0
BNI 46 Syariah	5	7	7
CIMB Niaga Syariah	6	4	2
Danamon Syariah	0	0	0
Panin Bank Syariah	0	0	0
BII Syariah	1	0	0
BTN Syariah	0	0	1
Permata Syariah	3	1	2
Bukopin Syariah	2	2	0
Bank Mega Syariah	0	1	0
OCBC NISP Syariah	0	0	0
Bank Victoria Syariah	0	0	0
BTPN Syariah	0	0	0
Bank Jabar Syariah	1	0	0
HSBC Amanah	0	0	0
Maybank Indonesia Syariah	0	1	0
Valid N (listwise)	0	0	0

Table 4.42 exhibits the number of respondents who possess accounts in 3 conventional banks and at least 1 *Shari'ah* bank: 67 respondents (12.81%) possess 3 conventional bank accounts and 1 *Shari'ah* bank account with mainly to Mandiri, BCA, BNI46, and BRI, as conventional banks and Mandiri Syariah and Muamalat as Shari'ah banks.

Table 4.42 also exhibits the number of respondents who possess accounts in 3 conventional banks and 2 *Shari'ah* banks: 37 respondents (7.07%) have accounts in 3 conventional bank account and 2 *Shari'ah* bank accounts mainly with Mandiri, BCA, BNI46, and BRI, while for *Shari'ah* banks, most respondents opted for Mandiri Syariah and Muamalat.

Table 4.42 also presents the number of respondents with accounts in 3 conventional banks and 3 *Shari'ah* banks: 21 respondents (4.02%) with accounts in 3 conventional bank and 3 *Shari'ah* bank mainly with BCA, Mandiri, and BRI and Muamalat, Mandiri Syariah, and BNI46 Syariah, respectively.

Table 4.42: Possession of Accounts in 3 Conventional Banks and At Least 1 Shari'ah Bank

Descriptive Statistics			
	3 Conventional Banks And 1 Sharia Bank	3 Conventional Banks And 2 Sharia Banks	3 Conventional Banks And 3 Sharia Banks
	N	N	N
Mandiri	52	25	15
BRI	20	10	7
BCA	43	24	16
BNI46	38	24	11
CIMB Niaga	14	5	3
Danamon	4	3	3
Panin Bank	1	0	0
BII	3	1	0
BTN	7	7	3
Permata	4	4	2
Bukopin	6	2	0
Bank Mega	0	3	1
OCBC NISP	2	0	1
Bank Victoria International	0	0	0
BTPN	2	0	0
Bank Jabar	2	0	0
HSBC	0	1	0
Citibank	3	2	1
Standard Chartered Bank	0	0	0
Muamalat	21	20	18
Mandiri Syariah	33	27	16
BRI Syariah	4	6	4
BCA Syariah	1	1	0
BNI 46 Syariah	3	10	12
CIMB Niaga Syariah	0	2	2
Danamon Syariah	1	1	2
Panin Bank Syariah	0	0	0
BII Syariah	0	0	0
BTN Syariah	1	2	3
Permata Syariah	1	1	2
Bukopin Syariah	1	3	0
Bank Mega Syariah	0	0	1
OCBC NISP Syariah	0	0	0
Bank Victoria Syariah	0	0	0
BTPN Syariah	0	0	0
Bank Jabar Syariah	1	0	2
HSBC Amanah	0	1	0
Maybank Indonesia Syariah	0	0	1
Valid N (listwise)	0	0	0

4.5.7. Assessing The Knowledge Level Of The Respondents On *Shari'ah* Banking Terms

This part aims to analyse if there are any significant differences between the three groups of depositors in terms of their knowledge level on *Shari'ah* banking terms. For this purpose, Kruskal- Wallis H test, which is a non-parametric test, is utilized.

For the first step, a normality test is conducted, the results of which are depicted in table 4.43. As both variables under analysis deviate from normality, the use of a non – parametric test is justified.

Table 4.43: Normality Test

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Sharia Banking Knowledge New Variable	.143	1063	.000	.912	1063	.000
Type Of Depositor 1	.269	1063	.000	.780	1063	.000
a. Lilliefors Significance Correction						

Table 4.44 exhibits the number of conventional banking-only depositors, dual banking depositors, and *Shari'ah* banking-only depositor. Based on figures depicted in the table, it can be said that all respondents are involved⁷⁵.

Table 4.44: *Shari'ah* Banking Knowledge

Descriptive Statistics					
	N	Mean	Std. Dev	Minimum	Maximum
Sharia Banking Knowledge New Variable	1063	10.05	4.221	0	16
Type Of Depositor 1	1063	1.73	.661	1	3

In the next step, the Kruskal – Wallis *H*-test results are presented in table 4.45, which show that there is a significant difference regarding the knowledge level on *Shari'ah* banking terms among the three groups of depositors. Additionally, the fact that both the lower bound and the upper bound of confidence intervals do not get higher than .05 also “gives ... a lot of confidence that the significant effect is genuine” (Field, 2005:548).

⁷⁵This is a re-coded variable. Code ‘1’ was assigned into ‘Conventional Banking Only Depositor’, code ‘2’ was assigned into ‘Dual Banking Depositor’, and code 3 was assigned into ‘Sharia Banking Only Depositor’. Furthermore, the re-coding was intentionally ordered in a way so that the Jonckheere – Terpstra test could be used to interpret the order.

Table 4.45: Test Statistics and Trend Test

Test Statistics ^{b,c}			
			Sharia Banking Knowledge New Variable
Chi-Square			255.380
df			2
Asymp. Sig.			.000
Monte Carlo Sig.	Sig.		.000 ^a
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
a. Based on 10000 sampled tables with starting seed 2000000.			
b. Kruskal Wallis Test			
c. Grouping Variable: Type Of Depositor 1			
Jonckheere-Terpstra Test ^b			
			Sharia Banking Knowledge New Variable
Number of Levels in Type Of Depositor 1			3
N			1063
Std. J-T Statistic			16.295
Asymp. Sig. (2-tailed)			.000
Monte Carlo Sig. (2-tailed)	Sig.		.000 ^a
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
Monte Carlo Sig. (1-tailed)	Sig.		.000 ^a
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
a. Based on 10000 sampled tables with starting seed 2000000.			
b. Grouping Variable: Type Of Depositor 1			

Moreover, in order to comprehend “whether the medians of the groups ascend or descend in the order specified by the coding variable” (Field, 2005: 554), the Jonckheere – Terpstra test is conducted. Based on the test results as depicted in table 4.45, one can observe the z value to be positive. According to Field (2005:555), “if it is positive then it indicates a trend of ascending medians (i.e. the medians get bigger as the values of the coding variable get bigger)”. As table 4.45 shows a significant positive z value, therefore it can be concluded that the level of comprehension gets larger as the level of attachment to Shari’ah banks gets bigger⁷⁶.

The test statistics, so far, show a significant difference on Shari’ah banking knowledge among the three groups of depositors. However, according to Corder and Foreman (2009:105), “it does not identify how many differences exist and which samples are different”; therefore, they suggest the utilization of a procedure called ‘contrasts, or post hoc test’, which is produced in table 4.46.

⁷⁶ In this respect, the author treated ‘Conventional Banking Only Depositor’ as the kind of depositor who has the lowest attachment with sharia bank while the ‘Sharia Banking Only Depositor’ has the highest attachment with sharia bank.

Table 4.46: Post Hoc Tests

Test Statistics ^b Conventional Banking Only Depositor Vs Dual Banking Depositor			
			Sharia Banking Knowledge New Variable
Z			-12.901
Asymp. Sig. (2-tailed)			.000
Monte Carlo Sig. (2-tailed)	Sig.		.000 ^a
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
Monte Carlo Sig. (1-tailed)	Sig.		.000 ^a
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
a. Based on 10000 sampled tables with starting seed 926214481.			
b. Grouping Variable: Type Of Depositor 1			
Test Statistics ^b Conventional Banking Only Depositor Vs Sharia Banking Only Depositor			
Z			-12.745
Asymp. Sig. (2-tailed)			.000
Monte Carlo Sig. (2-tailed)	Sig.		.000 ^a
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
Monte Carlo Sig. (1-tailed)	Sig.		.000 ^a
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
a. Based on 10000 sampled tables with starting seed 1314643744.			
b. Grouping Variable: Type Of Depositor 1			

For post-hoc test, as the first step, a control group needs to be established, for which ‘Conventional Banking Only Depositor’ group is used, because it is considered to have the lowest attachment with Shari’ah banks. Furthermore, before proceeding with the multiple contrast comparisons, it should be noted that a technique called the ‘Bonferroni Correction’ is applied. According to Corder and Foreman (2009:101), “When performing multiple sample contrasts, the Type I error rate tends to become inflated. Therefore, the initial level of risk, or α , must be adjusted”. Furthermore, Corder and Foreman (2009:101) define the Bonferroni correction as: “ $\alpha_B = \alpha / k$ ”, which is the “adjusted level of risk, α is the original level of risk, and k is the number of comparisons”. In this case, the level of risk would be 0.05 and the level of comparison would be 2 as there are only two comparisons (Conventional Banking Only Depositor vs. Dual Banking Depositor and Conventional Banking Only vs. Sharia Banking Only). Based on the above data, this paper aims at finding a significance level lower than 0.025⁷⁷. As the results in table 4.46 shows, there is no difference between the amount of knowledge accumulated in dual banking and Shari’ah banking only depositors compared to those who possess only a

⁷⁷As this procedure is performed several times in this chapter under the 0.025 correction, the above statements is not repeated anymore in the subsequent part where Post Hoc calculations present.

conventional banking account. Therefore, it can be stated that affiliating oneself with a Shari’ah bank (either partially as a dual banking depositor or fully as a sharia banking only depositor) does not necessarily increase the amount of knowledge that one has regarding Islamic banking, as the estimations indicate.

As for the issue of *effect size*, the same effect size formula utilized in the previous section is also used in this section. Since there are only two comparisons, then there are only two calculations on effect sizes. The first calculation shows the effect size towards the Islamic banking knowledge level of dual banking customers compared to that of conventional banking only depositors. Based on the results reported in table 4.47, it can be said that the effect size is medium, which means that the effect towards the level of Islamic banking knowledge of those who are classified as dual banking customers (compared to that of conventional banking only depositors) is a rather substantive finding.

Table 4.47: Effect Sizes

Effect Sizes		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
z	-12.901	-12.745
n	935	540
n^{^(1/2)}	30.5777697	23.23790008
ES	-0.42	-0.55

Similarly, the second calculation shows the effect size towards the Islamic banking knowledge level of Sharia banking only customers compared to that of conventional banking only depositors. As can be seen in table 4.47 the effect size is high, meaning that the effect towards the level of Islamic banking knowledge of those who are classified as Shari’ah banking only customers (compared to that of conventional banking only depositors) is rather substantive finding.

4.5.8. Assessing The Opinions Of The Respondents On Shari’ah Banking

This section aims to asses if there are significant differences among the three groups of depositors in terms of their opinion on Shari’ah banks. For this, ten statements provided through the questionnaire, which are subject to testing in this section. This part also uses the Kruskal – Wallis *H* as the main statistical test tool. Before conducting the test, the normality of the data should be tested for all the variables, the results of which are shown

in table 4.48. Based on the table, it is suffice to say that non-parametric test fits to the analysis, as the data show non-normality. The results in table 4.49 also show that all respondents are involved in the analysis conducted in this section. Moving on to the test statistics, based on table 4.50a and 4.50b, all of the presented statements exhibit significant results (.000). Therefore, it can be argued that there is a significant difference among the three groups of depositors on the issues exhibited.

As table 4.51a and 4.51b show significant negative z values, it can be concluded that the level of comprehension gets bigger as the level of attachment to Shari'ah banks gets bigger, except for 'Sharia bank is only meant for poor people'. Since all of the statements are composed with a negative tone, the negative values actually show a 'Positive' result.

Table 4.48: Normality Test for Opinions on *Shari'ah* Banking

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Sharia bank is ONLY meant for Muslims	.270	1063	.000	.747	1063	.000
The Practice Of Indonesian Sharia Banks is NOT YET IN ACCORDANCE TO SHARIA	.210	1063	.000	.898	1063	.000
Sharia bank WILL NOT give loans to non-Muslims	.270	1063	.000	.829	1063	.000
Deposits in Islamic bank WILL NOT be guaranteed by the Indonesian Deposit Insurance Corporation	.230	1063	.000	.835	1063	.000
THERE IS A CHANCE THAT Sharia Bank's EMPLOYEES STEAL MY MONEY	.212	1063	.000	.908	1063	.000
Sharia bank's CORPORATE GOVERNANCE are JUST THE SAME as Conventional banks	.214	1063	.000	.908	1063	.000
Sharia banks are LESS EFFICIENT IF COMPARED WITH Conventional banks	.221	1063	.000	.897	1063	.000
Depositing money in Sharia bank IS NOT PROFITABLE	.233	1063	.000	.859	1063	.000
Sharia bank is ONLY meant for poor people	.294	1063	.000	.764	1063	.000
Sharia banks DO NOT HAVE SOCIAL RESPONSIBILITY	.263	1063	.000	.796	1063	.000
Type Of Depositor 1	.269	1063	.000	.780	1063	.000
a. Lilliefors Significance Correction						

Table 4.49: Descriptive Statistics for Opinions on *Shari'ah* Banking

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Sharia bank is ONLY meant for Muslims	1063	1.81	.976	1	5
The Practice Of Indonesian Sharia Banks is NOT YET IN ACCORDANCE TO SHARIA	1063	3.33	.951	1	5
Sharia bank WILL NOT give loans to non-Muslims	1063	2.03	.959	1	5
Deposits in Islamic bank WILL NOT be guaranteed by the Indonesian Deposit Insurance Corporation	1063	1.97	.896	1	5
THERE IS A CHANCE THAT Sharia Bank's EMPLOYEES STEAL MY MONEY	1063	2.75	1.062	1	5
Sharia bank's CORPORATE GOVERNANCE are JUST THE SAME as Conventional banks	1063	2.92	1.000	1	5
Sharia banks are LESS EFFICIENT IF COMPARED WITH Conventional banks	1063	2.67	.950	1	5
Depositing money in Sharia bank IS NOT PROFITABLE	1063	2.19	.832	1	5
Sharia bank is ONLY meant for poor people	1063	1.65	.707	1	5
Sharia banks DO NOT HAVE SOCIAL RESPONSIBILITY	1063	1.77	.809	1	5
Type Of Depositor 1	1063	1.73	.661	1	3

As for the post-hoc test, 'Conventional Banking Only Depositor' as a variable is used as the control group that is considered to have the lowest attachment with Shari'ah banks. Based on result reported in table 7.32a and 7.32b, it can be seen that there is no difference between 'dual banking and sharia banking only' respondents, compared to those who hold only conventional bank accounts, regarding all of the message themes.

Table 4.50a: Test Statistics and Trend Tests for Opinions on *Shari'ah* Banking - 1

Test Statistics ^{b,c}					
	Sharia bank is ONLY meant for Muslims	The Practice Of Indonesian Sharia Banks is NOT YET IN ACCORDANCE TO SHARIA	Sharia bank WILL NOT give loans to non-Muslims	Deposits in Islamic bank WILL NOT be guaranteed by the Indonesian Deposit Insurance Corporation	THERE IS A CHANCE THAT Sharia Bank's EMPLOYEES STEAL MY MONEY
Chi-Square	91.373	24.068	17.781	18.072	28.689
df	2	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
99% Confidence Interval	Lower Bound Upper Bound	.000 .000	.000 .000	.000 .000	.000 .000
a. Based on 10000 sampled tables with starting seed 624387341.					
b. Kruskal Wallis Test					
c. Grouping Variable: Type Of Depositor 1					
Jonckheere-Terpstra Test ^b					
Number of Levels in Type Of Depositor 1	3	3	3	3	3
N	1063	1063	1063	1063	1063
Std. J-T Statistic	-9.255	-4.763	-4.221	-4.043	-5.209
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000
Monte Carlo Sig. (2-tailed)	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
99% Confidence Interval	Lower Bound Upper Bound	.000 .000	.000 .000	.000 .000	.000 .000
Monte Carlo Sig. (1-tailed)	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
99% Confidence Interval	Lower Bound Upper Bound	.000 .000	.000 .000	.000 .000	.000 .000
a. Based on 10000 sampled tables with starting seed 624387341.					
b. Grouping Variable: Type Of Depositor 1					

Table 4.50b: Test Statistics and Trend Tests for Opinions on *Shari'ah* Banking - 2

Test Statistics^{b,c}					
	Sharia bank's CORPORATE GOVERNANCE are JUST THE SAME as Conventional banks	Sharia banks are LESS EFFICIENT IF COMPARED WITH Conventional banks	Depositing money in Sharia bank IS NOT PROFITABLE	Sharia bank is ONLY meant for poor people	Sharia banks DO NOT HAVE SOCIAL RESPONSIBIL ITY
Chi-Square	38.563	16.252	59.525	20.750	34.840
df	2	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
99% Lower Bound	.000	.000	.000	.000	.000
Confidence Upper Bound	.000	.001	.000	.000	.000
Interval					
a. Based on 10000 sampled tables with starting seed 624387341.					
b. Kruskal Wallis Test					
c. Grouping Variable: Type Of Depositor 1					
Jonckheere-Terpstra Test^b					
Number of Levels in Type Of Depositor 1	3	3	3	3	3
N	1063	1063	1063	1063	1063
Std. J-T Statistic	-6.243	-4.021	-7.674	-4.430	-5.885
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
99% Lower Bound	.000	.000	.000	.000	.000
Confidence Upper Bound	.000	.000	.000	.000	.000
Interval					
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
99% Lower Bound	.000	.000	.000	.000	.000
Confidence Upper Bound	.000	.000	.000	.000	.000
Interval					
a. Based on 10000 sampled tables with starting seed 624387341.					
b. Grouping Variable: Type Of Depositor 1					

Table 4.51a: Post Hoc Tests for Opinions on *Shari'ah* Banking - 1

Test Statistics^b Conventional Banking Vs Dual Banking						
		Sharia bank is ONLY meant for Muslims	The Practice Of Indonesian Sharia Banks is NOT YET IN ACCORDANCE TO SHARIA	Sharia bank WILL NOT give loans to non-Muslims	Deposits in Islamic bank WILL NOT be guaranteed by the Indonesian Deposit Insurance Corporation	THERE IS A CHANCE THAT Sharia Bank's EMPLOYEES STEAL MY MONEY
Z		-8.709	-2.983	-3.369	-3.976	-4.867
Asymp. Sig. (2-tailed)		.000	.003	.001	.000	.000
Monte Carlo Sig. (2-tailed)	Sig.	.000 ^a	.004 ^a	.001 ^a	.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.002	.000	.000
		Upper Bound	.000	.006	.002	.000
Monte Carlo Sig. (1-tailed)	Sig.	.000 ^a	.002 ^a	.000 ^a	.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.001	.000	.000
		Upper Bound	.000	.002	.001	.000
a. Based on 10000 sampled tables with starting seed 2000000.						
b. Grouping Variable: Type Of Depositor 1						
Test Statistics^b Conventional Banking Vs Sharia Banking						
Z		-6.666	-4.695	-3.572	-2.831	-3.826
Asymp. Sig. (2-tailed)		.000	.000	.000	.005	.000
Monte Carlo Sig. (2-tailed)	Sig.	.000 ^a	.000 ^a	.000 ^a	.005 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.000	.000	.003
		Upper Bound	.000	.000	.001	.007
Monte Carlo Sig. (1-tailed)	Sig.	.000 ^a	.000 ^a	.000 ^a	.003 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.000	.000	.001
		Upper Bound	.000	.000	.001	.004
a. Based on 10000 sampled tables with starting seed 221623949.						
b. Grouping Variable: Type Of Depositor 1						

Table 4.51b: Post Hoc Tests for Opinions on *Shari'ah* Banking - 2

Test Statistics ^b Conventional Banking Vs Dual Banking						
	Sharia bank's CORPORATE GOVERNANCE are JUST THE SAME as Conventional banks	Sharia banks are LESS EFFICIENT IF COMPARED WITH Conventional banks	Depositing money in Sharia bank IS NOT PROFITABLE	Sharia bank is ONLY meant for poor people	Sharia banks DO NOT HAVE SOCIAL RESPONSIBILITY	
Z	-4.831	-3.353	-5.525	-4.053	-4.551	
Asymp. Sig. (2-tailed)	.000	.001	.000	.000	.000	
Monte Carlo Sig. (2-tailed)	Sig. .000 ^a	.001 ^a	.000 ^a	.000 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000	.000	
		Upper Bound	.000	.000	.000	
Monte Carlo Sig. (1-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000	.000	
		Upper Bound	.000	.000	.000	
a. Based on 10000 sampled tables with starting seed 2000000.						
b. Grouping Variable: Type Of Depositor 1						
Test Statistics ^b Conventional Banking Vs Sharia Banking						
Z	-5.286	-3.323	-7.050	-3.398	-5.148	
Asymp. Sig. (2-tailed)	.000	.001	.000	.001	.000	
Monte Carlo Sig. (2-tailed)	Sig. .000 ^a	.001 ^a	.000 ^a	.001 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000	.000	
		Upper Bound	.000	.001	.000	
Monte Carlo Sig. (1-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000	.000	
		Upper Bound	.000	.001	.000	
a. Based on 10000 sampled tables with starting seed 221623949.						
b. Grouping Variable: Type Of Depositor 1						

As for the effect size, the effect sizes of each statement are calculated and the results are depicted in table 4.52a and 4.52b. As the results show, all calculations show a small effect size, except for one statement under the ‘Conventional Banking Only – Sharia Banking Only’ Group which exhibits a medium effect size (Depositing money in Sharia bank is not profitable (-.30)).

Table 4.52a: Effect Sizes for Opinions on *Shari'ah* Banking - 1

Effect Sizes 1		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
	Sharia bank is ONLY meant for Muslims	
z	-8.709	-6.666
n	935	540
n^(1/2)	30.578	23.238
ES	-0.28	-0.29
	The Practice Of Indonesian Sharia Banks is NOT YET IN ACCORDANCE TO SHARIA	
z	-2.983	-4.695
n	935	540
n^(1/2)	30.578	23.238
ES	-0.10	-0.20
	Sharia bank WILL NOT give loans to non-Muslims	
z	-3.369	-3.572
n	935	540
n^(1/2)	30.578	23.238
ES	-0.11	-0.15
	Deposits in Islamic bank WILL NOT be guaranteed by the Indonesian Deposit Insurance Corporation	
z	-3.976	-2.831
n	935	540
n^(1/2)	30.578	23.238
ES	-0.13	-0.12
	THERE IS A CHANCE THAT Sharia Bank's EMPLOYEES STEAL MY MONEY	
z	-4.867	-3.826
n	935	540
n^(1/2)	30.578	23.238
ES	-0.16	-0.16

Table 4.52b: Effect Sizes for Opinions on *Shari'ah* Banking - 2

Effect Sizes 2		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
Sharia bank's CORPORATE GOVERNANCE are JUST THE SAME as Conventional banks		
z	-4.831	-5.286
n	935	540
n^(1/2)	30.578	23.238
ES	-0.16	-0.23
Sharia banks are LESS EFFICIENT IF COMPARED WITH Conventional banks		
z	-3.353	-3.323
n	935	540
n^(1/2)	30.578	23.238
ES	-0.11	-0.14
Depositing money in Sharia bank IS NOT PROFITABLE		
z	-5.525	-7.05
n	935	540
n^(1/2)	30.578	23.238
ES	-0.18	-0.30
Sharia bank is ONLY meant for poor people		
z	-4.053	-3.398
n	935	540
n^(1/2)	30.578	23.238
ES	-0.13	-0.15
Sharia banks DO NOT HAVE SOCIAL RESPONSIBILITY		
z	-4.551	-5.148
n	935	540
n^(1/2)	30.578	23.238
ES	-0.15	-0.22

4.5.9. Measuring The Segmentation Of The Respondents In Their Customs With The Indonesian Banks

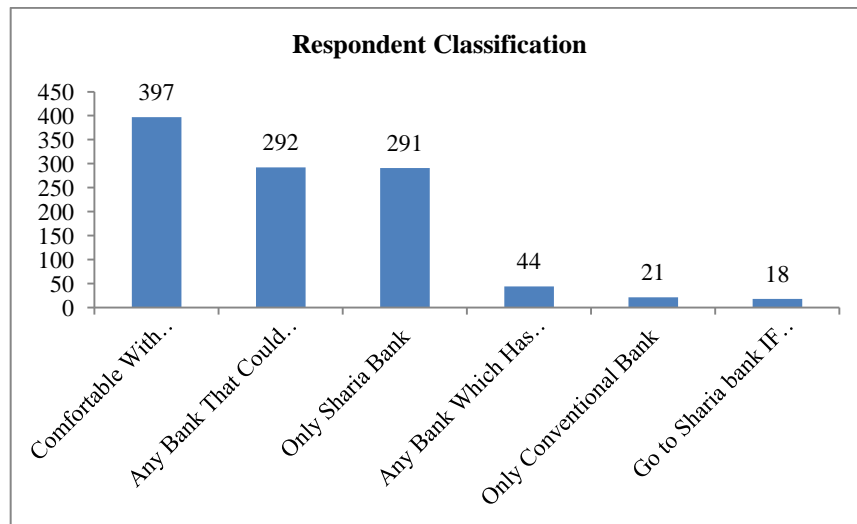
This part aims to discuss the segmentation of respondents in the Indonesian Sharia banking industry. Table 4.53 exhibits the nature of the segmentation, while figure 4.2 shows the number in a descending order. As the figure shows, most respondents were comfortable with Sharia and Conventional banks, who can be labelled as 'Easy Going'. The second type of respondents also has no problems with any bank but placed emphasis on dealing with any bank which could help them with their payment needs, who can be labelled as a 'Need Recognizer'. The third type of respondents only wanted to deal with Sharia banks, who are labelled as 'Prophet Seekers'. The fourth type of respondent had no problem with any bank but placed emphasis on dealing with any banks, which provides the highest returns, who can be labelled as 'Profit Seekers'. The fifth type of respondents only have the desire to deal with conventional banks, and hence they can be labelled these respondents as "Conformists". Finally, the last type of respondents only dealt with Shari'ah banks if many people used it, who can be labelled as 'Trend Seekers'.

It should be noted that the Directorate of Islamic Banking (2008:20) at the Indonesian Central Bank also found similar results. Although that research only mapped out five segments, some of the segments were alike. Furthermore, it also found that even sharia bank loyalists have a conventional bank account (Directorate of Islamic Banking, 2008:20).

Table 4.53: Respondent Classification

Respondent Classification							
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Only Sharia Bank	291	27.4	27.4	27.4	2.85	1.308
	Go to Sharia bank IF many people use it	18	1.7	1.7	29.1		
	Comfortable With Sharia And Conventional Bank	397	37.3	37.3	66.4		
	Any Bank That Could Help Me With My Payment Needs	292	27.5	27.5	93.9		
	Any Bank Which Has The Highest Return	44	4.1	4.1	98.0		
	Only Conventional Bank	21	2.0	2.0	100.0		
	Total	1063	100.0	100.0			

Figure 4.2: Respondent Classification Ordered



4.6. EXPLORING CUSTOMER PERCEPTIONS ON MARKETING ASPECTS OF SHARI'AH BANKING

After analysing the data in relation to various aspects of Shari'ah banking including the patronage issues, this initial part aims to explore participants' opinions and perceptions on marketing related issues.

4.6.1. Holding of Conventional Banking Product(s) Only

This section aims to identify the conventional banking product possessed by the participants. Additionally, the question also offers the 'None At All' answer for those respondents who do not possess any conventional banking products at all. Furthermore, there were 17 conventional banking products which respondents could choose from. Responses presented below were only from those who have conventional bank(s) only (412 respondents). Based on table 4.54a and 4.54b, one can observe the exact number of respondents who have conventional bank(s) only.

Based on table 4.54a and 4.54b, it could be argued that all respondents possessed savings accounts. This number was followed by debit card, credit card, money transfer, consumer loan, and time deposit. The rest of the responses were scattered throughout other products.

Table 4.54a: Possession of Conventional Banking Product(s) Only - 1

Conventional Savings Account			
		Frequency	Percent
Valid	Savings Account	412	100
Conventional Current Account			
Valid	Current Account	14	3.4
Missing	System	398	96.6
Total		412	100
Conventional Time Deposit			
Valid	Time Deposit	62	15
Missing	System	350	85
Total		412	100
Conventional Debit Card			
Valid	Debit Card	182	44.2
Missing	System	230	55.8
Total		412	100
Conventional Credit Card			
Valid	Credit Card	139	33.7
Missing	System	273	66.3
Total		412	100
Conventional Consumer Loan			
Valid	Consumer Loan	68	16.5
Missing	System	344	83.5
Total		412	100
Conventional Money Transfer			
Valid	Money Transfer	115	27.9
Missing	System	297	72.1
Total		412	100
Conventional Priority Banking			
Valid	Priority Banking	16	3.9
Missing	System	396	96.1
Total		412	100
Conventional Safe Deposit Box			
Valid	Safe Deposit Box	14	3.4
Missing	System	398	96.6
Total		412	100
Conventional Bank Assurance			
Valid	Bancassurance	6	1.5
Missing	System	406	98.5
Total		412	100

Table 4.54b: Possession of Conventional Banking Product(s) Only – 2

Conventional Cheque			
		Frequency	Percent
Valid	Cheque	8	1.9
Missing	System	404	98.1
Total		412	100
Conventional Currency Exchange			
Valid	Currency Exchange	16	3.9
Missing	System	396	96.1
Total		412	100
Conventional L/C			
Valid	L/C	2	0.5
Missing	System	410	99.5
Total		412	100
Conventional Unit Trust			
Valid	Unit Trust	20	4.9
Missing	System	392	95.1
Total		412	100
Conventional Indonesian Retail Bond			
Valid	Indonesian Retail Bond	10	2.4
Missing	System	402	97.6
Total		412	100
Conventional Retail Sukuk			
Valid	Retail Sukuk	7	1.7
Missing	System	405	98.3
Total		412	100
Conventional Stocks			
Valid	Stocks	15	3.6
Missing	System	397	96.4
Total		412	100

4.6.2. Possession of *Shari'ah* Banking Product(s)

Table 4.55a and 4.55b exhibit the number of respondents who possessed only *Shari'ah* banking products. Like the previous question on conventional banking products, this question also offers 'None At All' as an answer for those respondents who do not possess any *Shari'ah* banking products at all. The results presented in both tables relate to 128 respondents who have only *Shari'ah* bank account.

Based on table 4.55a and 4.55b, one could argue that all the respondents in this category possessed savings accounts, followed by debit card and time deposit bank holders. The rest of the responses were scattered throughout other products.

Table 4.55a: Possession of *Shari'ah* Banking Product(s) Only -1

Sharia Savings Account			
		Frequency	Percent
Valid	Savings Account	128	100
Sharia Current Account			
Valid	Current Account	5	3.9
Missing	System	123	96.1
Total		128	100
Sharia Time Deposit			
Valid	Time Deposit	30	23.4
Missing	System	98	76.6
Total		128	100
Sharia Debit Card			
Valid	Debit Card	40	31.3
Missing	System	88	68.8
Total		128	100
Sharia Credit Card			
Valid	Credit Card	10	7.8
Missing	System	118	92.2
Total		128	100
Sharia Consumer Loan			
Valid	Consumer Loan	11	8.6
Missing	System	117	91.4
Total		128	100
Sharia Money Transfer			
Valid	Money Transfer	17	13.3
Missing	System	111	86.7
Total		128	100
Sharia Priority Banking			
Valid	Priority Banking	1	0.8
Missing	System	127	99.2
Total		128	100
Sharia Safe Deposit Box			
Valid	Safe Deposit Box	3	2.3
Missing	System	125	97.7
Total		128	100
Sharia Bancassurance			
Valid	Bancassurance	3	2.3
Missing	System	125	97.7
Total		128	100

Table 4.55b: Possession of *Shari'ah* Banking Product(s) Only -2

Sharia Cheque			
		Frequency	Percent
Valid	Cheque	1	0.8
Missing	System	127	99.2
Total		128	100
Sharia Currency Exchange			
Valid	Currency Exchange	2	1.6
Missing	System	126	98.4
Total		128	100
Sharia L/C			
Valid	L/C	1	0.8
Missing	System	127	99.2
Total		128	100
Sharia Unit Trust			
Valid	Sharia Unit Trust	6	4.7
Missing	System	122	95.3
Total		128	100
Sharia Retail Sukuk			
Valid	Retail Sukuk	3	2.3
Missing	System	125	97.7
Total		128	100

4.6.3. Having Both Conventional and *Shari'ah* Banking Products

Table 4.56a until 4.56d on the following page displays the number of respondents who possess both conventional and *Shari'ah* banking products. The results are displayed on the following page. The table exhibits the number of respondents who possess products from both conventional and *Shari'ah* banks. Furthermore, the number of respondents who possess both conventional and *Shari'ah* banking products are exactly the same as those who possess both conventional and *Shari'ah* banks.

For conventional bank, it can be said that all respondents possess savings accounts. This is followed by those who possess debit and credit cards respectively. The rest of responses are scattered throughout the rest of the products. For *Shari'ah* banks, savings accounts are still the preferred product of all respondents. This is followed by debit cards and time deposits. The rest of the responses were scattered through the rest of the products⁷⁸.

⁷⁸There are no error checks performed on this part, as there are no issues to be considered.

Table 4.56a: Possession of Dual Banking Products - 1

Conventional Savings Account			
		Frequency	Percent
Valid	Savings Account	523	100
Conventional Current Account			
Valid	Current Account	20	3.8
Missing	System	503	96.2
Total		523	100
Conventional Time Deposit			
Valid	Time Deposit	35	6.7
Missing	System	488	93.3
Total		523	100
Conventional Debit Card			
Valid	Debit Card	179	34.2
Missing	System	344	65.8
Total		523	100
Conventional Credit Card			
Valid	Credit Card	156	29.8
Missing	System	367	70.2
Total		523	100
Conventional Consumer Loan			
Valid	Consumer Loan	72	13.8
Missing	System	451	86.2
Total		523	100
Conventional Money Transfer			
Valid	Money Transfer	86	16.4
Missing	System	437	83.6
Total		523	100
Conventional Priority Banking			
Valid	Priority Banking	8	1.5
Missing	System	515	98.5
Total		523	100
Conventional Safe Deposit Box			
Valid	Safe Deposit Box	14	2.7
Missing	System	509	97.3
Total		523	100

Table 4.56b: Possession of Dual Banking Products – 2

Conventional Bank Assurance			
		Frequency	Percent
Valid	Bancassurance	9	1.7
Missing	System	514	98.3
Total		523	100
Conventional Cheque			
Valid	Cheque	3	0.6
Missing	System	520	99.4
Total		523	100
Conventional Currency Exchange			
Valid	Currency Exchange	9	1.7
Missing	System	514	98.3
Total		523	100
79Conventional L/C⁸⁰			
Missing	System	523	100
Conventional Unit Trust			
Valid	Unit Trust	13	2.5
Missing	System	510	97.5
Total		523	100
Conventional Indonesian Retail Bond			
Valid	Indonesian Retail Bond	5	1
Missing	System	518	99
Total		523	100
Conventional Retail Sukuk			
Valid	Retail Sukuk	4	0.8
Missing	System	519	99.2
Total		523	100
Conventional Stocks			
Valid	Stocks	6	1.1
Missing	System	517	98.9
Total		523	100

⁷⁹ Missing System of 523 means that 523 people did not opt for 'Conventional L/C'. The same thing applies to some products in *Shari'ah* banks.

Table 4.56c: Possession of Dual Banking Products - 3

Sharia Savings Account			
		Frequency	Percent
Valid	Savings Account	523	100
Sharia Current Account			
Valid	Current Account	12	2.3
Missing	System	511	97.7
Total		523	100
Sharia Time Deposit			
Valid	Time Deposit	89	17
Missing	System	434	83
Total		523	100
Sharia Debit Card			
Valid	Debit Card	126	24.1
Missing	System	397	75.9
Total		523	100
Sharia Credit Card			
Valid	Credit Card	26	5
Missing	System	497	95
Total		523	100
Sharia Consumer Loan			
Valid	Consumer Loan	51	9.8
Missing	System	472	90.2
Total		523	100
Sharia Money Transfer			
Valid	Money Transfer	48	9.2
Missing	System	475	90.8
Total		523	100
Sharia Priority Banking			
Valid	Priority Banking	6	1.1
Missing	System	517	98.9
Total		523	100
Sharia Safe Deposit Box			
Valid	Safe Deposit Box	11	2.1
Missing	System	512	97.9
Total		523	100
Sharia Bancassurance			
Valid	Bancassurance	4	0.8
Missing	System	519	99.2
Total		523	100
Sharia Cheque			
Missing	System	523	100

Table 4.56d: Possession of Dual Banking Products - 4

Sharia Currency Exchange			
		Frequency	Percent
Valid	Currency Exchange	3	0.6
Missing	System	520	99.4
Total		523	100
Sharia L/C			
Missing	System	523	100
Sharia Unit Trust			
Valid	Sharia Unit Trust	13	2.5
Missing	System	510	97.5
Total		523	100
Sharia Retail Sukuk			
Valid	Retail Sukuk	12	2.3
Missing	System	511	97.7
Total		523	100

4.6.4. Bank Facilities

This section aims to gauge the several bank facilities which respondents might utilize with their banking product(s), the results of which are displayed in table 4.57. Accordingly, it can be stated that most respondents use automatic teller machines (ATM) and the smallest number from respondents use overdraft facilities. It can be argued that the high utilization of ATM might be caused by the low internet speed in Indonesia. Respondents might utilize ATMs because of two things: first, respondent may find it convenient as they can use ATMs to pay their bills and transfer their funds. Secondly, ATMs might be the most favorite facility as the internet speed in Indonesia is arguably slow.

Table 4.57: Bank Facilities Which Respondents Usually Utilize

Automatic Teller Machine			
		Frequency	Percent
Valid	Automatic Teller Machine	1046	98.4
Missing	System	17	1.6
Total		1063	100
Internet Banking			
Valid	Internet Banking	535	50.3
Missing	System	528	49.7
Total		1063	100
Mobile Banking			
Valid	Mobile Banking	300	28.2
Missing	System	763	71.8
Total		1063	100
SMS Banking			
Valid	SMS Banking	393	37
Missing	System	670	63
Total		1063	100
Phone Banking			
Valid	Phone Banking	159	15
Missing	System	904	85
Total		1063	100
Overdraft Facility			
Valid	Overdraft Facility	17	1.6
Missing	System	1046	98.4
Total		1063	100
Financial Planning			
Valid	Financial Planning	71	6.7
Missing	System	992	93.3
Total		1063	100

4.6.5. Awareness on *Shari'ah* Banking Branding

This part requires respondents to express their levels of awareness regarding the branding of the Islamic banks in the form of a particular logo ('iB'), as the *Shari'ah* banks in Indonesia are expected to display a particular logo to define their identity. The results are presented in table 4.58. It should be noted that before respondents answered the branding questions, an Islamic banking logo without the word 'Perbankan Syariah'⁸¹ was displayed. Based on the finding, it should be noted that the majority of respondents opted for 'Yes' under the following statements: I Recognize The Image with 76.6% and I Am Sure That Banks With That Image Definitely Have Sharia Banking Service with 65%. As a note for the second statement, perhaps more information on the nature of this logo should be conducted by the Indonesian central bank.

⁸¹This means 'Sharia Banking' in english.

Table 4.58: Awareness on *Shari'ah* Banking Branding - Logo

I Recognize The Image						
	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid Yes	814	76.6	76.6	76.6	1.36	0.689
In Doubt	119	11.2	11.2	87.8		
No	130	12.2	12.2	100.0		
Total	1063	100.0	100.0			
I Am Sure That Banks With That Image Definitely Have Sharia Banking Service						
Valid Yes	691	65.0	65.0	65.0	1.43	0.63
In Doubt	291	27.4	27.4	92.4		
No	81	7.6	7.6	100.0		
Total	1063	100.0	100.0			

4.6.6. Perception on the Return of Banking Products

This part analyses the perceptions regarding several banking products, the result of which is exhibited in table 4.59. As can be seen, the majority of respondents stated 'No Idea' on the following products: Savings Account with 39.9%, Current Account with 72.3%, 1 Month Term Deposit with 67.1%, 3 Month Term Deposit with 67.9%, 6 Month Term Deposit with 67.7%, and 12 Month Term Deposit with 67.5%.

Based on the above results, one could argue that the majority of respondents did not have any idea on the return of banking products. Therefore, one could argue that the respondents might not place importance on such information. There might be other things that they perceive to be important when placing their money.

Table 4.59: Return Perception

Savings Account					
	Frequency	Percent	Mean	Std Dev	
Valid No Idea	424	39.9	2.72	1.082	
Current Account					
Valid No Idea	769	72.3	2.91	0.759	
1 Month Term Deposit					
Valid No Idea	713	67.1	2.9	0.783	
3 Month Term Deposit					
Valid No Idea	722	67.9	2.91	0.781	
6 Month Term Deposit					
Valid No Idea	720	67.7	2.89	0.772	
12 Month Term Deposit					
Valid No Idea	718	67.5	2.88	0.775	

4.6.7. Perceptions On Borrowing Costs

Table 4.60 exhibits the respondents' perceptions on the cost of some of the widely utilized financing products. Based on the table, the majority of respondents stated 'No Idea' on the following products: Housing Financing with 50.9%, Vehicle Financing with 57.5%, Education Financing with 62.8%, and Credit Card with 65.5%.

Table 4.60: Borrowing Cost Perception

Housing Financing					
		Frequency	Percent	Mean	Std Dev
Valid	No Idea	541	50.9	2.84	0.88
Vehicle Financing					
Valid	No Idea	611	57.5	2.87	0.809
Education Financing					
Valid	No Idea	668	62.8	2.92	0.769
Credit Card					
Valid	No Idea	696	65.5	3.02	0.739

The mean order continues as follow: 'Housing Financing' with 2.84; 'Vehicle Financing' with 2.87; 'Education Financing' with 2.92; 'Credit Card' with 3.02.

Based on the above results, one could see that education financing and credit card seem to have the biggest percentage among all. One reason, among others, is that respondents did not use both products very often. Another reason that might take place is that people might not be able to check all sharia and conventional banks when taking this product.

4.6.8. Assessing The Awareness Of The Respondents On *Shari'ah* Banking Logo

This part aims to test if there is any significant difference between the three groups of depositors in terms of their awareness on the *Shari'ah* banking logo with the objective of assessing the efficiency of Islamic bank marketing. For this, Kruskal-Wallis *H*-Test is used.

Table 4.61 exhibits the number of conventional banking only depositors, dual banking depositors, and sharia banking only depositors. As can be seen all the respondents are involved in the analysis.

Table 4.61: Recognising *Shari'ah* Banking Logo: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
I Recognize The Image	1063	1.36	.689	1	3
I Am Sure That Banks With That Image Definitely Have Sharia Banking Service	1063	1.43	.630	1	3
Type Of Depositor 1	1063	1.73	.661	1	3

Table 4.62 displays the test statistics for both statements for this section, which help to conclude that there is a significant difference between the three groups of depositors in their opinion concerning the two statements (.000).

Table 4.62 also shows the Jonckheere-Terpstra test for trend test. As can be seen, the z value is negative. This means that the more respondents are attached to Shari'ah banks, the less they would opt for 'No'⁸². In other words, the more they get attached to a Shari'ah bank, the more their recognition and comprehension of the image.

A post hoc test is also conducted in order to determine whether there is a difference between the two compared groups in responding to these two questions, the results of which can be seen in table 4.63. It should be noted that the 'Conventional Banking Only' group is utilized as the control group. The results show that there is no difference between the two compared groups.

Before moving on to the next part, effect size calculation is attempted, and the results are presented in table 4.64. As the results indicate, the effect size for the variables in question is very close to the medium effect size.

⁸²The negative result is understandable, since the question uses code '1' for 'Yes', '2' for 'In Doubt', and '3' for 'No'. In other words, the answer choice is constructed in 'Descending' order. At the same time, the variable for depositor is constructed in 'Ascending' order. Therefore, little adjustment is made in delivering the analysis.

Table 4.62: Test Statistics and Trend Tests for Recognising *Shari'ah* Banking Logo

Test Statistics ^{b,c}			I Recognize The Image	I Am Sure That Banks With That Image Definitely Have Sharia Banking Service
Chi-Square			82.400	76.186
df			2	2
Asymp. Sig.			.000	.000
Monte Carlo Sig.	Sig.		.000 ^a	.000 ^a
	99%	Lower Bound	.000	.000
	Confidence	Upper Bound	.000	.000
		Interval		
a. Based on 10000 sampled tables with starting seed 79654295.				
b. Kruskal Wallis Test				
c. Grouping Variable: Type Of Depositor 1				
Jonckheere-Terpstra Test ^b				
Number of Levels in Type Of Depositor 1			3	3
N			1063	1063
Std. J-T Statistic			-8.954	-8.666
Asymp. Sig. (2-tailed)			.000	.000
Monte Carlo Sig. (2-tailed)	Sig.		.000 ^a	.000 ^a
	99%	Lower Bound	.000	.000
	Confidence	Upper Bound	.000	.000
		Interval		
Monte Carlo Sig. (1-tailed)	Sig.		.000 ^a	.000 ^a
	99%	Lower Bound	.000	.000
	Confidence	Upper Bound	.000	.000
		Interval		
a. Based on 10000 sampled tables with starting seed 79654295.				
b. Grouping Variable: Type Of Depositor 1				

Table 4.63: Post Hoc Test Results for Recognising *Shari'ah* Banking Logo

Test Statistics ^b Conventional Banking Vs Dual Banking				
			I Recognize The Image	I Am Sure That Banks With That Image Definitely Have Sharia Banking Service
Z			-7.562	-7.229
Asymp. Sig. (2-tailed)			.000	.000
Monte Carlo Sig. (2-tailed)	Sig.		.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.000	.000
Monte Carlo Sig. (1-tailed)	Sig.		.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.000	.000
a. Based on 10000 sampled tables with starting seed 475497203.				
b. Grouping Variable: Type Of Depositor 1				
Test Statistics ^b Conventional Banking Vs Sharia Banking				
Z			-6.556	-6.749
Asymp. Sig. (2-tailed)			.000	.000
Monte Carlo Sig. (2-tailed)	Sig.		.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.000	.000
Monte Carlo Sig. (1-tailed)	Sig.		.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.000	.000
a. Based on 10000 sampled tables with starting seed 2048628469.				
b. Grouping Variable: Type Of Depositor 1				

Table 4.64: Effect Sizes for Recognising *Shari'ah* Banking Logo

Effect Sizes		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
I Recognize The Image		
z	-7.562	-6.556
n	935	540
n^(1/2)	30.578	23.238
ES	-0.25	-0.28
I Am Sure That Banks With That Image Definitely Have Sharia Banking Service		
z	-7.229	-6.749
n	935	540
n^(1/2)	30.578	23.238
ES	-0.24	-0.29

4.6.9. Perceptions On Banking Products

Having discussed iB brand recognition and comprehension, this section aims to go further and discuss the respondents' perceptions towards several banking products. For thus, again Kruskal-Wallis *H*-Test is utilised. As before, first the normality check is conducted. The results of the normality test are shown in table 4.65, which indicates that non-parametric tests could be employed.

Table 4.65: Normality Test for Perceptions on Banking Products

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Savings Account	.212	1063	.000	.906	1063	.000
Current Account	.385	1063	.000	.722	1063	.000
1 Month Term Deposit	.354	1063	.000	.779	1063	.000
3 Month Term Deposit	.358	1063	.000	.771	1063	.000
6 Month Term Deposit	.360	1063	.000	.772	1063	.000
12 Month Term Deposit	.360	1063	.000	.773	1063	.000
Type Of Depositor 1	.269	1063	.000	.780	1063	.000

a. Lilliefors Significance Correction

Furthermore, table 4.66 exhibits the number of 'conventional banking only depositors', 'dual banking depositors', and 'sharia banking only depositors'. As the results show, all respondents are involved in the analysis of the questions in this part.

Table 4.66: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Savings Account	1063	2.72	1.082	1	5
Current Account	1063	2.91	.759	1	5
1 Month Term Deposit	1063	2.90	.783	1	5
3 Month Term Deposit	1063	2.91	.781	1	5
6 Month Term Deposit	1063	2.89	.772	1	5
12 Month Term Deposit	1063	2.88	.775	1	5
Type Of Depositor 1	1063	1.73	.661	1	3

The Kruskal-Wallis *H*-test statistics in table 4.67 shows that all products exhibit significant results (.000), which means that there are differences between the three groups of depositors in terms of the return perceptions of all of the tested products.

Table 4.67: Perceptions on Banking Products: Test Statistics and Trend Tests

Test Statistics ^{b,c}						
	Savings Account	Current Account	1 Month Term Deposit	3 Month Term Deposit	6 Month Term Deposit	12 Month Term Deposit
Chi-Square	15.799	18.384	19.651	21.208	24.865	24.321
df	2	2	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	Upper Bound			
		.000	.000	.000	.000	.000
		.001	.000	.001	.000	.000
a. Based on 10000 sampled tables with starting seed 726961337.						
b. Kruskal Wallis Test						
c. Grouping Variable: Type Of Depositor 1						
Jonckheere-Terpstra Test ^b						
Number of Levels in Type Of Depositor 1	3	3	3	3	3	3
N	1063	1063	1063	1063	1063	1063
Std. J-T Statistic	-3.890	-4.292	-4.442	-4.592	-5.003	-4.952
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
Monte Carlo Sig. (2-tailed)	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	Upper Bound			
		.000	.000	.000	.000	.000
		.000	.000	.000	.000	.000
Monte Carlo Sig. (1-tailed)	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
	99% Confidence Interval	Lower Bound	Upper Bound			
		.000	.000	.000	.000	.000
		.000	.000	.000	.000	.000

As for the trend test, table 4.67 also shows the Jonckheere-Terpstra test and, based on the result, the z values are negative, which implies that the more respondents were attached to Shari'ah banks, the more they perceive that *Shari'ah* bank to be competitive in return.

A post hoc test was conducted in order to see whether there is a difference between the two compared groups in responding to the products in question. As the results in table 4.68 shows, the 'Conventional Banking Only' group is utilized as the control group. Based on the result, it can be said that there is no difference between the two compared groups.

Table 4.68: Perceptions on Banking Products: Post Hoc Test Results

Test Statistics^b Conventional Banking Vs Dual Banking						
	Savings Account	Current Account	1 Month Term Deposit	3 Month Term Deposit	6 Month Term Deposit	12 Month Term Deposit
Z	-3.619	-3.250	-3.371	-3.967	-4.040	-3.881
Asymp. Sig. (2-tailed)	.000	.001	.001	.000	.000	.000
Monte Carlo Sig. 99%	.000 ^a	.001 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Sig. (2-tailed)	Confidence Interval	Lower Bound	.000	.000	.000	.000
		Upper Bound	.000	.002	.001	.000
Monte Carlo Sig. 99%	.000 ^a	.001 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Sig. (1-tailed)	Confidence Interval	Lower Bound	.000	.000	.000	.000
		Upper Bound	.000	.001	.000	.000

a. Based on 10000 sampled tables with starting seed 475497203.
b. Grouping Variable: Type Of Depositor 1

Test Statistics^b Conventional Banking Vs Sharia Banking						
	Savings Account	Current Account	1 Month Term Deposit	3 Month Term Deposit	6 Month Term Deposit	12 Month Term Deposit
Z	-2.857	-3.804	-3.978	-3.698	-4.261	-4.297
Asymp. Sig. (2-tailed)	.004	.000	.000	.000	.000	.000
Monte Carlo Sig. 99%	.004 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Sig. (2-tailed)	Confidence Interval	Lower Bound	.003	.000	.000	.000
		Upper Bound	.006	.001	.000	.000
Monte Carlo Sig. 99%	.002 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Sig. (1-tailed)	Confidence Interval	Lower Bound	.001	.000	.000	.000
		Upper Bound	.003	.001	.000	.000

a. Based on 10000 sampled tables with starting seed 1585587178.
b. Grouping Variable: Type Of Depositor 1

As regards to the effect size, the results of the calculations are shown in table 4.69, which indicates a small effect size.

Table 4.69: Perceptions on Banking Products: Effect Size

Effect Sizes		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
Savings Account		
z	-3.619	-2.857
n	935	540
n^{^(1/2)}	30.578	23.238
ES	-0.12	-0.12
Current Account		
z	-3.25	-3.804
n	935	540
n^{^(1/2)}	30.578	23.238
ES	-0.11	-0.16
1 Month Term Deposit		
z	-3.371	-3.978
n	935	540
n^{^(1/2)}	30.578	23.238
ES	-0.11	-0.17
3 Month Term Deposit		
z	-3.967	-3.698
n	935	540
n^{^(1/2)}	30.578	23.238
ES	-0.13	-0.16
6 Month Term Deposit		
z	-4.04	-4.261
n	935	540
n^{^(1/2)}	30.578	23.238
ES	-0.13	-0.18
12 Month Term Deposit		
z	-3.881	-4.297
n	935	540
n^{^(1/2)}	30.578	23.238
ES	-0.13	-0.18

4.6.10. Respondents’ Perceptions On Financing Products

This section aims to analyze the respondents’ perceptions on several financing products. As before, the analysis begins with the usual procedure of normality checking. The results of the test are shown in table 4.70, which provides the evidence for a non-parametric test.

Table 4.70: Perceptions on Financing Products: Normality Test

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Housing Financing	.290	1063	.000	.859	1063	.000
Vehicle Financing	.321	1063	.000	.832	1063	.000
Education Financing	.346	1063	.000	.798	1063	.000
Credit Card	.354	1063	.000	.761	1063	.000
Type Of Depositor 1	.269	1063	.000	.780	1063	.000

a. Lilliefors Significance Correction

The checking of the sample size, in terms of amount of conventional banking only depositors, dual banking depositors, and sharia banking only depositors, is conducted and the results are displayed in table 4.71. As can be seen, all the respondents are included in this part.

Table 4.71: Perceptions on Financing Products: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Housing Financing	1063	2.84	.880	1	5
Vehicle Financing	1063	2.87	.809	1	5
Education Financing	1063	2.92	.769	1	5
Credit Card	1063	3.02	.739	1	5
Type Of Depositor 1	1063	1.73	.661	1	3

As regards to the test statistics, the results in table 4.72 indicate that not all results were significant. There are significant differences among the three groups on the ‘borrowing costs for housing’ (.049) and ‘vehicle’⁸³ (.026). However, there are no significant differences between the three groups on the ‘borrowing costs for education’ and ‘credit card’.

⁸³Regarding the result for housing, the author still assumes that the result is still below the .05 threshold. However, were this work is intended for company decision making, such decision would have not been taken.

Table 4.72: Perceptions on Financing Products: Test Statistics and Trend Tests

Test Statistics ^{b,c}				
	Housing Financing	Vehicle Financing	Education Financing	Credit Card
Chi-Square	6.129	7.247	3.126	.560
df	2	2	2	2
Asymp. Sig.	.047	.027	.210	.756
Monte Carlo Sig.	.049 ^a	.026 ^a	.212 ^a	.763 ^a
99% Lower Confidence Interval	.043	.022	.201	.752
Upper Bound	.054	.030	.222	.774
a. Based on 10000 sampled tables with starting seed 1507486128.				
b. Kruskal Wallis Test				
c. Grouping Variable: Type Of Depositor 1				
Jonckheere-Terpstra Test ^b				
Number of Levels in Type Of Depositor 1	3	3	3	3
N	1063	1063	1063	1063
Std. J-T Statistic	-2.417	-2.707	-1.782	.737
Asymp. Sig. (2-tailed)	.016	.007	.075	.461
Monte Carlo Sig.	.015 ^a	.008 ^a	.073 ^a	.464 ^a
99% Lower Confidence Interval (2-tailed)	.012	.005	.066	.451
Upper Bound	.018	.010	.079	.476
Monte Carlo Sig. (1-tailed)	.009 ^a	.003 ^a	.036 ^a	.229 ^a
99% Lower Confidence Interval	.006	.002	.031	.218
Upper Bound	.011	.005	.040	.240

The trends test conducted with the Jonckheere – Terpstra test, and the results in table 4.72 shows that the z values are negative and significant for both ‘housing financing’ and ‘vehicle financing’. This means that, for these financing products, the more the respondents are attached to Shari’ah banks, the more they perceive that Shari’ah bank to be uncompetitive in cost.

A post hoc test was conducted in order to see whether there is a difference between the two compared groups in responding to the products in question. However, this time, some interesting results emerged. Based on the results in table 4.73, the dual banking group participants seems to perceive that ‘housing financing’ is less expensive in a *Shari’ah* bank than in a conventional bank. For ‘vehicle financing’, there is no difference between both groups.

Table 4.73: Perceptions on Financing Products: Post Hoc Test

Test Statistics^b Conventional Banking Vs Dual Banking						
			Housing Financing	Vehicle Financing	Education Financing	Credit Card
Z			-2.291	-2.072	-1.390	-.499
Asymp. Sig. (2-tailed)			.022	.038	.164	.618
Monte Carlo Sig.			.024 ^a	.039 ^a	.164 ^a	.621 ^a
Sig. (2-tailed)	99% Confidence Interval	Lower Bound	.020	.034	.154	.609
		Upper Bound	.028	.044	.173	.634
Monte Carlo Sig.			.013 ^a	.020 ^a	.082 ^a	.316 ^a
Sig. (1-tailed)	99% Confidence Interval	Lower Bound	.010	.016	.075	.304
		Upper Bound	.016	.024	.089	.328
a. Based on 10000 sampled tables with starting seed 1487459085.						
b. Grouping Variable: Type Of Depositor 1						
Test Statistics^b Conventional Banking Vs Sharia Banking						
Z			-1.705	-2.316	-1.475	-.687
Asymp. Sig. (2-tailed)			.088	.021	.140	.492
Monte Carlo Sig.			.084 ^a	.019 ^a	.142 ^a	.491 ^a
Sig. (2-tailed)	99% Confidence Interval	Lower Bound	.077	.016	.133	.478
		Upper Bound	.092	.023	.151	.503
Monte Carlo Sig.			.040 ^a	.009 ^a	.072 ^a	.242 ^a
Sig. (1-tailed)	99% Confidence Interval	Lower Bound	.035	.007	.066	.231
		Upper Bound	.045	.012	.079	.253
a. Based on 10000 sampled tables with starting seed 1507486128.						
b. Grouping Variable: Type Of Depositor 1						

An effect size calculation is also conducted and the results of the calculations are shown in table 4.74, which demonstrate that all calculations show a small effect size.

Table 4.74: Perceptions on Financing Products: Effect Sizes

Effect Sizes		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
Housing Financing		
z	-2.291	-1.705
n	935	540
n^(1/2)	30.578	23.238
ES	-0.07	-0.07
Vehicle Financing		
z	-2.072	-2.316
n	935	540
n^(1/2)	30.578	23.238
ES	-0.07	-0.10
Education Financing		
z	-1.39	-1.475
n	935	540
n^(1/2)	30.578	23.238
ES	-0.05	-0.06
Credit Card		
z	-0.499	-0.687
n	935	540
n^(1/2)	30.578	23.238
ES	-0.02	-0.03

4.7. MARKETING ASPECTS OF SHARI’AH BANKING

This section aims to present the results in relation to marketing, branding and advertisements aspects of Shari’ah banking. It commences with the presentation of findings on the sources of awareness of Shari’ah banking and then moves on to presenting the results in relation to initial encounter, advertisement, recognition of branding, and other aspects of the Shari’ah bank marketing and branding in Indonesia.

4.7.1. The Sources of Awareness: Media Interaction

This section aims to provide the results on the sources of their observed awareness in terms of how effective media is in disseminating information on banks, for which the results are presented in table 4.75.

As can be seen, in total, there are seven media outlets listed by table 4.75. The mean ranking provides an understanding in terms of how effective each media outlet is. ‘Internet’ scored the highest mean value of 4.41; while ‘Mobile phone’ follows it with

mean value of 4.26 as second the highest media source. The mean order continues as follow: ‘TV’ with 3.5; ‘Newspaper’ with 3.28; ‘Magazine’ with 2.79; ‘Radio’ with 2.56; ‘Fax’ with the mean value 1.94.

Table 4.75: Sources of Awareness: Media Interaction Level

Newspaper					
		Frequency	Percent	Mean	Std Dev
Valid	Very Low	54	5.1	3.28	0.993
	Low	133	12.5		
	Neither Low Nor High	460	43.3		
	High	294	27.7		
	Very High	122	11.5		
Magazine					
Valid	Very Low	93	8.7	2.79	0.912
	Low	254	23.9		
	Neither Low Nor High	534	50.2		
	High	142	13.4		
	Very High	40	3.8		
TV					
Valid	Very Low	49	4.6	3.5	1.007
	Low	97	9.1		
	Neither Low Nor High	351	33		
	High	404	38		
	Very High	162	15.2		
Radio					
Valid	Very Low	175	16.5	2.56	1.017
	Low	323	30.4		
	Neither Low Nor High	392	36.9		
	High	138	13		
	Very High	35	3.3		
Internet					
Valid	Very Low	6	0.6	4.41	0.723
	Low	6	0.6		
	Neither Low Nor High	95	8.9		
	High	398	37.4		
	Very High	558	52.5		
Mobile Phone					
Valid	Very Low	17	1.6	4.26	0.875
	Low	21	2		
	Neither Low Nor High	140	13.2		
	High	380	35.7		
	Very High	505	47.5		
Facsimile					
Valid	Very Low	460	43.3	1.94	0.982
	Low	290	27.3		
	Neither Low Nor High	246	23.1		
	High	56	5.3		
	Very High	11	1		

4.7.2. Initial Encounter with the term ‘Bank Syariah’

Having discussed the level of media interaction, this section discusses the sources as to where the respondents had first heard the term ‘Bank Syariah’⁸⁴. This question offers 12 answer choices, including ‘I Do Not Remember’ as an option, and requires respondents to opt for only one answer. Based on the table below, one could observe that the majority of respondents do not remember where they first encountered the term ‘Bank Syariah’. However, putting this aside, one could argue that the majority of respondents heard the term from word of mouth with 19.3%, followed by TV with 18.3%, seminar and conference with 12.7%, and newspaper with 10.6% respectively. The rest of the respondents were scattered through several other options.

Table 4.76: Initial Encounter with the term ‘Bank Syariah’

First Time Encountering The Term ‘Sharia Bank’		Frequency	Percent	Mean	Std Dev
Valid	I Do Not Remember	281	26.4	5.01	3.971
	TV	194	18.3		
	Newspaper	113	10.6		
	Magazine	18	1.7		
	Radio	6	0.6		
	Internet	62	5.8		
	Billboard	35	3.3		
	Leaflet	8	0.8		
	Seminar And Conference	135	12.7		
	Exhibitions	3	0.3		
	Word Of Mouth	205	19.3		
	This Questionnaire	3	0.3		

4.7.3. Perceptions on Advertisement

This part presents the results related to advertisements, which is depicted in table 4.77. The majority of respondents stated either ‘Agree’ or ‘Absolutely Agree’ on the following statements: Advertisement Is Acceptable In Islam with 82.7%, Advertisement Should Follow Certain Islamic Ethical Principles with 89.5%, Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Debt with 83.5%. As can be seen, ‘Advertisement Should Follow Certain Islamic Ethical Principles’

⁸⁴The term means ‘Sharia Bank’ in english.

scored the highest mean score, which is followed by a normative statement: ‘Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Debt’ with the mean score of 4.25; and ‘Advertisement Is Acceptable In Islam’ scored the lowest mean value.

Table 4.77: Acceptability Of Advertisement In Islam

Advertisement Is Acceptable In Islam					
		Frequency	Percent	Mean	Std Dev
Valid	Agree	592	55.7	4.06	0.759
	Absolutely Agree	287	27.0		
Advertisement Should Follow Certain Islamic Ethical Principles					
Valid	Agree	415	39.0	4.36	0.8
	Absolutely Agree	537	50.5		
Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Be In Debt					
Valid	Agree	390	36.7	4.25	0.871
	Absolutely Agree	498	46.8		

4.7.4. Acceptability of Advertising *Shari’ah* Banking Products

This section aims to gauge the opinions of the participants in relation to accept ability of *Shari’ah* banks to advertise their products, the results of which is presented in table 4.78. As can be seen, the majority of respondents (75.8%) agreed that *Shari’ah* banks could advertise their products within the limit of Islamic ethical principles.

Table 4.78: Acceptability Of *Shari’ah* Bank Advertisement

Acceptability Of Sharia Bank Advertisements							
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Yes	252	23.7	23.7	23.7	1.77	0.434
	Yes, But Within The Limit Of Islamic Ethical Principle	806	75.8	75.8	99.5		
	No	5	.5	.5	100.0		
	Total	1063	100.0	100.0			

4.7.5. *Shari’ah* Bank Advertisement

In order to understand the opinions, the respondents were asked whether they had seen any *Shari’ah* bank advertisements. The results for this are presented in table 4.79, which shows that the majority of respondents (91.1%) had seen *Shari’ah* bank ads.

Table 4.79: Seen Any Shari’ah Bank Ads?

Seen Any Sharia Bank Ads?						
	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid Yes	968	91.1	91.1	91.1	1.09	0.285
No	95	8.9	8.9	100.0		
Total	1063	100.0	100.0			

4.7.6. Recalling Catchy Word or Phrase From Shari’ah Bank Advertisement

In this part the answers given to the question whether the participants remember any catchy word or phrase from the Shari’ah bank advertisements they had seen. The question has a ‘No and ‘Yes’ answer⁸⁵; for those who opted for ‘Yes’, they were required to write down the catchy word which they remembered. As the results presented in table 4.80 shows, based on the table, one could argue that the majority of respondents (63.9%) opted for ‘No’⁸⁶.

Table 4.80: Remembrance Of Catchy Word

Remember Catchy Word?					
	Frequency	Percent	Mean	Std Dev	
Valid 0	349	32.8	0.64	0.48	
No	619	58.2			
Total	968	91.1			
Missing System	95	8.9			
Total	1063	100.0			

The majority of responses were either for Bank Muamalat or Bank Syariah Mandiri. As for Bank Muamalat, there are 176 respondents (50.43%) whose phrases were directed to Bank Muamalat, explicitly or implicitly⁸⁷. Of those 176, 13 respondents wrote 2 phrases (one for Bank Muamalat and the other for Bank Syariah Mandiri). For Bank Syariah Mandiri, there were 62 responses; explicitly and implicitly for Bank Syariah Mandiri. Of

⁸⁵ On the table entitled ‘Remember Catchy Word?’, SPSS® should exhibit the word ‘Yes’ instead of ‘0’. As for this, the author has no satisfactory explanation on this issue. However, the ‘0’ should be ‘Yes’.

⁸⁶ The number ‘714’ on the table entitled ‘Remember Catchy Word (If Opt Yes)’, comes from the addition between the number of respondents who opted for ‘No’ in this question (619 respondents), and the number of respondents who opted for ‘No’ when asked whether they have seen any sharia bank advertisement (95 respondents). In other words, 714 equal 619 plus 95. This table does not come from ‘Select Cases:If’ facility. Therefore, SPSS® shows the total number of respondents who participated in this questionnaire (1063).

⁸⁷The author subjectively decided whether the implicit statements closely referred to Bank Syariah Mandiri. Due to space issue, the table which shows the information is not displayed.

those 62, 13 respondents wrote 2 phrases: one for Bank Muamalat and the other for Bank Syariah Mandiri. The rest of these responses were miscellaneous in nature.

4.7.7. Perceptions Towards Shari’ah Banking Advertisement In Indonesia

The previous part presented the findings on the normative perceptions on advertisement, but also the participants’ perceptions on other marketing and branding issues. This section presents the results on participants’ perceptions in relation to Shari’ah banking advertisements in Indonesia. Its results are presented in table 4.81, which shows that the majority of respondents were’ Neutral’ on the following statements: Advertisement Are Not In Accordance To The Reality with 58.8%, New Form of Commercializing The Teaching of Islam with 46.7%, Not Yet In Line With Islamic Teaching with 55.5%, Only Induces People to Live Consumptively with 46%, Only Induce People to Live With Debt with 48.6%, and Advertisement in Indonesia Are Not Neutral and Are Shaped by Religion with 51.2%.

Furthermore, as can be seen, the ranking is the following: ‘Not Yet In Line With Islamic Teaching’ has the highest mean score of 2.88, followed by ‘Advertisement Are Not In Accordance To The Reality’ with 2.85, ‘New Form of Commercializing The Teaching of Islam’ with 2.75, ‘Advertisement in Indonesia Are Not Neutral and Are Shaped by Religion’ with 2.69, ‘Only Induces People to Live Consumptively’ with 2.57, and ‘Only Induce People to Live With Debt’ with 2.52.

Table 4.81: Perceptions On *Shari’ah* Banking Advertisement In Indonesia

Advertisement ARE NOT In Accordance To The Reality					
		Frequency	Percent	Mean	Std Dev
Valid	Neutral	569	53.5	2.85	0.775
New Form Of Commercializing The Teaching Of Islam					
Valid	Neutral	452	42.5	2.75	0.88
Not Yet In Line With Islamic Teaching					
Valid	Neutral	537	50.5	2.88	0.81
ONLY Induce People To Live Consumptively					
Valid	Neutral	438	41.2	2.57	0.789
ONLY Induce People To Live With Debt					
Valid	Neutral	419	39.4	2.52	0.808
Advertisement ARE NOT Neutral And ARE SHAPED by religion					
Valid	Neutral	496	46.7	2.69	0.814

4.7.8. Perceptions on the Symbols Use in the Shari’ah Banking Advertisement

As part of branding and marketing, the participants were asked to relate to the symbol, which impresses them the most when seeing *Shari’ah* bank advertisements. As can be seen from the table 4.82, most of the respondents were impressed by The Use of Islamic Words with 36.4%, which is followed by ‘The Use of Women With Hijab’ as figures with 20.9%, and the ‘Use Of Spiritual Words Which Evoke The Heart’ with 15.5%. As the results show, the ‘Use of Quranic Verses’ and the ‘Use of Religious Sites’ were not considered as impressive symbols.

Table 4.82: Symbol Most Impressed

Symbol(s) Impress The Most		Frequency	Percent	Mean	Std Dev
Valid	The Use Of Quranic Verse	61	5.7	4.02	1.313
	The Use Of Religious Sites	34	3.2		
	The Use Of Women With Hijab	202	19.0		
	The Use Of Islamic Words	352	33.1		
	The Use Of Spiritual Words Which Evoke The Heart	165	15.5		
	I Do Not Pay Attention	154	14.5		
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		

The respondents were also enquired if they are satisfied with the symbols utilized on advertisement of *Shari’ah* banking product, the results for which is presented in table 4.83. The results show that the majority of respondents (55.6%) were satisfied with the symbols but they accepted the caveat that the use of symbols should be more ethical and follow Islamic principles.

Table 4.83: Symbol Satisfaction

		Satisfied With The Symbol(s)?			
		Frequency	Percent	Mean	Std Dev
Valid	Yes	252	23.7	1.92	0.662
	Yes, But The Use Of Symbols Should Be More Ethical And Follow The Islamic Principles	538	50.6		
	No	178	16.7		
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		

4.7.9. References Given by Islamic Bank Commercials in their Advertisements

In this part, respondents were requested to express their opinion on whether the Islamic bank advertisements they had seen give any reference to several concepts as well as to the nature of the business conduct. The results in table 4.84a and 4.84b show that majority of the respondents opted for ‘Yes’ on the following statements in an order of importance attached to the concepts: Trust with 78.7%, Respect with 75%, Integrity/Honour with 73.2%, Solidarity with 61.2%, Social Responsibility with 59.5%, Being Different with 52.5%, Innovative with 56.3%, Better Return with 49.7%, Being The Best Bank with 46.8%, Flexible with 49.4%, and Religious Duty with 69.4%.

Furthermore, as can be seen, the mean ranking is the following: Being The Best Bank with 1.78, Flexible with 1.76, Better Return with 1.74, Being Different with 1.69, Solidarity with 1.64, Social Responsibility with 1.64, Innovative with 1.64, Religious Duty with 1.47, Integrity/Honour with 1.46, Respect with 1.43 and Trust with 1.35.

Table 4.84a: Advertisement Message in Relation to the Quality of Services – 1

Trust					
		Frequency	Percent	Mean	Std Dev
Valid	Yes	762	71.7	1.35	0.706
	No	75	7.1		
	Do Not	131	12.3		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Respect					
Valid	Yes	726	68.3	1.43	0.772
	No	72	6.8		
	Do Not	170	16.0		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Integrity/Honour					
Valid	Yes	709	66.7	1.46	0.793
	No	75	7.1		
	Do Not	184	17.3		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Solidarity					
Valid	Yes	592	55.7	1.64	0.852
	No	137	12.9		
	Do Not	239	22.5		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Social Responsibility					
Valid	Yes	576	54.2	1.64	0.84
	No	162	15.2		
	Do Not	230	21.6		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		

Table 4.84b: Advertisement Message in Relation to the Business Conduct – 2

Being Different					
		Frequency	Percent	Mean	Std Dev
Valid	Yes	508	47.8	1.69	0.8
	No	255	24.0		
	Do Not	205	19.3		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Innovative					
Valid	Yes	545	51.3	1.64	0.798
	No	227	21.4		
	Do Not	196	18.4		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Better Return					
Valid	Yes	481	45.2	1.74	0.816
	No	258	24.3		
	Do Not	229	21.5		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Being The Best Bank					
Valid	Yes	453	42.6	1.78	0.819
	No	273	25.7		
	Do Not	242	22.8		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Flexible					
Valid	Yes	478	45.0	1.76	0.831
	No	244	23.0		
	Do Not	246	23.1		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		
Religious Duty					
Valid	Yes	672	63.2	1.47	0.766
	No	133	12.5		
	Do Not	163	15.3		
	Know				
	Total	968	91.1		
Missing	System	95	8.9		
Total		1063	100.0		

4.7.10. Sources Of Awareness And Knowledge

This section aims to analyze the respondents' interaction level on several media of communication with the objective of identifying the sources of knowledge and awareness on banking matters. As before, a normality check is conducted, and the result of which in table 4.85 show that non-parametric tests can be employed on the data.

Table 4.85: Sources of Awareness and Knowledge: Test Of Normality

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Newspaper	.219	1063	.000	.898	1063	.000
Magazine	.263	1063	.000	.881	1063	.000
TV	.222	1063	.000	.889	1063	.000
Radio	.198	1063	.000	.902	1063	.000
Internet	.319	1063	.000	.737	1063	.000
Mobile Phone	.278	1063	.000	.770	1063	.000
Facsimile	.262	1063	.000	.820	1063	.000
Type Of Depositor 1	.269	1063	.000	.780	1063	.000

a. Lilliefors Significance Correction

Table 4.86 exhibits the number of 'conventional banking only depositors', 'dual banking depositors', and 'sharia banking only depositors', which shows that all respondents are involved and included in the analysis in this section.

Table 4.86: Sources of Awareness and Knowledge: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Newspaper	1063	3.28	.993	1	5
Magazine	1063	2.79	.912	1	5
TV	1063	3.50	1.007	1	5
Radio	1063	2.56	1.017	1	5
Internet	1063	4.41	.723	1	5
Mobile Phone	1063	4.26	.875	1	5
Facsimile	1063	1.94	.982	1	5
Type Of Depositor 1	1063	1.73	.661	1	3

The Kruskal-Wallis H-test results are presented in table 4.87, which shows that that not all results are significant. There is a significant difference between the three groups on the

levels of interaction for ‘television’ (.002), ‘radio’ (.006), and ‘facsimile’⁸⁸ (.043). However, there are no significant differences between the three groups on the level of interaction for ‘newspaper’, ‘magazine’, ‘internet’, and ‘mobile phone’.

Table 4.87: Sources of Awareness and Knowledge: Test Statistics And Trend Tests

Test Statistics ^{b,c}								
	Newspaper	Magazine	TV	Radio	Internet	Mobile Phone	Facsimile	
Chi-Square	.246	.207	12.275	10.804	2.469	3.850	6.197	
df	2	2	2	2	2	2	2	
Asymp. Sig.	.884	.902	.002	.005	.291	.146	.045	
Monte Carlo Sig.	.886 ^a	.903 ^a	.001 ^a	.004 ^a	.292 ^a	.146 ^a	.049 ^a	
Sig. (2-tailed)	99% Lower Bound	.877	.896	.000	.003	.280	.137	.044
	Confidence Interval							
	Upper Bound	.894	.911	.002	.006	.303	.155	.055
Jonckheere-Terpstra Test ^b								
Number of Levels in Type Of Depositor 1	3	3	3	3	3	3	3	
N	1063	1063	1063	1063	1063	1063	1063	
Std. J-T Statistic	.227	.456	-3.514	-1.163	-1.465	-1.866	-.020	
Asymp. Sig. (2-tailed)	.820	.648	.000	.245	.143	.062	.984	
Monte Carlo Sig.	.823 ^a	.649 ^a	.000 ^a	.243 ^a	.140 ^a	.061 ^a	.985 ^a	
Sig. (2-tailed)	99% Lower Bound	.813	.637	.000	.231	.131	.055	.982
	Confidence Interval							
	Upper Bound	.833	.661	.001	.254	.149	.067	.988
Monte Carlo Sig.	.414 ^a	.325 ^a	.000 ^a	.120 ^a	.075 ^a	.031 ^a	.495 ^a	
Sig. (1-tailed)	99% Lower Bound	.401	.312	.000	.112	.068	.026	.482
	Confidence Interval							
	Upper Bound	.426	.337	.001	.128	.082	.035	.508

The Jonckheere-Terpstra trend test results are presented in table 4.87, which shows that the z value is negative and significant for ‘TV’ implying that, for this medium, the more respondents are attached to Shari’ah banks, the less they used it.

A post hoc test is also conducted in order to determine whether there is a difference between the two compared groups in responding to the products in question. For this, the ‘Conventional Banking Only’ group is utilized as the control group. Based on the results, it can be said that differences exist between the two groups on ‘radio’. Here, the ‘Conventional Banking vs. Sharia Banking’ was different from the ‘Conventional

⁸⁸Again, for the purpose of this research, the result for facsimile could be considered as significant. However, were this work is intended for company decision making, such decision would have not been taken.

Banking vs. Dual Banking’. However, for ‘TV’, it seems that there is no difference between the two groups as both of them are significant.

Table 4.88: Sources of Awareness and Knowledge: Post Hoc Test

Test Statistics ^b Conventional Banking Vs Dual Banking							
	Newspaper	Magazine	TV	Radio	Internet	Mobile Phone	Facsimile
Z	-.097	-.384	-2.851	-.996	-.800	-1.095	-1.528
Asymp. Sig. (2-tailed)	.923	.701	.004	.319	.423	.273	.126
Monte Carlo Sig.	.919 ^a	.699 ^a	.005 ^a	.321 ^a	.414 ^a	.267 ^a	.123 ^a
Carlo Sig. (2-tailed)	.912	.687	.003	.309	.402	.255	.115
99% Confidence Interval							
Lower Bound							
Upper Bound	.926	.711	.007	.333	.427	.278	.132
Monte Carlo Sig. (1-tailed)	.465 ^a	.347 ^a	.002 ^a	.160 ^a	.203 ^a	.127 ^a	.063 ^a
Carlo Sig. (1-tailed)	.452	.335	.001	.151	.193	.119	.057
99% Confidence Interval							
Lower Bound							
Upper Bound	.478	.359	.003	.170	.214	.136	.070
Test Statistics ^b Conventional Banking Vs Sharia Banking							
Z	-.426	-.356	-2.901	-2.437	-1.569	-1.937	-1.271
Asymp. Sig. (2-tailed)	.670	.722	.004	.015	.117	.053	.204
Monte Carlo Sig.	.671 ^a	.733 ^a	.004 ^a	.015 ^a	.126 ^a	.057 ^a	.211 ^a
Carlo Sig. (2-tailed)	.659	.722	.002	.012	.117	.051	.201
99% Confidence Interval							
Lower Bound							
Upper Bound	.683	.745	.005	.018	.134	.063	.222
Monte Carlo Sig. (1-tailed)	.332 ^a	.364 ^a	.002 ^a	.008 ^a	.064 ^a	.030 ^a	.104 ^a
Carlo Sig. (1-tailed)	.320	.352	.001	.006	.058	.025	.096
99% Confidence Interval							
Lower Bound							
Upper Bound	.344	.377	.003	.010	.070	.034	.111

Lastly in this section, the effect size of the variables is measured. The results of the calculations are shown by table 4.89, which indicates a small effect size for all the variables.

Table 4.89: Sources of Awareness and Knowledge: Effects Sizes

Effect Sizes 1		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
Newspaper		
z	-0.097	-0.426
n	935	540
n^(1/2)	30.578	23.238
ES	0.00	-0.02
Magazine		
z	-0.384	-0.356
n	935	540
n^(1/2)	30.578	23.238
ES	-0.01	-0.02
TV		
z	-2.851	-2.901
n	935	540
n^(1/2)	30.578	23.238
ES	-0.09	-0.12
Radio		
z	-0.996	-2.437
n	935	540
n^(1/2)	30.578	23.238
ES	-0.03	-0.10
Internet		
z	-0.8	-1.569
n	935	540
n^(1/2)	30.578	23.238
ES	-0.03	-0.07
Mobile Phone		
z	-1.095	-1.937
n	935	540
n^(1/2)	30.578	23.238
ES	-0.04	-0.08
Facsimile		
z	-1.528	-1.271
n	935	540
n^(1/2)	30.578	23.238
ES	-0.05	-0.05

4.7.11. Perceptions On Islamic Position On Advertisements

As part of the earlier section on the recognition of the ‘Shari’ah banking logo’, this section aims to take the discussion one step further by investigating whether there are any significant differences between the three groups of depositors in terms of their understanding of the position of Islam regarding advertisements.

As usual, before starting the analysis, a normality check is conducted and the results in 4.90 show that non-parametric tests could be employed on the data.

Table 4.90: Perceptions on Islamic Position on Advertisements: Normality Tests

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Advertisement Is Acceptable In Islam	.294	1063	.000	.786	1063	.000
Advertisement Should Follow Certain Islamic Ethical Principles	.293	1063	.000	.719	1063	.000
Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Be In Debt	.273	1063	.000	.766	1063	.000
Type Of Depositor 1	.269	1063	.000	.780	1063	.000

a. Lilliefors Significance Correction

Table 4.91 displays the number of ‘conventional banking only depositors’, ‘dual banking depositors’, and ‘sharia banking’ only depositors, which shows that all respondents are involved in the analysis.

Table 4.91: Perceptions on Islamic Position on Advertisements: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Advertisement Is Acceptable In Islam	1063	4.06	.759	1	5
Advertisement Should Follow Certain Islamic Ethical Principles	1063	4.36	.800	1	5
Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Be In Debt	1063	4.25	.871	1	5
Type Of Depositor 1	1063	1.73	.661	1	3

For the main Kruskal-Wallis test results shown in table 4.92 that one can see that all results are significant (.000). Therefore, there are significant differences between the three groups on the issue of advertisement in Islam.

The trend test in table 4.92 also shows a significant positive z value (.000) implying that understanding or comprehension gets better as the level of attachment to the Shari’ah bank gets bigger.

Table 4.92: Perceptions on Islamic Position on Advertisements: Test Statistics and Trend Tests

Test Statistics^{b,c}			
	Advertisement Is Acceptable In Islam	Advertisement Should Follow Certain Islamic Ethical Principles	Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Be In Debt
Chi-Square	21.696	40.737	32.568
df	2	2	2
Asymp. Sig.	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a
99% Lower Confidence Interval	.000	.000	.000
Upper Bound	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 1201206483.			
b. Kruskal Wallis Test			
c. Grouping Variable: Type Of Depositor 1			
Jonckheere-Terpstra Test^b			
Number of Levels in Type Of Depositor 1	3	3	3
N	1063	1063	1063
Std. J-T Statistic	4.561	6.144	5.262
Asymp. Sig. (2-tailed)	.000	.000	.000
Monte Carlo Sig. (2-tailed)	.000 ^a	.000 ^a	.000 ^a
99% Lower Confidence Interval	.000	.000	.000
Upper Bound	.000	.000	.000
Monte Carlo Sig. (1-tailed)	.000 ^a	.000 ^a	.000 ^a
99% Lower Confidence Interval	.000	.000	.000
Upper Bound	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 1201206483.			
b. Grouping Variable: Type Of Depositor 1			

Having analyzed the test statistics, a post hoc test on the two compared groups is conducted. As before, the ‘Conventional Banking Only’ group is used as the control group. The results of the tests are presented by table 4.93, which shows that there is no difference between dual banking and sharia banking only depositors, compared to those who possessed only conventional bank accounts, regarding the three statements.

Table 4.93: Perceptions on Islamic Position on Advertisements: Conventional Banking Only vs. Dual Banking

Test Statistics^b Conventional Banking Only Vs Dual Banking				
	Advertisement Is Acceptable In Islam	Advertisement Should Follow Certain Islamic Ethical Principles	Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Be In Debt	
Z	-4.106	-5.916	-5.459	
Asymp. Sig. (2-tailed)	.000	.000	.000	
Monte Carlo Sig. (2-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.000	.000
Monte Carlo Sig. (1-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.000	.000
a. Based on 10000 sampled tables with starting seed 745618922.				
b. Grouping Variable: Type Of Depositor 1				
Test Statistics^b Conventional Banking Only Vs Sharia Banking				
Z	-3.561	-4.242	-3.438	
Asymp. Sig. (2-tailed)	.000	.000	.001	
Monte Carlo Sig. (2-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.001	.001
Monte Carlo Sig. (1-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a	
	99% Confidence Interval	Lower Bound	.000	.000
		Upper Bound	.001	.001
a. Based on 10000 sampled tables with starting seed 205597102.				
b. Grouping Variable: Type Of Depositor 1				

Table 4.94 exhibits the effect sizes results. The results show that although there is a significant difference between the three groups of depositors, the effect size calculations show that the effect size of comprehension on various statements was small for both dual banking and Sharia banking only, compared to conventional banking only.

Table 4.94: Perceptions on Islamic Position on Advertisements: Effect Sizes

Effect Sizes		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
Advertisement Is Acceptable In Islam		
z	-4.106	-3.561
n	935	540
n^(1/2)	30.578	23.238
ES	-0.13	-0.15
Advertisement Should Follow Certain Islamic Ethical Principles		
z	-5.916	-4.242
n	935	540
n^(1/2)	30.578	23.238
ES	-0.19	-0.18
Advertisement According To Islam Should Not Encourage Consumptive Behaviour And Eagerness To Be In Debt		
z	-5.459	-3.438
n	935	540
n^(1/2)	30.578	23.238
ES	-0.18	-0.15

4.7.12. Evaluating The Perceptions Of The Participants On Shari’ah Banking Product Advertisement In Indonesia

The focus in this section is on the perceptions of the participants on the Shari’ah banking products in Indonesia with the objective to investigate whether there are any significant differences among the three groups of depositors in terms of their perception regarding Shari’ah banking product advertisement in Indonesia.

The analysis in this section commences with the usual procedure of normality checking, the results of which are depicted in table 4.95. The results from normality test provide support for the use of non-parametric tests.

Table 4.95: Perceptions on Shari’ah Banking Product Advertisement: Normality Tests

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Advertisement ARE NOT In Accordance To The Reality	.303	968	.000	.834	968	.000
New Form Of Commercializing The Teaching Of Islam	.247	968	.000	.886	968	.000
Not Yet In Line With Islamic Teaching	.279	968	.000	.851	968	.000
ONLY Induce People To Live Consumptively	.247	968	.000	.856	968	.000
ONLY Induce People To Live With Debt	.237	968	.000	.861	968	.000
Advertisement ARE NOT Neutral And ARE SHAPED by religion	.277	968	.000	.861	968	.000
Type Of Depositor 1	.270	968	.000	.784	968	.000

a. Lilliefors Significance Correction

In the next step, table 4.96 displays the number of conventional banking only depositors, dual banking depositors, and Shari'ah banking only depositors. Based on the figures in the table, it can be said that all respondents are involved and counted in the analysis in this part.

Table 4.96: Perceptions on *Shari'ah* Banking Product Advertisement: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Advertisement ARE NOT In Accordance To The Reality	968	2.85	.775	1	5
New Form Of Commercializing The Teaching Of Islam	968	2.75	.880	1	5
Not Yet In Line With Islamic Teaching	968	2.88	.810	1	5
ONLY Induce People To Live Consumptively	968	2.57	.789	1	5
ONLY Induce People To Live With Debt	968	2.52	.808	1	5
Advertisement ARE NOT Neutral And ARE SHAPED by religion	968	2.69	.814	1	5
Type Of Depositor 1	968	1.76	.666	1	3

As the results for Kruskal-Wallis H-test in table 4.97a and 4.97b shows, all results are significant (.000 for the first 5 statements and .001 for the last statement). There were significant differences among the three groups on the issue of advertisement of Shari'ah banking products in Indonesia.

The results in both tables also demonstrate trend tests, which show a significant negative z value. This means that the more respondents are affiliated with Sharia banks (be it partially or fully), the less they think that the statements are true. It should be noted that the negative z value actually shows a positive result as the statements are all negatively worded.

As regards to post hoc test on the two compared groups, the 'Conventional Banking Only' group is used as the control group, and the results of the tests are presented by table 4.98a and 4.98b. As the results shows, there is no difference between dual banking and Shari'ah banking only depositors, compared to those who possess only conventional bank accounts, regarding the three statements.

Table 4.97a: Perceptions on *Shari'ah* Banking Product Advertisement: Test Statistics and Trend Tests - 1

Test Statistics^{b,c}			
	Advertisement ARE NOT In Accordance To The Reality	New Form Of Commercializing The Teaching Of Islam	Not Yet In Line With Islamic Teaching
Chi-Square	17.033	34.904	32.823
df	2	2	2
Asymp. Sig.	.000	.000	.000
Monte Carlo Sig.	.001 ^a	.000 ^a	.000 ^a
Sig. 99% Confidence Interval	Lower Bound	.000	.000
	Upper Bound	.001	.000
a. Based on 10000 sampled tables with starting seed 1515591596.			
b. Kruskal Wallis Test			
c. Grouping Variable: Type Of Depositor 1			
Jonckheere-Terpstra Test^b			
	Advertisement ARE NOT In Accordance To The Reality	New Form Of Commercializing The Teaching Of Islam	Not Yet In Line With Islamic Teaching
Number of Levels in Type Of Depositor 1	3	3	3
N	968	968	968
Std. J-T Statistic	-3.933	-5.817	-5.465
Asymp. Sig. (2-tailed)	.000	.000	.000
Monte Carlo Sig. (2-tailed)	.000 ^a	.000 ^a	.000 ^a
Sig. 99% Confidence Interval	Lower Bound	.000	.000
	Upper Bound	.000	.000
Monte Carlo Sig. (1-tailed)	Lower Bound	.000 ^a	.000 ^a
	Upper Bound	.000	.000
		.000	.000
a. Based on 10000 sampled tables with starting seed 1515591596.			
b. Grouping Variable: Type Of Depositor 1			

Table 4.97b: Perceptions on *Shari'ah* Banking Product Advertisement: Test Statistics and Trend Tests - 2

Test Statistics^{b,c}			
	ONLY Induce People To Live Consumptively	ONLY Induce People To Live With Debt	Advertisement ARE NOT Neutral And ARE SHAPED by religion
Chi-Square	36.496	28.780	14.263
df	2	2	2
Asymp. Sig.	.000	.000	.001
Monte Carlo Sig.	.000 ^a	.000 ^a	.001 ^a
Sig. 99% Lower Confidence Bound Interval Upper Bound	.000	.000	.000
	.000	.000	.001
a. Based on 10000 sampled tables with starting seed 1515591596.			
b. Kruskal Wallis Test			
c. Grouping Variable: Type Of Depositor 1			
Jonckheere-Terpstra Test^b			
	ONLY Induce People To Live Consumptively	ONLY Induce People To Live With Debt	Advertisement ARE NOT Neutral And ARE SHAPED by religion
Number of Levels in Type Of Depositor 1	3	3	3
N	968	968	968
Std. J-T Statistic	-6.042	-5.328	-3.725
Asymp. Sig. (2-tailed)	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a
Sig. (2- tailed) 99% Lower Confidence Bound Interval Upper Bound	.000	.000	.000
	.000	.000	.001
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a
Sig. (1- tailed) 99% Lower Confidence Bound Interval Upper Bound	.000	.000	.000
	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 1515591596.			
b. Grouping Variable: Type Of Depositor 1			

Table 4.98a: Perceptions on *Shari'ah* Banking Product Advertisement: Post Hoc Tests - 1

Test Statistics^b Conventional Banking Vs Dual Banking 1			
	Advertisement ARE NOT In Accordance To The Reality	New Form Of Commercializing The Teaching Of Islam	Not Yet In Line With Islamic Teaching
Mann-Whitney U	79654.000	74421.500	76906.500
Wilcoxon W	196540.000	191307.500	193792.500
Z	-2.292	-3.779	-3.127
Asymp. Sig. (2-tailed)	.022	.000	.002
Monte Carlo Sig. (2-tailed)	Sig. .024 ^a	.000 ^a	.002 ^a
	99% Lower Confidence Bound Interval	.000	.001
	Upper Bound	.028	.003
Monte Carlo Sig. (1-tailed)	Sig. .014 ^a	.000 ^a	.001 ^a
	99% Lower Confidence Bound Interval	.000	.000
	Upper Bound	.017	.002
a. Based on 10000 sampled tables with starting seed 1568792215.			
b. Grouping Variable: Type Of Depositor 1			
Test Statistics^b Conventional Banking Vs Sharia Banking 1			
Mann-Whitney U	17601.500	15509.500	15667.500
Wilcoxon W	25602.500	23510.500	23668.500
Z	-4.443	-5.646	-5.759
Asymp. Sig. (2-tailed)	.000	.000	.000
Monte Carlo Sig. (2-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a
	99% Lower Confidence Bound Interval	.000	.000
	Upper Bound	.000	.000
Monte Carlo Sig. (1-tailed)	Sig. .000 ^a	.000 ^a	.000 ^a
	99% Lower Confidence Bound Interval	.000	.000
	Upper Bound	.000	.000
a. Based on 10000 sampled tables with starting seed 1002506750.			
b. Grouping Variable: Type Of Depositor 1			

Table 4.98b: Perceptions on *Shari'ah* Banking Product Advertisement: Post Hoc Tests - 2

Test Statistics^b Conventional Banking Vs Dual Banking 2				
		ONLY Induce People To Live Consumptively	ONLY Induce People To Live With Debt	Advertisement ARE NOT Neutral And ARE SHAPED by religion
Z		-4.490	-3.676	-3.279
Asymp. Sig. (2-tailed)		.000	.000	.001
Monte Carlo	Sig.	.000 ^a	.000 ^a	.001 ^a
Carlo	99% Lower	.000	.000	.000
Sig. (2-tailed)	Confidence Bound			
	Interval	.000	.001	.001
	Upper Bound			
Monte Carlo	Sig.	.000 ^a	.000 ^a	.000 ^a
Carlo	99% Lower	.000	.000	.000
Sig. (1-tailed)	Confidence Bound			
	Interval	.000	.000	.001
	Upper Bound			
a. Based on 10000 sampled tables with starting seed 1568792215.				
b. Grouping Variable: Type Of Depositor 1				
Test Statistics^b Conventional Banking Vs Sharia Banking 2				
Z		-5.458	-5.015	-3.038
Asymp. Sig. (2-tailed)		.000	.000	.002
Monte Carlo	Sig.	.000 ^a	.000 ^a	.003 ^a
Carlo	99% Lower	.000	.000	.001
Sig. (2-tailed)	Confidence Bound			
	Interval	.000	.000	.004
	Upper Bound			
Monte Carlo	Sig.	.000 ^a	.000 ^a	.001 ^a
Carlo	99% Lower	.000	.000	.000
Sig. (1-tailed)	Confidence Bound			
	Interval	.000	.000	.002
	Upper Bound			
a. Based on 10000 sampled tables with starting seed 1002506750.				
b. Grouping Variable: Type Of Depositor 1				

Table 4.99 displays the effect sizes results, which indicates that although there is a significant difference among the three groups of depositors, the effect size calculations show that the effect size of comprehension on various statements is small for both dual banking and Shari'ah banking only, compared to that of conventional banking only.

Table 4.99: Perceptions on *Shari'ah* Banking Product Advertisement: Effect Sizes

Effect Sizes		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
Advertisement ARE NOT In Accordance To The Reality		
z	-2.292	-4.443
n	842	485
n^(1/2)	29.017	22.023
ES	-0.08	-0.20
New Form Of Commercializing The Teaching Of Islam		
z	-3.779	-5.646
n	842	485
n^(1/2)	29.017	22.023
ES	-0.13	-0.26
Not Yet In Line With Islamic Teaching		
z	-3.127	-5.759
n	842	485
n^(1/2)	29.017	22.023
ES	-0.11	-0.26
ONLY Induce People To Live Consumptively		
z	-4.49	-5.458
n	842	485
n^(1/2)	29.017	22.023
ES	-0.15	-0.25
ONLY Induce People To Live With Debt		
z	-3.676	-5.015
n	842	485
n^(1/2)	29.017	22.023
ES	-0.13	-0.23
Advertisement ARE NOT Neutral And ARE SHAPED by religion		
z	-3.279	-3.038
n	842	485
n^(1/2)	29.017	22.023
ES	-0.11	-0.14

4.7.13. Assessing The Perceptions Of The Participants On The Characteristics Of The *Shari'ah* Banking Products Advertisement

This section takes the analysis a step further to examine whether there are any significant differences between the three groups of depositors in terms of their perceptions regarding the contents and characteristics of the *Shari'ah* banking product advertisements in Indonesia.

Before starting the analysis, initially normality check is conducted. The results reported in table 4.100 indicate that non-parametric tests can be employed on the data.

Table 4.100: Perceptions on the Characteristics of the Advertisements: Normality Tests

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Trust	.476	968	.000	.518	968	.000
Respect	.459	968	.000	.557	968	.000
Integrity/Honour	.450	968	.000	.574	968	.000
Solidarity	.384	968	.000	.673	968	.000
Social Responsibility	.373	968	.000	.689	968	.000
Being Different	.330	968	.000	.741	968	.000
Innovative	.352	968	.000	.719	968	.000
Better Return	.314	968	.000	.752	968	.000
Being The Best Bank	.298	968	.000	.763	968	.000
Flexible	.314	968	.000	.750	968	.000
Religious Duty	.426	968	.000	.619	968	.000
Type Of Depositor 1	.270	968	.000	.784	968	.000

a. Lilliefors Significance Correction

Next, table 4.101 displays the number of conventional banking only depositors, dual banking depositors, and sharia banking only depositors, which shows that all the respondents are involved⁸⁹.

Table 4.101: Perceptions on the Characteristics of the Advertisements: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Trust	968	1.35	.706	1	3
Respect	968	1.43	.772	1	3
Integrity/Honour	968	1.46	.793	1	3
Solidarity	968	1.64	.852	1	3
Social Responsibility	968	1.64	.840	1	3
Being Different	968	1.69	.800	1	3
Innovative	968	1.64	.798	1	3
Better Return	968	1.74	.816	1	3
Being The Best Bank	968	1.78	.819	1	3
Flexible	968	1.76	.831	1	3
Religious Duty	968	1.47	.766	1	3
Type Of Depositor 1	968	1.76	.666	1	3

As regards to testing the significance of the difference between these categories in terms of their answers to the advertisement characteristics, Kruskal-Wallis test results are reported in table 4.102a and 4.102b, which shows that all the differences are significant

⁸⁹Due to the way the questionnaire is constructed, not all respondents participated on this question. The author advised readers to consult chapter 6 for the details of the questionnaire.

for all of the following results: ‘Trust’ (.000), ‘Respect’ (.002), ‘Integrity/Honour’ (.000), ‘Solidarity’ (.000), ‘Social Responsibility’ (.000), ‘Being Different’ (.000), ‘Innovative’ (.010), ‘Better Return’ (.000), ‘Being The Best Bank’ (.000), ‘Flexible’ (.000), and ‘Religious Duty’ (.000). Hence, there are significant differences between the three groups on the various advertisement messages.

Table 4.102a: Perceptions on the Characteristics of the Advertisements: Test Statistics and Trend Tests - 1

Test Statistics ^{b,c}						
	Trust	Respect	Integrity/Honour	Solidarity	Social Responsibility	
Chi-Square	22.123	13.213	26.451	22.795	23.317	
df	2	2	2	2	2	
Asymp. Sig.	.000	.001	.000	.000	.000	
Monte Carlo Sig.	.000 ^a	.002 ^a	.000 ^a	.000 ^a	.000 ^a	
Carlo Sig.	99% Confidence Interval	Lower Bound	.000	.001	.000	.000
		Upper Bound	.000	.002	.000	.000
a. Based on 10000 sampled tables with starting seed 805840992.						
b. Kruskal Wallis Test						
c. Grouping Variable: Type Of Depositor 1						
Jonckheere-Terpstra Test ^b						
Number of Levels in Type Of Depositor 1	3	3	3	3	3	
N	968	968	968	968	968	
Observed J-T Statistic	124428.500	127264.500	121600.500	121958.500	122145.500	
Mean J-T Statistic	139744.500	139744.500	139744.500	139744.500	139744.500	
Std. Deviation of J-T Statistic	3250.431	3445.737	3527.384	3953.471	3999.994	
Std. J-T Statistic	-4.712	-3.622	-5.144	-4.499	-4.400	
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000	
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	
Carlo Sig. (2-tailed)	99% Confidence Interval	Lower Bound	.000	.000	.000	.000
		Upper Bound	.000	.000	.000	.000
Monte Carlo Sig. (1-tailed)	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	
Carlo Sig. (1-tailed)	99% Confidence Interval	Lower Bound	.000	.000	.000	.000
		Upper Bound	.000	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 805840992.						
b. Grouping Variable: Type Of Depositor 1						

Table 4.103a and 4.103b also display the results for the trend tests, which shows the significant negative z values. This means that the more respondents get affiliated with Shari’ah banks (be it partially or fully), the less they disagree with the statements. Due to the scale composition, the negative z values actually imply positive results.

Table 4.102b: Perceptions on the Characteristics of the Advertisements: Test Statistics and Trend Tests - 2

Test Statistics ^{b,c}						
	Being Different	Innovative	Better Return	Being The Best Bank	Flexible	Religious Duty
Chi-Square	15.743	8.871	21.686	23.349	23.932	64.346
df	2	2	2	2	2	2
Asymp. Sig.	.000	.012	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.012 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Bound	.000	.009	.000	.000	.000	.000
Sig. Confidence Interval Upper Bound	.001	.015	.000	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 805840992.						
b. Kruskal Wallis Test						
c. Grouping Variable: Type Of Depositor 1						
Jonckheere-Terpstra Test ^b						
Number of Levels in Type Of Depositor 1	3	3	3	3	3	3
N	968	968	968	968	968	968
Std. J-T Statistic	-3.973	-2.970	-4.647	-4.778	-4.532	-7.556
Asymp. Sig. (2-tailed)	.000	.003	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.002 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Bound	.000	.001	.000	.000	.000	.000
Sig. Confidence Interval Upper Bound (2-tailed)	.000	.004	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.001 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Bound	.000	.000	.000	.000	.000	.000
Sig. Confidence Interval Upper Bound (1-tailed)	.000	.002	.000	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 805840992.						
b. Grouping Variable: Type Of Depositor 1						

After reporting the test statistics, a post hoc test on the two compared groups is also conducted, for which ‘Conventional Banking Only’ group is used as the control group. The results of the tests are presented by table 4.104a and 4.104b, which indicates that there is no difference between the responses given by dual banking and sharia banking only, compared to those who possess only conventional bank accounts, regarding all of the statement.

Table 4.103a: Perceptions on the Characteristics of the Advertisements: Post Hoc Tests - 1

Test Statistics ^b Conventional Banking Vs Dual Banking 1					
	Trust	Respect	Integrity/Honour	Solidarity	Social Responsibility
Z	-3.529	-2.964	-4.016	-4.449	-4.618
Asymp. Sig. (2-tailed)	.000	.003	.000	.000	.000
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.004 ^a	.000 ^a	.000 ^a	.000 ^a
(2-tailed) Upper Bound	.000	.002	.000	.000	.000
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.002 ^a	.000 ^a	.000 ^a	.000 ^a
(1-tailed) Upper Bound	.001	.005	.000	.000	.000
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.001	.000	.000	.000
(1-tailed) Upper Bound	.001	.003	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 573752523.					
b. Grouping Variable: Type Of Depositor 1					
Test Statistics ^b Conventional Banking Vs Dual Banking 1					
	Trust	Respect	Integrity/Honour	Solidarity	Social Responsibility
Z	-3.970	-2.928	-4.252	-3.174	-2.941
Asymp. Sig. (2-tailed)	.000	.003	.000	.002	.003
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.003 ^a	.000 ^a	.002 ^a	.003 ^a
(2-tailed) Upper Bound	.000	.001	.000	.001	.001
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.001 ^a	.000 ^a	.001 ^a	.002 ^a
(1-tailed) Upper Bound	.000	.004	.000	.003	.004
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.000	.000	.000	.001
(1-tailed) Upper Bound	.000	.002	.000	.002	.003
a. Based on 10000 sampled tables with starting seed 21408577.					
b. Grouping Variable: Type Of Depositor 1					

Table 4.103b: Perceptions on the Characteristics of the Advertisements: Post Hoc Tests - 2

Test Statistics ^b Conventional Banking Vs Dual Banking 2						
	Being Different	Innovative	Better Return	Being The Best Bank	Flexible	Religious Duty
Z	-2.991	-2.427	-3.262	-4.207	-4.643	-7.389
Asymp. Sig. (2-tailed)	.003	.015	.001	.000	.000	.000
Monte Carlo Sig. 99% Lower Bound	.004 ^a	.016 ^a	.001 ^a	.000 ^a	.000 ^a	.000 ^a
(2-tailed) Upper Bound	.002	.012	.000	.000	.000	.000
Monte Carlo Sig. 99% Lower Bound	.005	.019	.002	.000	.000	.000
(1-tailed) Upper Bound	.002 ^a	.008 ^a	.001 ^a	.000 ^a	.000 ^a	.000 ^a
Monte Carlo Sig. 99% Lower Bound	.001	.006	.000	.000	.000	.000
(1-tailed) Upper Bound	.003	.010	.001	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 573752523.						
b. Grouping Variable: Type Of Depositor 1						
Test Statistics ^b Conventional Banking Vs Sharia Banking 2						
	Being Different	Innovative	Better Return	Being The Best Bank	Flexible	Religious Duty
Z	-3.500	-2.486	-4.253	-3.723	-3.132	-5.115
Asymp. Sig. (2-tailed)	.000	.013	.000	.000	.002	.000
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.014 ^a	.000 ^a	.000 ^a	.002 ^a	.000 ^a
(2-tailed) Upper Bound	.000	.011	.000	.000	.001	.000
Monte Carlo Sig. 99% Lower Bound	.001	.017	.000	.000	.003	.000
(1-tailed) Upper Bound	.000 ^a	.007 ^a	.000 ^a	.000 ^a	.001 ^a	.000 ^a
Monte Carlo Sig. 99% Lower Bound	.000	.005	.000	.000	.000	.000
(1-tailed) Upper Bound	.000	.009	.000	.000	.002	.000
a. Based on 10000 sampled tables with starting seed 21408577.						
b. Grouping Variable: Type Of Depositor 1						

Lastly, the effect size is also measured, which are reported in table 4.104a and 4.104b. Based on the results, it can be stated that although there is a significant difference between the three groups of depositors, the effect size calculations show that the effect size of the message themes opinion is small for both dual banking and Shari'ah banking only, compared to conventional banking only.

Table 4.104a: Perceptions on the Characteristics of the Advertisements: Effect Sizes - 1

Effect Sizes 1		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
	Trust	
z	-3.529	-3.97
n	842	485
n^(1/2)	29.017	22.023
ES	-0.12	-0.18
	Respect	
z	-2.964	-2.928
n	842	485
n^(1/2)	29.017	22.023
ES	-0.10	-0.13
	Integrity/Honour	
z	-4.016	-4.252
n	842	485
n^(1/2)	29.017	22.023
ES	-0.14	-0.19
	Solidarity	
z	-4.449	-3.174
n	842	485
n^(1/2)	29.017	22.023
ES	-0.15	-0.14
	Social Responsibility	
z	-4.618	-2.941
n	842	485
n^(1/2)	29.017	22.023
ES	-0.16	-0.13
	Being Different	
z	-2.991	-3.5
n	842	485
n^(1/2)	29.017	22.023
ES	-0.10	-0.16
	Innovative	
z	-2.427	-2.486
n	842	485
n^(1/2)	29.017	22.023
ES	-0.08	-0.11

Table 4.104b: Perceptions on the Characteristics of the Advertisements: Effect Sizes - 2

Effect Sizes 2		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
Better Return		
z	-3.262	-4.253
n	842	485
n^(1/2)	29.017	22.023
ES	-0.11	-0.19
Being The Best Bank		
z	-4.207	-3.723
n	842	485
n^(1/2)	29.017	22.023
ES	-0.14	-0.17
Flexible		
z	-4.643	-3.132
n	842	485
n^(1/2)	29.017	22.023
ES	-0.16	-0.14
Religious Duty		
z	-7.389	-5.115
n	842	485
n^(1/2)	29.017	22.023
ES	-0.25	-0.23

4.8. EXPERIENCES WITH SHARI’AH BANK AND THE STAFF

This part presents the results in relation to the experience of the participants with Shari’ah bank in terms of whether they have entered a *Shari’ah* bank office and have interacted with the staff. The result of this question is depicted in table 4.105. It shows that the majority of respondents (80.6%) have entered a *Shari’ah* bank and have interacted with the staff. Based on this result and considering the initial results, it can be said that there were respondents who did not have any *Shari’ah* banks but have entered a *Shari’ah* bank and interacted with the staff. It should be noted that ‘error check’ was conducted for this particular question as well⁹⁰.

Table 4.105: Entrance To *Shari’ah* Bank And Interaction With The Staffs

Have You Entered Sharia Bank And Interacted With Staff(s)?							
		Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Std Dev
Valid	Yes	857	80.6	80.6	80.6	1.19	0.395
	No	206	19.4	19.4	100.0		
	Total	1063	100.0	100.0			

⁹⁰ The author advises readers to consult appendix B for error checks.

This part has presented the result of those who have entered *Shari'ah* banks and interacted with its staffs. Before moving to the last part of the questionnaire, it is worth noting that not all respondents who do not have only conventional bank account opted for 'No' when encountering this question. As stated before, there were 651 respondents who possess *Shari'ah* banks⁹¹. However, there were 857 respondents who also opted for 'Yes' in this question. Therefore, it can be said that there were 206 respondents (857 – 651) who possess only a conventional bank, yet have opted for a 'Yes' in this question.

In this last part, the respondents' experiences with a Shari'ah bank were further explored by asking them to disclose their feelings when entering a Shari'ah bank and interacting with the staff among the given options in terms of quality of the services and the nature of the business conduct. The results are presented by table 4.106a and 4.106b.

As the results in table 4.106a show the majority of respondents opted for 'Yes' on the following statements in relation to the quality of the business conduct according to the importance attached: Respect with 90%, Trust with 85.2%, Integrity/Honour with 85.2%, Solidarity with 71.6%, Social Responsibility with 62.7%.

⁹¹This consists of 128 respondents who possess only sharia bank and 523 who possess both sharia and conventional bank.

Table 4.106a: Shari'ah Bank Experience – 1

Trust					
		Frequency	Percent	Mean	Std Dev
Valid	Yes	730	68.7	1.24	0.601
	No	50	4.7		
	Do Not Know	77	7.2		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Respect					
Valid	Yes	771	72.5	1.15	0.478
	No	43	4.0		
	Do Not Know	43	4.0		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Integrity/Honour					
Valid	Yes	730	68.7	1.23	0.579
	No	59	5.6		
	Do Not Know	68	6.4		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Solidarity					
Valid	Yes	614	57.8	1.45	0.756
	No	104	9.8		
	Do Not Know	139	13.1		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Social Responsibility					
Valid	Yes	537	50.5	1.58	0.805
	No	147	13.8		
	Do Not Know	173	16.3		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Being Different					
Valid	Yes	481	45.2	1.59	0.733
	No	250	23.5		
	Do Not Know	126	11.9		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		

The results in table 4.106b in terms of the nature of business conduct show that the most important feeling felt by the participants is ‘Religious Duty’ by 77.1%, which is followed by, Being Different with 56.1%, Flexible with 53.8%, Innovative with 49.6%, Better Return with 43.6%, and Being The Best Bank with 43.9%. Thus, observing the religiosity plays an important part in developing a close relation with Shari’ah banks in Indonesia, as the results depict.

Table 4.106b: Shari’ah Bank Experience 2

Innovative					
		Frequency	Percent	Mean	Std Dev
Valid	Yes	425	40.0	1.7	0.781
	No	260	24.5		
	Do Not Know	172	16.2		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Better Return					
Valid	Yes	374	35.2	1.81	0.802
	No	274	25.8		
	Do Not Know	209	19.7		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Being The Best Bank					
Valid	Yes	376	35.4	1.81	0.803
	No	272	25.6		
	Do Not Know	209	19.7		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Flexible					
Valid	Yes	461	43.4	1.67	0.797
	No	219	20.6		
	Do Not Know	177	16.7		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		
Religious Duty					
Valid	Yes	661	62.2	1.36	0.698
	No	86	8.1		
	Do Not Know	110	10.3		
	Total	857	80.6		
Missing	System	206	19.4		
Total		1063	100.0		

Furthermore, as can be seen, the mean ranking is the following: Better Return with 1.81, Being The Best Bank with 1.81, Innovative with 1.7, Flexible with 1.67, Being Different with 1.59, Social Responsibility with 1.58, Solidarity with 1.45, Religious Duty with 1.36, Trust with 1.24, Integrity/Honour with 1.23, and Respect with 1.15.

4.8.1. Perceptions On Having Actual Experience With *Shari'ah* Banking

This section aims to test the significant differences between the three groups of depositors in terms of their perceptions regarding *Shari'ah* banks after visiting one of *Shari'ah* bank's offices. Firstly, the normality check is conducted. The results of the test are shown in table 4.107, which indicates that non-parametric tests should be employed.

Table 4.107: Perceptions on Actual Experience with *Shari'ah* Banking: Normality Tests

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Trust	.506	857	.000	.429	857	.000
Respect	.523	857	.000	.342	857	.000
Integrity/Honour	.505	857	.000	.429	857	.000
Solidarity	.439	857	.000	.597	857	.000
Social Responsibility	.389	857	.000	.672	857	.000
Being Different	.349	857	.000	.726	857	.000
Innovative	.312	857	.000	.757	857	.000
Better Return	.279	857	.000	.778	857	.000
Being The Best Bank	.281	857	.000	.777	857	.000
Flexible	.337	857	.000	.734	857	.000
Religious Duty	.467	857	.000	.540	857	.000
Type Of Depositor 1	.318	857	.000	.775	857	.000

a. Lilliefors Significance Correction

Next, table 4.108 exhibits the number of conventional banking only depositors, dual banking depositors, and sharia banking only depositors with the objective of checking whether the entire sample is included, which is evidenced by the results.

Table 4.108: Perceptions on Actual Experience with *Shari'ah* Banking: Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Dev	Min	Max
Trust	857	1.24	.601	1	3
Respect	857	1.15	.478	1	3
Integrity/Honour	857	1.23	.579	1	3
Solidarity	857	1.45	.756	1	3
Social Responsibility	857	1.58	.805	1	3
Being Different	857	1.59	.733	1	3
Innovative	857	1.70	.781	1	3
Better Return	857	1.81	.802	1	3
Being The Best Bank	857	1.81	.803	1	3
Flexible	857	1.67	.797	1	3
Religious Duty	857	1.36	.698	1	3
Type Of Depositor 1	857	1.91	.618	1	3

In testing the significance of the differences between the identified three groups, Kruskal-Wallis test is conducted and the results are displayed in table 4.109a and 4.109b, which evidences all of the following characteristics as part of visiting a Shari'ah bank branch are significant: 'Trust' (.000), 'Respect' (.002), 'Integrity/Honour' (.000), 'Solidarity' (.000), 'Social Responsibility' (.000), 'Being Different' (.001), 'Innovative' (.000), 'Better Return' (.000), 'Being The Best Bank' (.000), 'Flexible' (.000), and 'Religious Duty' (.000).

Regarding the trend test, the table also displays significant negative z values. This means that the more respondents are affiliated with Sharia banks (be it partially or fully), the less they disagree with the statements. It should be noted that due to the scale composition, the negative z values actually show positive results.

Table 4.109a: Perceptions on Actual Experience with *Shari'ah* Banking: Test Statistics and Trend Tests - 1

Test Statistics ^{b,c}						
	Trust	Respect	Integrity/Honour	Solidarity	Social Responsibility	
Chi-Square	34.002	40.058	35.875	31.091	20.926	
df	2	2	2	2	2	
Asymp. Sig.	.000	.000	.000	.000	.000	
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	
99% Confidence Interval	Lower Bound	.000	.000	.000	.000	
		Upper Bound	.000	.000	.000	
		Upper Bound	.000	.000	.000	
a. Based on 10000 sampled tables with starting seed 307647058. b. Kruskal Wallis Test c. Grouping Variable: Type Of Depositor 1						
Jonckheere-Terpstra Test ^b						
Number of Levels in Type Of Depositor 1	3	3	3	3	3	
N	857	857	857	857	857	
Std. J-T Statistic	-5.316	-6.084	-5.232	-5.411	-4.381	
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000	
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	
99% Confidence Interval (2-tailed)	Lower Bound	.000	.000	.000	.000	
		Upper Bound	.000	.000	.000	
		Upper Bound	.000	.000	.000	
Monte Carlo Sig. (1-tailed)	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	
99% Confidence Interval (1-tailed)	Lower Bound	.000	.000	.000	.000	
		Upper Bound	.000	.000	.000	
		Upper Bound	.000	.000	.000	
a. Based on 10000 sampled tables with starting seed 307647058. b. Grouping Variable: Type Of Depositor 1						

Table 4.109b: Perceptions on Actual Experience with *Shari'ah* Banking: Test Statistics and Trend Tests - 2

Test Statistics ^{b,c}						
	Being Different	Innovative	Better Return	Being The Best Bank	Flexible	Religious Duty
Chi-Square	12.669	17.572	36.603	25.589	20.613	30.298
df	2	2	2	2	2	2
Asymp. Sig.	.002	.000	.000	.000	.000	.000
Monte Carlo Sig.	.001 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Bound	.000	.000	.000	.000	.000	.000
Sig. Confidence Upper Bound Interval	.002	.000	.000	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 307647058.						
b. Kruskal Wallis Test						
c. Grouping Variable: Type Of Depositor 1						
Jonckheere-Terpstra Test ^b						
Number of Levels in Type Of Depositor 1	3	3	3	3	3	3
N	857	857	857	857	857	857
Std. J-T Statistic	-3.554	-3.979	-5.939	-5.061	-4.535	-5.382
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Bound	.000	.000	.000	.000	.000	.000
Sig. (2-tailed) Confidence Upper Bound Interval	.001	.000	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Bound	.000	.000	.000	.000	.000	.000
Sig. (1-tailed) Confidence Upper Bound Interval	.000	.000	.000	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 307647058.						
b. Grouping Variable: Type Of Depositor 1						

A post hoc test on the two compared groups is conducted and presented in table 4.110a, for which the ‘Conventional Banking Only’ group is used as the control group. The results show that there is no difference between dual banking and sharia banking only customers as compared to those who possess only conventional bank accounts, regarding the feelings they experience after entering one of the Sharia bank’s offices.

Table 4.110a: Perceptions on Actual Experience with *Shari'ah* Banking: Post Hoc Tests - 1

Test Statistics^b Conventional Banking Vs Dual Banking 1					
	Trust	Respect	Integrity/Honour	Solidarity	Social Responsibility
Z	-5.284	-5.198	-5.607	-4.650	-3.894
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
(2-tailed) Upper Bound	.000	.000	.000	.000	.001
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
(1-tailed) Upper Bound	.000	.000	.000	.000	.001
a. Based on 10000 sampled tables with starting seed 263739791.					
b. Grouping Variable: Type Of Depositor 1					
Test Statistics^b Conventional Banking Vs Sharia Banking 1					
Z	-4.072	-4.805	-3.899	-4.746	-4.005
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
(2-tailed) Upper Bound	.000	.000	.001	.000	.001
Monte Carlo Sig. 99% Lower Bound	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
(1-tailed) Upper Bound	.000	.000	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 1216981036.					
b. Grouping Variable: Type Of Depositor 1					

Table 4.110b: Perceptions on Actual Experience with *Shari’ah* Banking: Post Hoc Tests - 2

Test Statistics Conventional Banking Vs Dual Banking 2						
	Being Different	Innovative	Better Return	Being The Best Bank	Flexible	Religious Duty
Z	-2.434	-3.688	-4.955	-3.788	-3.406	-4.439
Asymp. Sig. (2-tailed)	.015	.000	.000	.000	.001	.000
Monte Carlo Sig.	.016 ^a	.000 ^a	.000 ^a	.000 ^a	.001 ^a	.000 ^a
Carlo 99% Lower Sig. Confidence Bound	.012	.000	.000	.000	.000	.000
(2-tailed) Interval Upper Bound	.019	.001	.000	.001	.001	.000
Monte Carlo Sig.	.008 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Sig. Confidence Bound	.005	.000	.000	.000	.000	.000
(1-tailed) Interval Upper Bound	.010	.000	.000	.000	.001	.000
a. Based on 10000 sampled tables with starting seed 263739791.						
b. Grouping Variable: Type Of Depositor 1						
Test Statistics ^b Conventional Banking Vs Sharia Banking 2						
	Being Different	Innovative	Better Return	Being The Best Bank	Flexible	Religious Duty
Z	-3.473	-3.597	-5.510	-4.757	-4.252	-4.734
Asymp. Sig. (2-tailed)	.001	.000	.000	.000	.000	.000
Monte Carlo Sig.	.001 ^a	.001 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Sig. Confidence Bound	.000	.000	.000	.000	.000	.000
(2-tailed) Interval Upper Bound	.001	.001	.000	.000	.000	.000
Monte Carlo Sig.	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a	.000 ^a
Carlo 99% Lower Sig. Confidence Bound	.000	.000	.000	.000	.000	.000
(1-tailed) Interval Upper Bound	.001	.001	.000	.000	.000	.000
a. Based on 10000 sampled tables with starting seed 1216981036.						
b. Grouping Variable: Type Of Depositor 1						

In completing the analysis for this section, the effect sizes results are estimated and presented in tables 4.111a and 4.111b. Based on the results reported in tables, although there is a significant difference between the three groups of depositors, the effect size calculations show that the effect size of the message theme opinion is small for both dual banking and Sharia banking only, compared to conventional banking only. An exception is found for ‘Better Return’ under the ‘Conventional Banking Only - Sharia Only Banking’ group, which has a value of -.30 (medium effect).

Table 4.111a: Perceptions on Actual Experience with *Shari'ah* Banking: Effect Sizes - 1

Effect Sizes 1		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
	Trust	
z	-5.284	-4.072
n	729	334
n^(1/2)	27.000	18.276
ES	-0.20	-0.22
	Respect	
z	-5.198	-4.805
n	729	334
n^(1/2)	27.000	18.276
ES	-0.19	-0.26
	Integrity/Honour	
z	-5.607	-3.899
n	729	334
n^(1/2)	27.000	18.276
ES	-0.21	-0.21
	Solidarity	
z	-4.634	-4.746
n	729	334
n^(1/2)	27.000	18.276
ES	-0.17	-0.26
	Social Responsibility	
z	-3.894	-4.005
n	729	334
n^(1/2)	27.000	18.276
ES	-0.14	-0.22
	Being Different	
z	-2.434	-3.473
n	729	334
n^(1/2)	27.000	18.276
ES	-0.09	-0.19
	Innovative	
z	-3.688	-3.597
n	729	334
n^(1/2)	27.000	18.276
ES	-0.14	-0.20

Table 4.111b: Perceptions on Actual Experience with *Shari'ah* Banking: Effect Sizes - 2

Effect Sizes 2		
	Conventional Banking Only - Dual Banking	Conventional Banking Only - Sharia Only Banking
	Better Return	
z	-4.955	-5.51
n	729	334
n^{^(1/2)}	27.000	18.276
ES	-0.18	-0.30
	Being The Best Bank	
z	-3.788	-4.757
n	729	334
n^{^(1/2)}	27.000	18.276
ES	-0.14	-0.26
	Flexible	
z	-3.406	-4.252
n	729	334
n^{^(1/2)}	27.000	18.276
ES	-0.13	-0.23
	Religious Duty	
z	-4.439	-4.734
n	729	334
n^{^(1/2)}	27.000	18.276
ES	-0.16	-0.26

4.8.2. Assessing The Perceptions On Reality Of The Services And The Characteristics Identified In The Advertisements

In this last part of the chapter and the analysis presented, an attempt is made to discuss if there is a significant difference between the actually perceived *Shari'ah* banking service and the message conveyed by the *Shari'ah* bank advertisements.

An initial normality check is conducted, which is depicted in table 4.112. The results show that non-parametric tests can be employed on the data.

**Table 4.112: Perceptions in Actual Service and Advertisement Contents:
Normality Tests**

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Trust	.485	792	.000	.495	792	.000
Respect	.468	792	.000	.538	792	.000
Integrity/Honour	.462	792	.000	.551	792	.000
Solidarity	.394	792	.000	.662	792	.000
Social Responsibility	.383	792	.000	.678	792	.000
Being Different	.334	792	.000	.739	792	.000
Innovative	.357	792	.000	.715	792	.000
Better Return	.328	792	.000	.743	792	.000
Being The Best Bank	.311	792	.000	.756	792	.000
Flexible	.328	792	.000	.741	792	.000
Religious Duty	.450	792	.000	.577	792	.000
Trust	.507	792	.000	.424	792	.000
Respect	.525	792	.000	.333	792	.000
Integrity/Honour	.507	792	.000	.420	792	.000
Solidarity	.441	792	.000	.594	792	.000
Social Responsibility	.389	792	.000	.673	792	.000
Being Different	.354	792	.000	.721	792	.000
Innovative	.320	792	.000	.752	792	.000
Better Return	.286	792	.000	.775	792	.000
Being The Best Bank	.286	792	.000	.775	792	.000
Flexible	.343	792	.000	.729	792	.000
Religious Duty	.469	792	.000	.534	792	.000
Type Of Depositor 1	.315	792	.000	.777	792	.000
a. Lilliefors Significance Correction						

In addition, the descriptive statistics on table 4.113a, 4.113b and 4.113c show that the calculations involved all of the intended respondents.

**Table 4.113a: Perceptions in Actual Service and Advertisement
Contents: Descriptive Statistics - 1**

Descriptive Statistics Conventional Banking Only					
	N	Mean	Std. Dev	Min	Max
Trust	183	1.43	.759	1	3
Respect	183	1.48	.790	1	3
Integrity/Honour	183	1.57	.842	1	3
Solidarity	183	1.78	.887	1	3
Social Responsibility	183	1.80	.863	1	3
Being Different	183	1.80	.788	1	3
Innovative	183	1.71	.804	1	3
Better Return	183	1.77	.806	1	3
Being The Best Bank	183	1.87	.812	1	3
Flexible	183	1.85	.809	1	3
Religious Duty	183	1.64	.819	1	3
Trust	183	1.44	.745	1	3
Respect	183	1.32	.636	1	3
Integrity/Honour	183	1.45	.761	1	3
Solidarity	183	1.69	.854	1	3
Social Responsibility	183	1.82	.861	1	3
Being Different	183	1.73	.786	1	3
Innovative	183	1.89	.793	1	3
Better Return	183	2.04	.776	1	3
Being The Best Bank	183	2.00	.784	1	3
Flexible	183	1.85	.818	1	3
Religious Duty	183	1.56	.795	1	3

**Table 4.113b: Perceptions in Actual Service and Advertisement
Contents: Descriptive Statistics - 2**

Descriptive Statistics Dual Banking Only					
	N	Mean	Std. Dev	Min	Max
Trust	483	1.29	.651	1	3
Respect	483	1.37	.733	1	3
Integrity/Honour	483	1.39	.747	1	3
Solidarity	483	1.54	.807	1	3
Social Responsibility	483	1.54	.802	1	3
Being Different	483	1.64	.780	1	3
Innovative	483	1.60	.776	1	3
Better Return	483	1.69	.796	1	3
Being The Best Bank	483	1.70	.790	1	3
Flexible	483	1.66	.810	1	3
Religious Duty	483	1.34	.682	1	3
Trust	483	1.18	.538	1	3
Respect	483	1.11	.425	1	3
Integrity/Honour	483	1.16	.489	1	3
Solidarity	483	1.39	.715	1	3
Social Responsibility	483	1.52	.790	1	3
Being Different	483	1.55	.714	1	3
Innovative	483	1.63	.760	1	3
Better Return	483	1.73	.786	1	3
Being The Best Bank	483	1.75	.783	1	3
Flexible	483	1.61	.766	1	3
Religious Duty	483	1.31	.662	1	3

Table 4.113c: Perceptions in Actual Service and Advertisement Contents: Descriptive Statistics - 3

Descriptive Statistics Sharia Banking Only					
	N	Mean	Std. Dev	Min	Max
Trust	126	1.17	.523	1	3
Respect	126	1.30	.684	1	3
Integrity/Honour	126	1.26	.647	1	3
Solidarity	126	1.52	.797	1	3
Social Responsibility	126	1.55	.796	1	3
Being Different	126	1.52	.735	1	3
Innovative	126	1.52	.745	1	3
Better Return	126	1.52	.735	1	3
Being The Best Bank	126	1.63	.807	1	3
Flexible	126	1.66	.812	1	3
Religious Duty	126	1.30	.648	1	3
Trust	126	1.12	.449	1	3
Respect	126	1.02	.199	1	3
Integrity/Honour	126	1.11	.384	1	3
Solidarity	126	1.25	.589	1	3
Social Responsibility	126	1.39	.657	1	3
Being Different	126	1.40	.609	1	3
Innovative	126	1.56	.721	1	3
Better Return	126	1.57	.742	1	3
Being The Best Bank	126	1.58	.773	1	3
Flexible	126	1.47	.734	1	3
Religious Duty	126	1.17	.502	1	3

Based on the Kruskal-Wallis test results displayed in table 4.114a, 4.114b and 4.114c, the following results are significant for conventional banking only depositors: ‘Respect’ (.002) and ‘Integrity/Honour’ (.043). Since the results are based on positive ranks, it can be said that the majority of ranks must be negative. Based on the results, it can be stated that the reality seen in Islamic banks is the same as the one demonstrated in the advertisements.

In addition, based on table 4.114a, one can observe that the following characteristics are also significant for dual banking depositors: ‘Trust’ (.000), ‘Respect’ (.000), ‘Integrity/Honour’ (.000), and ‘Being Different’ (.020). Since the results are based on negative ranks, it can be said that the majority of ranks must be positive. The results,

thus, show that the reality seen in Islamic banks is not the same as the one exhibited in the advertisements⁹².

Furthermore, as the results shown in table 4.114a indicate the following results are significant for Shari'ah banking only depositors: 'Respect' (.000), 'Integrity/Honour' (.007), 'Solidarity' (.000), and 'Social Responsibility' (.014). As before, since the results were based on negative ranks, it can be said that the majority of ranks must be positive. Thus, the reality seen in Islamic banks is not the same as the one exhibited in the advertisement.

⁹²This conclusion seems to contradict with the way Field (2005:539) laid his example. According to the author, this is understandable because the way the coding is constructed. As one could observe from the coding construction, a result based on negative ranks actually means negative and vice versa (within the context of this dissertation).

Table 4.114a: Perceptions in Actual Service and Advertisement Contents: Test Statistics - 1

Test Statistics^{c,d}Conventional Banking							
	Trust	Respect	Integrity/ Honour	Solidarity	Social Responsibility	Being Different	
Z	-.011 ^a	-2.956 ^b	-2.051 ^b	-1.418 ^b	-.510 ^a	-1.201 ^b	
Asymp. Sig. (2-tailed)	.991	.003	.040	.156	.610	.230	
Monte Carlo Sig. 99%	1.000	.003	.044	.158	.639	.240	
Sig. (2-tailed)	Confidence Interval	Lower Bound	.001	.039	.149	.627	.229
		Upper Bound	1.000	.004	.049	.168	.652
Monte Carlo Sig. 99%	.501	.001	.021	.080	.319	.119	
Sig. (1-tailed)	Confidence Interval	Lower Bound	.488	.000	.017	.307	.110
		Upper Bound	.513	.002	.024	.087	.331
a. Based on negative ranks. b. Based on positive ranks. c. Wilcoxon Signed Ranks Test d. Based on 10000 sampled tables with starting seed 1457542761.							
Test Statistics^{c,d}Dual Banking							
Z	-3.692 ^a	-7.656 ^a	-7.291 ^a	-4.150 ^a	-.788 ^a	-2.361 ^a	
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.430	.018	
Monte Carlo Sig. 99%	.000	.000	.000	.000	.441	.019	
Sig. (2-tailed)	Confidence Interval	Lower Bound	.000	.000	.000	.428	.015
		Upper Bound	.000	.000	.000	.453	.022
Monte Carlo Sig. 99%	.000	.000	.000	.000	.219	.009	
Sig. (1-tailed)	Confidence Interval	Lower Bound	.000	.000	.000	.208	.006
		Upper Bound	.000	.000	.000	.229	.011
a. Based on positive ranks. b. Based on negative ranks. c. Wilcoxon Signed Ranks Test d. Based on 10000 sampled tables with starting seed 1071712955.							
Test Statistics^{c,d}Sharia Banking							
Z	-1.066 ^a	-4.179 ^a	-2.694 ^a	-3.839 ^a	-2.517 ^a	-1.860 ^a	
Asymp. Sig. (2-tailed)	.286	.000	.007	.000	.012	.063	
Monte Carlo Sig. 99%	.348	.000	.007	.000	.012	.077	
Sig. (2-tailed)	Confidence Interval	Lower Bound	.336	.000	.005	.009	.070
		Upper Bound	.361	.000	.009	.000	.014
Monte Carlo Sig. 99%	.171	.000	.004	.000	.005	.038	
Sig. (1-tailed)	Confidence Interval	Lower Bound	.161	.000	.002	.003	.033
		Upper Bound	.181	.000	.005	.000	.007
a. Based on positive ranks. b. Based on negative ranks. c. Wilcoxon Signed Ranks Test d. Based on 10000 sampled tables with starting seed 774573638.							

Table 4.114b: Perceptions in Actual Service and Advertisement Contents: Test Statistics - 2

Test Statistics^{c,d} Conventional Banking						
	Innovative	Better Return	Being The Best Bank	Flexible	Religious Duty	
Z	-2.941 ^a	-4.294 ^a	-2.074 ^a	-.147 ^b	-1.630 ^b	
Asymp. Sig. (2-tailed)	.003	.000	.038	.883	.103	
Monte Carlo Sig. (2-tailed)	.003	.000	.040	.908	.100	
99% Confidence Interval						
Lower Bound	.001	.000	.035	.901	.092	
Upper Bound	.004	.000	.045	.916	.108	
Monte Carlo Sig. (1-tailed)	.002	.000	.021	.447	.052	
99% Confidence Interval						
Lower Bound	.001	.000	.018	.435	.046	
Upper Bound	.003	.000	.025	.460	.058	
a. Based on negative ranks. b. Based on positive ranks. c. Wilcoxon Signed Ranks Test d. Based on 10000 sampled tables with starting seed 1457542761.						
Test Statistics^{c,d} Dual Banking						
Z	-1.056 ^b	-1.119 ^b	-1.367 ^b	-1.687 ^a	-.863 ^a	
Asymp. Sig. (2-tailed)	.291	.263	.172	.092	.388	
Monte Carlo Sig. (2-tailed)	.308	.277	.176	.095	.395	
99% Confidence Interval						
Lower Bound	.297	.265	.166	.087	.383	
Upper Bound	.320	.288	.186	.102	.408	
Monte Carlo Sig. (1-tailed)	.152	.142	.088	.049	.198	
99% Confidence Interval						
Lower Bound	.142	.133	.081	.044	.188	
Upper Bound	.161	.151	.095	.055	.209	
a. Based on positive ranks. b. Based on negative ranks. c. Wilcoxon Signed Ranks Test d. Based on 10000 sampled tables with starting seed 1071712955.						
Test Statistics^{c,d} Sharia Banking						
Z	-.546 ^b	-.802 ^b	-.887 ^a	-2.853 ^a	-1.935 ^a	
Asymp. Sig. (2-tailed)	.585	.423	.375	.004	.053	
Monte Carlo Sig. (2-tailed)	.608	.446	.403	.005	.061	
99% Confidence Interval						
Lower Bound	.596	.433	.390	.003	.055	
Upper Bound	.621	.459	.415	.007	.067	
Monte Carlo Sig. (1-tailed)	.301	.222	.200	.002	.031	
99% Confidence Interval						
Lower Bound	.289	.211	.189	.001	.027	
Upper Bound	.312	.233	.210	.003	.035	
a. Based on positive ranks. b. Based on negative ranks. c. Wilcoxon Signed Ranks Test d. Based on 10000 sampled tables with starting seed 774573638.						

Based on the further results displayed in table 4.114b, one can observe that all of the following results are significant for dual banking depositors: 'Innovative' (.003), 'Better Return' (.000), and 'Being The Best Bank' (.041). As before, the results are based on negative ranks, it can be said that the majority of ranks must be positive. Thus, the results show that the reality seen in Islamic banks is not the same as the one exhibited in the advertisement.

It should be noted that none of the statements are significant for dual banking depositors, as can be seen in the test results.

As the results in table 4.114b show that only the characteristics 'Flexible' (.005) is significant for Shari'ah banking only depositors. Since the result was based on a negative rank, it can be said that the majority of ranks must be positive. It can, thus, be stated that the reality seen in Islamic bank is not the same as the one exhibited in the advertisement.

As regards to the effect size, the findings are depicted in table 4.115. Accordingly, for 'conventional banking only', it appears that effect sizes across all message themes are very small. Therefore, it can be argued that the change in perception for the conventional banking only group is very small. For 'dual banking' respondents, similar results are found, although with very few exceptions for 'Respect' and 'Integrity/Honour'. For 'conventional banking' only respondents, except for 'Respect' and 'Solidarity', a fairly similar result is also present.

**Table 4.115: Perceptions in Actual Service and Advertisement Contents:
Effect Sizes**

Trust			
	Conventional Banking Only	Dual Banking	Sharia Banking Only
z	-0.11	-3.692	-1.066
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.01	-0.12	-0.07
Respect			
z	-2.956	-7.656	-4.179
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.15	-0.25	-0.26
Integrity/Honour			
z	-2.051	-7.291	-2.694
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.11	-0.23	-0.17
Solidarity			
z	-1.418	-4.15	-3.839
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.07	-0.13	-0.24
Social Responsibility			
z	-0.51	-0.788	-2.517
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.03	-0.03	-0.16
Being Different			
z	-1.201	-2.361	-1.86
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.06	-0.08	-0.12
Innovative			
z	-2.941	-1.056	-0.546
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.15	-0.03	-0.03
Better Return			
z	-4.294	-1.119	-0.802
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.22	-0.04	-0.05
Being The Best Bank			
z	-2.074	-1.367	-0.887
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.11	-0.04	-0.06
Flexible			
z	-0.147	-1.687	-2.853
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.01	-0.05	-0.18
Religious Duty			
z	-1.63	-0.863	-1.935
n	366	966	252
n^(1/2)	19.131	31.081	15.875
ES	-0.09	-0.03	-0.12

4.9. CONCLUSIONS

Having presented the results from the questionnaire, the following general conclusions can be developed: First, based on the results, the majority of respondents were those who held both conventional and *Shari'ah* bank accounts. The results, in addition, show that of those who held *Shari'ah* bank accounts, the majority of them chose to have local *Shari'ah* banks.

On the issue of general Islamic banking knowledge, the results show that a majority of respondents were familiar with the terms. However, the results also show that a few uncommon terms were still unfamiliar to the respondents. It should be noted, in general, that respondents also showed positive opinions and attitudes towards *Shari'ah* banks.

Several marketing aspects also yielded interesting results. For instance, on the issue of the 'iB' logo, the majority of respondents knew the logo. Furthermore, on the issue of both the return and borrowing costs of several banking products, the majority of respondents had no idea on all banking products. Moreover, on the issue of acceptability of advertisements in Islam, most respondents showed positive answers. However, on the perception of the advertisement of *Shari'ah* banking products in Indonesia, the majority of respondents chose a neutral standpoint. Subsequently, on the references given by *Shari'ah* bank commercials, respondents opted for 'Yes' to all of the statements. Lastly, on the issue of the feeling after going to a *Shari'ah* bank, most respondents also opted for 'Yes' to all of the statements.

Moreover, this chapter also presents the statistical analysis and certain discussion in order to respond all the research questions identified in the beginning of the study. In general, it should be noted that the data utilized in this research are not normally distributed in nature. Therefore, most of the statistical analyses conducted in this part are non-parametric in nature. Furthermore, apart from conducting non-parametric tests, other additional tests are also utilised. These are the Jonckheere-Terpstra, Post-Hoc, and Effect Size tests.

Throughout this chapter, this dissertation exhibits several empirical findings. Some of them include the following: The demographic structure of 3 banking groups, the

significantly different factors that make respondents tend to choose *Shari'ah* banks, the factors that make respondents tend to choose local *Shari'ah* banks, the level of understanding on *Shari'ah* terms, and many more.

In general, the statistical analyses performed are in accordance with the statistical assumptions for those analyses. Therefore, that being said, it is hoped that the results are useful for a decision making process.

CHAPTER 5

ANALYSING THE PERCEPTIONS OF THE SUPPLY SIDE ON *SHARI'AH* BANKING ISSUES IN INDONESIA: INTERVIEW ANALYSIS

5.1. INTRODUCTION

The previous two chapters presented the analyses from the questionnaire survey. In addition to such quantitative data analysis, as identified in Research methodology chapter, this research benefits from qualitative data analysis in the form of interviews, which were conducted with the Bank Indonesia (the Indonesian Central Bank) and the members of two other Indonesian Shari'ah banks, namely Bank Muamalat and Bank Syariah Mandiri⁹³.

Table 5.1 below displays some brief information on the interviewees. In total, there were 11 questions prepared for interviewing the Indonesian Central Bank and 16 questions for the Shari'ah banks; and as mentioned in the Research Methodology chapter, interview schedule is available in the Appendix section. The questions for both the Central Bank and Shari'ah banks were all marketing related and covered recent marketing issues appearing in the Indonesian Islamic banking industry.

Before delving further into the analysis, the analyses in this chapter were conducted in accordance with the themes in Islamic marketing. Therefore, in the analysis no differentiation is made between the analyses for the Central Bank and those for the Shari'ah Banks.

It should also be noted that the interview data analysed through thematic and textual analysis. Due to having only a small sample, coding analysis could not be utilised.

⁹³Interview answers from Bank Syariah Mandiri were given in writings.

Table 5.1: List Of Interviewees

Interviewees	Organization	Organization Type
Employee X	Bank Indonesia	Central Bank
Employee Y	Bank Syariah Mandiri	Islamic Commercial Bank
Employee Z	Bank Muamalat	Islamic Commercial Bank

5.2. THE IMPACT OF MACRO FACTORS IN THE DEVELOPMENT OF INDONESIAN *SHARI'AH* BANKING

The first question in the interviews with the Central Bank and *Shari'ah* bank representative involved the impact of macro environment on the development of *Shari'ah* banking in Indonesia.

The answer from Bank Indonesia depicted tremendous growth within the Indonesian Islamic banking industry, as evidenced in the following statement:

... I think the development in the past 5 years in Indonesia has been 38 percent on average. (...) ⁹⁴ Even, in 2010 the growth was 47% and in 2011 it was 48 [or about] 49%.

The information provided by him was also confirmed by the latest figures in the *Annual Shari'ah Banking Development Report 2011* (Indonesian Central Bank 2012: i), which stated that the growth in 2011 was 48.6%, compared to 47.56% in the previous period. Therefore, judging from the figures, it could be argued that the Indonesian Islamic banking industry has been registering a stable but high growth despite the global economic recession. However, considering the potential for *Shari'ah* banking in the country, there is still huge room for growth in the future, as the role of *Shari'ah* banking is only 3% currently in Indonesia. *The Shari'ah Banking Development Report 2011* (Indonesian Central Bank, 2012: 128) shows that there are only 8,187,428 depositor accounts in the whole industry. Assuming each account represents one person and no depositor has accounts in multiple *Shari'ah* banks, it can be argued that room for development is still wide open in particular in the face of Indonesia's extensively large Muslim population.

⁹⁴The bracket signifies a short pause from the interviewee.

As regards to the asset growth, Bank Syariah Mandiri explained that the increase of assets in Shari'ah banks was higher than that of conventional banks in Indonesia and that the industry had increased in market share. As the following statements indicate:

The average asset growth of *Shari'ah* banks is higher than that of conventional banks, which is equal to 10.92% p.a. (CAGR). The significant asset growth of *Shari'ah* banks makes the *market share* (asset wise) of *Shari'ah* banks to the national banking industry increase from 0.17% in 2000 to 3.59% in August 2011.

When asked on whether the growth of the Indonesian Islamic banking industry also surpassed that of Malaysia's, the spokesperson from Bank Indonesia stated that the growth of the Islamic banking industry in Indonesia might even be the highest in the world. Details of the statement are as follows:

Yes, even Malaysia. Therefore, when it comes to foreign countries, I think the growth of (Indonesian) *Shari'ah* banking is rather high, perhaps the highest if I may say. Because, if we look at the average growth of the world's *Shari'ah* banks, it is only around 15 to 20 percent. This is as far as I understand.

Despite such positive developments, the growth of the Indonesian Islamic banking industry is not without any challenges. Bank Muamalat stated that the development of the industry in Indonesia was mostly self-driven. Although the Central Bank had done their best to help, there were no incentives provided by the Central Bank or other government agencies such as in Malaysia.

Other obstacles in the industry were also mentioned by the Central Bank: the lack of comprehension on the operation of the bank, the lack of human resources, and rather slow product innovation. Regarding the first issue, the Central Bank used to conduct surveys on people's awareness of Shari'ah banks, which demonstrated that respondents were eager to use Shari'ah banks but they did not understand how the banks worked. Based on that experience, the Central Bank then began to start a socialization programme. This programme was conducted with various institutions. However, people were aware of the presence of Shari'ah banks in general.

Furthermore, on human resources, Bank Indonesia also emphasised the scarcity of human resources in the industry in Indonesia. Therefore, as he stated, while his team conducted

numerous training courses to deal with that matter, nevertheless, as he has stated, the amount of human resources available is still insufficient.

On the issue of product innovation, Bank Indonesia also stated several reasons that make product innovation process rather slow. As to the reasons: firstly, the amount of human resources available is rather limited. Secondly, incentives from the Central Bank are rather limited. To tackle this issue, the Central Bank has begun an initiative to form a working group in order to speed up the process of product innovation. Apparently, this initiative resulted from the realization that there were often disagreements between several stakeholders, such as Indonesian Council of Ulema, Central Bank, and the association of Indonesian accountant. For instance, upon an agreement from both the Indonesian Council of Ulema and the Central Bank, a disagreement was voiced by the association of Indonesian accountants. By uniting these institutions under a working group, disputes could be solved.

When asked on whether Islamizing the entire banking sector would help eliminate poverty and solve economic problems, the spokesperson from Bank Indonesia replied that it was theoretically feasible. However, Bank Indonesia also stated that practice was still inconsistent with theory. Hence, Bank Indonesia added that the practices of the industry must be to acquire both profit and to enhance values. Furthermore, Shari'ah legalistic form was more important than Shari'ah economic substance referring to the ongoing debate on the issue. Furthermore, it was Islamic economic substance which should be on top of the Shari'ah legalistic form. With that, an issue like poverty eradication could be considered as a policy matter.

5.3. PERCEPTIONS ON SERVICE MIX

The interviews contained several answers, which have relationships with the elements of service mix, which are discussed in the following session.

5.3.1. Perceptions on Product and Branding

The interview with Bank Indonesia also highlights the various reasons as to why product innovation in the Indonesian Islamic banking industry seemed to be slow. According to Bank Indonesia, firstly, there was an intellectual unwillingness to develop new products. Instead, Shari'ah bankers kept mimicking already available conventional banking products. Secondly, as mentioned before, there was often disagreement among 3 institutions: Indonesian Council of Ulema, Central Bank, and the association of Indonesian accountant. Thirdly, as many banks could just adopt the same new product, the cost of developing it would not recur. Therefore, Bank Indonesia stated that the institution was thinking about giving incentives by allowing particular banks to enjoy their products for 1 or 2 years. Furthermore, the Central Bank could also give a plus on their financial health on the report.

Another issue was on the 'iB' logo. Regarding the logo, the interviewees were asked for the significance of having a particular logo when people could certainly differentiate between conventional and Syariah banks simply from the word of 'Syariah' after the bank's name. Concerning this matter, Bank Indonesia replied that the purpose of that logo is to show that the banks had a Shari'ah service. Furthermore, the "" logo followed today's trends such as that of the 'iPod', 'iPad', and so on. Therefore, the presence of "" could maintain the unique status of the Shari'ah banking industry.

Bank Muamalat further added the significance of the logo as the following:

This is only about brand awareness. Thus, once people are aware that something called "*Shari'ah*" and the *Shari'ah* logo exist, they could just go (to the bank) without any explanation of the concept of *Aqad*, as it is not very easy to explain, especially with advertisements.

Based on the above information, it can be argued that further education is still needed from the Central Bank in order to inform customers or potential customers about the logo. As the researcher himself has experienced, the choice of any particular bank whether it is Shari'ah or not is based solely upon the appearance of the word 'Syariah' after the bank's name.

Aside from logo issue, inquiries were made with the interviewees on the branding strategy of each commercial bank. The reply from Bank Syariah Mandiri was that Bank Syariah Mandiri highly praised universal values. On the other hand, Bank Muamalat would like to package their products in a way that could be communicated to the public. Therefore, Bank Muamalat did not issue Credit Cards as Bank Muamalat on the ground that it would enhance the consumption culture, which is aimed to be avoided by the Islamic moral economy.

It should be noted that slightly different strategies between the two banks in terms of branding is observed. As Bank Syariah Mandiri aims to be seen as an Islamic bank, which offers universal values, and therefore the bank aims to be seen as a 'bank for all', despite its Shari'ah tag. On the other hand, Bank Muamalat is very specific in not providing credit card products. From the point of view of Islamic marketing, in support of the Bank Muamalat it can be argued that it is indeed possible to control consumer behaviour instead of leaving customers to make their own choice.

Increasing their brand awareness among the non Muslim community in Indonesia is also discussed with the interviewees. The data analysis shows that Bank Syariah Mandiri has tried its best to held several activities, which are best described by the following reply:

... do a lot of branding activities such as continuous gathering, and are involved in social and community activities which are held by the community. At that time, socialization and discussion concerning *Shari'ah* banks is conducted.

When asked the same question, Bank Muamalat representative stated that it concentrates on bringing fairness and benefits to the customers. Such a statement is summarized below:

...the most important thing for them, at the end, is not whether it Islamic bank or not (but) fair enough to them and bring enough benefit to them. That's all. That is only the problem. So, in terms of how to attract them, we position ourselves as their problem solver.

However, at the same time, as voiced by the Bank Muamalat representative, the bank also shared the universal Shari'ah values implying that customers should be given the best benefit and service.

5.3.2. Perceptions on Price and Pricing

In this section, the analysis of the responses given to several questions related to pricing is discussed. When asked about the contributing factors towards the expensive nature of Islamic financing, Bank Indonesia stated that it was a problem of comprehension.

Bank Indonesia made an anecdote of a man who misjudged a Shari'ah bank when he attended an expo:

...“Apparently Sir, after the explanation given by the *Shari'ah* bank officer, the expensive pricing turned out to be only at a glance. After being informed by the *Shari'ah* bank officer, it was right. The officer said the following: If you are being given a margin of, lets say, 15 percent, that is for 10 years or even 15 years and thus makes the instalment flat for 15 years. Nothing will change, whatever happens,” He said.

Apart from the above exposition, economic and communication reasons also contribute to the perception that Islamic financing is expensive in nature. Such reasons are best described by the representative of Bank Syariah Mandiri as follows:

This matter can be understood. This is because the market share of *Shari'ah* banks is still small. Therefore, the economy of scale for several *Shari'ah* banks is relatively unattained. Nevertheless, this can be anticipated by helping the public understand that *Shari'ah* banking products are different to those of conventional banks and in fact give an added value. For example, depositors will get the same price within the period of the Murabaha contract in order to comfort them in calculating the ability to repay. In another case, under the concept of profit sharing, depositors are not repaying the bank in fixed amount as the revenue fluctuates.

A similar reply was also given by the representative of Bank Muamalat stated that a comparison should be made equally (apple to apple):

Yes, but compare to what...

To conventional bank peers, (*Shari'ah* banks) are very competitive. These are under the same business, right. There are banks which focus on micro. If we compare (*Shari'ah* banks) with some banks which focus on micro such BTPN and BRI⁹⁵, the pricing of *Shari'ah* banks is cheaper, Sir. Far more cheaper.

⁹⁵BTPN and BRI are 2 Indonesian conventional banks.

Moreover, when asked about the strategies of Shari'ah banks' on the way they convinced their depositors that the relatively high financing rate justifies the certainty and the insurance of their good night sleep, the representative of Bank Syariah Mandiri's reply was the following:

Every bank has its respective strategies for keeping the price competitive with other banks. Price sensitivity only happens to customers with big deposits. In general, we communicate the benefit of using a *Shari'ah* scheme, including any sweeteners, transparently and in detail during the time of the negotiation. We also state it clearly on the offer letter as well as on the financing *Aqad*.

On the same question, the response from the representative of Bank Muamalat was the following:

...actually, regarding expensive pricing, that is relative. Relative primarily means that it is to whom it is compared to. I think it might be different if we compared it with our peers. The second thing on this matter is that, to our customers, we educate them on the fact that this is what we are selling. Ok, this is a little bit stiff but we will ensure that future cashflow is under control in terms of what is going out. Which one do you choose? Furthermore, they also learn from multiple instances of economic turbulence.

Based on the above information, good promotion and thorough consumer education are key in making consumers understand the benefit of financing through Islamic banks.

On the question concerning the effect of regulation in contributing to the (un)attractive pricing of the Indonesian Islamic banking industry, Bank Syariah Mandiri stated that:

The banking regulations are not the cause of pricing unattractiveness in *Shari'ah* banks. On the contrary, the regulator, in this respect, the 'Direktorat Perbankan Syariah BI'⁹⁶, has enacted very supportive regulations to support the development of *Shari'ah* (banking) in Indonesia. Our view is that the pricing strategy only reflects the condition and the direction of the policy within the particular Islamic banks themselves.

⁹⁶This is translated as the 'Directorate Of Islamic Banking'. 'BI' stands for 'Bank Indonesia' or the 'Indonesian Central Bank' in English.

On the same question, Bank Muamalat's reply was the following:

The way I see it, the spirit that our regulator, Bank Indonesia, was more towards market-driven (growth). This means that they did not go into pricing (regulations). No. They regulated more on the implementation of *Shari'ah*. Therefore, *Shari'ah* banks themselves managed the marketing, pricing, and so on. Thus, that's more to do with the market and depends on what is going on in the market.

Based on the above replies, it can be said that pricing is solely within the domain of each and every bank. It seems that, based on the information provided, Central Banks do not really police the pricing but rather the implementation of *Shari'ah* law.

5.3.3. Perceptions on Promoting *Shari'ah* Banking

Moving on, several questions also cover the issue of promotion. When asking the Central Bank regarding the barriers of communicating the concept of *Riba* in Indonesia, Bank Indonesia's reply was the following:

This particular issue needs (a different) approach as one should no longer say that, based on this or that verse, a thing should be considered *Haram*. It can no longer be like that. We must be able to explain the reasons behind why *Maisir*, *Riba*, and *Gharar* are not allowed in Islam. Furthermore, we must be able to discuss it scientifically. Scientific in quotation marks. To academicians, scientific means something different. Scientific is also different to market players. To ordinary people, scientific means something different as well. Therefore, we really need to explain that it will be more beneficial to avoid *Riba* than accepting it. Such a message must be instilled by workers in *Shari'ah* banks when they target anyone whom they would like to communicate. This could be businessmen, ordinary people, or even street vendors.

Again, based on the above information, educating the public is arguably important and one should tone one's voice in accordance with the audience so that the message concerning *riba* can be communicated across well.

As regards to the noise or barriers in communication that prevent the message from being delivered to the customers, the representative of Bank Syariah Mandiri puts it thusly:

The main challenge is how to persuade the customers, in general, that *Shari'ah* banks manage to be in accordance with the *Shari'ah* and yet very much appreciate universality. Universality encapsulates the values of being good and true that everyone can accept. For instance, honesty, open-ness, justice, together-ness, and modernity. We communicate modernity through a banking service which is able

to meet today's demand from the depositors, by paying attention to the following aspects: *Shari'ah* conformity, ease, security, and speed. Such modernity is a distinctive challenge that must be met by the *Shari'ah* bank.

On the same question, the representative Bank Muamalat's reply was the following:

There is a uniqueness in this *Shari'ah* banking (industry) which cannot be communicated in such an ordinary way as advertisement.

There are differences which need to be explained directly. This, in turn, relates to the amount of outlets. In direct communication, it must be one on one like this in order to be effective. Previous campaigns done through the media showed that it was not as easy to change paradigms. It takes time. The development of our outlets, of which there are already thousands nationally.

Based on the information provided by the two *Shari'ah* commercial banks, one can see that the first problem lies in the ability to persuade people that *Shari'ah* banks are not only for Muslims. This, according to the representative of the Bank Syariah Mandiri, prevents the message from travelling across. On the other hand, the representative of Bank Muamalat added that the uniqueness of the *Shari'ah* bank makes communication rather challenging, as certain communication channels might be suited for certain aspects of communication.

Regarding the barrier(s) in communicating Islamic banking products in Indonesia, the representative of the Bank Syariah Mandiri argued that:

The barrier(s) of communication for *Shari'ah* banks is the ability of *Shari'ah* bank to communicate to the public that a *Shari'ah* banking product and its service is modern. *Shari'ah* banks must provide complete and diverse products and services and must always be up to date with the customers' needs. Product diversity alone is not adequate without the support of easy access and use.

On the other hand, the representative of Bank Muamalat's response was the following:

The challenge in communication is still about budget.

In contrasting the replies between the two banks, it can be seen that Bank Syariah Mandiri's representative focused on maintaining the image of *Shari'ah* banking products as modern and therefore deserves to be considered by the public. On the other hand, the representative of Bank Muamalat focused its answer on the budget issue. It can therefore

be argued that perhaps Bank Syariah Mandiri does not concern itself primarily with budget as they can use their parent company's channel (Bank Mandiri) to communicate their products, which may not be enjoyed by Bank Muamalat.

On the communication strategy in relation to banks getting new depositors and keeping existing ones, the representative of Bank Syariah Mandiri replied with the following:

The communication strategy to retain new and keep current customers is done by implementing the market segment and by ensuring the needs of the target customers accurately. Moreover, we employ combined strategies which are right and efficient brand activities, and the strategy of a recruiter and anchor product through developing a variety of them as well as the right program and business model for each segment.

As for Bank Muamalat, the following response given by their representative:

Well, as I've said before, we open new outlets for direct communication with the new customers. That is the painful part as there is the cost of acquisition. Also, apart from that, for the older customers, we have to serve them. There is no other way. So people are lazy to move (to other bank) unless something absolutely exceptional happens. Therefore we ensure that they are not dissatisfied. How do we do that? Good service, that's all. Therefore, in Bank Muamalat, we make service as our national programme. When the service is good, the people's share of wallet might be bigger with us. If we have their second account, perhaps if we serve them well, then they could increase their share of wallet from 10 percent to, let's say, 70 percent and so on.

In summary, according to the given responses, customers could be retained by simply serving the needs of the target market, effective branding activities, as well as developing a variety of products. As for Bank Muamalat, it seems that its strategy was more towards a good service and making it the national program. It should be, thus, argued that whatever strategy is taken in retaining new customers and keeping old ones, Shari'ah banks should also ensure themselves that such strategies are in accordance with Islamic teachings.

5.4. PERCEPTIONS ON THE NATURE OF *SHARI'AH* BANKING

Another aspect discussed in the interviews relates to the nature of Shari'ah banking. One of the questions was raised as to whether or not Islamic banks are not yet in accordance with Islamic teachings and whether Islamic banking was actually capitalism in disguise. On the first issue, Bank Indonesia agreed that Shari'ah banks were not yet fully in accordance to Shari'ah adding that making sure of such an outcome seems to be the task for the next generation. Bank Indonesia also stated that the process of having an ideal Shari'ah bank was not an easy task, as such a task is further complicated by the fact that Shari'ah banks operates within a conventional environment.

Furthermore, Bank Indonesia was asked if the mentioned issues were impossible to do. Bank Indonesia responded that, in general, it was not possible to fix all things at once. In explaining the argument, the creation of the world was used as a metaphor, whereby Allah (SWT) even created this world in stages. Therefore, the development of Shari'ah banking in Indonesia should also happen in stages by referring to the evolving process rather than radical strategy. However, one should know the direction of where 100 percent Shari'ah is. Bank Indonesia also called upon the younger generation to continue the effort in furthering the developments of Shari'ah banking in Indonesia. Even if Shari'ah banking today was not at 100 percent Shari'ah, one should not stop reminding others by pointing out where the direction of 100 percent Shari'ah was. By insisting that the struggle towards an ideal Shari'ah bank should evolve from one generation to the next, Bank Indonesia also hinted that it would take time as changing paradigms is not an easy task.

On the second issue concerning disguised capitalism, Bank Indonesia also expressed a disagreement, saying that there was no proof of that. Bank Indonesia also added that Shari'ah bankers could simply finance unlawful activities if Shari'ah banking practices were a disguised capitalism. Bank Indonesia stated that Shari'ah bankers could never cross the line as they still held Shari'ah values.

5.5. PERCEPTIONS ON MOTIVATION FOR SELECTING SHARI'AH BANK AND CUSTOMER BEHAVIOUR

In the next interview question, the interviewees were requested to express their opinions on the motivation for individuals to patron Islamic banks and whether religious factors are the only element in selecting Islamic banking. In replying to the question, Bank Indonesia outlined several factors which could attract customers to Shari'ah banks. These factors are best summarized below:

[In referring to their survey] So, it was not about Shari'ah banks' products, but rather excellent service was the main factor. *Halal* or *Haram* came as the 6th or 7th, if I remember correctly.

It had excellent service and so on. Thus, actually on the survey which was conducted, people do not opt for *Shari'ah* banks due to religious reasons. Even, when we asked someone who already owned a *Shari'ah* bank, "In the future, will you still become a *Shari'ah* bank depositor?". The answer was a shocking, "No, I will quit becoming a *Shari'ah* bank depositor". Why? We asked. "Because I've learnt my lesson". Why is that? "Because its excellent service was bad. I was disappointed". Why? "I came to the bank at 12 pm and nobody was there. Everyone was performing the Zuhur prayer", the person said. "Does it have to be like that?" the person asked. "I was disappointed".

Excellent service, competitiveness, and, more importantly, caring.

Well, caring is actually the most competitive part of Islamic banking as well, is it not?

Starting when one goes into the building, the door will be opened (for them), greetings will be spoken, they will be asked to sit down, and asked "What would you have for a drink, Sir?" (...) that's it. Those things have already touched the hearts of our customers.

However, Bank Indonesia also admitted that not all Shari'ah banks can achieve such a customer relations:

There are also *Shari'ah* banks which do not care about their customers when the customers visit. People come but are not served --they were not paid attention to.

Another question was asked to Shari'ah commercial banks, regarding the reason(s) for customers being a dual banking depositors as well as the reason(s) for choosing a conventional or Shari'ah bank. Bank Syariah Mandiri pinpointed several factors that explained this, as follow:

This matter can be understood as the banking service needs demanded by the consumers cannot all be fulfilled by the *Shari'ah* bank. This does not stem from the incompleteness of a *Shari'ah* bank, but rather from the readiness of the *Shari'ah* bank to develop modern and sophisticated products. The lack of human resources and technologies hinders this, among other things.

As for Bank Muamalat, the majority of depositors possessed both conventional and Shari'ah accounts. Furthermore, consumers had already developed commitments and customs in their conventional banks. In addition, at the same time Shari'ah banks were still not able to meet some of the demands from depositors and the expected sophisticated offerings.

When asked if religion was the sole factor in motivating individuals to patron Islamic banks and whether there were any roles for financial incentives, Bank Syariah Mandiri stated the following:

According to our internal investigation, one of the main reasons customers become our depositors is because of religious motivation. Certainly other factors play a part as well, such as service, the spread of ATMs, and the availability of products.

On the same question, Bank Muamalat had the following reply:

No. (...) most of our customers, there are those who, (...), especially those who make it a spiritual need. There are also non-muslims with pretty much the same reason, but they mostly see it as a bank which is more fair. In some countries, Islamic banks are not called 'Islamic Banks'. More ethical, more fair. They like that, and the tendency of people today who are more open is that ethics and fairness are things they cherish.

This implies that Shari'ah compliancy is not necessarily prioritised by Indonesian deposit holders, for which, among others, this study also provides empirical evidence. As this study found, in choosing local or foreign Shari'ah banks, the quality of *Aqad* is not a major concern for the bank customers, as identified by in the earlier chapters.

As regards to the issue of how Shari'ah banks ensure that the given financing is not utilized in a way which is forbidden by Islamic teachings. Bank Syariah Mandiri stated that his bank conducted a family-like relationship, as well as the employment of several tools to measure and monitor financing.

The representative of Bank Muamalat did not deny the probability of this from happening. However, Bank Muamalat had already put some preventative measures in place to deal with that matter. When asked about the measurement if the breach exists, Bank Muamalat's reply was that it would terminate the contract upon the breach.

The interviewees were also asked to express their opinions on the reasons as to why Indonesian customers do not consider 'riba' as a big sin. The reply from the representative of the Bank Syariah Mandiri was the following:

According to our opinion, people must have a solid reason to have an account in both conventional and *Shari'ah* banks. One can understand that a solid reason exists when the needed banking service is not available in a *Shari'ah* bank while it is needed for business purposes (emergency). On the other hand, we see that such a situation should make *Shari'ah* bankers feel 'guilty' and challenged as they have not been able to offer the needed banking service to the customers, and that results in customers heading towards conventional banks.

On the same issue, the representative of Bank Muamalat's answer was the following:

Perhaps this could be traced back to their (level of) comprehension, first of all. Perhaps it is also about socialization. They are similar. In the past, if we could talk about the past, and perhaps you could check the validity of that, in the past some Ulemas said that some things were Riba and some were not and that was understood by the public.

However, perhaps now (the opinion amongst religious scholars) is more uniform. Islamic organizations also say the same thing (that Interest is *Haram*). This is the same thing if we want to compare it with the fatwa regarding cigarettes. Now, the *fatwa* said it is *Haram*; there is such a *fatwa*. Yet, not everyone quits smoking because, for them, it is not *Haram*. They question the part (of smoking) which is *Haram*.

Based on the above statement, it can be argued that a lack of education and most importantly awareness on the prohibition of interest rates is not fully realized. Having the Shari'ah scholars not being unanimous on the status of interest causes great concern as

well. Such a condition is also explained by Central Bank, stating that people would refer to the Ulema and see that even the Ulemas were not in agreement on the matter.

5.6. PERCEPTIONS AND OPINIONS ON MARKETING STRATEGY

Interviews also included questions regarding marketing strategies. On the question regarding the marketing strategies of Islamic banks in Indonesia and whether banks mainly focused on religious reasoning or also the financial reasoning, the representative of the Central Bank's reply was that the reasons tended to be more financial than religious, who also added that religiosity was not the first answer that respondents chose when the Central Bank asked them about their reasons for choosing a Shari'ah bank. This implies that respondents tended to give answers related to service excellence.

Furthermore, when asked about the main features of the marketing strategy of Islamic banking and financing product, the representative of Bank Syariah Mandiri replied that their strategic aspects were Shari'ah conformity, ease, security, and speed. On the same question, Bank Muamalat replied that their uniqueness were both differentiation and their unique communication to the customers.

Again, based on the given statements above, it can be argued that religion is no longer the reason for why people deposit their money in Shari'ah banks. However, by looking at the problem closely, all the problems require solutions in accordance with the Shari'ah. With that, regarding service excellence, Shari'ah banks should answer this by giving Islamic service excellence rather than conventional service excellence. It should be noted that, one element of Islamic service excellence can be depicted by the following verse from the Qur'an (5:2):

O you who believe! Violate not the sanctity of the Symbols of Allah, nor of the Sacred Month, nor of the animals brought for sacrifice, nor the garlanded people or animals, and others nor the people coming to the Sacred House (Makkah), seeking the bounty and good pleasure of their lord. But when you finish the *Ihram* (of *Hajj* or '*Umrah*'), you may hunt, and let not the hatred of some people in (once) stopping you from *Al-Masjid-Al-Haram* (At Makkah) lead you to transgression (and hostility on your part). Help you one another in *Al-Birr* and *At-Taqwa* (virtue, righteousness and piety); but do not help one another in sin and transgression. And fear Allah. Verily, Allah is Severe in punishment.

Certainly, there are many elements from Islamic service excellence that can be located in the Holy Quran and Hadith. However, the key here is that whatever issues arising from Islamic banking and finance should be solved from a Shari'ah point of view.

5.7. OPINIONS ON HUMAN RESOURCES IN *SHARI'AH* BANKING INDUSTRY

On reflecting on the issues in relation to human resources, the respondents were asked to comment as whether the migration of former conventional bankers into the Islamic finance sector might hinder the spirit of Islamic banking development, as Indonesia does not have the necessary human resources for the industry. The Central Bank replied that those who migrated from conventional to Shari'ah banks would keep their conventional mindset at first. However, over time, the mindset would slowly be changed as they become accustomed to that environment and deal with the National Shari'ah Council. The Central bank, through occasions such as business plan meetings, also keep reminding these bankers regarding the suitability of their business plans with Shari'ah values.

5.8. RESPONDENTS REFLECTING ON ETHICAL ISSUES IN MARKETING

As in the questionnaire, the interviews also considered respondents opinions on ethical issues in marketing of Shari'ah banks in terms of whether using religious discourse and symbols for branding and marketing is an acceptable ethical strategy. The representative of Bank Syariah Mandiri provided the following reply:

The utilization of religion and religious symbols for branding purposes is not prohibited. However, for us, the best value from religion, which can be used for branding purposes is universality.

On the same question, the representative of Bank Muamalat's reply was the following:

Actually, it is not a problem, Sir. This is because the things which we carry (da'wah) to the public (...) da'wah means to deliver (...) to invite, to inform of good things. So it is not selling (Quranic) verses in order to get profit. No, not that. Thus, people need to receive information and that information could be based on Quranic nash or from the Sunnah (Hadith), and that is ok. Ethically, that is ok. However, in terms of effectiveness, this needs to be packaged. Perhaps, for something like that, the weight needs to be carried to certain segments.

In my opinion, as long as it is intended for a good purpose and for driving people to do good things without any compulsion then (I think) it is allowed.

These two positions are indeed acceptable, as people seem to be reluctant to incorporate religious teachings into commercial activities. The effect of Shari'ah banks should be appreciated in this point, as, for example people who try to commence any businesses which are not Shari'ah compliant will not be able to get any financing from Islamic banks. It can also be stated that the 'Customer is King' principle cannot be taken at face value, as people may very well indeed want to start businesses which incorporate elements that are not in line with Islamic teachings. With the presence of an Islamic financial institution, any adverse effect from the presence of such businesses can be mitigated at the outset.

5.9. CONCLUSIONS

This chapter, together with the empirical chapter, also tries to answer all 3 main research questions which are asked on page 104. Based on the analysis presented in this chapter so far, several conclusions can be derived. First, there is still a great deal of room for improvement. This is based on the number of the depositors' accounts and the current market share that Indonesian Islamic banking enjoys at the present. Second, as a consequence of the development of the Indonesian Islamic banking industry, challenges are also present. One of these is not having a strong demand base from the Indonesian people in order to strengthen the presence of Islamic banks. More socialization regarding Islamic banks needs to be done. Furthermore, the quantity and quality of staff needs to be improved.

On the issue of the marketing mix, some conclusions can also be drawn. First, product innovation is still an issue, although the Indonesian Central Bank has tried its best to ease the process. Secondly, the industry needs a universal logo which can communicate the presence of an Indonesian Islamic banking industry to the Indonesian public. Furthermore, it seems that branding strategies are different between each bank: While Bank Syariah Mandiri pursues a more generic strategy by communicating the universality of Shari'ah values, Bank Muamalat goes further by stating its strict adherence to Islamic law and simultaneously acknowledging the universality of Shari'ah. However, this does not mean that Bank Syariah Mandiri deviates from Islamic values.

Moreover, on the marketing mix, the issue regarding expensive pricing arises. Based on the interviews, it seems that consumers misunderstand the nature of Shari'ah bank pricing. The interview gives two valuable lessons. First, Shari'ah banks should not socialize the nature of Islamic banking pricing. It seems that consumers do not understand the surety of financing repayment. Second, based on the interview with Bank Muamalat, the comparison may be biased due to the one who made the comparison. In addition, on the marketing mix, the issue of promotion is also interesting. Although the budget seems to be an issue, an alliance with the parent company may lessen the budget pressure on promotional activities. Moreover, as has been stated by Bank Muamalat representative, the real issue that needs to be communicated is good service.

On consumer behaviour, interesting results have also emerged. First, the representative from the Central Bank openly stated that current Shari'ah banks are not yet Shari'ah. However, at the same time, he also stated the role can be played by the future generations to develop Islam-based banks. As regards to the identity of Islamic banks, the representative of Central Bank also stated that Islamic banks are not just another form of capitalism in disguise.

As regards to the consumer behaviour, the interviews show that Shari'ah banks always ensure that the money is used in accordance with Islamic teachings and that termination will follow whenever such a breach occurs. On marketing strategy, it is clear that consumers consider Shari'ah banks due to the excellent service. As for human resources, the interview analysis shows that the paradigm shift to be rather challenging for those who have come from conventional banks and hence the need to develop human resources for the need of the industry.

On ethical issues, the use of religious discourse and symbols for branding and marketing is considered by the interviewees as an acceptable ethical strategy, as it is considered *da'wah* to the public.

Last but not least, the interview analysis also reveals that the Central Bank regulations do not contribute to the (un)attractiveness of pricing in the Indonesian Islamic industry as this issue lies solely with the individual Shari'ah banks.

Finally, based on the interview results, one can conclude that the Indonesian Islamic banking industry is still growing and will continue to grow into the future. Nevertheless, the development of the industry is not without challenges. This paper has tried to show several marketing related challenges, which face the industry. It should be noted as a conclusion that the support from the Indonesian public is of the utmost important factor for the advancement of this industry.

CHAPTER 6

REFLECTING ON THE FINDINGS AND DISCUSSING THE MARKETING STRATEGY FOR THE INDONESIAN *SHARI'AH* BANKING: AN INTEGRATIVE DISCUSSION AND RECOMMENDATIONS

6.1. INTRODUCTION

Chapters 4 and 5 provide extensive empirical analysis concerning the research questions developed in chapter 1 in relation to the Indonesian Islamic banking industry. Based on the analysis reported so far, this chapter aims to explore and to analyse in an integrative manner the marketing of the Indonesian Islamic banking industry through mainly responding to the research questions developed in Chapter 1.

This chapter discusses the marketing for the Indonesian *Shari'ah* banking, based on the information obtained from previous chapters. In addition, during the discussion proposals and recommendations are also made to improve and shape the marketing strategy for the Indonesian Islamic banking.

6.2. REFLECTING ON THE DIMENSIONS OF THE MARKETING STRATEGY: FINDINGS AND RECOMMENDATIONS

This section, being the main section of the chapter, aims to provide the findings related to the dimensions of the proposed marketing strategy. As discussed previously, an effective and efficient marketing strategy should be consisted of the following dimensions: 'transparency', 'segment identification', 'targeting', 'positioning', 'branding', 'marketing mix', and 'promotion strategy' with all its aspects. The following sections, hence, relate to each of these dimensions by reporting the findings related to the aspects of each dimensions. This is expected to provide a comprehensive and integrative understanding of the marketing strategies pursued by Indonesian *Shari'ah* banks. After reflecting on the results, this study also aims to propose an efficient and effective marketing strategy in relation to each of the dimensions for the Indonesian *Shari'ah* banks.

6.2.1. Transparency

One obvious fact from the so-called *Shari'ah* banking is the inclusion of the word '*Shari'ah*'⁹⁷. Consequently, any institution that incorporates the word '*Shari'ah*' must try its best to comply with the tenets of the *Shari'ah*. Previously, from the factor analysis⁹⁸, this paper obtained 3 underlying factors, which form the reasons for why respondents choose local *Shari'ah* banks. Based on the analysis, 'Product Excellence' remains the primary underlying factor. One should note that the degree of Islamic-ness of the *aqad* serves as one of the elements which form the underlying factor.

At the same time, as reported in Chapter 5, based on the interview with Bank Indonesia, the interviewee openly stated that "Islamic bank is not yet fully in accordance to *Shari'ah*". Indeed, the quest towards having an ideal *Shari'ah* bank is arguably far from finished, as it is an evolving project towards a better system. In this case, this study proposed a national *Shari'ah* rating system, which can help to scrutinize all *Shari'ah* banks in Indonesia and assign them a specific rating. *Shari'ah* banks could be rated from 1 star to 5, depending upon the agreed criteria. Table 6.1 below exhibits several criteria which can be considered for such a rating system.

⁹⁷In Indonesian language, it is called "Syariah".

⁹⁸Readers could consult table 4.27 on page 159 to see the complete results.

Table 6.1: Suggested Criteria For Rating System

Problems	Points	
	YES	NO
Product Related		
Does the product contain any substance deemed illegal from the point of view of <i>Shari'ah</i> ?		
Price		
Does the producer price the product in a way which does not drive the competitor away, while maintaining the profit from selling it?		
Does the producer have hidden-price practice?		
Distribution		
Does the possession of a product in the hand of the consumer will, under the fact that temptation might happen, put the producer, consumer, the society, and the environment in jeopardy (either one of them or some of them)?		
Does the possession of a product in the hand of the consumer will, under the situation where something bad happen, put the producer, consumer, the society, and the environment in a life and death situation (either one of them, some of them, or all of them)?		
Communication		
Do the words stated in the promotion reflect the reality of the service?		
People		
In the event where <i>Shari'ah</i> bank possesses a product that might put the producer, consumer, the society, and the environment in jeopardy (either one of them, some of them, or all of them) (under the presence of temptation): Does the company have the sufficient managerial ability to control itself in releasing that product, so that the utilization of that product could benefit all parties (the company, the user, the public, and the environment?)		
In the event where <i>Shari'ah</i> bank possesses a product that might put the producer, consumer, the society, and the environment in jeopardy (either one of them, some of them, or all of them) (under the presence of temptation): Does the company have the sufficient managerial ability to control itself in releasing that product, so that the utilization of that product could benefit all parties (the company, the user, the public, and the environment?)		
In the event where the higher management decides to sell a Halal, but rather controversial product: does the middle management and below have an access to veto the decision in order to protect the public from being harmed by that product?		
Process		
Does the decision making process only reflect the producer's interest or any other parties related to the producer?		
Physical Environment		
Do the toilets ensure that people's activities inside are in accordance to Islamic teaching?		
Are there any discrimination between management toilets and non-management toilet?		
Are there any discrimination between management elevators and non-management elevators?		
Are there any discrimination between management parking space and non-management parking space?		
Does the building have efficient electricity system?		
Does the building have efficient water usage system?		
Does the building have good security system?		
Productivity And Quality		
Do the employees get paid by gold and silver or the equivalent of gold and silver?		
Do the employees receive training on how to serve their customers in accordance to <i>Shari'ah</i> regularly?		
Do the employees receive training on how to recover the debt in accordance to <i>Shari'ah</i> regularly?		

In practice, once the rating is complete, the next step would be to re-arrange all of the agreed criteria. The reason for doing this is to ensure that every criterion fits the star rating that is to be implemented in a particular *Shari'ah* bank. Therefore, there would even be certain criteria for a one star *Shari'ah* bank. Additionally, a one star *Shari'ah* bank would at least receive a license from the Indonesian Central Bank. If the bank receives a license from Bank Indonesia, then it will automatically gain a one-star *Shari'ah* bank rating. Gradually, the banks would be scrutinized by using the agreed criteria.

6.2.1.1. The Criteria

There may be a lot of criteria involved in determining the level of stars of a particular *Shari'ah* bank. However, whatever criteria are attached to every star, the criteria must meet the following objectives:

First, they must not be repetitive in nature. Hence, the same statements must not appear twice in every other star level. In cases where repetition occurs, then the level of difficulty must also increase.

Second, all criteria must clearly indicate that attaining a 2-star certification means that the *Shari'ah* banks under scrutiny must also meet all criteria for a 1-star certification. Consequently, having a 3-star *Shari'ah* certification means that the *Shari'ah* bank would also have to meet all the criteria from the previous star certification. The same principle would apply to a 4-star and 5-star certification system.

Third, any criteria must be attainable over time. However, the criteria must not agree with the current condition of the industry. Therefore, having a 5-star certification would show that the bank has met all the *Shari'ah* requirements to serve the community in a way which is as close as possible to a so-called 'Ideal Islamic Bank'. Therefore, the highest certification could be difficult to attain at the moment, but would be attainable in the future. The reason for this is outlined later in the chapter.

Finally, the criteria set must be realistic. Therefore, one must not set prophetic criteria, whereby such criteria could only be achieved by the 'prophets'. Such examples would be:

‘Be 100 percent honest all the time’, or ‘Memorize the whole Quran’, or ‘Be a good husband at home (for employees)’, and so on. Indeed, such criteria would be very noble. However, finding employees with such qualifications would be rather difficult, if not impossible.

On the nature of the rating, one could follow the star rating or any other ratings. The main point here would be that the rating must be incremental in nature. Thus, the rating system must show that *Shari’ah* banks, which possess a specific rating are either of a lower or higher position than those *Shari’ah* banks having other levels of rating. Furthermore, in the case of having a star-like rating, the rating body could even stretch the rating further to more than 5.

6.2.1.2. The Parties Involved in Setting The Criteria

Before any rating can be implemented, the formation of criteria in each level must exist. Consequently, there must be a collective effort to materialize the process. As one can realize, the materialization must involve all parties in the industry (including the consumers themselves). In this case, all parties in the Indonesian banking industry must be present in order to be part of the process. In this regard, it can be argued that the process of forming the right criteria should involve highly credible people. Therefore, the two stages of decision-making can be proposed. The first decision-making process involves a series of brainstorming, interview, or even focus groups. These, and perhaps other steps must include all parties involved in the industry. In order to avoid any *Shari’ah* banks from being absent, Bank Indonesia could send them a letter requiring all *Shari’ah* banks to send at least one of their representatives from the management level.

Once the first stage is complete, then it is assumed that all problems are already at hand, which implies that it is the time to move to the second session whereby all respected parties can sit together to determine what could be included in the first level and so on.

In this situation, one should minimize the political interests from every party to avoid forming criteria in each level in a way that would only suit a single person’s particular interests. Therefore, to minimize this, it can be suggested that the *Ulema* are present in this session. Again, in order to minimize any attempt from the *Ulema* to take sides

(towards the industry or towards the consumers), an oath must be made using the Quran to ensure that any decision made must only be confined within the interests of Allah (SWT).

6.2.1.3. Application Process

Once the criteria composition is formed, then it is the task of the individuals responsible to conduct the rating, which should be conducted at least once a year. However, it should be noted that once a rating event is conducted, all banks must be rated at once. This includes all *Shari'ah* banks that have just started. However, for those banks that have just started, it should be noted that they would have their star rating with some notes. Therefore, they must be informed that they must fulfil all of the remaining points before the duration of a certain amount of months and re-rated. If not, a letter of notice will be sent over a period of time.

Applying the principles of cooperation, the rating body must directly assist any difficulties that the banks have before issuing another letter of notice. This is to ensure that problems do not persist and they can be solved with the principles of cooperation.

6.2.1.4. Members Of The Rating Body

This study proposes that the members of the rating body must be independent from any other banks or institutions that might have a vested interest in the formation and the activity of rating. Based on the interview conducted for this study with a representative of Bank Indonesia on the issue of the product, it had no difficulties in gathering all parties from the National *Shari'ah* Council and the accounting association when dealing with the product issue. One should remember that their membership is independent of each other yet no clashes exist between them. They could co-operate with each other well. However, the period of membership should be only given once and the period of the membership must also not be long enough to form a biased rating. This is to minimize any attempts to make a rating 'suit' the interests of a particular bank.

6.2.1.5. Scoring Process

The scoring process should not be very difficult once all criteria are set. The rating body would basically assign numbers to each statement. All numbers could then be added

together. The result could be used as a basis for whether a particular bank suits particular rating level. Indeed, the details of formation of such a body should be considered in terms of providing substance.

Furthermore, although the overall rating must be shown, it can be suggested that rating for individual themes (*Shari'ah* compliance, pricing, and so on) should be conducted in order to avoid misperceptions regarding the overall rating.

6.2.1.6. Considering The Wisdom Behind The Rating

Although one could discuss the above rating further, the availability of the rating and the rating body could bring several marketing implications. First, the market will become more transparent. Based on the interview with a representative of the Bank Indonesia, the interviewee acknowledged that “Islamic banks are not yet fully in accordance with the *Shari'ah*”. The problem is that nobody knows how close or how far they are from a so-called ‘Ideal Islamic Bank’. Therefore, through the implementation of national *Shari'ah* rating system, one may be able to understand and perhaps effectively quantify and also qualify the whole picture of the Indonesian Islamic banking industry.

Second, this rating system is not a way of finding out which *Shari'ah* bank has the lowest rating, but only to explore the state in which the *Shari'ah* banks are currently at, at that particular moment in time. It can be suggested that ratings should not be used as a way to spread accusation towards certain *Shari'ah* bank, but rather it is useful to understand how a particular *Shari'ah* bank performs and how the industry performs in general. Furthermore, the national rating process is needed in order to understand the factors, which make a *Shari'ah* bank unable to meet the criteria in a particular rating level.

Third, such a rating system should be considered very useful for consumer protection. From the results of the rating process, consumers could have a practical and also a reliable tool from which to choose which *Shari'ah* banks to deal with. This should be considered in the interest of the industry in general and the consumers in particular. According to Lee and Ullah (2011:137):

... more than 90 percent of the respondents exhibited some degree of willingness to withdraw their deposits in case they found *Shari'a*- noncompliance such as

interest payments or investments in *Haram* businesses or interest-bearing securities in their banks. All these findings suggest that Islamic banks may face significant withdrawal risk when they do not behave as true Islamic banks.

Although the concern from Lee and Ullah's (2011) research is confined only to *haram* products, this study suggests that the presence of a rating encompasses all operational aspects of *Shari'ah* banks, up to the small matters.

From the perspective of Islamic marketing, such a rating system can also help to work towards fairness, which can help to materialize the essence and spirit of Indonesian Islamic banking brand (iB brand). Concerning that matter, Alserhan (2010:105) posits the following:

... brands are strongly attached to emotions and their success depends on living, or at least feeling them. In addition to abstract knowledge, they require passion, sincerity, and honesty; discussing them from a purely academic perspective means depriving them of their soul.

Furthermore, as stated by the Indonesian Central Bank (2008:17):

By looking at iB sign in banks, public could directly recognize that such particular bank provides various *Shari'ah* banking products and services. This includes having *values* on justice, transparency, ethics, balance and the benefit of all people.

As one could see from the above statement regarding the iB sign, one can notice that transparency is one of the spirits of the logo. Therefore, this study argues that the provision of a national *Shari'ah* rating should carry all the values exhibited above.

Fourth, the *Shari'ah* national rating is not only suitable for companies which produce intangible goods (service) but also for those which produce goods. Therefore, the implementation of a national *Shari'ah* rating could be used as a stepping stone towards the implementation of a national *Shari'ah* rating for other industries.

6.2.2. Segment Identification

The second dimension of an effective and efficient marketing strategy is 'segment identification' and this section aims to reflect on the findings of the study to propose

effective and efficient segment identification strategy for the Indonesian Shari'ah banking.

The results obtained from section 4.2.1 and 4.5.9 can be used as valuable inputs to reflect on the current segmentation strategy and also make a proposition. As highlighted in Chapter 3, there are various ways of performing segmentation. Before going into segmentation analysis, merging the findings related to section 4.2.1 and 4.5.9 can help to develop a better understanding. The results in table 6.2 show that the majority of the 'conventional banking only' depositors are not 'conventional fundamentalist', but are 'need recognizer'. For 'dual banking' depositors, the majority of them are considered 'easy going', while the majority of the 'sharia banking only' depositors should be considered as 'piety seekers'.

Table 6.2: Respondent Classification in Terms of Depositor Type

Respondent Classification * Type Of Depositor 1 Crosstabulation					
		Type Of Depositor 1			Total
		Conventional Banking Only Depositor	Dual Banking Depositor	Sharia Banking Only Depositor	
Respondent Classification	Only Sharia Bank	24	148	119	291
	Go to Sharia bank IF many people use it	14	4	0	18
	Comfortable With Sharia And Conventional Bank	90	304	3	397
	Any Bank That Could Help Me With My Payment Needs	226	61	5	292
	Any Bank Which Has The Highest Return	38	5	1	44
	Only Conventional Bank	20	1	0	21
Total		412	523	128	1063

In addition, the table 6.2 reveals the fact that dual banking depositors are also floating customers in the sense that they are comfortable with having two accounts. Furthermore, there is a reasonable portion who state that they are 'only Shari'ah Bank'. This is paradoxical, yet interesting enough to be explored further in future research. Perhaps, one of the reasons for this could be the poor service they had received at some point in their life. The interview also shows that not all *Shari'ah* banks serve their customers well.

Perhaps, this might be one of the reasons why there are portions of dual banking customers who state that they are '*Shari'ah* fundamentalist'. It can be argued that *Shari'ah* banks in Indonesia should pay attention to this in order to increase public's level of trust towards them.

With 'conventional banking only depositors', one can see that they do not actually go to conventional banks simply because the bank is 'conventional', but rather because they need to fulfil their payment needs. The information on 'conventional banking only depositors' is also supported by the interviewees. There may be some banking products, which are not available in *Shari'ah* banks but are needed by the depositors. Consequently, it can be argued that those depositors should go to conventional banks instead.

As the analysis provides a clear picture on the depositors, the next course of action should be to have strategic targeting strategy, which is discussed in the light of the findings below.

6.2.3. Targeting

The next step that the Indonesian *Shari'ah* banking industry should take is to identify the targeting strategy that can be implemented based on the share of the Indonesian Islamic banking industry in Indonesia, which require to follow a concentrated marketing approach. According to Kurtz (2008:302), "This approach can appeal to a small firm that lacks the financial resources of its competitors and to a company that offers highly specialized goods and services". Interestingly, these are the two characteristics that exist in the Indonesian Islamic banking industry.

As a consequence, Indonesian *Shari'ah* banks should be specialized in nature and allocate their budget to strengthen their positions in order to increase their market, which means using a marketing mix in order to have a variation in the offering.

However, before discussing a marketing mix, positioning strategy should be explored and discussed.

6.2.4. Positioning

Regarding positioning, it should be noted that the best positioning would be the one based on ‘competitor’ (Kurtz, 2008:303). For the *Shari’ah* banks, the real competitors are the conventional banks. If the Islamic banking industry were to use this, then it can be argued that these are the kinds of positionings, which incorporates elements of certainty and calmness.

Certainly, Indonesian *Shari’ah* banks could implement other positionings. However, from a wider perspective, it can be stated that the industry needs something, which can change the paradigm or the mindset of the public concerning *Shari’ah* banks. Therefore, there must be something that the conventional banking industry cannot follow. This concept relates to the so-called ‘unique selling proposition’, which is “the desirability of products having something unique to offer to their customers” (Blackwell *et al.*, 2006:378). In this case, what the industry will sell is the *Shari’ah* banking brand, complete with characteristics such as its certainty and calmness.

As for the individual *Shari’ah* banks, they could also make their own unique selling propositions. However, whatever they are doing, they should not deviate from the spirit of the industry brand (iB brand). Therefore, both sellers and their products must have a degree of certainty. It should be noted that for *Shari’ah* banks, this might be in the form of a national *Shari’ah* rating.

6.2.5. Branding

To recall the findings established in chapter 4 regarding the iB logo, over 76% of the respondents stated that they recognized the image. Furthermore, 65% of them made sure that the logo placement marked a *Shari’ah* banking service in that particular bank. Moreover, findings in chapter 4 show that there is a significant difference between the three groups of depositor in their opinion on the two statements⁹⁹. The ‘post hoc test’ also shows no difference between the two compared groups (‘conventional banking only vs dual banking’ and ‘conventional banking only vs *Shari’ah* banking only’), as they were both significant. However, the calculation on trend test shows that the more respondents

⁹⁹This refers to the results exhibited by section 4.6.8.

get attached to *Shari'ah* bank, the more their recognition and comprehension on the image. Nevertheless, the overall picture from effect size shows that the effect of a respondents' partial affiliation and or full affiliation in responding to the logo issue is still small (rather medium).

Based on this result, although effect size was small, the result from the trend test shows that the affiliation with *Shari'ah* banks makes more people to recognize the image. Based on this, the Indonesian *Shari'ah* banking industry could stand out against the crowd (conventional banks). Besides, the presence of this brand could further differentiate the industry from the rest.

As Kurtz (2008:382) states, there are four dimensions of brands, namely 'Differentiation', 'Relevance', 'Esteem', and 'Knowledge'. 'Differentiation' is defined as "brand's ability to stand apart from competitors" (Kurtz, 2008: 382), while 'Relevance' is defined as "the real and perceived appropriateness of the brand to a big consumer segment" (Kurtz, 2008: 382). 'Esteem' is defined as "a combination of perceived quality and consumer perceptions about the growing or declining popularity of a brand" (Kurtz, 2008: 382) and finally, 'Knowledge' is defined as "the extent of customers' awareness of the brand and understanding of what a good or service stands for" (Kurtz, 2008: 382).

Based on the interview analysis, it can be argued that Bank Indonesia has tried their best to create the iB logo with a particular purpose, that is to establish a brand, which has set the industry apart from the competition and is a good sign of development. It has also brought meaning to the whole Indonesian Muslim market to inform them that there is a *Shari'ah* compliant alternative is available for those who would like to have an Islamic bank. Moreover, the fact that the market share of Indonesian *Shari'ah* banking is increasing (albeit currently being small) means that people increasingly appreciate the presence of this industry. However, as the effect size shows, the analysis in this research shows that awareness of the brand from those who affiliate with *Shari'ah* banks (be it partially or fully) are no better than those who have no affiliation at all with *Shari'ah* banks. Indeed, the trend test shows an increasing trend, but the small effect size means that there are still a great deal of tasks to be completed in order to make the public aware

of the presence of the industry and the logo. This is directly related to Kurtz's (2008) branding dimensions of 'Knowledge'. However, the crucial point, besides 'Knowledge' is the second point regarding "what a good or service stands for" (Kurtz, 2008: 382), as this study shows that customers do expect service quality and efficient customer management. This requires a paradigm shift for all the stakeholders involved including the government, banks, and depositors. Therefore, it is the cooperation of all parties that will make the industry to have a bright future. For banks, a paradigm shift can take place by having marketing activities (among others), which do not violate Islamic teachings.

Moreover, it should be noted that understanding what the iB logo means is very important. As Temporal (2011:20) stated: "there is more to branding than logos that mean nothing to the people whom they want to influence". Furthermore, Kurtz (2008:379) states that "marketers measure brand loyalty in three stages: brand recognition, brand preference, and brand insistence". Kurtz (2008:379) defines the first as "consumer awareness and identification of a brand", the second as "consumer reliance on previous experiences with a product to choose that product again", and the third as "consumer refusal of alternatives and extensive search for desired merchandise".

Reflecting on this for the Indonesian Islamic banking industry, it can be argued that the industry still experience the first stage of brand loyalty. The data by the Indonesian Central Bank (2012: 128) shows that there are only 8,187,428 depositor accounts in the whole Shari'ah banking industry. For a country, which is predominantly Muslim, such a figure may say something on the development of the iB logo. It can, therefore, be argued that formulating a brand in the form of a logo might still be in the first stages of brand loyalty. However, the 8 million figure seems to be too little for a country as big as Indonesia. Therefore, all parties involved should work harder to make this industry larger.

6.2.6. Marketing Mix

On reflecting the analyses conducted in the previous chapters, this part discusses various marketing mix strategies that could be employed by the Indonesian *Shari'ah* banking industry. As a starting point, first product strategy is discussed, as it is the first element in marketing mix.

6.2.6.1. Product Strategy

The analysis in this study produced a number of findings relevant to the issue of product, which are scattered throughout several research questions. Table 6.3 shows a summary of the findings.

Table 6.3: Product Related Research

Section 4.3.3	Section 4.4.3
<p>Test: Mann-Whitney <i>U</i> Test</p> <p>Related Findings: There is a significant difference between the two groups of depositor (sharia banking only and dual banking depositor) in terms of their decision factors to choose <i>Shari'ah</i> bank on the following product issue statement: "Innovative and Interesting Product" (.040).</p> <p>Effect Size: Small effect sizes on all statements. It means that there is a small association between the type of depositor and the tendency to choose <i>Shari'ah</i> banks based on the available <i>Shari'ah</i> factors.</p>	<p>Test: Factor Analysis</p> <p>Related Findings: One of the factors formed is "Product Excellence", which comprises of several elements (Safer in depositing money, More Trustable, More Variation On Product, Cheaper Financing Product, The Quality Of Aqad Is More Islamic, Profit Sharing Is Bigger, Staff Is More Professional).</p>

Before discussing product strategy, it is worth understanding the present issue, which is related to product itself. Based on the results section 4.4.3, it can be stated that innovative and interesting products are one of the reasons as to why respondents opt for *Shari'ah* banks. Furthermore, effect size shows that there is no difference in terms of the tendency to opt for a particular statement, no matter what the respondents' affiliation is. As the interview analysis with a representative of Bank Indonesia in chapter 5 shows, product development seems to be the issue at the moment (among others), while the findings from the interviews with *Shari'ah* banks indicates that people still go to conventional banks because there are still other services which they cannot obtain from *Shari'ah* banks. For *Shari'ah* banking only depositors, the results might not be so important. However, this can be an important issue, if it is raised by those who have bank accounts in conventional banks.

Factor analysis also reveals that product excellence is the central theme of what respondents need.

In general, it can be said that what was thought to be the central issue of the problem is not necessarily the first in the customers' mind. Indeed, in this research, the majority of respondents opted for local sharia banks and put the issue of nationalism, as an important factor, as one of the factors in choosing local sharia banks. However, at least based on the results displayed in table 4.27, respondents still think that it is not the most important factor. It could be said that no matter how nationalist they are, they will still choose their local sharia bank based on the quality of the products.

Looking back at the existing literature, it can be said that various results have emerged, although those research did not raise the issue of local and foreign sharia banks. For example, Erol and El-Bdour's (1989:35) research on both conventional and Islamic bank customers in Jordan resulted in three factors solution which form the selection criteria of Islamic banks. In their research, both of them found those underlying factors to be 'Convenience and Public Relations' as the first factor, 'Financial Strength' as the second factor, and one additional undefined factor¹⁰⁰.

In another research, Erol *et al* (1990:34-35) conducted research involving respondents in Jordan and extracted three factors which form the selection criteria of both Islamic and conventional banks. In their research, they found the underlying factors for Islamic banks to be 'Convenience and Image-Oriented' as the first factor, 'Financial Strength and Confidence' as the second factor, and 'Fixed Price Related Factor' as the third factor. Furthermore, for conventional banks, Erol *et al* (1990:35) stated that "... the analysis proved similar".

In Malaysia, Haron *et al* (1994:36-37) conducted a research on both Muslims and non Muslims who have no banking relationship with Islamic banks. They extracted seven factors, which form the selection criteria of Islamic banks for Muslims and non Muslims. For Muslims, Haron *et al* (1994:36) found 7 underlying factors, which, according to the importance, are: 'Bank Product and Services', 'The Image of The Bank', 'Staff Quality', 'The Financial Charges Imposed by the Bank', 'Bank Image and Staff Quality', 'Salient

¹⁰⁰Of three factors found, the researchers only named two. It seems that the reason for not naming the third factor was due to the fact that it contained "... non-important elements in terms of choosing Islamic banks..." (Erol and El-Bdour, 1989:35).

Features of the Bank’, and ‘Locality’. For non-Muslims, Haron *et al* (1994:37) also found 8 underlying factors: ‘Image’ as the first factor, ‘Facility and Staff Quality’, ‘Services Offered by the Bank’, ‘Charges Imposed by The Bank’, ‘Bank Image’, ‘Convenience’, and ‘Size of Bank’.

In Egypt, Hegazy (1995:46) conducted a study “to determine the number of selection criteria of Islamic and commercial banks in Egypt”, in which Hegazy (1995: 55-56) found 7 underlying factors for Islamic banks: ‘Reference Oriented Factor’, ‘Convenience Oriented Factor’, ‘Environment Oriented Factor’, ‘Community Development Factor’, ‘Credit Availability’, ‘Timeliness And Efficiency’, ‘Safety And Security Factor’, and ‘Safety And Security Factor’. For commercial bank¹⁰¹, Hegazy (1995: 56-57) found 7 underlying factors: ‘Reference Oriented Factor’, ‘Credit Availability Related Factor’, ‘Safety And Security Oriented Factor’, ‘Physical Environment Related Factor’, ‘Convenience Factor’, ‘Community Development Factor’, and ‘Return Maximization’. Although the selection criteria were similar, Hegazy (1995: 56) found out that the sixth factor in Islamic banks had to be a unique factor, while for commercial banks, Hegazy (1995: 57) found out that the seventh factor had to be a unique factor.

In Singapore, Gerrard and Cunningham (1997) examined both Muslim and non-Muslim Singaporeans to find the “various bank selection criteria”. For the Muslim respondents, they found 7 underlying factors: ‘Ambience/Advertising’, ‘Borrowing/Convenience’, ‘Status’, ‘Conviviality’, ‘Third party influences’, ‘Service Delivery’, and ‘Convenience>Returns’. For the non-Muslim respondents, Gerrard and Cunningham (1997: 213) also found 7 underlying factors: ‘Ambience or Third Party Influence’, ‘Borrowing or Returns’, ‘Service or Convenience’, ‘Internal Ambience’, ‘Attraction’, ‘Status’, and ‘Convenience’.

In another study, Metawa and Almosawi (1998) studied Islamic bank customers in Bahrain, who, among others, found the following bank selection criteria from among their respondents: ‘Islamic Principles’, ‘Rate of Return’, ‘Family and Friends’, and ‘Convenient Location’ (Metawa and Almosawi, 1998:308).

¹⁰¹Here, Hegazy (1995) utilized the term “Commercial Bank” to refer to conventional bank.

In Jordan, Naser *et al* (1999) conducted a study towards those who possess sharia bank accounts only, conventional bank accounts only, and both accounts together (dual banking). Their study found, among others, several reasons for choosing Islamic banks. The top three reasons (of 17 reasons) were 'Bank Reputation', 'Religious Reasons Only', and 'The Islamic Bank Offers the Same Facilities as Offered by a Commercial Bank But Islamic Bank also Observes *Sharia*'h Principles' (Naser *et al.*, 1999: 144). On the other hand, reasons for becoming dual banking customers were 'Opening Two Accounts Gives Me The Opportunity To Diversify My Investment', 'The Islamic Bank Does Not Offer Some Of The Products (Facilities) Offered By A Commercial Bank', 'Opening Hours Of The Islamic Bank Are Limited', 'The Islamic Bank Does Not Offer Many Of The Products (Facilities) Offered By A Commercial Bank', and 'Both Types Of Banks Have A Limited Number Of Branches And Opening Two Accounts Gives Access To More Branches' (Naser *et al.*, 1999: 145).

In Malaysia, Dusuki and Abdullah (2007) with customers holding sharia bank accounts, and they found 3 underlying factors: 'Reputation Or Service Delivery', 'Convenience or Product Price', and 'Social Responsibility of Islamic Bank'.

In another study on Bahrain, Almoosawi (2001) analysing the college students' attitude found 4 underlying factors in choosing banks: 'Technology or Reputation', 'Convenience', 'Financial Benefit', and 'Employee or Customer Satisfaction' (Almoosawi, 2001:122).

In a study on Bahrain, Al-Ajmi *et al.* (2009) examined those who possess sharia bank accounts only, conventional bank accounts only, and both accounts together (dual banking). After conducting a factor analysis, Al-Ajmi *et al* (2009:1103) extracted 5 underlying factors in choosing banks: 'Religion', 'Social Responsibility', 'Economic and Services', 'Value and Efficiency', and 'Staff and Easy Access'.

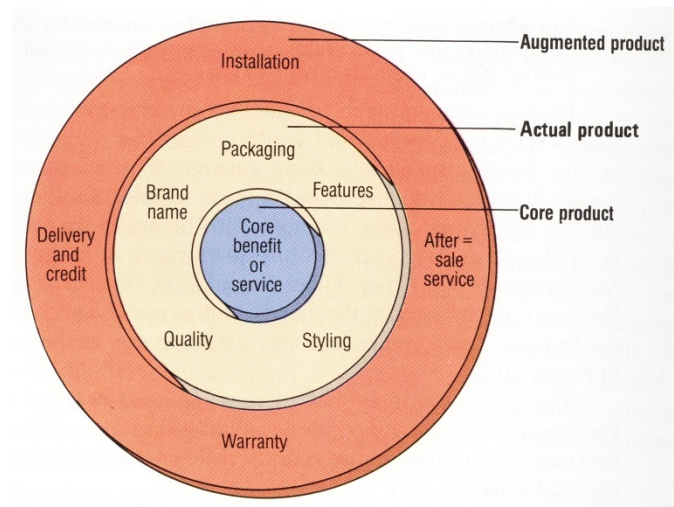
Marimuthu *et al.* (2010) conducted a study on finding the Islamic banking selection criteria in the case of Malaysia, which they listed in the following order: 'Cost Or Benefits', 'Convenience', 'Service Delivery', 'Friend's and Relative's Influence', 'Religious Factor', 'Size and Reputation', 'Staff Factors', and 'Mass Media Advertising'.

In Pakistan, Lee and Ullah (2011:131) conducted a study “to examine the different motivational factors that lead to customers’ Islamic bank selection”. In terms of motives, Lee and Ullah (2011:138) found that ‘Sharia Compliance’, ‘Higher Returns’, ‘Convenience’, and ‘Easy Access To Credit’ were the reasons why respondents opted for Sharia banks. On the other hand, Lee and Ullah (2011:140) also found that ‘Convenience’, ‘Higher Return’, ‘Better Services’, ‘Salary or Other Reasons’ were the reasons why respondents opted for conventional banks.

Based on these studies and also the results of this study, it could be argued that the issue of the product, service, and physical appearance of the bank are among the crucial factors in bank selection criteria. Therefore, one could argue that Islamic banks should focus more on the rational aspects of their operation (product and services, for instance) rather than marketing themselves on ‘Islamicity of themselves and their products’.

In order to improve the current situation regarding product strategy, several strategies can be undertaken by Indonesian *Shari’ah* banks. However, before going into that, one should know the anatomy of a product, which is exhibited by figure 6.1.

Figure 6.1: Product Anatomy



Source: Kotler and Armstrong (1989:244)

The anatomy of product, according to Kotler and Armstrong (1989:244), is divided into three: “Core product... answers the question, what is the buyer really buying?...”. Furthermore, the second inner ring “turn the core product into a *tangible product*” (Kotler and Armstrong, 1989:244). The figure 6.1 shows 5 elements which make the actual product: ‘Brand Name’, ‘Packaging’, ‘Features’, ‘Styling’, and ‘Quality’ (Kotler and Armstrong, 1989:244). Finally, the augmented product necessitates “product planner may offer additional services and benefits” (Kotler and Armstrong, 1989:244).

As for the product strategy, Ansoff (1957 as cited by Jobber, 2010: 370) proposes the following concept, as displayed in Figure 6.2.

Figure 6.2: Ansoff Matrix

		Products	
		Existing	New
Markets	Existing	Market Penetration or expansion	Product Development
	New	Market Development	Diversification

Source: Jobber (2010:370)

According to Ansoff (1957: 114), in ‘market penetration’, “the company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products”. For ‘product development’, Ansoff (1957: 114) states that companies “retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission”. As for ‘market development’, Ansoff (1957: 114) states that companies “adapt its present product line ... to new missions”. Regarding ‘Diversification’, Ansoff (1957: 114) states that companies make “simultaneous departure from the present product line and the present market structure”.

Given the anatomy of the product and the several options for product growth, based on the analyses presented by this study, several strategies could be adopted for different segments. For ‘*Shari’ah* banking only’ and ‘dual banking depositors’, *Shari’ah* banks could adopt both a market penetration strategy and a product development strategy. However, for ‘conventional banking only depositors’, *Shari’ah* banks could adopt both a market development strategy and diversification strategy.

However, as stated on the product anatomy, *Shari’ah* banks can offer ‘exactly’ the same products as that of the other *Shari’ah* banks and the other conventional banks. From the perspective of the Islamic contract, it can be argued that *Shari’ah* banks can outperform conventional banks as the Islamic principles bring more certainty than the conventional products. Secondly, the packaging of the product should be taken care of seriously. According to the researcher’s experience as an Indonesian ‘*Shari’ah* banking only depositor’, personalized service is very important. For instance, *Shari’ah* banks must ask themselves honest questions such as: ‘If the pass book belongs to the depositor, why would we want to make in accordance to what we want, and not what they want?’. Applying this into the product, *Shari’ah* banks could have personalized internet banking sites whereby people could spend some of their time. This could be done by building interactive internet banking, which could also offer free entertainment applications. For example, *Shari’ah* banks could co-operate with the top *Shari’ah* scholars in Indonesia to insert upload their speech on the impermissibility of *riba*. Certainly, there are many ways of making a website interactive. The spirit is to make depositors enjoy their time with the banks. The same thing could happen with phone banking. *Shari’ah* banks could allow depositors to download various Islamic songs or various *da’wah* materials. These services might make depositors stay longer with the bank. If any banks can play songs while depositors wait for responses over the phone, why cannot banks put the same creativity in all of their product lines and product line depth?.

6.2.6.2. Pricing Strategy

This section discusses the pricing strategy related issues based on the analysis reported in the earlier empirical chapters. Two issues that Fifield (1996:239) identifies regarding pricing: ‘Revenue’ and ‘Market Perceptions’. Therefore, on the pricing issue, the

perception analysis reported in the earlier chapters concerning certain products offered by banks can be utilized here. Furthermore, since the respondents' perceptions concerning certain financing products which are widely used are also analysed and reported; it can provide further evidence for this section. The summary of the results are shown in table 6.4.

Table 6.4: Pricing Perception

Section 4.6.9	Section 4.6.10
<p>Test: Kruskall –Wallis <i>H</i> Test</p> <p>Related Findings: All products exhibit significant results (.000). These results mean that there are differences among the three groups of depositors in terms of return perceptions of all of the tested products.</p> <p>Trend Tests: It shows the Jonckheere – Terpstra test and based on the result, the <i>z</i> values are negative. This means that the more respondents attached to <i>Shari'ah</i> bank, the more they perceive that <i>Shari'ah</i> bank is competitive in return.</p> <p>Post-Hoc Test: No difference between the two compared groups. Therefore, the perception regarding product return is not the domain of any group.</p> <p>Effect Size: All calculations show small effect size.</p>	<p>Test: Kruskall –Wallis <i>H</i> Test</p> <p>Related Findings: There are significant differences among the three groups on the borrowing costs for housing (.049) and vehicle (.026). However, there are no significant differences among the three groups on the borrowing costs for education and credit card.</p> <p>Trend Tests: Based on the result, the <i>z</i> values are negative and significant for both housing financing and vehicle financing. This means that, for these financing products, the more respondents attached to <i>Shari'ah</i> bank, the more they perceive that <i>Shari'ah</i> bank is uncompetitive in cost.</p> <p>Effect Size: Based on the calculations, it could be said that all calculations show small effect size.</p>

The pricing issues can be divided into two: revenue and cost, both of which are covered by both section 4.6.9 and section 4.6.10 as reported in table 6.4. On the issue of revenue, an interesting empirical result emerges. Although the trends test shows that respondents with an attachment to *Shari'ah* banks perceive that *Shari'ah* banks are competitive in return, none of the pricing factors are significant as a basis for choosing *Shari'ah* banks¹⁰². This implies that, respondents do not choose *Shari'ah* banks because of their competitive return. However, there are other factors which motivates them to opt for *Shari'ah* banking. To certain extent, the results from the factor analysis also show that

¹⁰²This is related to section 4.3.3 on chapter 4.

safety is the concern of the depositors. Therefore, based on these results, this study shows that *Shari'ah* banks should not compete based on returns, and rather they should be considered 'non – price competition' (Dibb *et al*, 2001: 569). With this, "A seller elects not to focus on price but instead emphasises distinctive product features, service, product quality, promotion, packaging, or other factors to distinguish the product from competing brands" (Dibb *et al*, 2001: 569).

Based on the results from section 4.6.9, thus, it can be suggested that the best approach for *Shari'ah* banks can be 'non-price competition' strategies, as depositors opt for *Shari'ah* banks not because of return. A personal observation can also be reported to provide observational evidence, as the researcher's monthly return from the *mudharabah* account in Indonesia is very small. However, due to two main reasons, the researcher still opts for *Shari'ah* banking. Firstly, it is *Shari'ah* bank and secondly, the *Shari'ah* bank does not charge a monthly administration fee. Consequently, *Shari'ah* banks should be happy with the results from section 4.6.9, as it is an indication that *Shari'ah* banks do not have to compete on price but, rather, on other elements within the marketing mix.

As regards to section 4.6.10 in relation to financing issues, as the summary results in table 6.4 show, *Shari'ah* banks are still uncompetitive in terms of cost. It can be argued that such a result may stem from the misconception of individuals towards the concept of financing in *Shari'ah* banks. Furthermore, in addition to quantitative analysis, the interview analysis also demonstrated that the *Shari'ah* banking industry is still small compared to that of the Indonesian conventional banking industry. Therefore, the economies of scale have not yet been achieved. Nevertheless, it should be noted that "*Shari'ah* financing is more peaceful [stable] as interest rate adjustment always appears in conventional. On the contrary, it is flat in *Shari'ah*" (Republika, 2010d). It can be argued that the problem regarding the financing cost seems to stem from a lack of understanding regarding the way depositors should repay the financing. Therefore, the best course of action for *Shari'ah* banks is to perform more socialization.

6.2.7. Promotion Strategy

As the last dimension of marketing strategy, table 6.5 summarizes promotion-related findings. First, on the communication channel, it seems that significant differences can be seen on TV, radio, and facsimile. A post-hoc analysis also shows that the two groups were different when it came to radio use. Therefore, in terms of the level of interaction towards radio, the two groups differed. For TV, although one could not differentiate in terms of which group was different from which, the trend test shows that the level of interaction gets lower as the level of attachment to *Shari'ah* banks gets higher.

In terms of the way the advertisement¹⁰³ was conducted, all statements were indeed significant. Furthermore, from the post hoc test, one could see no difference exists among the two compared groups in terms of their opinions. Similar results were found for section 4.7.12.

In terms of *Shari'ah* banking product advertisements, it can be stated that the respondents' perceptions were positive. The trend tests also show less agreement as respondents have a relationship with *Shari'ah* banks. Furthermore, the post hoc test exhibits no difference between the two compared groups.

Based on the above results, it can be argued that *Shari'ah* banks could devise various marketing communication mix in order to deliver their intended messages. On the issue of channel, based on the results, it seems that the utilization of TV might not be a wise decision for targeting *Shari'ah* banking only depositors. This might be the case for conventional banking only and dual banking depositors. Nevertheless, there is still a way to get around this. Although '*Shari'ah* banking only' depositors might not watch TV as much as the other groups, it can be argued that *Shari'ah* banks can still make them watch TV when they arrive at the *Shari'ah* banks' premises. These TVs could be used to deliver the *Shari'ah* banks' advertisements and could be viewed when customers visit.

¹⁰³The word 'Advertisement' in this research is not utilized to refer to specific marketing communication tools called 'Advertising', but rather a general form of spreading commercial message to the public. Specifically, this could be done by several tools exhibited by table 9.6.

Table 6.5: Promotion Strategy

<p style="text-align: center;">Section 4.7.10</p> <p>Test: Kruskall –Wallis <i>H</i> Test</p> <p>Related Findings: There is a significant difference among the three groups on the level of interaction for television (.002), radio (.006), and facsimile (.043).</p> <p>Trend Tests: The more respondents attached to <i>Shari’ah</i> bank, the less they use TV as their media.</p> <p>Post-Hoc Test: Differences exist between the two groups on radio. However, for TV, it seems that there is no difference between the two groups as both of them are significant.</p> <p>Effect Size: All calculations show small effect size.</p>	<p style="text-align: center;">Section 4.7.11</p> <p>Test: Kruskall –Wallis <i>H</i> Test</p> <p>Related Findings: There are significant differences among the three groups on the issue of advertisement in Islam. All results are significant (.000).</p> <p>Trend Tests: The comprehension gets bigger as the level of attachment to <i>Shari’ah</i> bank gets bigger.</p> <p>Post-Hoc Test: No difference between dual banking and <i>Shari’ah</i> banking only depositors, compared to those who possess only conventional bank account regarding the three statements.</p> <p>Effect Size: All calculations show small effect size.</p>
<p style="text-align: center;">Section 4.7.12</p> <p>Test: Kruskall –Wallis <i>H</i> Test</p> <p>Related Findings: There are significant differences among the three groups on the issue of advertisement of <i>Shari’ah</i> banking product in Indonesia.</p> <p>Trend Tests: The more respondents get affiliated with <i>Shari’ah</i> bank, the less they think that the statements are true.</p> <p>Post-Hoc Test: There is no difference between dual banking and <i>Shari’ah</i> banking only depositors, compared to those who possess only conventional bank account regarding the three statements.</p> <p>Effect Size: All calculations show small effect size.</p>	<p style="text-align: center;">Section 4.7.13</p> <p>Test: Kruskall –Wallis <i>H</i> Test</p> <p>Related Findings: There are significant differences among the three groups on ALL advertisement messages.</p> <p>Trend Tests: The more respondents get affiliated with <i>Shari’ah</i> bank (be it partially or fully), the less they disagree with the statements.</p> <p>Post-Hoc Test: No difference between dual banking and <i>Shari’ah</i> banking only, compared to those who possess only conventional bank account regarding all of the message themes.</p> <p>Effect Size: All calculations show small effect size.</p>
<p style="text-align: center;">Section 4.3.3</p> <p>It is also found that the influence from certain people also serves as one of the significant factors in choosing <i>Shari’ah</i> bank.</p>	

Furthermore, the contents of the message should be as transparent as possible. Therefore, companies should avoid the use of superlative words such as ‘the best’, ‘the most’, and so on. This is to ensure that *Shari’ah* banks do not get trapped in a situation where they are viewed as giving promise(s). Moreover, ‘words’ should be communicated as they are. For example, in the interview with a representative of Bank Muamalat, a reference made to a campaign related to sending customers to *hajj* or pilgrimage: the bank obviously did not

send one customer to Mecca everyday (for *Umrah*) but, rather, sent 365 customers per year. Sending 365 people per year implies that the timing of sending might not be important. It could even be done once a month or once a year, as long as a number of depositors sent to Mecca was equal to 365 per year. However, sending 1 depositor per day to Mecca implied that there was one depositor who was sent to Mecca every 24 hours. Perhaps, for some people, the wording may not mean much. However, in Islamic marketing, which is based on the ethics of Islam, such a matter is important as it will lead the public towards misperception. Hence, unclear statements should be avoided by *Shari'ah* banks when delivering messages.

Based on the findings on section 4.3.3, *Shari'ah* banks should use the right person as endorsers. Kurtz (2008:530) states that “One advantage of associations with big-name personalities is improved product recognition”. Endorser also brings benefit “when marketers are trying to reach consumers of another culture” (Kurtz, 2008: 531). On the issue of endorsers, *Shari'ah* banks could use one of several Indonesian people who actively perform *da'wah* on or lobby for Islamic banking and finance.

It should be noted that, as part of Islamic ethicality, both *Shari'ah* banks and commercial banks share responsibilities on the issue of advertising. Therefore, it can be proposed that Bank Indonesia is responsible for advertising the value of the industry as well as educating the public regarding *Shari'ah* bank through advertisement. On the other hand, *Shari'ah* banks could concentrate on delivering messages on their products without educating the public again on the values of the *Shari'ah* banking industry.

Lastly, on section 4.7.13, as the analysis show *Shari'ah* banks should make continuous improvements in delivering the message so that customers can understand the message behind it.

6.2.7.1. Facilities and Services

In this study, several research questions also discuss the issue of facilities and services, as part of the marketing strategy related issues. Although not specifically discussed in the questionnaire, the issue of the service process was touched upon in the interview with the representative of Bank Indonesia. In the interview, Mr. Siregar highlighted the confusion

from the public regarding various *Shari'ah* terms whose appearances were rather challenging to comprehend. In the interview, Mr. Siregar actually touched upon the issue by stating the following:

However, in the back office, *mudharabah*, *musharakah*, *murabahah*, and so on still appear in the contracts. Those (terms) are (found) in the back office.

Although not specifically stated about the service process, it can be argued that the provision of contracts within *Shari'ah* banks must have been conducted in accordance with their respective standards. In general, thus, *Shari'ah* banks should be able to possess service blueprints, as it is arguably important for smoothening the delivery of service.

Table 6.6: Facilities And Service

Section 4.3.3	Section 4.8.1
<p>Test: Factor Analysis</p> <p>Related Findings: One of the factors formed is “Physical Excellence”, which comprises of several elements (Safer in depositing money, More Trustable, More Variation On Product, Cheaper Financing Product, The Quality Of Aqad Is More Islamic, Profit Sharing Is Bigger, Staff Is More Professional).</p>	<p>Test: Kruskal –Wallis <i>H</i> Test</p> <p>Related Findings: There are significant differences among the three groups on ALL advertisement messages.</p> <p>Trend Tests: The more respondents get affiliated with <i>Shari'ah</i> bank (be it partially or fully), the less they disagree with the statements.</p> <p>Post Hoc Test: No difference between dual banking and <i>Shari'ah</i> banking only, compared to those who possess only conventional bank account regarding all of the experienced feelings after entering one of <i>Shari'ah</i> bank’s office.</p> <p>Effect Size: All calculations show small effect size.</p>

The issue of the physical environment in terms of banking service provision is also important. The incorporation of Islamic values in the service provision is of great importance. According to Baron and Harris (1995: 76), “service is a *process* not a tangible product”. Therefore, a physical environment is also part of that process. However, the emphasis here is the provision of a physical area, which is in accordance with Islamic teachings. In this case, *Shari'ah* banks should ensure that all physical facilities and their use are in accordance with Islamic teachings. For example, parking

spaces should be equal for everyone. Therefore, everyone will have the same opportunity to occupy parking spaces.

On the issue of human resources, the professionalism of staff is an essential part of a marketing strategy. However, the staff's professionalism depends on the professionalism of the management. For this, 'internal marketing' should be considered, which can be defined as "viewing employees as internal customers, viewing jobs as internal products, and then endeavoring to offer internal products that satisfy the needs and wants of the internal customers while addressing the objectives of the organization" (Bateson, 1992: 270). Therefore, *Shari'ah* banks should invest in their people by giving appropriate training so that they can serve the customers in accordance with Islamic teachings. At the same time, the salaries given should not only satisfy their basic needs but also make them able to have a comfortable life to develop themselves and their families. It should be noted that better training, supportive management, and good remuneration might increase staff productivity, which may result into better service delivery.

Moreover, although *Shari'ah* banks can be happy with the results from section 4.8.1, such results should not drive them away from not making improvements. As competition may intensify in the future, *Shari'ah* banks might want to improve their marketing strategies by strengthening the various themes presented in section 4.8.1.

6.2.7.2. Consumer Behaviour

A marketing strategy also should pay attention to consumer behavior. This section hence aims to discuss the aspects of consumer behavior based on the empirical analysis provided in the earlier chapters¹⁰⁴. Based on the result of section 4.2.2, as summarized in table 6.7, *Shari'ah* banks should focus their communication on those who are 'married', are 'Muslim', are 'highly educated', and those who have a domicile in 'Java', as these demographic factors were found to be significant. At the same time, as mentioned in Chapter 2, the Indonesian Islamic banking industry is at the growth stage. Therefore, based on the product life cycle on the Chapter 2, it can be argued that the intention of message should be towards brand attitude and brand preference.

¹⁰⁴For further information, readers are advised to refer to table 4.6 and table 4.45 on chapter 4.

Table 6.7: Consumer Behaviour 1

Section 4.2.2	Section 4.5.7
<p>Test: Chi Square Test</p> <p>Related Findings: The following variables show significant result: marital status, religion, education, and place of domicile.</p> <p>Effect Size: Those who have married are 2.01 times more likely to choose <i>Shari'ah</i> bank than those who have not. Muslims are 1.74 times more likely to choose <i>Shari'ah</i> bank than those who are not. Highly educated respondents are 1.74 times more likely to choose <i>Shari'ah</i> bank than those who are not. Respondents who domicile in Java are 1.83 times more likely to choose <i>Shari'ah</i> bank than those who do not.</p>	<p>Test: Kruskal –Wallis H Test</p> <p>Related Findings: There is a significant difference regarding knowledge level on <i>Shari'ah</i> banking terms among the three groups of depositors.</p> <p>Trend Tests: The amount of comprehension gets bigger as the level of attachment to <i>Shari'ah</i> bank gets bigger.</p> <p>Post-Hoc Test: No difference between the amount of knowledge accumulating in dual banking and <i>Shari'ah</i> banking only depositors, compared to those who possess only conventional bank account.</p> <p>Effect Size: The effect size of conventional banking only – dual banking is medium. On the other hand, the effect size of conventional banking only – <i>Shari'ah</i> banking only is high.</p>

Based on the findings, it can be suggested that Bank Indonesia can communicate the iB brand in order to promote brand attitude and brand preference over *Shari'ah* banks in general. At the same time, each *Shari'ah* bank could individually communicate their products and services in order to obtain brand attitude and brand preference from the customers.

On the issue of *Shari'ah* banking knowledge, that the *Shari'ah* banking industry should familiarize themselves with the terms systematically. One thing that they can do is install *Shari'ah* banking education in various educational institutions around Indonesia, including that of primary and secondary education.

Table 6.8: Consumer Behaviour 2

Section 4.5.8

Test: Kruskal –Wallis *H* Test

Related Findings: That the amount of comprehension gets bigger as the level of attachment to *Shari'ah* bank gets bigger.

Trend Tests: The amount of comprehension gets bigger as the level of attachment to *Shari'ah* bank gets bigger. However, the exception is in 'Sharia bank is ONLY meant for poor people' statement.

Post – Hoc Test: No difference between dual banking and sharia banking only, compared to those who possess only conventional bank account regarding all of the message themes.

Effect Size: All calculations show a small effect size, except for one statement under under the 'Conventional Banking Only – Sharia Banking Only' Group which exhibits medium effect size (Depositing money in Sharia bank is not profitable(-.30)).

It should be noted that the issue of *Shari'ah* banks being not profitable should be seen wisely. Based on the interview with both *Shari'ah* banks, the size of the industry is still small. Therefore, perhaps *Shari'ah* banks might not give the same pricing level as that of conventional banks. Furthermore, according to the interview conducted with the representative of Bank Muamalat, the way the comparison was made is not fair. Nevertheless, conventional banks will not be able to match the security of re-payment. Although *Shari'ah* banks might not be able, to the level of conventional banks, the financing re-payment is flat. Therefore, this could still bring calmness to the depositors. Furthermore, as competition increases, it can be argued that the financing scheme of *Shari'ah* banks will be competitive. As stated before, hence, *Shari'ah* banks should not concentrate on pricing but rather on the quality of service.

Table 6.9: Consumer Behaviour 3

Section 4.8.2

Test: Wilcoxon Signed – Rank Test

Related Findings:

For *conventional banking only* depositor: Respect and Integrity/Honour. Since their results are based on positive ranks, it could be said that the majority of ranks must be negative. Based on this result, it could be said that the reality seen in Islamic bank is the same as the one exhibited on the advertisement.

Innovative, Better Return, and Being The Best Bank. Since the result is based on negative ranks, it could be said that the majority of ranks must be positive. Based on this result, it could be said that the reality seen in Islamic bank is not the same as the one exhibited on the advertisement.

For *dual banking* depositor: Trust, Respect, Integrity/Honour, and Being Different. Since the result is based on negative ranks, it could be said that the majority of ranks must be positive. Based on this result, it could be said that the reality seen in Islamic bank is not the same as the one exhibited on the advertisement.

For *Shari'ah banking only* depositor: Respect, Integrity/Honour, Solidarity, Social Responsibility, and Flexible. As the results are based on negative ranks, it could be said that the majority of ranks must be positive. Based on this result, it could be said that the reality seen in Islamic bank is not the same as the one exhibited on the advertisement.

Effect Size:

For *conventional banking only*, it appears that effect sizes across all message themes are very small. Therefore, it could be argued that the change of perception for conventional banking only group is very small. For *dual banking* respondents, similar results are found although with very few exceptions for Respect and Integrity/Honour. For *Shari'ah banking* only respondents, except for Respect and Solidarity, a fairly similar result is also present.

As regards to the results from section 4.8.2, this research found out several different results across different depositor groups as reported in table 6.9. All the themes could be

found across all groups. The issue of ‘innovative’ can be managed by continually striving for innovative products and service. It can be argued that there are many ways, even within the already available products. For example, *Shari’ah* banks could make their service more personalized. On the issue of ‘better return’, *Shari’ah* banks should make their services more efficient by, among others, implementing a better IT system. On the other hand, using technology, several activities could be done in a slightly different way. Thus, management efficiency could cut costs and hence increase profits.

Shari’ah banks could manage the issue of ‘being the best bank’ by extending their services and products throughout the country. As the Chi-square tests shown previously on chapter 7¹⁰⁵, those who have domiciles in Java have a higher chance of becoming *Shari’ah* banking depositors than those who live outside Java. Therefore, apart from reaching out people from Java, *Shari’ah* banks should also prioritize their expansion to places outside Java. Not only will this make *Shari’ah* banks’ service more reliable, it will also increase the chance for people to have a *halal* banking service.

To manage the issue of ‘trust’, more socialization should be conducted with the public: *Shari’ah* banks should educate the public in terms of why going to *Shari’ah* banks can make their lives better. Furthermore, a more transparent approach, such as the *Shari’ah* rating system (among others) should be conducted in order to show the public that this industry is managed transparently.

It can be argued that there are many ways to show ‘respect’, ‘integrity/honour’, and ‘solidarity’ with the society. One of which is from the appearance of physical environment. For instance, the physical layout of *Shari’ah* banks should cater the needs of all individuals, especially those with special needs. For example, *Shari’ah* banks’ layout should be friendly to senior citizens, disabled persons, pregnant women, and children, as these are very important to make depositors feel respected. Furthermore, the presence of both visual and audiovisual materials is also important in making customers to feel comfortable.

¹⁰⁵Readers are advised to consult table refer to table 4.6 on chapter 4.

The issue of 'being different' and 'social responsibility' could be managed by continuously educating the public regarding the positive aspects of having *Shari'ah* banks, especially for society. Furthermore, the application of being different should also be materialized in all aspects of the marketing mix. For example, on the application of priority services, *Shari'ah* banks should think on whether or not to apply it differently. When every bank tries to give priority services to those with the minimum amount of money, *Shari'ah* banks could try to give priority services to those with the minimum amount of Islamic charitable money (*zakat, infaq, sadaqah, waqf*). In this case, Indonesian *Shari'ah* banks could issue a rule that those whose Islamic charitable money is at least 10 percent of their 3 month average deposit amount could be entitled to premium service. Therefore, unlike conventional practices of premium service which involves only those who have a lot of money, this new paradigm of service could be applied even to those whose profession is a street vendor.

As regards to the issue of being 'flexible', *Shari'ah* banks should be able to show to the public that *Shari'ah* banks are not only for Muslims but for all faiths. The issue of flexibility coupled with ethical stance of Islamic moral economy can also be managed by showing that *Shari'ah* banks are not only for people visible on the street but also for people who are not so visible on the street (as they are staying below the bridges, within the squatter areas, or those who live in orphanage houses).

6.3. THE RESEARCH PROCESS: JOURNEY FROM PREVIOUS CHAPTERS

The journey in this research began by laying down various marketing concepts. Chapter 3 in general discusses some findings from the previous research and discusses the various aspects of the Indonesian Islamic banking market. Analysis such as Porter's five forces, among others, was used to analyze the Indonesian Islamic banking industry. Chapter 2 briefly discusses the concept of Islamic marketing. In this chapter, several concepts were visited in the hopes that it could be elaborated upon in the future.

Chapter 2 presents the research methodology related issues. In general, this chapter elaborated upon and discussed the various steps involved in performing the research. Based on the contents presented in Chapter 3, empirical findings are presented in

Chapters 4 and 5: Chapter 4 presents the descriptive results and various statistical tests in order to answer the research questions. Chapter 5 presents findings based on qualitative analysis in the form of interviews. Chapter 6 aims to bring all the discussion to an end by providing an integrative and interpretative analysis with the objective of identifying the marketing strategies of Indonesian *Shari'ah* banks and providing recommendation for an efficient and effective marketing strategy for future.

Throughout the research process, both secondary and primary data were gathered in various forms regarding the Indonesian Islamic banking industry.

6.4. SOME LESSONS FROM THE RESEARCH

In general, several main lessons could be drawn from the research presented in this study:

First, although Indonesian Islamic banking industry has not developed fast enough so far, it can be argued that the larger environment supports the growth of Islamic banks in Indonesia.

Second, people perhaps view the challenges of Indonesian Islamic banking industry rather narrowly: the challenges of the industry do not only lie in contracts of Islamic financial instruments, but also on various other matters. This, among others, includes the shortcomings in efficient and effective marketing.

Third, based on the interviews with the representative of Bank Indonesia, support, especially from entrepreneurs, is especially important. The Indonesian *Shari'ah* banking industry does not only need *Shari'ah* banks but also *Shari'ah* entrepreneurs. Certainly, support from the public in the form of opening an account would be an essential motive for development.

Fourth, it should be established that *Shari'ah* banks are not only for Muslims but for everyone. Therefore, Indonesian non-Muslims should get beyond their prejudices to custom with a *Shari'ah* bank as they will not be rejected because of their faith, but also *Shari'ah* banks should develop strategies to appeal to their custom.

Fifth, it seems that Indonesian *Shari'ah* banking is limited with main urban areas, such as Java. However, there is an urgent demand from but also development needs of the rural areas, which have witnessed the rise of Islamic micro financing. *Shari'ah* banks should be able to develop strategies to reach out to the larger public, as Islamic moral economy considers Islamic banking for economic development essentially.

6.5. IMPLICATIONS OF THE RESEARCH

As the analyses and discussions so far indicate, several results have emerged from this research. In this study, the marketing strategies of the Indonesian *Shari'ah* banking are discussed in details and certain recommendations are also provided based on the findings from both secondary and primary sources. Apart from the strategies discussed previously, this section brings several implications, which are as follows:

6.5.1. Implications for Ordinary People

For ordinary people, the development of Indonesian *Shari'ah* banks might benefit them in many ways. First, the intense socialization of *Shari'ah* banks will increase people's awareness regarding the concept of banks without interest: people's perception might change after attending socialization events regarding *Shari'ah* banks.

Second, the increasing number of players in the industry will make the industry more competitive. This, in turn, will help to bring the cost of doing business with *Shari'ah* banks.

Third, as the number of players increases, the variety of products could increase due to the nature of increasing demand, which might lessen people's involvement with conventional banks in the future.

Fourth, for entrepreneurs, the increasing number of banks could give them a variety of financing opportunities.

Lastly, the increasing number of *Shari'ah* banks as well as any other Islamic financial institutions will increase the amount of *zakat* and any other Islamic charity funds donated to society, which can further contribute to the development of underserved sector of the society.

6.5.2. Implication for the Government

For the government, the increasing number of *Shari'ah* banks will contribute to the amount of human resources absorbed by this industry. Furthermore, the amount of taxes coming from this industry will also increase. Moreover, with a right strategy, *Shari'ah* banks can help to contribute to the development of the society through micro-financing methods.

6.5.3. Implication for Other Industries

First, as *Shari'ah* banks also do marketing activities, their marketing activities might be viewed later as the best practice, not only for banking industries but also for any other industries. This might encourage the practice of the Islamic way of doing marketing. Secondly, with the increasing number of players, other industries might also be able to choose the best Islamic banks that could suit their needs. In relations to financing, the increasing number of *Shari'ah* banks can provide opportunities for increasing financing for other industries.

6.6. LIMITATIONS OF THE STUDY

Despite the findings and the amount of respondents involved in this dissertation, this dissertation is not without any limitations. First, due to time and cost, it was rather challenging to conduct the survey manually as the coverage was supposed to be national. Therefore, an online survey was considered the best choice for gathering data for this research.

Second, on geographical coverage, most respondents in the questionnaire came from Java Island. Due to cost and time, it was rather challenging to add more respondents from other islands. The usage of the online survey also contributed to the rather low response from particular areas such as Papua, as internet access in remote areas of the country can be a difficult issue.

Thirdly, this study used non-probability sampling, which may imply that the results perhaps cannot be generalized to the population confidently. However, the nature of the data implies that non-parametric test should be used by definition.

6.7. SUGGESTIONS FOR FUTURE RESEARCH

Following the limitations of the study, some points for future research can be suggested. First, based on the findings, more academic works should be developed by doctoral students. The author proposes several arguments for this: it can be argued that doctoral research might provide ample time for researchers to reflect upon any issues in this particular industry. Furthermore, due to the time needed to complete a doctoral research, the author argues that researchers might have the opportunity to propose at least one theoretical model in the field of Islamic management, especially in Islamic marketing. Moreover, future research might consider increasing the sample size. Also, another research line could be researching the effect of the iB brand on the decision making process in opting for *Shari'ah* banks. In addition, future research might also consider in investigating the banking behaviour of particular geographical places in Indonesia.

Lastly, an evaluation of the *Shari'ah* banking marketing strategies in relation to the ethical principles of Islamic moral economy can be considered, which can contribute to the recent debate on 'form vs. substance' debate in Islamic banking. Although a humble attempt was made to provide such an analysis in this research, due to the limitations in terms of the length of the study further discussion could not be provided.

These suggestions may be useful for any future researchers in order to further develop an understanding of the Indonesian Islamic banking industry in general and its marketing strategies in particular.

6.8. EPILOGUE

This research explored and analysed the various aspects of the marketing strategies of Indonesian *Shari'ah* banks. In addition, this study explored the awareness issues and also identified the determining factors for patronising *Shari'ah* banks. These were explored through primary data collected by questionnaire. The study also explored the perspectives of supply side on the mentioned issues through interview analysis. Lastly, some recommendations suggested developing a particular marketing strategy to develop the position of Indonesian *Shari'ah* banks in terms of increasing the market share of the Indonesian Islamic banking industry.

Despite the various limitations, this study is considered to have responded to the research aims and objectives.

It is hoped that the results from this study can be utilised not only for academicians but also by any other stakeholders in the industry.

6.9. CONCLUSIONS

This chapter discussed various strategies that *Shari'ah* banks could implement in order to strengthen their market share in the Indonesian banking industry. Based on the empirical findings, the issue of transparency is important to be considered by all parties involved in this industry. Furthermore, it is also found that *Shari'ah* banks should concentrate on the non-price element of their service. On the issue of product, the challenge of product innovation is suggested to be crucial: *Shari'ah* banks should not mimic what is available in conventional markets but try to develop authentic products which suit their paradigm and the need of the customers.

The findings also suggest that communicating services is also important. In this regard, *Shari'ah* banks should pick up the right channels to communicate with their respective audiences. More importantly, the communication should not violate the principles set forth in the *Shari'ah*.

Furthermore, improving facilities and service need to be considered by *Shari'ah* banks as well. The presence of amenities must not violate Islamic teachings, too. Moreover, sufficient salaries and training should be given to all employees.

This research also finds various themes which are not found in reality by the respondents. The issue of being 'innovative' could be managed by continually striving for innovative products and services. On the issue of 'better return', *Shari'ah* banks should make their services more efficient. In addition, *Shari'ah* banks could manage the issue of 'being the best bank' by extending their services and products throughout the country. In managing the issue of 'trust', more socialization should be conducted to the public. Moreover, there are many ways to show 'respect', 'integrity/honour', and 'solidarity' to the society. One of such forms is the appearance of physical environment. The issue of 'being different'

and 'social responsibility' can be managed by continuously educating the public on the positive aspects of having *Shari'ah* banks, especially for society. Lastly, to manage the issue of being 'flexible', *Shari'ah* banks should also be able to show to the public that *Shari'ah* banks are not only for Muslims but for all faiths.

Based on all of the findings, this research can at least conclude with two main findings: First, there are many challenges that need to be overcome by the industry. Secondly that the various strategies employed to strengthen the market share should not deviate from the teachings of Islam.

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**APPENDIX A: A MARKETING STRATEGY SURVEY ON INDONESIAN
SHARI'AH BANKING INDUSTRY**

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Note: All information given on this questionnaire will be dealt confidentially.

I. FILTER (SCREENING)

1. Apakah Anda memiliki rekening bank? (Do you have a bank account?)

Ya (Yes)

Tidak (No)

Note: If opting for “YES”, respondents will be taken to the next page. Otherwise, respondents will be taken to a disqualification page.

II. DEMOGRAFI (DEMOGRAPHIC)

Pertanyaan dihalaman ini berguna untuk mengetahui karakter demografi responden. Anda diharapkan untuk menjawab SEMUA pertanyaan yang tersedia.

(All questions on this page are meant for understanding respondents' demographic character. You are kindly asked to fill ALL of the available questions.)

1. Jenis Kelamin: (Gender:)

Laki - Laki (Male)

Perempuan (Female)

2. Umur Anda sekarang: (Your age:)

Dibawah 18 (Below 18)

18 – 30

31 - 40

41 - 50

51 - 60

Diatas 60 (Above 60)

3. Status pernikahan Anda: (Your marital status?)

Belum Menikah (Single)

Menikah (Married)

Duda (Widower)

Janda (Widow)

4. Agama Anda: (Your religion:)

- Islam
- Kristen Protestan (Protestant)
- Kristen Katolik (Catholic)
- Hindu (Hindu)
- Buddha (Buddhist)
- Konghucu (Confucian)
- Aliran Kepercayaan (Cultist)
- Tidak memiliki keyakinan (No religion)

5. Pendidikan terakhir Anda: (Last education attained :)

- SD (Primary School)
- SMP atau sederajat (Junior High School or equivalent)
- SMA atau sederajat (Senior High School or equivalent)
- Diploma (Diploma (D1, D2, D3))
- Sarjana (S1) atau sederajat (Bachelor or equivalent)
- Pasca Sarjana (S2, S3, Post Doktoral) (Post Graduate (Master, PhD, Post-Doctoral))

6. Pekerjaan Anda: (Your occupation :)

- Belum Bekerja (Unemployed)
- Pelajar/Mahasiswa (Student)
- Ibu Rumah Tangga (Housewife)
- Guru/Dosen (Teacher/Lecture)
- Pegawai Negeri (Termasuk TNI dan POLRI) (Civil Servant (Including ARMY and POLICE))
- Pegawai Perusahaan Swasta (Employees In Private Companies)
- Pengusaha / Wiraswasta (Own A Business)

Profesional (Dokter, Akuntan, Ahli Mesin, Arsitek, dll) (Profesional (Medical Doctor, Accountant, Engineer, Architect, etc))

Pensiunan (Retired)

7. Penghasilan Anda Per Bulan: (Your monthly income :)

Dibawah 1.000.000 Rupiah (Below 1,000,000 Rupiahs)

1.000.000 – 1.999.999 Rupiah (1,000,000 – 1,999,999 Rupiahs)

2.000.000 – 3.999.999 Rupiah (2,000,000 - 2,999,999 Rupiahs)

4 000.000 – 5.999.999 Rupiah (4,000,000 - 4,999,999 Rupiahs)

Diatas 6.000.000 Rupiah (Above 6,000,000 Rupiahs)

8. Domisili Anda sekarang: (Your place of residence :)

Jawa (Java)

Sumatera (Sumatera)

Sulawesi (Celebes)

Kalimantan (Borneo)

Papua (Papua)

III. PERILAKU KONSUMEN 1 (CONSUMER BEHAVIOUR 1)

Pertanyaan dihalaman ini berguna untuk memahami karakter responden. Anda diharapkan untuk menjawab SEMUA pertanyaan yang tersedia.

All questions on this page are meant for understanding respondents' character. You are kindly asked to fill ALL of the available questions.

1. Apakah Anda memiliki rekening Bank Syariah? (Do you have sharia bank account?)

Ya (Yes)

Tidak (No)

Note: If opting for “Yes”, respondents will be taken to the “Consumer Behaviour 2” page. Otherwise, respondents will be taken automatically to the “Consumer Behaviour 3” page.

IV. PERILAKU KONSUMEN 2 (CONSUMER BEHAVIOUR 2)

1. Apakah Anda juga memiliki rekening bank Konvensional? (Do you ALSO have Conventional Bank Account?)

Ya (Yes)

Tidak (No)

2. Seberapa penting faktor faktor dibawah ini dalam mempengaruhi keputusan Anda untuk menjadi Nasabah Bank Syariah? (Samsudin, 2004: L-3 – L-4) (How important are the following factors for you in making a decision to become a *Shari'ah* Bank depositor?)

	Sangat Tidak Penting (Absolutely Unimportant)	Tidak Penting (Unimportant)	Netral (Neutral)	Penting (Important)	Sangat Penting (Absolutely Important)
A. Faktor Syariah (Syariah Factors)					
1. Adanya larangan atas Riba (Bunga). (Prohibition on Riba (Interest))					
2. Sistem bagi hasil yang lebih adil dan menentramkan. (Profit sharing system which is more fair and more peaceful).					
3. Prinsip prinsip syariah Islam dalam setiap praktek transaksi perbankan. (Sharia principles in every banking transaction).					
4. Investasi/ pembiayaan Bank Syariah untuk bisnis yang halal dan baik. (Investment/financing from Sharia banks for Halal and good business).					

5. Ikut serta dalam rangka memajukan ekonomi syariah. (Contributing the development of sharia economy (Islam).					
B. Faktor Produk (Product Factor)					
6. Produk produk perbankan yang beragam, menarik dan inovatif. (Varieties of attractive and innovative banking products).					
7. Produk perbankan syariah yang dapat memenuhi semua kebutuhan finansial. (Sharia banking products which could solve all my financial needs).					
8. Prosedur mendapatkan produk perbankan syariah yang tidak berbelit-belit. (The procedure to get Sharia banking product which are not complicated).					
9. Fitur – fitur pendukung / keuntungan yang terdapat dalam produk. (Supporting features available with the products).					
C. Faktor Keuntungan (Profit Factor)					
10. Bagi hasil produk tabungan yang lebih tinggi dari Bank Konvensional. (Profit sharing deposit is higher					

than that of Conventional bank).					
11. Produk pembiayaan yang lebih murah dari bank konvensional. (Financing product cheaper than that of Conventional bank).					
12. Biaya administrasi yang rendah (Low administration cost)					
D. Faktor Tempat (Place Factor)					
13. Lokasi bank yang berada dimana mana (Location Everywhere)					
14. Lokasi bank yang mudah dijangkau (Location easy to reach)					
15. Lokasi bank yang aman (Safe location).					
E. Faktor Promosi (Promotion Factors)					
16. Adanya dorongan dari pihak tertentu (Orang tua, teman, kolega, dll). (Influence from particular people (Parents, friend, colleague, etc).					
17. Iklan bank syariah di media cetak atau elektronik. (Sharia bank's advertisements in printed or electronic media).					
18. Sosialisasi dari kalangan tertentu (MUI,					

Pakar Ekonomi/Perbankan Islam, dll). (Socialization from particular party (Ulema, Experts in Islamic Economics/Banking, etc).					
F. Fasilitas Dan Pelayanan (Facilities And Service Factors)					
19. Pelayanan dengan senyum (Service with smile).					
20. Staff yang menerangkan produk perbankan dengan JELAS (Staff able to explain banking product CLEARLY).					
21. Staff yang melayani keluhan pelanggan dengan CEPAT (Staff able to handle complaint FAST).					
22. Toilet yang bersih (Clean toilet).					
23. Tempat parkir yang luas (Wide parking space)					

V. PERILAKU KONSUMEN 3 (CONSUMER BEHAVIOUR 3)

1. Jika Anda DIBERIKAN 2 PILIHAN, kemana Anda akan menyimpan uang Anda? (If you WERE GIVEN 2 OPTIONS, where will you deposit your money?)

Bank Syariah Internasional (HSBC Amanah, dll) (Foreign Sharia Bank (HSBC Amanah, etc))

Bank Syariah Lokal (Bank Muamalat, Mandiri Syariah, dll) (Local Sharia Bank (Bank Muamalat, Mandiri Syariah, etc))

2. Apakah Jawaban Anda terhadap pertanyaan nomor 1 diatas dilandasi atas alasan berikut: (Is your answer on question 1 above influenced by the following reasons :)

(Bagi yang memilih **“Bank Syariah Internasional”**, alasan dibawah ini digunakan sebagai perbandingan terhadap bank syariah lokal). (For those who choose **“Foreign Sharia Bank”**, the following reasons are used against local sharia bank).

(Bagi yang memilih **“Bank Syariah Lokal”**, alasan dibawah ini digunakan sebagai perbandingan terhadap bank syariah internasional). (For those who choose **“Local Sharia Bank”**, the following reasons are used against foreign sharia bank).

	Sangat Tidak Setuju (Absolutely Disagree)	Tidak Setuju (Disagree)	Netral (Neutral)	Setuju (Agree)	Sangat Setuju (Absolutely Agree)
1. Mencintai Bank Local (Love Local Bank).					
2. Menghindari modal lari ke luar negeri (Avoid Capital Flight).					
3. Membantu bank syariah lokal untuk berkembang (Help local <i>shari'ah</i> bank to develop).					
4. Kualitas aqad produk lebih Islami. (The quality of aqad is more Islamic)					
5. Produk lebih variatif. (More product variation)					
6. Uang simpanan lebih aman. (Money is safer)					
7. Bagi hasil tabungan lebih besar. (Profit sharing is bigger)					
8. Produk Pembiayaan lebih murah. (Cheaper financing product)					
9. Lebih Dapat Dipercaya					

(More Trusworthy).					
10. Staff lebih profesional (lebih ramah, lebih menguasai produk, lebih tanggap jika saya ada masalah, dll) (Staff is more professional (more warm, more knowledgeable regarding the product, more responsive if I have a problem, etc))					
11. Ruang tunggu lebih nyaman. (Waiting room is more comfortable).					
12. Toilet lebih bersih. (The toilet is cleaner).					
13. Tempat parkir lebih luas. (Parking space is wider)					

VI. PERILAKU KONSUMEN 4 (CONSUMER BEHAVIOUR 4)

1. Apakah Anda MENGETAHUI ARTI dari istilah istilah dibawah ini: (Do you KNOW THE MEANING of the following concept and terms):

	Tahu (Know)	Ragu Ragu (In Doubt)	Tidak Tahu (Do Not Know)
Halal			
Haram			
Syariah (Sharia)			
Riba			
Mudarabah (Mudharabah)			
Musarakah			
Murabaha			
Wadiah			
Ijarah			
Istisna			
Rahn			
Sarf			
Bank Syariah (Sharia Bank)			
Dewan Pengawas Syariah (Sharia supervisory board)			
Dewan Syariah Nasional (DSN) (National Sharia Council (DSN))			
Majelis Ulama Indonesia (MUI) (Indonesian Council Of Ulema (MUI))			

2. Berikan PENILAIAN Anda terhadap pernyataan dibawah ini: (Please give us your opinion concerning the following statements :)

	Sangat Tidak Setuju (Strongly Disagree)	Tidak Setuju (Disagree)	Netral (Neutral)	Setuju (Agree)	Sangat Setuju (Absolutely Agree)
1. Bank Syariah HANYA untuk orang Islam (Sharia bank is ONLY for Muslims)					
2. Praktek perbankan syariah di Indonesia BELUM SESUAI SYARIAH (The practice of Indonesian Sharia banks is NOT YET IN ACCORDANCE TO SHARIA)					
3. Bank Syariah TIDAK AKAN memberikan kredit kepada non - muslim (Sharia bank WILL NOT give loans to non-Muslims)					
4. Dana simpanan di Bank Syariah TIDAK AKAN mendapatkan jaminan dari LPS (Lembaga Penjamin Simpanan) (Deposits in Islamic bank WILL NOT be guaranteed by the Indonesian Deposit Insurance Corporation)					
5. ADA KEMUNGKINAN KARYAWAN Bank Syariah MENGGELAPKAN UANG SAYA (THERE IS A CHANCE THAT Sharia Bank's EMPLOYEES STEAL MY MONEY)					
6. CORPORATE GOVERNANCE Bank Syariah SAMA SAJA dengan Bank Konvensional (Sharia banks' CORPORATE GOVERNANCE are JUST THE SAME as Conventional banks)					

7. Bank Syariah KURANG EFISIEN JIKA DIBANDINGKAN dengan Bank Konvensional (Sharia Banks ARE LESS EFFICIENT IF COMPARED WITH Conventional Banks)					
8. Menabung Di Bank Syariah TIDAK MENGUNTUNGGAN (Depositing money in Sharia Bank IS NOT PROFITABLE)					
9. Bank Syariah HANYA didirikan untuk orang miskin saja (Sharia bank is ONLY meant for poor people)					
10. Bank Syariah TIDAK MEMILIKI TANGGUNG JAWAB SOSIAL (Sharia Banks DO NOT HAVE SOCIAL RESPONSIBILITY)					

4. Termasuk kategori nasabah apakah Anda? (What type of bank customer are you?)

Saya HANYA ingin memiliki rekening di Bank Syariah (I only want to have an account in Sharia Bank)

Saya akan ke Bank Syariah JIKA banyak orang yang memakainya (I will go to Shari'ah bank IF many people use it)

Saya MERASA nyaman memiliki rekening di Bank Syariah dan Bank Konvensional (I FEEL comfortable having both Sharia and Conventional Bank account)

Saya HANYA menginginkan bank yang dapat membantu kebutuhan transaksi saya sehari hari (pembayaran listrik, telpon, air, transfer uang, dll), tidak peduli apakah itu Bank Syariah atau Bank Konvensional (I ONLY want to have bank which could assist me in making daily transaction (electricity, telephone, water, money transfer, etc), be it Sharia or Conventional Bank)

Saya HANYA ingin menabung di bank yang memiliki return yang tinggi, tidak peduli apakah itu Bank Syariah atau Bank Konvensional (I only want to save my money in a bank which could give the highest return, be it Sharia or Conventional Bank)

Saya HANYA ingin memiliki rekening di Bank Konvensional (I only want to have an account in conventional bank)

5. Sebutkan MAKSIMAL 3 NAMA BANK KONVENSIONAL tempat Anda menyimpan uang saat ini. PILIH "Tidak Ada" jika Anda TIDAK MEMILIKI satupun rekening bank konvensional. (Name MAXIMUM 3 CONVENTIONAL BANKS where you have your bank account. Tick "Tidak Ada" if you DO NOT POSSESS conventional bank accounts at all).

- | | | |
|--|-------------------------------------|--|
| <input type="checkbox"/> Tidak Ada (None At All) | <input type="checkbox"/> Panin Bank | <input type="checkbox"/> Bank Victoria International |
| <input type="checkbox"/> Mandiri | <input type="checkbox"/> BII | <input type="checkbox"/> BTPN |
| <input type="checkbox"/> BRI | <input type="checkbox"/> BTN | <input type="checkbox"/> Bank Jabar |
| <input type="checkbox"/> BCA | <input type="checkbox"/> Permata | <input type="checkbox"/> HSBC |
| <input type="checkbox"/> BNI 46 | <input type="checkbox"/> Bukopin | <input type="checkbox"/> Citibank |
| <input type="checkbox"/> CIMB Niaga | <input type="checkbox"/> Bank Mega | <input type="checkbox"/> Standard Chartered Bank |
| <input type="checkbox"/> Danamon | <input type="checkbox"/> OCBC- NISP | |

6. Sebutkan MAKSIMAL 3 NAMA BANK SYARIAH tempat anda menyimpan uang saat ini. PILIH "Tidak Ada" jika anda TIDAK MEMILIKI satupun rekening bank syariah. (Name MAXIMUM 3 SHARIA BANKS where you have your bank account. Tick "Tidak Ada" if you DO NOT POSSESS Sharia bank accounts at all).

- | | | |
|--|---|--|
| <input type="checkbox"/> Tidak Ada (None At All) | <input type="checkbox"/> Danamon Syariah | <input type="checkbox"/> OCBC – NISP Syariah |
| <input type="checkbox"/> Muamalat | <input type="checkbox"/> Panin Bank Syariah | <input type="checkbox"/> Bank Victoria Syariah |
| <input type="checkbox"/> Bank Syariah Mandiri | <input type="checkbox"/> BII Syariah | <input type="checkbox"/> BTPN Syariah |
| <input type="checkbox"/> BRI Syariah | <input type="checkbox"/> BTN Syariah | <input type="checkbox"/> Bank Jabar Syariah |
| <input type="checkbox"/> BCA Syariah | <input type="checkbox"/> Permata Syariah | <input type="checkbox"/> HSBC Amanah |
| <input type="checkbox"/> BNI Syariah | <input type="checkbox"/> Bukopin Syariah | <input type="checkbox"/> Maybank Indonesia Syariah |
| <input type="checkbox"/> CIMB Niaga Syariah | <input type="checkbox"/> Bank Mega Syariah | |

VII. ASPEK ASPEK PEMASARAN 1 (MARKETING ASPECTS 1)

Pertanyaan dihalaman ini berhubungan dengan aspek aspek pemasaran yang berkaitan dengan perbankan syariah. Anda diharapkan untuk menjawab SEMUA pertanyaan yang tersedia.

All questions on this page are related to aspects of sharia bank marketing. You are kindly asked to fill ALL of the available questions.

1. Produk BANK KONVENSIONAL apakah yang Anda miliki (Jawaban bisa LEBIH DARI SATU):

PILIH "Tidak Ada" jika Anda TIDAK MEMILIKI satupun rekening bank konvensional.

(What kind of CONVENTIONAL BANKING products do you possess (TICK ALL that applies)):

(Tick "Tidak Ada" if you DO NOT POSSESS conventional bank accounts at all).

- Tidak Ada (None At All)
- Tabungan (Savings Account)
- Giro (Current Account)
- Deposito Berjangka (Time Deposit)
- Kartu Debit (Debit Card)
- Kartu Kredit (Credit Card)
- Kredit Konsumen (Rumah, Kendaraan, Pendidikan, dll) (Consumer loan (Housing, Cars, education, etc))
- Transfer Uang (Dalam Dan Luar Negeri) (Money Transfer (local and international))
- Layanan Prioritas (Priority Banking)
- Safe Deposit Box
- Bancassurance
- Cek (Cek Perjalanan, dsb) (Cheques (Traveller Cheques, etc))
- Penukaran Mata Uang Asing (Currency Exchange)
- L/C (Letter of Credit (L/C))
- Reksadana (Unit Trust)
- Obligasi Retail Indonesia (Indonesia Retail Bond)
- Sukuk Retail (Retail Sukuk)
- Saham (Stocks)

2. Produk BANK SYARIAH apakah yang Anda miliki (Jawaban bisa LEBIH DARI SATU):

PILIH "Tidak Ada" jika anda TIDAK MEMILIKI satupun rekening bank syariah.

(What kind of SHARIA BANKING products do you possess (TICK ALL that applies)):

(Tick "Tidak Ada" if you DO NOT POSSESS sharia bank accounts at all).

- Tidak Ada (None At All)
- Tabungan (Savings Account)
- Giro (Current Account)
- Deposito (Time Deposit)
- Kartu Debit (Debit Card)
- Kartu Kredit (Credit Card)
- Kredit Konsumen (Rumah, Kendaraan, Pendidikan, dll) (Consumer loan (Housing, Cars, education, etc))
- Transfer Uang (Dalam Dan Luar Negeri) (Money Transfer (Local and International))
- Layanan Prioritas (Priority Banking)
- Safe Deposit Box (Safe Deposit Box)
- Bancassurance (Bancassurance)
- Cek (Cek Perjalanan, dsb) (Cheques (Traveller Cheques, etc))
- Penukaran Mata Uang Asing (Currency Exchange)
- L/C (Letter of Credit (L/C))
- Reksadana (Unit Trust)
- Sukuk Retail (Retail Sukuk)

3. Secara Umum, FASILITAS apakah yang biasa Anda gunakan dibank Anda (Jawaban bisa LEBIH DARI SATU): (In general, what kind of FACILITY do you usually use with your bank(s)? (TICK ALL that applies))

- Anjungan Tunai Mandiri (ATM) (Automatic Teller Machine (ATM))
- Internet Banking (Internet Banking)

- Mobile Banking (Mobile Banking)
- SMS Banking (SMS Banking)
- Phone Banking (Phone Banking)
- Fasilitas Overdraft (Overdraft Facility)
- Perencanaan Keuangan (Financial Planning)



4. BERDASARKAN GAMBAR DIATAS, jawablah pertanyaan pertanyaan dibawah ini: (BASED ON THE ABOVE IMAGE, answer the following questions :)

	Ya (Yes)	Ragu Ragu (In Doubt)	Tidak (No)
Saya MENGENALI gambar tersebut (I RECOGNIZE the image)			
Saya YAKIN bahwa Bank Bank yang memiliki gambar tersebut PASTI MEMILIKI layanan Syariah (I am SURE that banks with that image DEFINITELY HAVE sharia banking service)			

5. PERSEPSI ANDA terhadap KEUNTUNGAN produk produk tabungan dibawah ini: (YOUR PERCEPTION on the RETURN of the following banking products :)

	Bank Syariah Dan Bank Konvensional sama tingginya (Sharia Bank And Conventional Bank Are Equally High)	Lebih Tinggi Bank Syariah (Sharia Bank is higher)	Tidak Tahu (No Idea)	Lebih Tinggi Bank Konvensional (Conventional Bank is higher)	Bank Syariah Dan Bank Konvensional sama rendahnya (Sharia Bank And Conventional Bank Are Equally low)
Tabungan (Saving Account)					
Giro (Current Account)					
Deposito 1 Bulan (1 Month Long Term Deposit)					
Deposito 3 Bulan (3 Month Long Term Deposit)					
Deposito 6 Bulan (6 Month Long Term Deposit)					
Deposito 12 Bulan (12 Month Long Term Deposit)					

6. PERSEPSI ANDA terhadap BIAYA PINJAMAN produk produk pembiayaan dibawah ini:
(YOUR PERCEPTION on the COST OF BORROWING of the following financing products :)

	Bank Syariah Dan Bank Konvensional sama mahalnya (Sharia Bank And Conventional Bank Are Equally Expensive)	Lebih Tinggi Bank Syariah (Sharia Bank Is More Expensive)	Tidak Tahu (No Idea)	Lebih Tinggi Bank Konvensional (Conventional Bank Is More Expensive)	Bank Syariah Dan Bank Konvensional sama rendahnya (Sharia Bank And Conventional Bank Are Equally Affordable)
Pembiayaan Rumah (House Loan)					
Pembiayaan Kendaraan (Motor Loan)					
Pembiayaan Pendidikan (Education Loan)					
Kartu Kredit (Credit Card)					

7. Bagaimana level interaksi Anda terhadap media komunikasi dibawah ini: (What is your level of interaction with the following communication media :)

	Sangat Rendah (Very Low)	Rendah (Low)	Sedang Sedang Saja (Neither Low Nor High)	Tinggi (High)	Sangat Tinggi (Very High)
Koran (Newspaper)					
Majalah (Magazine)					
TV (TV)					
Radio (Radio)					
Internet (Internet)					
Telepon Genggam (Mobile Phone)					
Fax (Faximile)					

8. Dari mana Anda PERTAMA KALI menjumpai istilah "BANK SYARIAH"? (Where did you FIRST encounter the term "SHARIA BANK"?)

- Saya Tidak Ingat (I Forgot)
- Televisi (TV)
- Koran (Newspaper)
- Majalah (Magazine)
- Radio (Radio)
- Internet (email/chatting/facebook/twitter/Dll) (Internet (email/chatting/facebook/twitter/etc))
- Billboard (Billboard)
- Leaflet (Leaflet)
- Seminar dan Konferensi (Seminar and Conference)
- Pameran (Exhibitions)

Dari Mulut Ke Mulut (Orang Tua/Sahabat/Teman/Kolega/Dll) (Word of mouth (from parents/relatives/friends/colleagues, etc))

Kuesioner Ini (This questionnaire)

9. BERDASARKAN PERSEPSI ANDA, berikan penilaian terhadap pernyataan berikut: (BASED ON YOUR PERCEPTION, please rate the following statements :)

	Sangat Tidak Setuju (Absolutely Disagree)	Tidak Setuju (Disagree)	Netral (Netral)	Setuju (Agree)	Sangat Setuju (Absolutely Agree)
Iklan dibolehkan dalam Islam (Advertisement is acceptable in Islam)					
Iklan sebaiknya mengikuti prinsip prinsip etika tertentu dalam Islam (Advertisement should follow certain Islamic ethical principles)					
Iklan didalam Islam sebaiknya tidak mengarah kepada sifat konsumtif dan kemauan untuk berhutang (Advertisement according to Islam SHOULD NOT encourage consumptive behaviour and eagerness to be in debt)					

10. Menurut PENDAPAT ANDA, PANTASKAH jika bank syariah mengiklankan produk produknya? (ACCORDING TO YOUR OPINION, is it ACCEPTABLE for sharia bank to advertise its products?)

Ya (Yes)

Ya, tetapi dalam batas yang sesuai dengan etika ajaran Islam (Yes, but within the limit of Islamic ethical principle)

Tidak (No)

11. Apakah Anda PERNAH MELIHAT iklan produk perbankan Syariah? (HAVE YOU SEEN an advertisement of any sharia bank?)

Ya (Yes)

Tidak (No)

Note: If opting for “YES”, respondents will be taken to the “Aspek Aspek Pemasaran 2 (Marketing Aspects 2)” page. Otherwise, respondents will be taken to the “Aspek Aspek Pemasaran 3 (Marketing Aspects 3)” page.

VIII. ASPEK ASPEK PEMASARAN 2 (MARKETING ASPECTS 2)

1. Apakah Anda INGAT KATA/UNGKAPAN YANG KHAS dari iklan tersebut? (Do you remember a catchy word/phrase from the advertisement?)

Tidak (No)

Ya (Tolong Sebutkan): (Yes (Please Specify) :)

2. PERSEPSI Anda terhadap iklan produk perbankan syariah di Indonesia: (Your

PERCEPTION towards the advertisement of sharia banking product in Indonesia :)

	Sangat Tidak Setuju (Strongly Disagree)	Tidak Setuju (Disagree)	Netral (Neutral)	Setuju (Agree)	Sangat Setuju (Strongly Agree)
1. Iklannya TIDAK SESUAI dengan kenyataan (Advertisements ARE NOT in accordance to the reality)					
2. Bentuk baru dari komersialisasi ajaran Islam (New form of commercializing the teaching of Islam)					
3. Belum sesuai dengan ajaran agama Islam (Not yet in line with Islamic teaching)					
4. HANYA mengajak orang untuk hidup konsumtif (ONLY induce people to live consumptively)					
5. HANYA mengajak orang untuk hidup dengan hutang (ONLY induce people to live with debt)					
6. Iklannya TIDAK NETRAL dan DIPENGARUHI oleh ajaran agama (Advertisements ARE NOT NEUTRAL and ARE SHAPED by religion)					

3. SIMBOL SIMBOL apa yang PALING MENGESANKAN Anda ketika melihat iklan bank syariah tersebut? (WHICH SYMBOLS that IMPRESS YOU THE MOST when seeing the advertisement of the sharia banks?)

Penggunaan AYAT AL-QURAN (The use of Quranic Verses)

Penggunaan tempat tempat religius (Mesjid, Ka'bah, dsb) (The use of religious sites (Masjid, Ka'bah, etc)

Penggunaan wanita yang mengenakan jilbab (The use of women with Hijab)

Penggunaan kata kata Islami (Misalnya "Syariah", dll) (The use of Islamic words (Such as "Syariah", etc)

Penggunaan kata kata spiritual yang menggugah hati (The use of spiritual words which evoke the heart)

Saya tidak memperhatikan (I do not pay attention)

4. Apakah Anda PUAS dengan penggunaan simbol simbol yang digunakan didalam iklan mengenai produk produk perbankan Syariah? (Are you SATISFIED with the symbols used within the advertisements of Sharia banking products?)

Ya (Yes)

Ya, tetapi penggunaan simbol simbol tersebut harus lebih beretika dan menghormati prinsip prinsip dalam Islam (Yes, but the use of symbols should be more ethical and follow the Islamic principles)

Tidak (No)

5. Apakah iklan perbankan syariah yang Anda lihat MEMBERIKAN PESAN sesuai dengan tema tema dibawah ini? (Do the advertisements/commercials of Islamic banks you have seen GIVE ANY REFERENCE to the following concepts?)

	Ya (Yes)	Tidak (No)	Tidak Tahu (Do Not Know)
Kepercayaan (Trust)			
Rasa Hormat (Respect)			
Integritas/Kehormatan (Integrity/Honour)			
Solidaritas (Solidarity)			
Tanggung Jawab Sosial (Social Responsibility)			
Adanya Perbedaan (Being Different)			

Inovatif (Innovative)			
Keuntungan Yang Lebih Baik (Better Return)			
Menjadi Bank Terbaik (Being The Best Bank)			
Fleksibel (Flexible)			
Menjalankan Perintah Agama (Religious Duty)			

IX. ASPEK ASPEK PEMASARAN 3 (MARKETING ASPECTS 3)

1. Apakah Anda PERNAH MEMASUKI salah satu kantor bank Syariah dan BERINTERAKSI dengan staff bank Syariah tersebut? (HAVE you ENTERED one of Sharia bank's office and INTERACTED with that bank's staff?)

Ya (Yes)

Tidak (No)

Note: If opting for "YES", respondents will be taken to the "Aspek Aspek Pemasaran 4 (Marketing Aspects 4)" page. Otherwise, respondents will be taken to the "Aspek Aspek Pemasaran 5 (Marketing Aspects 5)" page.

X. ASPEK ASPEK PEMASARAN 4 (MARKETING ASPECTS 4)

1. Apakah Anda MERASAKAN hal hal dibawah ini setelah MEMASUKI salah satu kantor bank Syariah dan BERINTERAKSI dengan salah satu pegawai bank tersebut? (Do you FEEL the following experiences after ENTERING one of Sharia bank's office and INTERACTING with one of the bank's staff?)

	Ya (Yes)	Tidak (No)	Tidak Tahu (Do Not Know)
Kepercayaan (Trust)			
Rasa Hormat (Respect)			
Integritas/Kehormatan (Integrity/Honour)			

Solidaritas (Solidarity)			
Tanggung Jawab Sosial (Social Responsibility)			
Adanya Perbedaan (Being Different)			
Inovatif (Innovative)			
Keuntungan Yang Lebih Baik (Better Return)			
Menjadi Bank Terbaik (Being The Best Bank)			
Fleksibel (Flexible)			
Menjalankan Perintah Agama (Religious Duty)			

XI. TERIMA KASIH BANYAK (THANK YOU VERY MUCH)

AssalamualaikumWr.Wb,
Bapak/Ibu Yang Terhormat (Dear Sir/Madam),

Terima kasih banyak atas bantuan Bapak/Ibu dalam mengisi kuesioner ini. Mudah mudahan amal Bapak/Ibu dibalas oleh Allah SWT.

(Thank you very much for your help in filling this questionnaire. I am hoping that Allah SWT rewards your deeds).

Wassalam,

Muhammad Arham
Mahasiswa Doktoral
Durham University



**APPENDIX B.1: INTERVIEW QUESTIONS ON INDONESIAN *SHARI'AH*
BANKING INDUSTRY (CENTRAL BANK)**

By: Muhammad Arham
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Interviewer (I): Bismillahirrahmanirrahim. Assalamualaikum wr.wb.

Bank Indonesia Spokesperson (BIS): Waalaikum Salam Wr.Wb.

I: First of all, I would like to thank the Indonesian Central Bank ...

BIS: Ok.

I:for the time given in order to smooth my dissertation process. I hope all of your deeds are accepted by Allah....

BIS: Amin.

I:and that he (Allah) eases your *Hisab* (trials) on *Yaumul Akhir* (the day of judgement).

BIS: Amin, Amin.

I: Umm, as a first question, in general, from the perspective of developments and trends in Islamic banking within a historical context in relation to some other countries, could you please briefly define the performance of Islamic banking in Indonesia in general?

BIS: Hmmm, hmmm... If we look at the development of *Shari'ah* banking in Indonesia, uhhh...I would define 'Development', as far as I can interpret it, as 'Growth'. This is as far as 'Development' is concerned...

I: Ok.

BIS: ...so, talking about 'Growth', I think that the development in the past 5 years in Indonesia has been 38 percent on average. Uhhh, even in 2010 the growth was 47% and in 2011 it was 48 point something, close to 49%...

I: Ok.

BIS: ... so there is a trend of increasing growth....

I: Yes.

BIS: ... when we talk about development. So that is from the perspective of total assets...

I: All right.

BIS: So it increases. Now, compared to other countries, I have not witnessed any countries where growth has reached more than 40 percent. I think I have not.

I: Even Malaysia?

BIS: Yes, even Malaysia. Therefore, when it comes to foreign countries, I think the growth of (Indonesian) *Shari'ah* banking is rather high, perhaps the highest if I may say. Because, if we look at the average growth of the world's *Shari'ah* banks, it is only around 15 to 20 percent. This is as far as I understand. Therefore, in terms of Indonesian *Shari'ah* banking growth, it is significant. Uhh, we can also segregate the issue of growth into two. Uhh, one is the growth before or until 2003. Until 2003, the growth was high but not so high. It was around 30, 25, 40 percent. However, there was a time in 2003 where growth reached 95 percent. Only in that particular year.

I: In the year of 93?

BIS: 2003.

I: In 2003?

BIS: 2003. What really happened back then? In that year there was a *fatwa* regarding, uhh, *Shari'ah* banks. Oh sorry, the *fatwa* was issued on 16th December 2003 and it impacted the growth in 2004. So, in 2004 the growth increased to around 90 percent. That was the impact of the *fatwa*. Therefore, the new *fatwa* ruled the impermissibility of (*haram*) interest. Moreover, in that period, perhaps around 6 months, a shift (of funds) happened from the conventional to the *Shari'ah*. This contributed to the exceptional growth in 2004. However, later in June, the growth slowed down and went back to normal. This is a very interesting point to consider. Why did it happen? Because, apparently, the public saw that, hmm, how should I say, umm, perhaps that there was wisdom behind the differences. In that time, it appeared that the differences (in opinion) happened among the *Ulema* with regards to the impermissibility of the bank's interest.

I: Yes, yes. All right.

BIS: At that time, Kiai Haji Ma'ruf Amin firmly said that interest was indeed *Haram*. However, on another occasion, Mr. Din Syamsuddin, a prominent figure in Muhammadiyah, stated that it was unclear. He did not say whether interest was *Haram* or not. He simply stated that it was unclear. On yet another occasion, Kiai Sahal Mahfud from NU (Nahdhatul Ulama) stated that it was ok, that (the status of) interest rate was not a problem.

Therefore, the way I see it, the public at that time said "Look, even the *Ulema* do not have a consensus (regarding the impermissibility of interest)", thus this made the previously massive shifting of funds slow down and finally revert to normal. As I've stated before, perhaps there was wisdom behind the differences. This is because the

moment the *fatwa* was about to be released, we were asked by the National *Shari'ah* Council and we replied "Please do not go for it, Sir, as the *Shari'ah* banks are not prepared".

We were afraid that if all the funds were shifted, finally that would... At that time, the profit sharing rate of *Shari'ah* banks was more than that of the interest rate. I said that if the funds went in and got collected while it could not be channelled, it would bring down profit sharing and people would no longer put their trust in *Shari'ah* banks. Therefore, it would be better for us to postpone the issuance of a *fatwa* until the network (of *Shari'ah* banks) widened. However, it appeared that the National *Shari'ah* Council still issued the *fatwa* regardless. And it was right. The flow (of funds to *Shari'ah* banks) was very fast, but, as the *Ulema* were not united (in the impermissibility of interest), the flow stopped and finally went back to normal.

Had the differences (among the *Ulema*) not existed, the *Shari'ah* bank would have been overflowed by funds and would not have been able to manage the massive flow of funds from the conventional banks. Therefore, as I said, that might have been a blessing in disguise from the differences (among the *Ulema*). As a result, as of 2004 we started to build the *Shari'ah* bank (industry) with, uhh, approaches which were not based on *Halal* and *Haram* but rather on the principle of benefit. Here, we no longer discussed *Halal* and *Haram* because the most important thing was the benefit of the *Shari'ah* bank for this country, for this *Ummah*. We used the scientific approach in the sense that the community on campus must be approached scientifically. When approaching the business community, we had to approach them with a value concept. Such an approach yielded better results than if we just talked about *Halal* and *Haram*. As such, growth continued happening until it reached almost 49 percent in 2011. That's it.

I: Concerning *Riba*, uuh, I am still confused. According to what I think ... what do you think, uhhh, why are Muslims in Indonesia afraid of drinking alcohol and do not gamble or go to places like brothels yet are not afraid of dealing with *Riba*? Because they know that the bank's interest is *Riba*, yet when, uhh, people say that the interest of the deposit there is higher than that of the *Shari'ah* bank, people are not afraid to go there even if they know. So... Whereas *Riba*, according to my knowledge, is a serious crime in Islam. It is also, uhh, it is also a big sin as far as I know. However, what I witness, interestingly, is that *Riba* is not like the other big sins. People reject you and get angry when they are pushed to consume pork. In the event where a gambling parlour exists, people will go there and close it down. Yet, when there is a branch of a conventional bank there, the people remain calm. Even though *Ribais* indeed a big sin. According to your opinion, actually what really happens among the Indonesian society, especially with reference to the Indonesian Muslim Society, in relation with the attitude towards *Riba*?

BIS: Yes, yes, the way I see it, it is as following. Uhh, even if this subject is to discuss...

I: Ok, ok.

BIS: ... to say that usually people will get afraid when seeing a gambling parlour...

I: Ok

BIS: ...and do not want to go there. The brothels... they also do not want to go there. But it doesn't mean that no one goes there. There are people who go there, like the ones who visit the conventional bank. There are people who drink alcohol/*khamr*. So I think it is just the same. However, maybe from the perspective of drinking alcohol, perhaps they know that they are committing sin...

I: He he he ...

BIS: When they go to the brothels, they realize that they commit sin. Or when...

I: Eating pork perhaps...

BIS: ...they realize that they do that. However, when it comes to *Riba*, perhaps they do not realize...

I: He he he...

BIS: ... they do not know that it is the same thing, perhaps with a bigger sin.

I: That is the interesting aspect. Why do such things happen...?

BIS: Well, that is because of their (level of) understanding. Uhhh, imagine, for years we have dealt with interest rate...

I: Correct

BIS: ...and that is (considered as) prevalent and ordinary.

I: Yes

BIS: Then, here the Ulema also have their role by saying "That is not a problem". Imagine, many people still saying "Well that is just the same to cover inflation". Some of the Ulema said that. Then they say, "Well it is ok if the interest comes from state banks". So, there are opinions like that. Thus, when that people feel ... he is not feeling guilty about that. Right? It is not like (when) ...people do prostitution, which must bring feelings of guilt. Yet, when it comes to *Riba* they do not have that feeling because they do

not know. This is because they say “We have used banks from generation to generation... my father, my grandfather”.

So, in my opinion this is only a matter of understanding. An understanding, in the sense that they do not know that it is forbidden and is actually a big sin. Perhaps, it is our duty to educate the society that, basically, this is not a good thing. However, I’ve noticed that such approaches must be segmented. We can not directly say, when socializing, “Hey you, those of you who use conventional banks will go to hell”. We cannot do that. Such approaches cannot be done. Rather, they must be segmented. Perhaps we can say that when we go to the religious schools. Perhaps we can also do that to academicians. However, when we talk to businessmen, we have to emphasize the value approach. This is what needs to be segregated.

Here, my colleagues do that. I have a team, and we have certain people that socialize with religious schools. There are also others socializing with businessmen. When socializing with the campus, we will introduce *Riba* with integrals and so on--we discuss it scientifically. So actually, the challenge now is how to enlighten the society regarding the evils of interest with various methods; It cannot be done with a simple *Halal* and *Haram* approach. (This can be done) Until everyone understands “this is really of no use and puts me at a loss”.

So, if asked for the reasons behind this phenomena... well, according to my opinion, as people are not feeling guilty in doing it, they commit *Riba* because they do not know. Most of them do not know that they have committed mistakes...

I: Big mistakes ...

BIS: Yes, compared to when they steal, commit prostitution, or gamble, they know that (they are doing wrong). Because, ever since we were children, we were taught by our parents “Hey, if you do this that is a sin. If you do that, that is a sin”. So they are already aware. However, as *Iman* is not strong, they still do it.

But on *Riba*... it’s unsure. In the majority. We also found that, when conducting consumer preference surveys towards *Shari’ah* banks, we found exactly that.

I: According to your opinion, uhh, as *Shari’ah* banks should be developed further ... that is, the *Shari’ah* banking industry in general in Indonesia. Uhh, what factors do you think, uhh, hinder the development of Islamic banking development in Indonesia in general, in accordance with your experience of DPBS, uhh, previously?

BIS: Indeed, looking back at the survey we did between 2000 and 2005, while we cooperated with the marketing expert Mr. Hermawan Kertajaya, the crucial point which

hindered the development of *Shari'ah* banks was first the people's awareness concerning the operation of *Shari'ah* banks. The people did not understand the operation of the bank. I remember, uhh, our survey conducted from 2000 until 2005 gathered 5000 respondents. We found out that around, uhh, how many percent was it.... that actually people agreed to use *Shari'ah* bank. That was more or less 40 percent, who agreed to use *Shari'ah* banks.

First of all, there were those who said that it was in accordance to their religious belief. However, when we asked further whether they understood the operation of *Shari'ah* banks, apparently only 11 percent did. The others did not. Therefore, we were sure that people actually did not understand. They wanted to use *Shari'ah* banks, yet they did not know what a *Shari'ah* bank was. Their willingness was perhaps emotional, as a Muslim, to use that kind of service from Islamic banks. However, when asked about *Shari'ah* banks, they said "I don't know", with only 11 percent knowing about it. This marked that, basically, the awareness of people when it came to *Shari'ah* banks was indeed low. Therefore, here, we have a socialization program on *Shari'ah* bank. That was because of the surveys.

I remember when we first developed *Shari'ah* banks, we were told to compose various policies and infrastructures for a *Shari'ah* bank. I was the first one who disagreed. At that time, I was still the head of a section. I said to my director "I disagree that we do this". (The Director replied) "Why Mr Mulya"... I then said, "Why do we bother making policies, making various infrastructures of *Shari'ah* banks, if nobody needs it. Nobody needs *Shari'ah* bank services. Why do we bother?" , (The Director replied) "So, what is there to do?". I said, "I would like that we conduct an initial survey concerning consumer preferences on *Shari'ah* banks. If we can recognize the problem, if we know that people actually want to use it, then we can start the program. It can be the development of *Shari'ah* banks from the perspective of, uhh, regulations, the monetary perspective, or whatever else including liquidity tools, the quality of the productive asset, then..." I said. That was my proposal and it was accepted. We conducted a consumer survey towards *Shari'ah* banks until we found... we identified its problems. One of the problems apparently was that people did not understand. Therefore, "The Central Bank must have socialization program", I said. If not, it would be useless, we said. We keep telling people to open *Shari'ah* banks but the people do not care. What is the point, right? Ah, that is why we then made the program in accordance to what I just said. There are those who go to religious schools, campuses, businessmen, (and) uhhh... SME. We gave explanations, with different modules ... to the various segments when making explanations. As a result, finally, yes, as of now, people started to become aware ... (saying that) oh this is actually something ok. When it could be compared to a conventional bank and was useful, it calmed me down. As such, awareness surfaces. That is the first one, the people's awareness on *Shari'ah* banks.

The other obstacle we had was the very limited human resources. Human resources were very limited. At the same time, we identified that 40 percent of people needed Islamic banks but there were only 11 percent who understood it. 40 percent meant potential demand, right? So, this was meaningful... if we surveyed it. So we mapped (the region), and apparently such and such places needed *Shari'ah* banks. North Sumatera, South Sumatera, then in East Java, around Sumatera ... the weird thing was that West Sumatera did not really need it. So, we informed the *Shari'ah* banks so that they could focus on these potential places. The result? When they had to open office networks, they needed human resources right away to fill the branches, their office network. So, this was the problem, limited staff who understood *Shari'ah* banks. So much so that when we went on to develop *Shari'ah* banks, we thought that the development of *Shari'ah* bank could not be segmented. It must be overall. Thus, we had to plan again on how to gather sufficient human resources. We cooperated with various institutions to train (workers) through education. We cooperated with universities, conducted TOT (Training of Trainers) to the lecturers so that one day they would be interested in opening a program, or whatever (that was necessary) so that they would finally multiply the people who comprehended *Shari'ah* banks. That was what we did. Alhamdulillah, it has started to run and now it has started to yield results. So, in the past, when I developed *Shari'ah* banks in the year 99, 2000, 2001, I could say that in weekend like this, on Friday, I was not at home. We travelled. There was a team who went to Padang (West Sumatera) and another team that went somewhere else. We socialized on Friday, Saturday, and Sunday. On Sunday afternoon (We) went home, and on Monday (We) went back to work. As a result, my children complained to me. Actually, at that time, I had just returned from America and my child could only speak English. "Daddy you said that you are, uhh, working for Islamic bank to develop Islamic bank". "Yes son, what do you want from me?". "You said that, uhh, Islamic bank is fair", my child said. "Fair", my child said. "Yes", I said. "But you only think about Islamic bank, you never think about us. Even weekend you never here". At the time, I was shocked. The child was just in the 3rd year or 4th year of primary school. "You were never at home, and I would like to play with you, (but) you were not there. Even in the weekends," my child said. I was shocked at that time. However, I said to him "That's ok son, this is the time of struggle, and you must understand that", I said. "One day we will be able to (play with you)..." because when I was still a student in America, I often played with him. Football, basketball. However, when I went back to work here, there was no time, and that is why he complained. I tried to explain to him that the reason we needed to travel everywhere was to socialize... and, Alhamdulillah, finally campuses were now beginning to open those (programs and studies). Other institutions followed because we trained them. We opened free TOT and so on. We facilitated that. So, this finally resulted in an increase in human resources, though until now their numbers are still insufficient.

Then, uhh, human resources... then product innovation. In my opinion, product innovation in Indonesia is not very fast nor is it slow. Of course, this is also related to the ...limited resources, eh limited human resources. That stops our product innovations from being able to meet people's expectation. Even if it exists, it only mimics or follows conventional products. So this is ... this is also one of the obstacles, which need to be..., to be ... to be solved. We hope, from *Shari'ah* banks, to make product innovation. However, in reality, there are not many of them who are able to do that. Therefore, again, it seems that the central bank needs to lend a hand in product innovation which, of course, can be done in various ways. We can give incentives to encourage product innovation, or by establishing working groups. We form working groups, which include the central banks, the association of Indonesian accountants, and the national *Shari'ah* council. I have studied for quite long the reason as to why these *Shari'ah* banks do not want to conduct product innovation. It seems that they are not triggered to do so as the voices from these 3 institutions are not the same.

Once we could say that the product is ok from the perspective of prudential banking. Also, it might also be feasible from the fatwa perspectives, *Shari'ah* perspective, and from the national *Shari'ah* council. However, people from the association of Indonesian accountants said "No, it cannot be done this way" or vice versa. The Central Bank said ok, the association of Indonesian accountants said ok, but not the *Shari'ah* national council. Thus, who would want to conduct product innovation if these 3 institutions never reach a consensus? This situation discourages *Shari'ah* banks to make product innovations. Therefore, we finally formed a working group. So, from these 3 institutions, we identified the kinds of products needed by *Shari'ah* banks and especially the society. Later we tried to gather and define the product, as well as discussing it with these 3 institutions. Suppose we have 5 products, we then discuss and decide that these can be done. Once it is feasible from a *Shari'ah* perspective, the central bank will issue the regulations while the association of Indonesian accountants will issue the accounting standard. Thus, the problem among these 3 institutions can be solved so that *Shari'ah* banks can get the product. This is what we have been doing for the past 2 years.

I: Looking back at the human resources challenge which you said before, I once read in the newspaper that there was a hotel in Jogja, if I am not mistaken, which also functions as a school. Has DPBS thought of, uhmmm... creating a program, a quote "School", with a certificate equal to either a bachelor's or Master's degree, except being conducted in *Shari'ah* banks?

BIS: Educated in *Shari'ah* banks?

I: Yes, so he or she directly practices, and (receive) theories there. Once done, the certificate is received. The thing is that, uhmm... if he or she studies there, he or she

could also directly get both the theories and the practice. Experts from DPBS could teach there as well. So, *Shari'ah* banks could provide 1 special floor, for instance. Thus, from 7 am until 12 pm he or she could go to class or practice. Uhhh ... for the rest from 12 pm until 5 pm or 6 pm, he or she have practices or classes. The ones who go there, uhhh... could be accountants, people from DPBS. The national *Shari'ah* council could also teach there. Thus, students could directly understand completely as, after they graduate, they know what is being taught by the national *Shari'ah* council and by people from DPBS, as well as the practice received from the banks. So they could say "So I must make a product like this because by designing the product with this strategy, all parties will agree and this will smoothen the process".

BIS: Perhaps that is a nice idea....

I: I was inspired from the hotel school in Jogja

BIS: Yes yes yes. Uhhmm... Indeed, uhhh.... a senior hotel vocational school is indeed like that, is it not...

I: Yes, and according to what I know, in Jogja, they put it in the hotel. However, that hotel is also for business.

BIS: Uhhmm, but that is still in that level Senior high school, senior vocational school.

I: Uhhmm... I am not really sure, but such a school exists.

BIS: Indeed, because my nephew also goes to such school. For bachelor degree level, there is one available in Bandung and its name is NHK if I am not mistaken. That is also a good thing (to do), and is not impossible to realize...

I: Perhaps you can think about that in the future

BIS: Such model could be realized. However, uhhh.... again, speaking about, uhhh.... that means the idea is a school and a direct job placement to work, right. This is uhhmm.... I think it is not easy to recruit, and we really need the right people with high passion. Indeed, uhhmm what we are doing at the moment is cooperating with the LPPI (Indonesian Banking Development Institute). Those are the people who.... if we look at, we identify, if I am correct, 4 or 5 positions which need to be filled. Subsequently, we identify that and we open up such training. *Shari'ah* banks could then send their people to be trained. For instance, for account officers, then, uhhmm... branch managers. Then, for other such positions as well. Those are the ones which are easy for us to identify. We then conduct training to make them capable of becoming branch managers or account officers. We have done that with colleagues from various

educational institutions. However, your idea that such thing could be done in hotel system is interesting, although it would surely be costly to prepare all of that. If that thing is present, we can do it.

However, the way I see it human resources can no longer be prepared from only the *Shari'ah* financial sector. People who work in the real sector should also be prepared with *Shari'ah* education. What I mean is how we can actually have *Shari'ah* entrepreneurs? The problem is when people who are not *Shari'ah* entrepreneurs and who have conventional mindsets are financed by *Shari'ah* banks. That is challenging and even the mindset is still like that of bandits. This makes *Shari'ah* banks difficult to develop. How can we say... for one to still have a conventional mindset yet obtain financing from a *Shari'ah* bank. They will never show willingness to share their profit with a *Shari'ah* bank if their profit has achieved a point where it could be considered big. That is the experience of *Shari'ah* bank workers all this time. When they conduct *mudharabah*.... that is why many people suggest *Shari'ah* banks must have *mudharabah*. It is not easy to have *mudharabah*. This was the experience one *Shari'ah* bank had financing a client and is also the kind of experience which other *Shari'ah* banks have had. It was in East Java if I am not mistaken. When dealing with a project which took 2 or 3 years, in the first 6 months, the person paid the *mudharabah* instalment smoothly. However, starting from the 7th month, the person started to make problems. Why? Because in the 4th, 5th, and 6th(month) the person started to think as the company's profit became higher. As the person needed to conduct *Mudharabah*, the person's instalment to the bank was consequently higher. Therefore, in the 7th month the person started to think that if he or she paid the instalment to the *Shari'ah* bank, the amount would be higher than the interest rate after converting it into the annual interest payment. (The person said) Why do I have to pay more? If I go to conventional (bank), I only pay, for instance, 8 percent, but, because I have higher profit, I need to pay 10-12 percent. Wow, I don't want that, I am not willing. *Shari'ah* bank must really profit from this (as it gets more money); I could get 10 percent if I went to a conventional. So, what happened was, the person went to a conventional bank, asked for a loan, paid all the loan from the *Shari'ah* bank, and went with the conventional bank.

I: However, conventional banks do not want to share in the event of a loss

BIS: See, that does not exist in a person's mind because that person was enjoying profits at the time. The person only considered the present. Therefore, as I said, when the thinking paradigm is not yet aligned to that of a *Shari'ah* entrepreneur, *Shari'ah* banks are really difficult to do that... and later they will be abandoned. Those people will never... besides, if the person, for instance, had small profits, that person would not have to pay a lot. However, because the person had a big profit, that person would not be

willing to share it with a *Shari'ah* bank. Therefore, as I said, what is more important is not only that we create Islamic bankers; we must also create Islamic entrepreneurs...

I: So, the demand side must also...

BIS: Yes, if not it is very difficult. So, indeed, human resources are very... uhmm, from my perspective, problematic towards the development of *Shari'ah* bank.

I: Uhm, I have heard some call for Islamic finance, claiming that it will help to resolve economic problems such as poverty. According to your opinion, do you think that by Islamizing the entire banking sector poverty will be eliminated and economic problems can be solved?

BIS: Theoretically yes. Theoretically that is right. However, practically, there is no guarantee. This is because the spirit of ... implementation is not yet like that in *Shari'ah* banks because the *Shari'ah* bank's orientation is not yet, how can I say, uhmm... not yet based on values. Their orientation is still based on obtaining profit. Whereas, actually the orientation of both must be profit and values.

I: In Islamic Marketing I once said that one business should be profitable and prophetable, prophet-able. If it is prophet-able, it must be profitable as it is a business entity. I think, uhmm... In my opinion, uhmm... that is the one which people do not realize.

BIS: Thus, if we read theories in Islamic economics, what you said was true, I agree. However, at this time, what happened was not like that. In practice, *Shari'ah* banks are like, how can I say, they prioritize more towards legalistic forms of *Shari'ah* rather than Islamic economic substance. What really is Islamic economic substance? That is the one which can harmonize between the real and financial sector. So, what is the *Shari'ah* legalistic form? Well, that is whether a product is in accordance with *Shari'ah* laws; however, there is no guarantee that it conforms to the *Shari'ah* economic substance.

That is why, now we see that actually there are many *Shari'ah* financial products which put more emphasis on the *Shari'ah* legalistic form than the Islamic economic substance. For instance, tawarruq and then bay ad-dayn. Well, what are those things for? The *Dalil* is searched in order to find out if it is ok, and it is used to justify that this is indeed *Shari'ah*.

This must go back to the Islamic scholars' way of thinking which cannot emphasize only the legalistic form. They must think of it on a macro level in the sense of what the Islamic economics substance actually is. Does it bring *Maslahat* to people? If, at the end, it will only increase debt financing, what is the difference compared to conventional finance?

Like I said, in developing *Shari'ah* banking, we must think like, how can I say, that Islamic economic substance must take precedence over the *Shari'ah* legalistic form. Then, like what you said, such things could happen, like poverty eradication and so on. Let us look, there are many things which IDB did but did not touch the problem of the *ummah* in member countries. They produced a lot of research but did not touch on poverty eradication.

I: Why did they fail to realize that?

BIS: I do not know as many people there in IRTI (Islamic Research And Training Institute) are academics. Academicians have very big dreams. What they want is how to implement Islamic economics in a state. I once discussed this with those gentlemen at IRTI. I said, "That is not what we need". I said that, "If I become, uhmmm, the IRTI director here, I would change the research conducted here to 60 percent applicable research and to 40 percent pure research." What they are doing now is pure research. It does not touch the problem of the *ummah*. "So, what is the 60 percent?" They suddenly became curious at me. "Oh, you going to make, uhhh, Islamic financial products which are not controversial", I replied "Oh no," they said "Yeah, you are going to make things like tawarruq and so on and so on". I said, "Oh no no no, I will not make such research. The research which I am going to make is how to answer the question from member countries: How to answer the poverty eradication question," I said. This kind of research must be born. "The other 40 percent, you can dream on", I said. "Dreaming is ok, in terms of creating,... but the 60 percent must solve the *ummah*'s problems," I said. They were a bit offended when I said that. "Oh, is it," they said. "Yes," I replied.

So, so indeed if you ask like that, in reality today that is how it is. The same thing goes regarding the comprehension on *Shari'ah* based and *Shari'ah* compliance. *Shari'ah* based is basically an attempt to find products from the root of *Shari'ah*. As for *Shari'ah* compliance, that is basically a conventional product that has been made compliant with the *Shari'ah*. Thus, at the end, what happens is that it only mimics conventional products. If this happens... it is sad. Our wishes would be very difficult to materialize. Because once... I remembered Professor Volker once say something (to me) in Sudan when we had a discussion. He said "If Lehman Brothers can fail, one day..." he said, "... about 5 years from now or 10 years from now we will see Islamic bank will fail like Lehman Brothers". He said, if the process of its debt financing was bigger, what was different? So theoretically I agreed but not in its implementation.

I: Within the context of the *Shari'ah* banks' CEOs, why do they fail to comprehend such things?

BIS: I think they don't fail to understand that. They do understand, but, again, when one sits down as a CEO, ones way of thinking becomes different. As I am here as a regulator,

I can see clearly, but when I become a CEO, ah, then this is the problem.....To strive for the target, to strive for earnings. As such, whatever will be done to meet the earnings (target).

I just had a discussion with the people of Saadiq from Singapore. Saadiq is *Shari'ah* financial institution owned by StanChart. If I may say, the way they think is so naïve. "Mr. Mulya," the person said, "...we must create a product which can compete with that of a conventional (bank). As long as it is issued by a *Shari'ah* financial institution, eventhough it is similar with conventional products, and makes the *ummah* move to..." I then replied, "Why would the *ummah* move to *Shari'ah* financial institution to have the same product like that of a conventional (bank)? Whatever for?". That is the problem when businessmen start to think about targeted profits and other such things. That creates what I term 'intellectual lazyness' in creating products which are absolutely syar'i and *Shari'ah* based, and are not just *Shari'ah* compliant.

I: So they, going back to what I just said, are only just realizing the profitable (aspect) but not the prophetable aspect..... I think their prophetable aspect is, uhmm not yet there.

BIS: I have talked a lot with those CEOs. Some of them are even muballigh¹⁰⁶ and they actually understand. However, they start chasing the target after the owner said to... thus, we probably need to socialize with the owner in order to (say)... that is not the way. That is not the way to chase profits. The owner, however, keeps saying that profits are a must, thus making the CEOs and the board or management forget. It is not that they do not know.

I: Uhmmm, what about your comment towards the statement that the Islamic bank is not yet fully in accordance with the *Shari'ah* and Islamic banks are actually capitalistic systems in disguise.

BIS: I agree that Islamic banks are not yet fully in accordance with the *Shari'ah*. However, that's it, that is our homework. This is because, when developing Islamic banking, things cannot be done carelessly. Why? Because the whole environment is not *Shari'ah*... conventional. You want to make an institution which is fully *Shari'ah* in that (kind of environment)? That is nonsense. Besides, I feel that we are also against, uhhh....how can I say, the will of nature.

I: Does its absence render it impossible now or completely impossible?

BIS: It is not impossible. Look, how long did it take for Allah to create this world? Some say 6 days.... 6 or 7 days... why? Whereas with His Kun Fayakun, what He wants could

¹⁰⁶ The people who spread the teachings of Islam, be it orally or in writing.

be done easily. However, Allah teaches us that the 7 periods means that you need to evolve. Thus, the same thing applies to *Shari'ah* banks when we try to.... those ideal things such as eradicating poverty with values and so on, we can't just do it directly. It must go through a process. Let us say that perhaps we are only 30 percent (*Shari'ah*). We still need to know that somewhere in the future lies 100 percent *Shari'ah*. Therefore, we can gradually work towards that. Thus, we have to know its direction. It's ok if it is not fully *Shari'ah*, but that does not mean that we should forget the form of something that is 100 percent *Shari'ah*. We must know what the shape of 100 percent *Shari'ah* is while at the same time working towards it. As I've said, it must go through a process. It can not be 100 percent *Shari'ah* all of a sudden. It seems that we are so arrogant as a human beings. Meanwhile, Allah Himself created the world in 7 periods. Thus, that is what we need to learn.

I: And if I am not mistaken, the prohibition of *Riba* comes in several verses then...

BIS: Indeed. However, people usually judge *Shari'ah* banks like... how can I say...uhhhh... like they are either all or nothing. If not everything is *Shari'ah*, I don't want to use it. I would rather use a conventional bank. That would make us fatalist. We cannot be like that. We have to accept reality. Let us say that today it is only 30 percent, we as a society, including academics, need to be constantly reminded that, "Hey, the 100 percent is right there; do not forget that you have to improve yourself and move forward." Do not say that, "I do not want to use it as it is not 100 percent *Shari'ah*." How can we progress with such behaviour? I've said that this requires work, but it is a long process and we are not sprinting. We are doing a marathon. My batch is already gone. Remember that Professor Sofyan Harahap has just passed away. Our batch is starting to fade away. You are the ones (now); the estafet must go on and you must know that 100 percent *Shari'ah* is the aim. Furthermore, you must control your colleagues. You can not refuse as this is a marathon. Indeed, speaking about a paradigm shift, it really is not easy. That's it Mr. Arham.

I: What about the second statement

BIS: Which one?

I: The one that, uhhhh, Islamic banking is basically capitalism in disguise

BIS: No, I disagree with that.

I: The reason?

BIS: When we talk about capitalism, we talk about people with capital, right? Their role is to obtain the biggest profit by... whatever means. That is the main point. Well, here,

Shari'ah banks cannot be like that. Even if the owner is able, he or she still must not do it. If *Shari'ah* banks are really capitalism in disguise, then the owner could ask the *Shari'ah* bank to “Finance that beer company”. The return of investment is high. I am sure that wherever it is in this world, as long as they are *Shari'ah* banks, they will never have the guts to finance beer or alcohol factories. Such things are really guarded by workers in *Shari'ah* banks. They are even willing to be fired if they are told, “You finance that pig farm” or “Finance that beer company as it is profitable.” Nobody will ever do that. If it is really capitalism in disguise, they would do that through any way possible, including manipulation. However, as far as I am concerned, nobody dares to do it. That means, workers still inherit the spirit that all financing must conform to *Shari'ah*. They will never dare to do that. If they were capitalist, they would do that. They would break *Shari'ah* regulations without care. So, for me, it is not true if it is called capitalism in disguise. However, when we conduct product innovation, there are things which finally mimic conventional banks because they need to meet the target. However, when they conduct financing, they are really strict as they do not dare (to break the rules). Therefore, I say that if it is called capitalism in disguise, I voice my disagreement because they still maintain those values.

I: All right. Uhhh... next question, uhmmm... according to your experience, what is the barrier towards communicating the concept of Riba in Indonesia?

BIS: Riba communication?

I: Yes, uhmmm.... on the haram-ness of Riba. The ones which serve as barriers towards...

BIS: Maybe a way to put it, uhhh.... the impermissibility of *Riba* that is; this particular issue needs (a different) approach as one should no longer say that, based on this or that verse, a thing should be considered *Haram*. It can no longer be like that. We must be able to explain the reasons behind why *Maisir*, *Riba*, and *Gharar* are not allowed in Islam. Furthermore, we must be able to discuss it scientifically. Scientific in quotation marks. To academicians, scientific means something different. Scientific is also different to market players. To ordinary people, scientific means something different as well. Therefore, we really need to explain that it will be more beneficial to avoid *Riba* than accepting it. Such a message must be instilled by workers in *Shari'ah* banks when they target anyone whom they would like to communicate. This could be businessmen, ordinary people, or even street vendors. That must be packaged in a way... that is an understanding of *Riba*. Well, that's what we do when we discuss with academics. There are those who tell the story of *Riba* from uhhhh...economics, or from finance, and that instability happens as an impact of the economy following interest rates. Well, I feel that the communication of such things need to be considered. Moreover, it cannot be with the

same language style. Different segments must be targeted with different styles of language.

I: According to your opinion, what motivates individuals to patronage Islamic banks? Can we say that the development of Islamic banking relies solely on the religious factor?

BIS: Oh no. On the people's motivation to use *Shari'ah* banks... we have survey results which basically asked, uhhh...about their reasoning for using *Shari'ah* banks. Apparently the main thing was about, uhhh... excellent service. They said that. So, it was not about *Shari'ah* banks' products, but rather excellent service was the main factor. *Halal* or *Haram* came as the 6th or 7th, if I remember correctly. The others (options) were very rational, such as, uhhhh...competitive charge compared to that of conventional banks. They would go for *Shari'ah* banks. It had excellent service and so on. Thus, actually on the survey which was conducted, people do not opt for *Shari'ah* banks due to religious reasons. Even, when we asked someone who already owned a *Shari'ah* bank, "In the future, will you still become a *Shari'ah* bank depositor?". The answer was a shocking, "No, I will quit becoming a *Shari'ah* bank depositor". Why? We asked. "Because I've learnt my lesson". Why is that? "Because its excellent service was bad. I was disappointed". Why? "I came to the bank at 12 pm and nobody was there. Everyone was performing the Zuhur prayer", the person said. "Does it have to be like that?" the person asked. "I was disappointed". When, uhhh... what else did the person say again...? "I asked about *Shari'ah* banks, and they could not explain it to me." They said "Well, more or less it's the same as with interest rates. Why would I want that, why would I want that... Well, I really learnt my lesson with that *Shari'ah* bank," so the person stopped. Thus, it was not religious reasoning whatsoever... Like from our previous results, that survey... that was not due to religion but more because of something rational. Excellent service, competitiveness, and, more importantly, caring. If *Shari'ah* banks care about them, they will, they will.... stay with the *Shari'ah* bank. Well, caring is actually the most competitive part of Islamic banking as well, is it not? What I saw was that some *Shari'ah* banks have already had that, uhhhh...high customer care. Starting when one goes into the building, the door will be opened (for them), greetings will be spoken, they will be asked to sit down, and asked "What would you have for a drink, Sir?" ahhh, that's it. Those things have already touched the hearts of our customers.

There are also *Shari'ah* banks which do not care about their customers when the customers visit. People come but are not served --they were not paid attention to.

I: Uhhh, for the next question, uhhh, according to your opinion, uhhhh, might the migration of ex-conventional bankers into the Islamic finance sector hinder the spirit of Islamic banking development, at least in the short term. As they migrate after serving in

conventional bank for.... let's say, 20 years...their mindset is like you said before. It is not easy to initiate a paradigm shift. What is your opinion?

BIS: Indeed, based on our experience, some of the conventional bankers have turned into *Shari'ah* bankers. At the beginning, in the short term, their mindset cannot be changed. We conducted fit and proper tests on them prior to coming into the *Shari'ah* bank. The conditions were not to have experience in *Shari'ah* banking, but rather only to have knowledge about *Shari'ah* banks. In what sense? In the sense that they had attended training sessions on *Shari'ah* banks. So it's not about the experience in *Shari'ah* banks, as requirements regarding experience will limit our selection from the human resource pool, and there will be even less people who could work. Therefore, our condition is to have knowledge. The knowledge could be proven by the presence of a certificate, as evidence that the person has attended trainings from *Shari'ah* banks. Thus, this is what happens... What was the question again?

I: Uhhh, the migration of former....

BIS: Ah, migration. Thus, it means that training people for 2 or, let's say, 3 weeks on *Shari'ah* banks will not trigger a paradigm shift. That's not feasible; not enough. It's when they have already entered and interacted with DPS, and with us, that it begins (to surface). They start to learn that, as a *Shari'ah* banker, I cannot do this and that. They start to think (about that). However, in the short term, they are indeed still... their mindset is still conventional. I remember a, uhhh... a *Shari'ah* bank director from when there was a meeting between the Central Bank and the conventional banks where all of the compliance directors were gathered. She said uhh.... "Why don't we..." what was it at that time...oh "...arrange a basic interest lending credit program." I said "We do not have to... as there is no interest involved in *Shari'ah* banks." She replied, "Indeed, but you know, it is a bank, so it needs to have this and that..." I replied, "Ma'am, you are a *Shari'ah* banker. The most important thing is that when the basic interest rate is going up or down, you must see that as a benchmark but not as an excuse for us to follow the program. The important thing is that you are paying attention because if you do not make any adjustments in deciding the Murabaha margin then the customers may leave you. That does not mean that we must follow the program. We do not have interest. That, however, must be your consideration in determining your product pricing.", Well, as her head was still ...she was new... had just joined at that time...had just moved to a *Shari'ah* bank, thus her head was still clouded by interest rates. So indeed, in the short-term their mindset must still be conventional. However, as time as passes by, when we meet annually we will do auditing while conducting the exit meeting. We will show their mistakes including the ones found by the National *Shari'ah* Council, and I said "Sir, it cannot be done like this. This is *Shari'ah*--not a conventional bank." That's it...then the second meeting between regulators and *Shari'ah* banks happens when they present their

business plan. For example, I just had a meeting with Muamalat Bank on their business plan. They have various plans. We are going to see whether their plans are realistic. Then, we remind them if a particular plan is in accordance with *Shari'ah* or not. In the third year, usually after the interaction process in the first two years, they start to think the right way. Indeed, at first, their conventional creativity is always present. So, I agree that, in the short term, it is not enough for them to function as *Shari'ah* bankers. However, going back, as our human resources are limited, we can not use, uhhhh.....a screening process which requires an applicant to have experience in *Shari'ah* banks because there might be nobody who could qualify. Therefore, like it or not, we only state that they are knowledgeable about *Shari'ah* banks.

I: Uhhh, as an additional question, since the issue of human resources is very interesting, have DPBS passed a managing director or non managing director who was not Muslim?

BIS: We have.

I: What interests me is the capacity of DPBS. Is it only conducting fit and proper tests or is it also looking at the technical skill or moral values carried by managing directors or non managing directors. As I understand it, *Shari'ah* bank can have non-muslim managing directors and non- managing directors. Let's say that the working hours are from 8 am to 5 pm. At 5 pm they go to the discotheque to drink beer or at 8 pm they could go to bed and sleep with a woman which is not their *Muhrim*. Let's say that they commit *Zinah*, although it happens after office hours. Let that...

BIS: Do you think that the Muslims can not be like that?

I: Yes

BIS: The muslims could do that as well. It does not matter if they use *Kopiah*¹⁰⁷, after 5 pm they can take off their *Kopiah* and go there.

I: So, regarding the role of the Directorate of Islamic Banking, do you also monitor those directors concerning their behaviour on office hours, and also particularly off office hours.

BIS: Ok, so, when conducting fit and proper tests, we have administrative tests. That is the first one. In administrative selection, we accept their CVs, accept their educational background, and their experience. We review those, and we will see whether those are in line with the criteria which we set. If everything is ok, then we will call them to an interview. There are 2 pillars which we have to interview. First, we must find out their

¹⁰⁷Special hat that Muslim used when they pray

competence. Second, their integrity, meaning that it is dependent on values. So, if this person fails in the competence (test) and is not able to meet the minimum requirements, yet the person is ok, we conduct the interview and check the information we have from the CV and the database on whether this person has committed violations in other banks or whether this person has conducted something, as you've said before, like having an affair... We have that database, Sir. We get all of those reports. Thus, with that database, we can see whether this person is fit to have a position as a director in a *Shari'ah* bank.

Well, if they do not pass the competence test, yet they pass the integrity test....we said that they do not pass but still give another chance in the next 90 days to come again and get re-tested. This means that we give them 3 months time and we say, "Study in 3 months and later you can come back here after that." However, if they pass the competence (test) yet fail the integrity test, we will never give them another chance to apply. That's it, a fail is a fail. So, you see that actually the integrity factor plays a big role, compared to that of competence. So, if the competence is ok but if the integrity is bad, they will not pass. However, if the integrity is ok but the competence is weak, we will still give them 3 months to come here. You study for 3 months (then come back again). However, if it's about integrity... Where would one study (that)...It is very difficult when integrity is already.... because we do not only base (our judgement) on interview; we also look at our database. Here, we have something called....uhhh...SID, Sistem Informasi Debitur (Debtor Information System), which shows them as a debtor and not as a director. We will see whether they have non-performing financing. If the person has that, the person is not right (for the job). Furthermore, we also have a system, what is it called... Know Your Bank. We have to know people one by one and we have the database. So, when the person has committed a violation in a particular bank, that bank must report it to us. We then put it into the database. Even if that happened a long time ago, let's say 10 years ago when that person was not yet in the management level, and that person did something wrong, such information is available--that this person actually did something like that. Therefore, we try to bring that into the interview. We try to find out the real problem, the reason the person committed the violation in the past. So, as the question asks, even if they are not Muslim, based on that integrity factor, if they are ok and their competency is ok then why not? We know that it is difficult for us to get any off-hour information. However, that does not mean that there is no report, Sir. There is always report, such as from the staff who have said that this particular person is like this. They send the letter to us. We will then put this into our database... Then we will find out if that person is not right. That's it. So, that means with our database, our fit and proper test, and our interview, such things which you've mentioned can be eliminated. Even if it is not eliminated completely, it will be reduced considerably as we possess a database; There is a system in place to do so.

I: Suppose the database, the moral integrity, the proper test, and the intellectual capability are ok. And the person has also worked there for 15 years or 5 years as a managing director or as one of the directors in the *Shari'ah* bank. Despite whether the person is Muslim or non Muslim... especially the Muslim... if the person is caught drinking alcohol by the staff in a bar, what could the Directorate of Islamic Banking do?

BIS: According to the rules, there is no real reason that the person would be fired if they drink in a bar. However, such information would act as input for us... because, when we conduct the fit and proper test, that is the one for entry when they first enter the bank. As time passes, however, we still keep our monitoring. There is an annual activity, as I've said before, where we go to the bank and see its condition. We meet with the staff and ask, "How is your boss." There will be a story later, and we will document that. If we find that... "Our boss likes to drink" and so on, we will document that. So, previously I talked about fit and proper entry test. If this information becomes more serious, and there is evidence that the person might not be right in doing his or her job, then there is something called fit and proper existing test. If we find that information out while the person is in his or her position, we will collect that. Once there is solid evidence, we will call the person.

I: Again?

BIS: Again. If there is a chance of failing, we stop. We've had one before.

I: Oooo, subhanallah.

BIS: So, when we received the information, I said, "Do not call the person now. Gather more proof". It resembled the KPK (Indonesian Commission For Corruption Eradication). "Gather as much proof as you can, and, if you are sure, we will call the person." We made a call and we re-did the fit and proper test. Usually, the person cannot avoid it anymore...

I: Because there is solid evidence.

BIS: ...as the proofs exists "here and here," we say. At first, the person will tried to hide it from me. "Here, look at this, here, here, here, and here. This was happened during this, this, this, and this." Then that's it, the person gave up. "You are not suited as a *Shari'ah* banker. I am sorry", (we said). He did not pass. So, we do these kinds of things. Thus, the monitoring keeps going. Besides, information cannot be gathered anywhere.

I: So, it really is strict, is it not?

BIS: Oh, indeed yes, hahahahaha

I: Amazing. I didn't know that there was a fit and proper test in between. I only knew ...about the entry....

BIS: Only the entry...

I: Yes.

BIS: That exists.....it exists because they are always under our supervision. Once they are out of line, we will call them. If they do it again, we will call them again. Thus, they can not, uhhh.....say "Oh, I have passed the fit and proper test in entry...." and then do whatever they want. They cannot. Perhaps, there was some information we missed during entry test. That can happen. Ah, we will find out later on when they have already become an existing director, and or it will be found out if they are really not a good person. We will call again, and have another proper (test).

I: And it has been done, has it not ...

BIS: It has. It has. And we made the person resign.

I: Amazing. Does the same thing happen in conventional banks?

BIS: Yes, it is the same. The mechanism is almost the same. However, perhaps it differs regarding...

I: ... But perhaps it is not related to drinking alcohol or the like....

BIS: Indeed, no no, it's more on...

I: It's purely because of criminal...

BIS: Right. So, such problems are ethics related...

I: Thus, it could be said that, with regards to the Directorate of Islamic Banking, the term morality is... it means Islamic morality.

BIS: Yes yes, we have to go there indeed. When that happens... well, are you suited to talk about *Shari'ah* while you have such behavior? As I've said before, there was someone whom we treated like that before. The person was Muslim, the person was ok in the competency, yet the person had performed behavioural misconduct. Such is the attitude of that person. If we compared him with one of the other directors of the BCA *Shari'ah* who is a non-Muslim, we found that the latter person had good integrity...was good. That is better than if we compared him to the previous person. The person (second one) was a non-Muslim.

I: That's an embarrassment to Islam.

BIS: Therefore. And if I may say, this person was from the BCA *Shari'ah* and is only waiting for hidayah from Allah. His behaviour is good, the way the person talks is polite, his promises are always fulfilled, the person works hard... well, can we say that a person like this is not suited to working in a *Shari'ah* bank? Of course not. And so far, the person has always obeyed the *Shari'ah* principles when they work. And why not? As long as the person obeys and the person is ok, the integrity is ok, so why not.

I: What happens if the same thing occurs in DPBS?

BIS: What about it?

I: For instance, if the person has such behaviour.

BIS: It has happened.

I: Did you move the person to another place or did you fire the person?

BIS: Speaking about, uhh being relocated, umm being fired, that has not happened as the case was not as serious as that. We only moved the person. Perhaps, uhhmm, this might not be the right time or place (for you to work in DPBS).

I: Next time, perhaps.

BIS and I: Hahahahahaha

BIS: Perhaps there is a place more suitable for you, but not here, hahahahahaha.

I: The one more conventional.

BIS and I: Hahahahahaha

I: Briefly speaking, as the issue of product has already been discussed, why does product development in Indonesian Islamic banking industry seem to be slow, if even non-existent?

BIS: On the issue of product innovation, as I've said before, there are 3 problems: namely people's comprehension, limited human resources, and product innovation. There are some challenges pertaining to product innovation. First, perhaps there is intellectual laziness from *Shari'ah* bankers to have *Shari'ah* products. They prefer a shortcut that mimics conventional products because it is simpler and the costs are low. Furthermore, as I've said before, at that time there was no agreement amongst regulators on a product. Sometimes the central bank agreed, but others and the Indonesian accounting association

did not. So, who wants to have the spirit to innovate if things are like that. However, after forming a working group, there was a slight improvement, and they started to make product innovation. Also, the second, sorry, the third, there are costs when people innovate right? Well, this is something which we are still discussing in DPBS. If they innovate and a good product is born and launched in the market, the other banks can just take a look, imitate it, and say that it will be better to just imitate the product...

I: Besides, the national *Shari'ah* council has already agreed as well...

BIS: Yes, so this is something which... we consider if we are thinking of giving incentives to someone who does product innovation. For example, they could use their own product for, let say, 1 or 2 years. People could then imitate it on the third year. Alternatively, if they want to conduct product innovation and create a good product, we could, let say, give a plus on their health as an incentive for innovation. Our colleagues are processing such things.

I: All right, the next question, in brief, is what factors do you think contribute significantly towards the expensive nature of Islamic financing. This because many people say that financing in *Shari'ah* banks is expensive, yet they do not realize that no matter how expensive Islamic financing is, it is still able to make people sleep easy. Their night sleep is not distracted.

BIS: Ok, so....so if... this is again a problem of comprehension. Perhaps if it is said that a *Shari'ah* bank's products are more expensive, that is only at a glance....at a glance perhaps....maybe that is the perception. However, from my experience of ... uhhh inviting colleagues from *Shari'ah* banks to various expos, be it an expo about uhhh property....a real estate expo or, uhhhh an expo about motor shows and so on, where they can open stands, many people try to look for *Shari'ah* bank products such as KPR iB for property and KPM for vehicles. The reason? I ,uhhhh, when the expo was held and I attended it, I only took a look around. I talked with one of the prospective *Shari'ah* bank customers. He was at the expo and was looking around. I greeted him and I said, "What financing are you taking Sir," I said... ".....car or property financing?". "No, I don't want (that)," he replied. "Why, Sir?" I said. (He replied,) "*Shari'ah* banks are expensive, it would be better (for me) to go for a conventional bank," He said. "...the difference could be 2-3 percent, why should I go for *Shari'ah* bank." "Oh I see", I said. "Have you talked about it with that *Shari'ah* bank officer?". "Oh not yet," he replied. (I then said,) "Why don't you ask that one first and see if it is really more expensive. I am afraid that your perception now may be different to after you have had a talk." "Is that so?" (he said). Finally, he visited the counter and had a long talk. Later he came back. "How was it?" I said. "I am going to get a house". "Why did you decide to get a house?" "Apparently, after the explanation given by the *Shari'ah* bank officer, the expensive pricing turned out

to be only at a glance. After being informed by the *Shari'ah* bank officer, it was right. The officer said the following: If you are being given a margin of, lets say, 15 percent, that is for 10 years or even 15 years and thus makes the instalment flat for 15 years. Nothing will change, whatever happens," He said. "In the event where interest rates go up and down... there is already a fixed price, with a 15 percent margin. Whereas, in a conventional bank, perhaps they will say 13 or 14 percent with an asterisk saying that adjustments will be made in 2 years."

I: Terms and conditions apply, hahahahahahaha.

BIS: Yes, terms and condition... "Therefore, I am afraid", He said. "Why?" I said. "Because, I am an employee," He replied. "In 15 years, it is impossible for my salary to stay at 5 million." He added. "It is still going up, whereas my instalment is flat. Why do I have to be afraid?" he asked. "Alternatively, if I am in conventional bank, although my salary increases, there is the chance that the increase of interest rate adjustment might surpass the increase of my salary. I am afraid. I would prefer the one which brings me calmness. My mind is more peaceful as long as I pay 1 million rupiahs from my current 5 million income. Later in the coming year, it might become 5.5 million or 6.5 million while, at the same time, I still pay only 1 million....It is assuring". He himself explained that to me, while I only said, "Oooo, I see". "That's it. So, I am going to make a purchase from the *Shari'ah* bank. I am going to get a house here," he said. Thus, at a glance people will think that it is more expensive, yet after doing calculations... "Oh no, it will be better to take this one then," they say. This is because the flat instalment for 15 years is interesting for them. So such is the condition.

I: I have one additional question regarding expo. I have seen, uhgg in Detik¹⁰⁸ there was a Detik Foto regarding a *Shari'ah* banking expo, whose booth was one with an automotive expo. So, as we know, automotive expos have a lot of sexy girls. Thus, what happened, to make a *Shari'ah* bank be there?

BIS: Hang on, hang on, hang on, that, uhggg, was indeed an expo held by, uhgg, the Ikatan Motor Indonesia (Indonesian Motor Association) with the cooperation of the iB.So. Uhgg, that expo was basically under their full management while we became their sponsor. However, indeed, at that time, the authority was with the Indonesian Motor Association. However, when, uhgg, the expo exhibited cars such as Mercy, Hyundai, and so on, that would be their authority to exhibit girls with mini skirt. However, uhgg, uhggg it cannot be done in a *Shari'ah* bank's booth....it could not have been done. So, even if those with mini skirts could be seen in....in a *Shari'ah* bank's place, those are actually, uhgggg, the sale girls of the cars and not those of the *Shari'ah* bank's. That's it.

¹⁰⁸Detik is one of Indonesia's online national media.

I: I mean, is it appropriate for us to do a promotion in such events where many girls with mini skirts are available?

BIS: No, that is their authority... their authority. We cannot say, "Hey, please do not wear that in the Mercy Car (booth)." We cannot because we are involved on the financing side. Regarding, uhhh, appropriateness. Here we cannot say whether that is appropriate or not. Unless the sales girls belong to the *Shari'ah* bank, which would be impossible for us to do. Mr Arham, the problem is the following, going back, we have to.... imagine if we strongly held that, "If I do not want to go participate as you are not in a *Hijab*, you use mini clothing." So why do we.....what do we do while there is actually an opportunity there? In this case, I think it is their authority to place those with mini clothing in front of the cars. However, do not do it for *Shari'ah* banks. Ok, they agreed with that. This is a matter of, what can I say, is strategy. If we are insistent in saying, "You must use Islamic clothing too," well, at the end... Besides, our goal is to introduce *Shari'ah* banking products, and that might not even be achieved at the end. That was what happened. And did you know? After we did the motor show (event), the conventional banks expressed their protest.

I: Oh why?

BIS: Because people started to go for *Shari'ah* banks. The conventional banks said "Do not invite *Shari'ah* banks any more as I am losing customers."

I: Ooo, subhanallah

BIS: But, does that means that the event opened the public's eyes to the fact that, actually, there is something which.....which has a more competitive, service, uhhh, what was it again, financing... financing. Imagine if we insisted on the problem of people with mini skirts in front of the cars. If we do not go there because of that, we will never be able to socialize about how beautiful the *Shari'ah* is. So, in this matter, we had to see... we cannot have these (mini skirts). However, we have an opportunity to educate the public there. Frankly speaking, at first, we did what we call the Festival Ekonomi Syariah (*Shari'ah* Economic Festival) between 2008-2009. What happened was that the festival only brought around 1 billion rupiahs of transaction. Why? Because it was only there to make people aware that *Shari'ah* banks existed. That's it. However, people did not want to try it. Furthermore, in the *Shari'ah* economic festival, the same people kept on returning. The *Shari'ah*-inclined people only. So, where's the added value in that if they already use *Shari'ah* bank. However, at the expo, so many kinds of people were there, such as Hindus, Buddhists, Christians, people with mini (skirts) and people with so many kinds of clothes. However, once they know.....so that was the kind of socialization process which really reached out to all the layers of society and not just the same person over and over again. So many variations of people. Once they find out, (they said) "Oh,

Shari'ah banking products are actually quite good.” Well, this is *siyasa*h, so let us get rid all of the small things in order to get to the big thing. So, if I could put it this way, let's just close our eyes to the people with mini (skirts) for as long as my *Shari'ah* banking product is sold and people understand about *Shari'ah* banking products --that should be ok. Insya Allah, Allah will forgive us. However, if we already do not want this from the outset, there will be no chance to educate the public, right?

I: Uhhh, moving to the next question regarding the issue of the iB logo. What is the significance of having the iB logo when people can certainly differentiate between conventional and Syariah banks simply from the word “Syariah” after the bank's name? Like when people know that this is Mandiri Bank, ok this is Mandiri Bank, and this is Syariah Mandiri Bank or this is Danamon Bank..... Danamon Syariah Bank. If people already know, why use the iB logo?

BIS: Well, there were many considerations on that matter and it's also based on our research. First, let's take a look: if there is a VISA service, then there is a VISA logo in front the bank right, (saying) VISA. Or else, if the merchant displays VISA, that means they could serve VISA. MASTERCARD is also like that, right. That is the spirit. The second is, uhhh, when we....oh LPS also (does that), Lembaga Penjamin Simpanan (Indonesian Deposit Insurance Corporation) whose logo, when it is put on the bank, means that such a bank is covered by LPS. So, such is (the function) of the logo, in the sense that by looking at uhhhh the iB logo, which has a star-like shape on the corner, people will directly understand that there is a *Shari'ah* (banking) service there. People do not have to find out the name (of the *Shari'ah* bank) for as long as the *Shari'ah* logo is present people will associate it with the *Shari'ah* banking logo. Therefore, the spirit is to accelerate the understanding that the presence of the iB symbolizes the presence of *Shari'ah* (banking) services. Furthermore, the reason why we use the iB logo is... to follow today's trend. Today is the day of iPhone, iPod, iPad. So, we use iB, iBank. Actually, that is only marketing gimmick. People.... are wowed.....and usually people who use something like “i” in the name are actually uhhh, how should I put it... seem cool. So, those (people) who use iBank are actually cool people and those who have not used it are not actually cool yet like those who use (things like the) iPhone, iPad....which have a class of their own. So, we would like to put it like that, that actually people who utilize iBank are those who, uhhh.....how can I say this technologically savvy. That is the spirit.

This was done through huhhhh... research. There were several alternatives and we discussed it with colleagues from the *Shari'ah* banks. Finally, they agreed to choose one like that from before.

I: When was the logo planned and in which year did you finally have the final one?

BIS: We began that, if I am not mistaken, at the end of 2005. We conducted research in 2006 and, in 2007, came up with various alternatives. Finally, on April or May, I do not remember, of 2007 it came into being and we implemented it. Since uhhh....when writing in brochures, people do not say “Mudharabah Savings” or “Mudharabah Deposit”. We just say “iB Savings”, “iB Deposit”, and then uhhh....for KPR (Home Financing) we do not have to say... uhhhh... its principles, but it is enough to say “KPR iB” to make people understand that it uses *Shari’ah* (principles). KPM iB also means that it uses *Shari’ah* (principle). That is on the front office and on the brochure. However, in the back office, Mudharabah, Musyarakah, Murabahah, and so on still appear in the contracts. Those (terms) are (found) in the back office. We also found in our survey that people got confused when asked about them... “What is Mudharabah, Musyarakah. I do not understand,” they would say. “Why don’t you find something with an easy name.” That is why we changed it into something like that, as they will get confused if we use Mudharabah or Musyarakah..... (They said,) “ No, we do not know what those are.” Finally, we said “Oh no, this is a savings product which is based on *Shari’ah* principles.” (They said,) “Why did you write Mudharabah? As long as it is *Shari’ah*, it is right.” “*Shari’ah*,” (I said). That’s it, based on our survey, we changed that term into iB savings, including in our brochures. However, in the back office, those (terms) Mudharabah and Musyarakah must not disappear as they are the basis of all our contracts.

I: Next, question number 11. Uhh Your comment on the marketing strategy of *Shari’ah* banking in Indonesia. Do you think they mainly focus on religious reasoning or also the financial reasoning in addition to the religious reasoning?

BIS: What does financial reasoning mean?

I: Uhhh, that means, for instance, profitability and so on.

BIS: Oh yes, yes. Nowadays if we look at our colleagues in the *Shari’ah* bank, they tend more towards financial rather than religious reasons. Uhhh....based on the surveys that we did and also the surveys that our colleagues in the *Shari’ah* banks did, the point is that, as I said before, people place more importance on uhhhh rational aspects over religious aspects. Religiosity, as I said previously, comes 7th on their priority list. That is the 7th reason in choosing *Shari’ah* banks. The main concern was excellent service. Do you serve me well as a customer; do you have competitive pricings. Such are the reasons. Thus, indeed, it is the financial aspect, if we use your language Mr. Arham, rather than religious language, that is more emphasized when socializing about *Shari’ah* banks or when making promotions. And I think, uhhh ...that does not, does not mean that religiosity is not important, but, then again, going back to when we do marketing, what can we do when people do not want to be informed about terms they do not want to hear. “My head is spinning ... Mudharabah...,” they say, “....what is that? I do not

understand.” That was what we did. So, at that time we gathered people and someone then talked to them. I was in a room where they could not see us but we could see them. I listened, the comments were funny, and we did not only gather Muslims... (but) also non-Muslims as well. The, the funny thing was, uhhh....there was a statement which was very... funny and made me laugh when I heard it... So, this person was a non-Muslim, non Muslim. And, uhhhh... He said the following, “I do not have *Shari’ah* bank near my house, but I would like to have it if there is one.” (I asked,) “So, why would you like to put your money in a *Shari’ah* bank?” He said the following, “Well, If I put my money in a *Shari’ah* bank... well... my income is not only from my salary. I also teach, and so on...” he said “...apart from my status as an employee,” he said. “So... I never tell my side income to my wife,” he said.

I: Hahahaha

BIS: “... and if I put it in a *Shari’ah* bank, my wife will never think that I have it in *Shari’ah* bank, as I am a non-Muslim,” he said. Hahahaha.

I: Hahahaha

BIS: So, I said, “*Shari’ah* banks are apparently a place to put money for men, huh?” I said that, hahahahaha. That was it... that was funny. Oh there is another one who said, what was it, what did she say again, uhhhh... there was a lady, if I am not mistaken....there was another one who said, “Indeed, the reason why I put my money in a *Shari’ah* bank is that I know *Shari’ah* banks have high values and will never finance prostitution and gambling.” “What is the connection?” I said. “Indeed, if *Shari’ah* banks do not finance gambling or prostitution, the chance of my husband going there becomes smaller.” “Oh yes, Indeed.” (I said).

I: However, if we think about it seriously, nationally, if everything is like that then soon that is what will happen. I agree with that.

BIS: Hahahahha, yes, yes there is such thing. At fist, I was still confused, what is the relationship...well that is it. “That will lessen the chance of my husband going to places like that because such places will not be supported by *Shari’ah* banks. So their number will not grow bigger. However, imagine if *Shari’ah* banks take part in that, wow, there will be a lot (of places like that) and the chance for my husband to go there would be bigger,” she said. Hahahahaha. That was interesting.

I: Ok, the final question. Uhhh, do you only have a *Shari’ah* bank account?

BIS: Insya Allah.

I: Ooo I see...

BIS: Insya Allah.

I: What about the staff here, do they also have *Shari'ah* (bank accounts) only or...?

BIS: There is no rule which says that they must, uhhhhh...

I: All right.

BIS: There is no such rule, so we leave that to the individuals. However, internally, when we develop our staff, we always remind them that actually uhhhh, well, we have to be a role model as that is a must... it's always asked by people. Indeed, mmmmm...how can I say, we are the ones who always socialize, and when we are asked, "Where do you have your account?" (and reply) "In a conventional bank." Hahahahaha. (Later they say,) "You, what are you doing here (then)..." they said. Hahahahahahhah. This is because, uhhh... it iswe... if not who else (if not us) who have to give examples.

I: All right. Uhhh, the very last question. What do you think... do we need a central bank specifically for *Shari'ah* banks ...a *Shari'ah* Central Bank.

BIS: Hahahahahha, this is....this is a tempting question

I: Yes, I usually hear that.

BIS: Based on my experience in travelling to other countries, there has not been something such as a *Shari'ah* Central Bank. It does not yet exist. Each of us, who are also colleagues in other central banks, do least have a *Shari'ah* directorate.

I: However, that that does mean it is impossible, right?

BIS: I do not know what the will future look like. However, the way I see it... the most important thing is the agreement among central banks and the members of the Islamic Financial Services Board to have the willingness or spirit to facilitate the development of *Shari'ah* banks. Infrastructure must be provided when they are in difficulties, there must be a *Shari'ah* lender of the last resort. And, also, when their funds are in abundance, they can place it in a *Shari'ah* bank... such a spirit must exist, and my feeling from what Bank Indonesia has been doing since 1999, 13 years, is that it is getting better. Perhaps, at the beginning... not perhaps, (but) in the beginning when we started developing *Shari'ah* banks, at that time we... in the past, were only a team of 10 people. (It was only) 10 people and sometimes the colleagues teased us. We were subjects to...

I: How was the internal of BI like (at that time)?

BIS: Oh, before our time, there was Mr. Subarjo, Mr. Achyar, and then there were deputy governors who were above them. At that time, Mr. Achyar was still in the department head level; (while) Mr Barjo was the head of a department. When Mr Barjo started to discuss *Shari'ah* Banks, (someone told Mr Subarjo,) "Why do we talk about that Bank," the person said. "That bank is impossible," the person said. "What is it talked about for?"

I: In what year did that story happen?

BIS: It was in the beginning of 90s... 80s. In the beginning of the 80s.

I: Before the MUI conference, right?

BIS: No, not yet. (it was) before. So, these gentlemen were the ones who started that talk. The Cisarua meeting was in 91 or 90, and then the Muamalat Bank started in 92. So, that was it. However, indeed, that might be the lesson: do not stop simply because the thing (we are talking about) is not supported by anyone. However, those were our (founding fathers), our seniors who have always talked and talked, and, fortunately, it was (eventually) welcomed by the members of the house of representative, the ICMI (Indonesian Association Of Muslim Intellectuals), and finally Muamalat Bank was born. Later, the *Shari'ah* team was established, and I was there among the 10 people. Then, we... ah I was usually teased. "Mulya, you should go to office with a *gamis* (arabic gown) and not wear ties." "What to wear, Sir?" "Just use a *gamis* as you are *Shari'ah*," he said. Hahahahahah. We were usually teased like that. However, we kept on moving. One thing: at that time, uuuhh people saw that we were really dependent upon Mr. Subarjo as the one who had the spirit to develop the *Shari'ah* bank together with Mr. Achjar. At that, all of us thought... everyone thought that if Mr Barjo went out, the development of the *Shari'ah* bank would be over. However, fortunately, Mr. Barjo did not make us dependent on him. So, when he went, as he needed to go, went to Malaysia to Siasen as a chairman, everyone said that the development of *Shari'ah* banks was over. However, by the grace of Allah it went ahead and we proved that *Shari'ah* banking development was not because of Mr. Barjo alone. It was because of Allah. So, whoever they might be, they will be helped by Him and it is still going on (the development). Alhamdulillah, all the deputy governors who were previously cynical supported us. Even Mrs. Miranda who was previously cynical supported us after we informed her, although must utilize mathematical formula when talking to her. We informed her of the mathematics of *Riba* and so on. Anwar Nasution was also the same --cynical. Anwar Nasution was the one who teased me, "You should use *gamis* and and ties," he said. Finally, we made an explanation. (The shifting) from *Halal* and *Haram* orientation to a value orientation changed everything. Furthermore, we also did... we could not... I said, "We (often) socialized outside though our colleagues inside never got socialized." Thus, finally we socialized them. Four socialization sessions a year (was done) to all Central Bank employees... regularly. We told them various things about *Shari'ah* banks. Finally, they

were all supportive. There were those who were cynical and teased us after we talked to them with the values approach... If we first talked about *Halal* and *Haram* they would become cynical as there would be those who felt... alienated. (They felt) "Oh, it means that this is only for you," bla bla bla. At the end, we talked with the values approach and finally (they) felt that the bank belonged to all of us. Even non-Muslims did not support the development of *Shari'ah* banking in our internal. That is, that is when we started on the policy to not only make socialization external. We had to make it internal as well. We did that to all directorates. Alhamdulillah, mutual understandings happened. Now, it is already ok; in the event where new regulations are issued, all of them must be discussed... On the contrary, in the past, they were cynical. "What is this? An impossible bank," they said. "Why keep discussing it," they said. Hahahahahahaha.

I: Have you ever thought of making the entire BI *Shari'ah* instead of making a *Shari'ah* Central Bank?

BIS: We will never think to make Bank Indonesia a *Shari'ah* central bank, but the spirit of our colleagues and all of us is on how to make a directorate of conventional bank.

I: Hahahahahahaha

BIS: You know what it means, huh?

I: That I really understand.

BIS: Hahahaha

I: It was the one that I almost asked, why can't we have conventional banking directorates later?

BIS: We do not have to talk about BI *Shari'ah*, but rather on how we can make the directorate of conventional banking. This means that the whole directorate is already *Shari'ah*, and there is (only) the conventional banking directorate left. What happens now (is that), there is only one *Shari'ah* banking directorate while the rest are conventional. However, later, if there is a conventional banking directorate, it means the rest are already *Shari'ah*. That's it, Mr. Arham.

I: Alright. Thank you very much for the interview. I really enjoyed it. My supervisor and I, as well as Durham University, would like to thank Bank Indonesia very much. All of us would like to thank you very much. We hope Allah rewards all of your good deeds later in the hereafter. Assalamualaikum Warahmatullahi Wabarakatuh.

BIS: Waalaikum Salam Warahmatullahi Wabarakatuh.



**APPENDIX B.2: INTERVIEW QUESTIONS ON INDONESIAN *SHARI'AH*
BANKING INDUSTRY(BANK MUAMALAT)**

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Interviewer (I): Would you please evaluate the progress and developments in Islamic banking in Indonesia in particular in comparison with other countries?

Bank Muamalat (BM): Allright, uhhhh, regarding the development of *Shari'ah* banking in Indonesia: in terms of growth it's very promising. However, since we began with a relatively small number (of percentage) up until now where we've reached 4%, the number itself is insignificant. That 4% was achieved from the growth of the past 5 years. Such things, uhhh... were with regards to (the presence) of several banks which were, due to the policy at that time, under their parent companies. However, with spin-off rules, those banks had already started (to spin-off). So banks started to have spin-offs. Some of them entered an entirely new segment such as BCA which was direct. They did not make a *Shari'ah* business unit but directly jumped to...

I: Commercial banks, right...

BM: Indeed. However, there is a bold difference between us and other countries in that we are mostly self-driven.

I: Indeed.

BM: Self driven... the Central Bank (Bank Indonesia) in... in their portion has been very helpful. However, there are no incentives in any way. In Malaysia, perhaps such incentives come from the government, either in the form of tax or from policies which later make the *Shari'ah* banks grow... that's it.

I: In Indonesia, it is like a law of nature, ...

BM: Yes.

I: You can... do as you please... whether you die or not... the most important thing is that you can do it. Hahahaha.

BM: It is more towards being market driven... more towards being market driven... well, self driven, market driven. In Europe and the Middle East, it is also a bit different. If we say, uhhhhh, in terms of composition we are still small. This is because the middle east, Europe, uhhh... even Europe... like in some places in Europe such as in the UK... the potential is enormous and the growth during these years is above average within the banking industry.

So, in relation with (question no 2 on whether there are communication problems between the *Shari'ah* bank and...

I: This is within the context of the Muamalat Bank.

BM: Oh I see, between Muamalat Bank... I think, this is... this is indeed, uhhhh... this industry, even if it has already been 20 years... the Muamalat Bank is already 20 years and that is still considered as infant. The age of the national banking industry is above 100 years. That is still young, still relatively young, and its development, as I've said before, perhaps happened...after

the birth of Muamalat Bank around 20 years ago and the birth of the new policies which allowed other banks to open (*Shari'ah* banking). That was after the crisis (1998), and later (the industry) developed during the past 5 years. So there are at least 3 phases (of development). Actually, we, uhhhh... the development has 3... and we see that there is a uniqueness in this *Shari'ah* banking (industry) which cannot be communicated in such an ordinary way as advertisement. This is paradigm changing, right? So, something which is, uhhhh already done in the economy, in banking... would be later... considered ordinary. There are differences which need to be explained directly. This, in turn, relates to the amount of outlets. In direct communication, it must be one on one like this in order to be effective. Previous campaigns done through the media showed that it was not as easy to change paradigms. It takes time. The development of our outlets, of which there are already thousands nationally, is very helpful because, once a bank educate, the impact also goes to... ah, especially when trying to explain the difference between the *Shari'ah* contract (*Aqad*) with... that is the problem. The other communications perhaps only explain the benefit of the product. Those are probably simple, that is with advertising, but when it comes to explaining 'What is a *Shari'ah* Bank' ... What is the difference; we have to do it in a different way.

I: Uhhhh..., if I may interfere on the issue of communication: I remember Metro TV¹⁰⁹ where Bukopin¹¹⁰ seemed to hire a slot there for Bukopin News. Well, that was one of their marketing strategies. Furthermore, this was not in the form of advertising but as some kind of news called Bukopin News.

BM: We did that 4 years ago for Bank Muamalat in Metro¹¹¹. Metro TV too. That is why, as we've said, our expenditure...expenditure... is among the highest between... and 4 years ago we had already done that. However, this role could be done by an individual bank, or by the industry, by doing... but we had already done that.

I: Uhhh..., doesn't the management think...for instance, instead of making expensive advertisements which last only 2 minutes or 1 minute with an incomplete message, we should make it more like Bukopin News? So we have a complete 30, 40 minutes of slot.

BM: We have that plan, however there is a... let's put it this way, in Marketing there is something which is more towards 'brand image'. It is, how you say...intended to sell the products. Well, this is different and we cannot unite them on this... so, indeed, a variation in communication is needed. The message is wrong but according to the question here it's whether customers could receive the message wrongly. Yes they can because changing the paradigm is not easy. Even then there is no guarantee that those who are already our customers know what they are doing, hahahahahah. That is possible and could happen. However ...

I: Hahahahahaha. Have there ever been any customers like that? Meaning that He or She would deposit (money) in Muamalat but actually be unaware of the differences (between) *Shari'ah* and...

¹⁰⁹Metro TV is one of Indonesia's national TV channel.

¹¹⁰This refers to Bank Bukopin, one of Indonesia's private bank.

¹¹¹'Metro' means Metro TV.

BM: Possibly. It is possible, it is possible. However, the thing is the following: this is *Shari'ah*... For example, for some depositors, this is *Shari'ah*... so, as a Muslim, I will follow (it). However, there are those who are not, for instance...uhhhh, who are not Muslim...(who think that) *Shari'ah* is, in general, much fairer for me. Or they do not have other interests so there is no guarantee that they really realize the difference. Perhaps, in the future, the direction of this campaign may move towards the given benefits. The product benefit, feature benefit, eh, the product and service benefit which are offered. The *Shari'ah* value is an added value and is a differentiator for the products. So if the customer has already obtained the minimum (service) in the form of standards benefits from the one which is... how you say, comparable and competitive with... with other banks, it will make it even better.

I: More complete, right...

BM: So, uhhhh... if we reverse that (and start) from the *Shari'ah* value, it will take a long time to explain, a long time...

I: Yes, indeed...

BM: ...however, that is important in pre-education in the beginning of (having) a *Shari'ah* bank because people will... how you say, (get) enough... of what a *Shari'ah* bank is. Is it an Islamic rural bank or a Baitul Mal Wat Tamwil. Or, (they might think) what kind of program is this? Is this a social program? Hahahahaha... There are some who perhaps think that this bank resembles a social entity. That could happen. This is because they do not fully understand.

I: Uhhh... if I may...

BM: It seems that this already (covers) question number 3, hehehehehehe.

I: Yes, uhhhhh...if I may, as you touch on the issue of iB, uhhh...DPBS has its 'iB' logo, the industry logo, uhhhhh a small 'i' and a capital 'b'. In your opinion, is it useful... practically speaking? In theory, we could perhaps theorize that that is for a brand image, but I interviewed Mr. Mulya some time ago in DPBS, and I asked that, (since) there is the word 'Syariah' after the bank's name, in your opinion, what is this 'iB' for. I sometimes even see that the logo is small.

BM: Perhaps, perhaps this mimics the concept done by several other banks in other countries. So, uhhhh... a marker is needed for those banks with *Shari'ah* compliant products. Such as, uhh in Malaysia, for instance, they use 'Deposit' with dash i, which is the sign that it is Islamic and so on. Perhaps there, when selling *Shari'ah* products, calling it "Mudharabah" and not "Deposit" would make things less productive than, that is... it makes it easier to comprehend. Well, this type of communication has been done by... and I think that this is what... what is being pursued by Bank Indonesia (Indonesian Central Bank). The reason why "iB" is needed and the word "Syariah" needs to be mentioned after the bank's name is to make people aware about it. This is only about brand awareness. Thus, once people are aware that something called "*Shari'ah*" and the *Shari'ah* logo exist, they could just go (to the bank) without any explanation of the concept of *Aqad*, as it is not very easy to explain, especially with advertisements.

I: Especially when it is for public consumption.

BM: Yes, indeed. That is why this is more towards brand awareness, and, within the level of mass communication, this should be the way. This is because, as I've said before, product communication must be massive. It will be difficult if product communication is not massive. However, if asked regarding our challenges in terms of...

I: Communication challenge...

BM: ...yes in... about the product right?

I: Uh uh.

BM: The challenge in communication is still about budget. In banks, you know... we need to communicate ours in a supposedly cheap and easy way. If we want a massive model... uhhh, I think for some banks which have done that on a massive scale, we are comparatively in difficulty.... Why is that so? Uhhh, usually...

I: Which banks are you comparing?

BM: Big conventional banks with *Shari'ah* Banks, and this is...

I: Are we comparing industries?

BM: Industry, Industry... and this also applies for individual banks such as Muamalat Bank... I think so. Usually, big banks have a strong funding structure because people are relatively used to transactions (with them) and so on. Furthermore, with that condition, they need to continue with that and grow further. Well, these cheap funds are compensated by promotions. It is like selling shirts. When we sell shirts, our shirt cost is actually 10 percent from the actual selling price. Of course, we (could) spend another 10 percent for the marketing cost. The story would be different if... if our margin of income was only 10 percent, for instance the price might be 90 while we sell it for 100. If we are asked to spend another 5, we would re-consider it. Thus, this is generally what happens. In general, *Shari'ah* banks are still struggling in their numbers as their market is not very big (yet), tens of trillions, and...

I: Is that Asset?

BM: Assets and the fund structure are still not relatively cheap...savings and current accounts are cheap funds. That is the challenge. Furthermore, Indonesian people, if I may say, tend to do things simply and concentrate more towards the direct benefit. As an example, uhhhh, let's take the savings product. On a whole, in Indonesia the banks do not promote the benefits although the product is very good. They promote the presents instead. A lot... For all the top 5 or 10 big Indonesian banks which advertise in the media, the ones which they promote are not the product but the presents --gimmicks. That is the sweetener to the depositors as people think that a savings account is a savings account. All transactions between bank A and bank B, even if their sizes are different, are now very easy (to be conducted) via ATM, Internet Banking, and so on. Indeed,

there are those who are above these banks however... this kind of communication is the one we have tried. This is because it cannot be done only with, how can I say, an education program as before. We tried that, we tried that 2 years in a row. Yes, there was an impact, there was the people's understanding, but, in the end, we really place importance on selling...

I: Yes.

BM: At the end, it's all about selling.

I: Ah, that was the thought I had before as this is about a budget problem. So the point here is to have maximum effectiveness with the least budget. My simple idea is the following. First, within today's context, there are many social media outlets such as twitter...

BM: Ooo, that has been done...

I: Youtube...

BM: Yes yes, that has been done (as well).

I: ... and so on and so forth. Moreover, secondly, I always think that perhaps this is "the mistake of the management in comprehending what marketing is". I think that if there are 10 thousands employees that means there are 10 thousand people and 10 thousands head. That means that if we unite all of them, it will be like one supercomputer. Therefore, why don't we find a creative approach. For instance, if there is a female making a Quranic circle with one circle consisting of ten people. So everyone is considered a marketer and there is no segregation between Marketing (department) and HR (Department), thus everyone is united.

BM: Here, here with us, first of all, about the uhhhh.....social media... That is a new stream and we've done that. Some have been... some banks have done that and, us, we have also done that. Second, about marketing we have done all that. We have done (it all)... but, well, here is the but...

I: So... if it has been done, what is actually the impact?

BM: The impact exists but they are not significant. Why? Ah, here is why: Based on the analysis and survey data, in several surveys, Indonesian people are relatively, uhhhh... loyal to their banks. If a minimum standard has been met, uhhhh their minimum requirements, then they... that's it.

I: Does that mean loyalty to the first bank they joined?

BM: Yes.

I: ... or loyalty to the bank which gives them benefits?

BM: No. They have a bank --one bank. For this purpose...our problem here lies in customer funding --the fund. Once they join, as long as there is no serious disappointment on their side then they will not move. This is because their basic requirements, how can I say... basic uhhhh, the bank's benefits are basically the same because there have already been so many. The problem is

that when... and this has been proven by empirical data, uhhh regionally and internationally, Indonesian people are relatively... they tend to be loyal. There must be a pull factor, either in the form of disappointment in their current bank or something which is absolutely different and interesting.

I: So, the point is that there must be an incredible event, right?

BM: Or, in the beginning, we can have share of the wallet. They open the second, the second account, and when they have their experience with us, they think, "Oh, I feel more comfortable with this," and then more money might be deposited. As an example, suppose we have credit card and we have already paid our utilities. Later, we have an account (in), let's say in Muamalat Bank, and they offer the same for payments through the web. To make people think about administrative stuff, to eliminate the credit facility in order to make automatic monthly payments from here. These things are not going to be made by people as they are very troublesome. They do not want to be put in a troublesome situation within that area.

I: No matter how small the hassle is.

BM: The problem is how to acquire the customers. That is the important thing. People are aware, aware about us... (and) we did the marketing through.... how can I say.... one on one, (and) through overall marketing using a Quranic recitation group. *Shari'ah* banks in Indonesia do that. There is (a degree) of effectiveness. However, whether it is massive, uhhh (I think) not yet. That is due to the need of a big awareness which could strengthen the motivation. At the moment, we need to have share of the wallet first. In Indonesia, the banks' only trick for sharing the wallet is through gimmicks.

I: Oooo.

BM: So, in the end, it is rather unique in Indonesia. Thus, awareness regarding taste is important and Indonesians are moving towards the purification of religion. The purification of religion is already... we could say that there are more religious people (now). However, in terms of an economic system, this needs more time (to come).

I: So religion still only means praying 5 times a day right?

BM: Yes, (people's comprehension is) still there...

I: Their understanding is still traditional, isn't it?

BM: So, when the Indonesian Council Of Ulema stated that interest was *Haram*, the effect was not big, and this showed that perhaps people were not aware of such *fatwa*. It could also be caused by the people's thoughts that they were not taking excessive profits by the reasoning that they were not committing a crime (when taking interest). "What is wrong with that", (they might say). "I only use it for payment and transfer purposes.". That is for the facilities which they have, for instance. That's the reality. So, for *Shari'ah* banks, the campaign stated that we were in the same standard with conventional banks, only with *Shari'ah* compliance. If you wanted to have

the benefit, we have it and we will emphasize on the *Shari'ah* aspects. That is more or less the language (we used).

I: In general, uhhh, what is Bank Muamalat's communication strategy to get new (customers) and to keep old depositors?

BM: Well, as I've said before, we open new outlets for direct communication with the new customers. That is the painful part as there is the cost of acquisition. Also, apart from that, for the older customers, we have to serve them. There is no other way. So people are lazy to move (to other bank) unless something absolutely exceptional happens. Therefore we ensure that they are not dissatisfied. How do we do that? Good service, that's all. Therefore, in Bank Muamalat, we make service as our national programme. When the service is good, the people's share of wallet might be bigger with us. If we have their second account, perhaps if we serve them well, then they could increase their share of wallet from 10 percent to, let's say, 70 percent and so on.

I: Furthermore, according to your experience here, which one is more difficult: converting dual banking depositors to a 100 percent *Shari'ah* banking depositor or converting a pure conventional depositor into a 100 percent *Shari'ah* banking depositor so that they are no longer a dual banking client.

BM: Uhhh, indeed, acquisition is the most difficult thing. Based on the empirical results, the most difficult thing is our people as they only have low expectations for the minimum standard (of products such as deposit account). When that standard is met, that is enough for them to stay there. So perhaps they think that, "I only need a bank whose office is near to my home. I want easy access. I want to have an account in which I'm able to withdraw my money at anytime". So, that's it. They do not need any fancy features... features which they think are too sophisticated. Due to low expectation, we need to give them something with a different paradigm. So, sometimes, with certain clients... actually in the past, *Shari'ah* banks such as Bank Muamalat have never given any gifts. Later, however, we started to give gifts such as *Umrah*.

I: Up until now?

BM: Yes, (it) still exists. In the past, we did not give gifts because we thought that it would drive consumerism. We did not want to educate people in becoming consumptive. However, later, we also needed to see that our market was a rational market. We called it rational market. People seek benefit. At that time then, we started to give presents. Previously, we just (had) a BMW.

I: Thus, concerning the presents, why don't you try to limit them? I mean, if one cannot become consumptive in Islam, we can still have a win-win solution-type approach....

BM: Yes... we have, we have discussed that with a *Shari'ah* supervisory board member.

I: ...so, if a car were the gift, then it would be better to have the car serve as a capital good. Thus, it shouldn't be a BMW but rather a truck, hahahahahaha, or a minibus or whatever.

BM: We can consider that, hahahahahaha, we can consider that.

I: Yes... thus making it a win-win solution. Actually, rationally speaking, irrespective of whether or not this is accepted, that thing (the truck) could be considered as giving money twice. So, if we give the depositors the truck, that will be the starting capital automatically.

BM: However, once more, perhaps that is not what they want. Again, our objective is to have a pull factor so that they get interested (with the product).

I: Or perhaps, as the BMW is 1 billion Rupiahs, why don't we just buy a shop to sell mobile phone top-ups.

BM: We can think about that, we can think about that. We can think about that.

I: Uhhhh, overall, what is your branding strategy for increasing your bank's awareness in the eyes of the Indonesian public?

BM: One of the most effective strategies, according to some theories, is differentiation. Branding as well. There are those who are strong in retail, those who are strong in networking, those who are strong in promotion, and those who have a strong parent company, and so on. For Bank Muamalat, at the outset, we would like to be in service. That is our tendency. So, we make a package, show that to the outside, and communicate it (the idea). That is why, in terms of product, we do not issue credit card products. The credit card (product) is already ok from the perspective of...

I: The fatwa has already been issued, right...?

BM: It is possible, it is possible. It is possible, but we see that there is... not because it not *Halal* but it brings, that is it, it could be used for either good purposes or bad purposes.

I: But I have read that in America, that once a consumer tried to slide the card in Las Vegas, the card got rejected. The customer then complained to the *Shari'ah* bank on that matter. (The bank said that) it was in Las Vegas. Can you not use that system?

BM: What I mean by bad purposes is not that issue....

I: Ooo, not from that aspect?

BM: Not that aspect. The bad thing here means... ok, we can ban those *Haram* places, *Haram* merchants which are not (*Halal*).

I: However, for instance, not all massage parlours in the whole of Jakarta can be banned, right...?

BM: Yes (indeed we can)...there is a code, (and) they certainly can... they...

I: Oh, could it be truly done.

BM: They must be able to do it, they must be able. However, the problem does not only lie there. The problem with credit card is that we suddenly have purchasing power as there is a time delay

between purchase and payment. The delay could be a month and so on. In our view, there is consumption abuse behind this compulsion. The abused consumerism. Therefore, this kind of thing... so we are in business not only for profit but also to drive people towards more positive things. Thus, this is the kind of awareness that we would like to show to the public. We have a lot (of products)... for instance, previously there was... a trend towards *Shari'ah* pawning. *Shari'ah* pawning was good, but if it is used for bad purposes such as speculation it becomes bad.

I: Previously, I saw in REPUBLIKA¹¹² that there was a regulation from BI which limited (the *Shari'ah* pawning) to 250 million (Rupiahs)¹¹³.

BM: Well, that is perhaps due to the indication (of speculation)... I am also not (sure)...although (*Shari'ah*) pawning is actually one of the superiorities of the *Shari'ah* system, which is good. The colleagues in the *Shari'ah* bank who developed that had already (done a) good (job). However, again, we are rather careful by not doing it now until we are sure that it brings (a good) impact as the business is also related to our brand strategy. We would like to be positioned as a *Shari'ah* bank with good *Shari'ah* compliance.

I: So, I think from the perspective of Islamic Marketing, it could be said that, based on what you just said, you are not only struggling to be profitable...

BM: Exactly.

I: ...but you are also struggling to be Prophetable, thus making it in accordance to the teaching of the Prophet Rasulullah.

BM: I hope it is like that... I think it is like that.

I: So, up until now, you don't have gold pawning, don't you?

BM: In the past, we developed (it) through PT Pegadaian¹¹⁴.

I: I mean the one (purely owned business), such as the one by BRI Syariah. Do you have it?

BM: No, we do not do that.

I: Are you not still interested, even if new rules are already there?

BM: No, no. Not yet. Like the Credit Card (mentioned before)... I do not know (if it will be done) in the future.

I: I see that not even all *Shari'ah* Banks open *Shari'ah* credit card (service).

¹¹²REPUBLIKA is the name of one the Indonesian national newspaper.

¹¹³1 US dollar is equal to more or less 9500 Rupiahs.

¹¹⁴PT Pegadaian is a state owned company, whose business is making pawning activities.

BM: Because it will be difficult (to do that) if you do not have the infrastructure. For instance, some (*Shari'ah*) use their parent facilities as the parent has that.

I: And above all...

BM: ...The card management, perhaps. Maybe.

I: ...maintaining the quality of Islamic-ness is rather difficult.

BM: Therefore, our strategy is in finding out a way to transact easily. Well, credit card networks use Visa, Master, and so on. So, we will engage Visa so that that the card can be utilized to make payments everywhere but only with their cash money. That means...

I: Oooo, it means Visa Debit...

BM: Visa Debit.

I: Uh uh, not Visa Credit (Card).

BM: Not Visa Credit (Card). Therefore, we can eliminate the previous factor. That's it.

I: That means that there will still be a card but a Debit Card, hahahahahaha.

BM: Debit Cards uses one's own money, hahahahahaha.

I: All right ...

BM: Besides, I also use Credit Cards.

I: Ooo, is it...

BM: I mean, this is a coincidence, but I also feel that, at the same time, sometimes we also have (the feeling of) abuse, uhhh, on our wants as we have purchasing power in this card while there is no guarantee that the money on the wallet is available.

I: However, people see the card as money.

BM: Therefore, what I mean is that...

I: Especially if our limit is 100 million (Rupiahs).

BM: ...it drives people to be in debt. That is the problem, which is not good.

I: We still have to be careful even if it is *Shari'ah* (compliant) and if the fatwa has already been issued.

BM: This is (based on) an individual experience.

I: Uhhhh, going to the next question. According to your opinion, do you think using religious discourse and symbols for branding and marketing is an acceptable or ethical strategy? It could be said that banks are selling *Shari'ah* to get profits. What do you think about that?

BM: Actually it is the following: uhhh...banking is... and *Shari'ah* banks including Bank Muamalat which previously claimed... would like to be perceived as a purely *Shari'ah* bank, show that their products are not only for Muslims but all people. Thus, this benefit can not only be felt by Muslims alone. Uhhhh, well, perhaps, perhaps, this is out of the (context) that 2 of the fastest branches in terms of break even are the ones located in Muslim minority places ...in Manado and Bali. Imagine that. You see, that means... this is really happening.

I: Ooooo. That means, in Bali, the majority of depositors are Hindu, aren't they?

BM: It could be. It could be. There is a Muslim community as well. But, I mean, (it is) not a problem (that is, to worry about whether *Shari'ah* banks can make profit in Muslim minority places).

I: What I mean from the question is that, uhhh, what is your opinion on making profit with religious teachings. What do you think?

BM: The ethics, right?

I: Yes, yes.

BM: Actually, it is not a problem, Sir. This is because the things which we carry (da'wah) to the public... da'wah means to deliver... to invite, to inform of good things. So it is not selling (Quranic) verses in order to get profit. No, not that. Thus, people need to receive information and that information could be based on Quranic nash or from the Sunnah (Hadith), and that is ok. Ethically, that is ok. However, in terms of effectiveness, this needs to be packaged. Perhaps, for something like that, the weight needs to be carried to certain segments. With regards to informing (Quranic) verses, even to Muslims, as we know, Muslims are divided into two, (namely) 'Muslim Ijo' (the ones who follow pure Islamic teachings) (and) 'Muslim Abangan' (the ones who follow Islam but incorporate other religions in Islamic practice such as Hinduism, and so on). Have you heard about those (terms)? So we cannot have the same thing for everyone as people have their own preference. Thus, within us, there are many kinds of Islam. So, in terms of effectiveness, it is not. However, is it ethical? In my opinion, as long as it is intended for a good purpose and for driving people to do good things without any compulsion then (I think) it is allowed.

I: Uhhh, every bank has its own marketing strategy. According to your opinion, what are the main features of your marketing strategy of Islamic banking and financing products, especially compared to those of other *Shari'ah* banks?

BM: I think there are two kinds of uniqueness. The first, as I've said before, is our differentiation. We (try to) accentuate and communicate the honey bees¹¹⁵ (logo) which signals that we are pure and bring benefits to everyone. That is one example. Furthermore, the language we use is not one which is simple but one which is... that is the communication we try to develop. Second, uhhh, we use ways which have not been used by anyone else. So, (it is) value based differentiation, differentiation with regards to content. (I forgot) if it is content or context, however that is related to the way (of doing it). Well, as an example, there are those who do things with Multi Level Marketing. It can be done like that. However, we are the first who give gimmicks everyday (*Umrah*).

I: Oh, is there such thing?

BM: No. The 365 umrah means that there are 365 days in a year. So, everyday there is somebody who is sent to (perform) *umrah* by us.

I: Oh, is that really so?

BM: Yes.

I: So, do you have a new customer (who goes to *Umrah*) everyday?

BM: No. It only means that every month we pool (the customers), but, in terms of number, it is 365. That is only a communication language. It is not in technical terms. There is no daily dispatch as it is rather troublesome hahahaha.

I: I mean, in the advertisement, does it explicitly say that (there is a) daily dispatch?

BM: Yes, yes (it is) like that.

I: Even if it's not like that in reality.

BM: Indeed, technically it is rather difficult. Rather difficult. People also need time to prepare and so on, thus making it impossible to do that. And that has not been done by any other banks, (so) we come there. Furthermore, from a marketing perspective, we are the first bank which sells products such as Shar-e. You can search for the information on Shar-e. We sell that in the form of a kit pack which resembles the packaging of a sim card. Such a method has never before been done by any banks. We did that few years ago.

I: Was it in the time of Mr. Riawan?

BM: Mr. Riawan. Thus, we do those kinds of things. So, there are 2. In the end, on marketing, it is all about differentiation, how are we different (from the competition). It is not important if we are better, so long as we are different. That is marketing. For example, there is food, uhhh, like

¹¹⁵At the time of interview, Bank Muamalat still had its old logo.

eating Indomie¹¹⁶, (and) perhaps there are a lot of stalls which sell Indomie. However, there is one which is very famous. That is Indomie... (I forgot) the language they use... Indomie... well, perhaps I am not absolutely right as I forgot the name, but the point is that the person gives ¼ kilograms of chillies for every bowl of Indomie. That exists. What I mean is that there are people who go for that kind of niche market. Besides, we do not pretend that we are going to capture the whole market. That depends on our strategy, whether we would like to go retail or corporate. That depends on our strategy. However, if they want, they could go for a niche market. There are those who want that. I want my Indomie to be different. How do I do that? Give ¼ kilograms of chillies (and) different levels of hot-ness. The hottest one consists of certain amount of chillies. That exists.

I: Hahahahahaha, I just knew that.

BM: Yes. What I mean is that (in) differentiation, it is not important how good we are but how different we are from the rest. So we tried to have differentiation which is good, such as having a good gimmick and having our image also be at a good level.

I: Uhhhh, briefly speaking, on the management's perception concerning the competition, does the management of Bank Muamalat think that they are only competing with other *Shari'ah* banks or competing with all banks in general?

BM: No, we, we, at the beginning have stated that *Shari'ah* bank, eh Muamalat, Bank Muamalat does not compete with other *Shari'ah* banks. We compete with conventional banks. Our slice is too small for us to compete. We still have other 97... 96 percent which needs to be taken from conventional banks.

I: That is already a common consensus...

BM: Common consensus, that is (what we understand) in Bank Muamalat. I do not know in... I think if... but the *Shari'ah* banking industry is united in the form of iB under the command of Bank Indonesia (Indonesian Central Bank) (and) I think they are all the same, their spirit is the same. Furthermore, you have to know that, at the outset, our mission in Bank Muamalat was to be a catalyst for the development of *Shari'ah* banking (industry). Imagine, Bank Muamalat develops many Islamic Rural Banks and frequently supports the development of *Shari'ah* banks and even pushes Bank Indonesia to make regulations for, uhhh, office channeling for *Shari'ah* units and also spin-offs so that we are no longer alone as a *Shari'ah* bank. This is because, at first, we were alone. It was Bank Muamalat who pushed Bank Indonesia as a regulator. Why? Because with companions, we are no longer a unique bank but also a market. For example, if there is one shop, a bicycle shop, the one which sells bicycles, it is called bicycle shop. However, if within the same place, there are 10-11 bicycle shops, that would be a bicycle market. This is rather different, (although) it does not matter who gets the money. What I mean is that the attractive power of a market is more powerful than a shop. This is what we are trying.

¹¹⁶Indomie is one of the instant noodle brand in Indonesia.

I: So, it would be better if made it an industry, right?

BM: In the mission, even in our mission statement, it has already been (put) like that. So, for us, there is no such story (that we are alone). This is because the mission of Bank Muamalat, according to our founding fathers, is not only about business, no, far from that. The mission is on how to campaign Islamic values within banking to Indonesian people. Whether Bank Muamalat later develops and is profitable, that is different story. We (also) make that (to happen).

I: This means Bank Muamalat will not get deterred if their branches are surrounded by those of Bank Mandiri's or BCA's, right?

BM: At the time being, the matter is sales and we need more time for that. We, we, we realize (that), but (what we) mean by that, from what is offered, although there are differences, we have to say that some *Shari'ah* banks are better than us and we have to learn to compete with them. Therefore, as we've said earlier, we need to standardize the benefits we are going to get before acquiring others. These standards mean following their standards such that we are in the level of the highest player. Then we can add the *Shari'ah* value as a pull factor. So, we are not going there, not going... it is too small for us (to compete with each other).

I: How does Bank Muamalat increase its bank's brand awareness among the non-Muslim community in Indonesia, according to your experience?

BM: Well, for non-muslims, again, we have a lot of depositors in terms of numbers.

I: Actually, what is the proportion of non-muslims?

BM: I am not really, not really...

I: Oooo, but which one is higher, the muslims or non-muslims?

BM: In my opinion, uhh, the number is pretty much the same. So, uhh, I apologize for saying this but financing depositors such as the Chinese are here (as well). Indians are here too --I mean those with Indian descendant... I mean, this is not about race, but it is about (the fact that) non-muslims come here (as well)... They come here from everywhere, such as Manado¹¹⁷. Anyone who is culturally a non-muslim (can) become our customer and there are a lot of them. We do not... the most important thing for them, at the end, is not whether it is an Islamic bank or not but whether it is fair enough for them and brings enough benefits to them. That's all. That is only the problem. So, in terms of how to attract them, we position ourselves as their problem solver. They have...no it is not a problem,....how can I say....requirements, oh needs... and we try to fulfil them. At the end, the campaign comes from word of mouth. Perhaps, to those who are new to *Shari'ah* bank, (they) will feel skeptical about *Shari'ah* banks. They think *Shari'ah* banks are only for muslims... they are skeptical, or perhaps they think that this bank is not for me as we are not muslims. So, in our future campaign... including those made by the Indonesian Central Bank through its iB campaign, it eliminates religious boundaries. *Shari'ah* banks are indeed based on

¹¹⁷Manado is capital city of North Sulawesi Province. The people there are predominantly non Muslim.

Shari'ah but their application applies to all. Therefore, the way to attract (the people) is through giving the best benefit and service. Once they are here, they will receive the best service. Then (it will spread through) word of mouth. So, again, the marketing (message) will be more powerful within their community. It will spread fast.

I: Uhhh, are there also non-muslim employees?

BM: So far, not yet.

I: Uhhhh... according to your opinion, why do you think customers regard the pricing of Islamic financing products as more expensive than that of conventional financing?

BM: Yes, compared to what... what our size is, firstly... uhhh, perhaps such opinions come from the depositors of banks which are... again, the banks could set these rates due to the cost of their fundings...Therefore... this is primarily about financing, right? Financing...

I: Yes. Yes. On financing.

BM: ...however, they apply high standards for those depositors, for example in collateral. They have cheap sources of funds, (hence) they are able to offer it cheaply because they still can take a good spread even if they give it cheaply. However, for their risk management, they ask for high standards. This is because have nothing to lose... You can take if you want, but it is ok if you don't. Many people are in line, but these are the conditions (if you take it).

I: Therefore, the trade-off is there... in the collateral.

BM: Usually, usually it is like that. Certainly, we usually say that there are goods if there is money. However, uhhhh, at the moment *Shari'ah* banks are not able to do that. Compared to them, the top 5 or top 10 banks, many of our customers are in those banks (as well). However, compared to our peers, the ones we can (be compared to), we can compare those *Shari'ah* banks (with us). (As long as it's in) Trillions (of Rupiahs), under 40 trillions, even. To conventional bank peers, (*Shari'ah* banks) are very competitive. These are under the same business, right. There are banks which focus on micro. If we compare (*Shari'ah* banks) with some banks which focus on micro such BTPN and BRI¹¹⁸, the pricing of *Shari'ah* banks is cheaper. Far more cheaper. Why don't they compare that? Because... apparently the depositors are not micro depositors but middle level depositors or corporate depositors. Certainly, that is the case as they are the ones who made the comparison...

I: So, it must be... segment to segment, right...?

BM: ...apples to apples, yes. Indeed, so look at the bank size and the segments, uhhhhh... which one is more profitable? Indeed, *Shari'ah* banks cannot be so cheap (in offering financing). The problem? The problem is that they have to develop themselves, to build a network, and to make people come not because of the gimmicks but because they want to use the bank and are

¹¹⁸BTPN and BRI are 2 Indonesian conventional banks.

comfortable with banking through *Shari'ah* banks. That... needs time. However, compared with these banks (conventional banks), I do not think so, (and) they can. It is very competitive. If it is not competitive, it will not be bought. *Shari'ah* labels are not important in our market. (That is) for people who are relatively, in our language, rational. Rational means that if it is profitable (for them), so why bother? It does not matter whether it is *Shari'ah* or not. They are not concerned about that.

I: However, according to your experience, haven't you seen a depositor of Bank, Bank Muamalat who does his financing here? Then, one day when the interest rates were low, the person took financing from conventional bank. The person then paid Bank Muamalat and went to conventional bank.

BM: Yes, there was. It is normal for some depositors. Furthermore, those types of (actions by) depositors do not only happen in one bank, such as Bank Muamalat but are also common in other banks... (it) happens in all banks. That means that take overs due to pricing are not uncommon -- they usually happen. Again, again... there are other factors and Bank Muamalat is not always the cheapest, not always cheaper than other banks. However, there are still a lot... a lot more of those who stay than those who leave. Why... that's it, there are things other than pricing which they can get. The fact is that while they are prime (customers) here, there is no guarantee that they will be in other banks. That's one example...

I: What do you mean by 'prime'?

BM: Prime means that they are important.

I: Do you mean priority depositors?

BM: Priority, priority...prime customers... This means that the service for them will be different if they are (prime)...Actually, if they are ordinary customers, they would then be treated ordinarily.

I: Would not have a priority service.

BM: It could be like that, but it could also be something else such as, uhhhhh, the long process (involved). It could be that, if we consider the person to be prime, the process could be very fast and the response towards whatever they need would be very well indeed. In other places, there is no guarantee that they will be treated like that. Thus, the difference between a 1 or 2 percent in pricing might not be for everyone. So, it is very important to prioritize services and establish a profitable partnership, the important thing is that fairness is there. Secondly, people are not only interested in something that... is only about acquisition. Therefore, the strategy of retention is different to that of acquisition... it must be different. Furthermore, the acquisition must be through profitable ways, such as sweeteners like gimmicks, gift promos, pricings and so on. It can be in many forms. However, it's like that and that is the practice in all banks.

I: Going back to the prime customers. I am just wondering, uhhh... does the definition of prime customers cover only those with a certain amount of money or...

BM: It could be...yes, usually it is from the point of view of volume. Volume-wise. Why? Look, for instance, uhhhh... let's say we are in the level of a middle bank. The higher banks which I've mentioned earlier, which are some the top earners or top banks, either have a cheap fund structure or are able to get that. For the big banks, depositors with these sizes are considered ordinary customers. The banks could offer cheaper pricings but for them the depositors are just ordinary. It may be that these banks have good services but, as they are ordinary customers, it will not be better than that of ours. That's it. From our side, we have already considered depositors of that size as big customers, hence making them prime.

I: Suppose the amount of my money is only ordinary, only in the millions (of Rupiahs), but the computer of Bank Muamalat shows that I have never made a delinquent payment --my payments are always on time. I've even paid it before the due date and many of my debts have been settled before they are due. Will I then be considered as a prime (customer)?

BM: Firstly, the (issue of) primes is usually related to size. Predominantly size. In the event of... how should I say, loyalty programs or good depositors... as it can be said... treatment would be different and indeed there are (ways to deal with that). Usually, prime customers mean... uhhh big customers, as we say it. It's more to do with size.

I: The size of the deposit right?

BM: Both from the perspective of funds and financing. It can be (measured) in many ways. Usually, it is related to that.

I: Uhhh... next question. There have been laws on *Shari'ah* banks and, later, there have been a lot of PBIs¹¹⁹ and fatwas. Uhhh, according to your opinion, how far has the influence of regulation contributed to the (un)attractive pricing of the Indonesian Islamic banking industry?

BM: The regulations are more ...uhhhh, towards, how can I say... just... not justifications but legal surety. We learnt that in the past, uhhhh... (in) the development of *Shari'ah* banks we did not have any special regulations. Furthermore, the banking regulations themselves did not acknowledge the existence of *Shari'ah* banks. Therefore, the first amendment of that law only stated that banks were able... only one point was amended if I am not mistaken.

I: Banking based on the principles of profit sharing.

BM: Yes, that's it. Interest and profit sharing. That's it, that is everything. The rest... is more towards technical legal surety. The rules did not have a connection or did not have a relationship with... the way I see it, the spirit that our regulator, Bank Indonesia, was more towards market-driven (growth). This means that they did not go into pricing (regulations). No. They regulated more on the implementation of *Shari'ah*. Therefore, *Shari'ah* banks themselves managed the marketing, pricing, and so on. Thus, that's more to do with the market and depends on what is going on in the market. Therefore, I think it's been very positive and some challenges were even

¹¹⁹PBI stands for 'Peraturan Bank Indonesia' (Indonesian Central Bank Regulation).

solved, such as the clarity regarding the grey area of taxation. I think some time is needed before those regulations are adopted in banking. Several instruments were available, far before their existence in *Shari'ah* (banking) was already available. Sukuk, for instance. In the past, *Shari'ah* banks were not able to channel their assets outside of financing.

I: Thus, only traditional channels, right?

BM: Financing, yes, only in financing. Now they can go into *Shari'ah* financial instruments like sukuk, for instance.

I: PUAS¹²⁰ is also available.

BM: PUAS (is already) available. The interbank thing, right... The *Shari'ah* interbank, for instance. Now, they are also even able to invest in Bank Indonesia's instruments, such as FASBIS and SBIS, which were not available before. So, in the past, we placed 10 percent to 20 percent (of funds), which were not able to be channelled for financing, and that was already with 0 percent (of interest) while conventional banks were already enjoying the interest from SBI. We followed that shortly. The regulations were then made in order to level the playing field because the level of playing field on this one was not fair.

I: So in the past when the legal infrastructure of *Shari'ah* banks was not complete, where did you put the money in the event of excess funds?

BM: In Bank Indonesia or Nostro Account only. In Nostro Account, it was just the same as (having it) as we did not take interest, hence they were all 0 percent. Therefore, the financing to deposit ratio (FDR) of the *Shari'ah* bank or the LDR (Loan to Deposit Ratio) in conventional banks is always high.

I: Sometimes, even more than 100 percent.

BM: In some banks, most (of the FDR) were 100 percent. They take it from other components, (such as from) other loans or from capital in order to contribute to that financing.

I: Uhhhh, furthermore, how do you convince Bank Muamalat's depositors that the relatively high financing rate justifies the certainty and insurance of their good night's sleep?

BM: Come again?

I: Uhhhh, how does Bank Muamalat convince their depositors that the relatively higher banking pricing...of *Shari'ah* banks, justify their good night sleep, (as in) without thinking about instalments which fluctuate.

BM: On education, right...

¹²⁰PUAS (Pasar Uang Antar Bank Syariah = *Shari'ah* Interbank Money Market)

I: Uh uh.

BM: On education, right... actually, regarding expensive pricing, that is relative. Relative primarily means that it is to whom it is compared to. I think it might be different if we compared it with our peers. The second thing on this matter is that, to our customers, we educate them on the fact that this is what we are selling. Ok, this is a little bit stiff but we will ensure that future cashflow is under control in terms of what is going out. Which one do you choose? Furthermore, they also learn from multiple instances of economic turbulence. They also learn (from that). Some choose... ok, I might choose the one which... and I prefer to have this one, they said... the most painful experience for me was... that there were so many reasons (from the customers). We always had to inform that (to the customers). That is part of what we sell. This applies to fixed instalment products such as Murabahah. In *Shari'ah* banks, the buying and selling concept is common. One price... one selling price. That is what we sell for that kind of product.

I: Uhhhh, based on your experience, why do you think the majority of Islamic banking consumers choose to be 'Dual Banking' consumers? And why do they choose Islamic and/or conventional banks?

BM: Uhhhh, indeed, as I've said before, the majority of our depositors still possess dual accounts. As I've said before, and later (when) we became the biggest... (the fact) that they went there first (means that) they have commitments and ordinary customs which they have previously developed there... and, secondly... as we usually come later... secondly, actually there are few things which *Shari'ah* banks have not been able to meet from depositors. For instance, some depositors perhaps need to have swap transactions. We cannot do that in *Shari'ah* banks and, therefore, they will do it in (conventional) banks. Some *Shari'ah* banks which have parents do that with their parent companies. So, they get those facilities from their parent companies. Other than that, *Shari'ah* banks are able to respond (to the rest of the clients' demands). So, the problem is that, uhhh...there are steps... steps for the development of clients in a *Shari'ah* bank. In my opinion, if people were to share their wallet, that would already be considered a good development. It takes time to make them share 100 percent of their wallet. In my opinion, it is through service experience that they will make their decisions. Therefore, as I've said before, our customers tend to be loyalists. Once they open (their account), as long as they are not dissatisfied or if their basic needs are already (covered) then (they will not leave). This is in accordance with what the surveys said.

I: So, let's say...

BM:...well, you can find the empirical results yourself, hahahahaha.

I: ...what about murtad¹²¹ depositors. Do you have them, hahahahahah... So they close their account in Bank Muamalat and go to conventional banks.

¹²¹It means someone who quits from Islam. The interviewer uses it loosely as those who quit Islamic bank. No offense intended.

BM: There are, there are. We do not dismiss (the fact that) there are depositors who, due to certain reasons, close their accounts with us. It could be because their business is already complete (with Bank Muamalat), such as finishing their financing. There are also those who went for hajj. Customers deposit only for that purpose. Once they go and finish (the hajj), they do not make anymore deposits.

I: What I meant was the ones who move to conventional banks.

BM: There are (those) who did takeovers.

I: Ooh, really.

BM: There are. Well, this is bank...

I: There are also those who were murtad, hahahahaha.

BM: There are, there are. Therefore, we cannot pretend that people come to us with idealism (in mind).

I: Not sincere, hahahahahaha.

BM: They come to us with expectation. Therefore, we try to cover that expectation. Also, we do not push ourselves to the point that all of their expectations can be met.

I: Uhhhh, next question. According to your opinion, do you think religion is the only factor which motivates individuals to patronize Islamic banks? Is there not any role that financial incentives play? (In order for the individual to be interested in depositing the money in a *Shari'ah* bank?)

BM: No. I, I think, uhhhh... most of our customers, there are those who, uhhh, especially those who make it a spiritual need. There are also non-muslims with pretty much the same reason, but they mostly see it as a bank which is more fair. In some countries, Islamic banks are not called 'Islamic Banks'. More ethical, more fair. They like that, and the tendency of people today who are more open is that ethics and fairness are things they cherish. A more modern, more educated society is... is going to appreciate it if they are treated fairly. Therefore, in the future, this is a good selling point.

I: Uhhh, next question. There was a crisis in 2008. Uhhh... according to Bank Muamalat's experience in the 2008 crisis, based on your experience from the 2008 crisis, how did you manage to persuade your customers to keep their deposits in Bank, Bank Muamalat to avoid depositors' "rush"?

BM: In 2008, it was a rather different case. We'd (previously) experienced the '98 (crisis). In '98, it was really the Asian crisis. The one in 2008, in the beginning, apparently started from mortgage. Because of the impact of bad financing quality in certain investment corporations, the subprime began to worsen. There was a trick, how can I say it... uhhhh, a chain effect to financial corporations and also investment duplication... Then there were other... Actually there was a

withdrawal, the capital outflow, uhhh... (of) investment in Indonesia. However, with the one I mentioned previously, in the interest of particular people, particular investors began to consolidate their investment. This made the liquidity in Indonesia in 2008 become tight because it was taken uhhh... out so perhaps there was... an impact (in 1998, compared to the one in 2008) which was far, far more than, how can I say... (well,) at that time, it was really fundamental (1998). In 2008, we could relatively manage it in a way. On a macro level, our country is rather strong, so, actually, if we talk about impacts to... I feel, in terms of national banking, the impact was only to those accounts with certain characteristics and not to individual accounts because individual accounts did not... the ones who got it were the investment companies. The investment company withdrew the funds. The fund was, perhaps, put in several banks, and only those (funds) were withdrawn. There were a chain of funds, not only in the banks but also in the stock market. However, because the stock market was... well, the important thing is that the funds were withdrawn. So in terms of the kind of depositors and the kind of funds, they are limited in numbers. If (we say that) they were rushed, actually (we cannot say that) they were rushed because, if that happened, everyone would have suddenly taken their money out, yet it did not happen. This is a different kind of... so it could be said that there was... well, the difference in '98 was that people were still able to be persuaded with... remember that in '98 the interest could be as high as 60 (percent)... (while) in 2008 that did not happen. This means that (in 2008) people just had to take their money out, so this was not about pricing. In the past (98), instead of losing money (in banks), and as the value of the Rupiah kept decreasing, the interest rate was increased in a particular way. So it was different, different, and the level was different (too). In '98, more people tried to save their position, (and) Alhamdulillah we survived in that condition. At that time, we only gave 6 percent (interest equivalent) and it was very low at that time in '98. 4 percent or 6 percent of profit sharing.

I: Per annum, wasn't it?

BM: Per year, per annum. As for other banks, some banks even... logically, from an economic perspective, people will certainly opt out. They did not, and some had enough, enough rationality in the sense that they did not... but there are also those whose spirituality was already... (They said,) "it would be better to stay with Muamalat Bank" (than go to a conventional bank)... or perhaps they just did not, did not, did not care... (and said,) "I do not have a lot of money and even with 60% the amount is not that much...(I) better not." So, maybe, well, I think that the event in 2008 was only for banks with an individual outcome. The retail banks, the retail banks probably did not (get affected)... but learning from the '98 experience, our banks and regulator learn very... actually, (speaking about) the infrastructure, our assets are already good and have been kept in a particular way (through regulations) by Bank Indonesia --it is ok. This means that the impact (of crisis) was minimum I think. The impact is there, but it was not full in the banking sector... unlike the stock market which will drop if investment is taken away.

I: Uhhh, so in 2008, (you) ensured depositors in order to not...

BM: Alright, first their experience and trust. Trust was created because of that. The fact that they saw that this bank was fair and that this bank was in line with their expectations at the time. In the beginning, frankly speaking, we competed in the spiritual market. (Those who) would like to have

banking because we were (in accordance with the) *Shari'ah*. That's it. That was enough for them. Well, that is everything... perhaps, perhaps that's how we put it. In 2008, I think the context was easier. The country's infrastructure was stronger.

I: Therefore, at that time, did you have a special program to ensure (them) that this was not like in '98?

BM: Individually, of course. We communicated. Uh... 2008?

I: Uhuh.

BM: For some, some depositors, we might have invited them to talk. However, when... (we informed them that) 'Sir, this is the policy'... but as I've said before, in terms of numbers, it only affected particular segments and depositors; it was not massive.

I: Not sporadic.

BM: Sporadic, some... were easier to handle as usually they were the big ones because this time it was only the kind of companies such as investment companies and so on. There were only a few depositors and it was easy to approach (them). Furthermore, handling is easier as they were the big ones such as investment companies and so on. It was only a few customers so the approach was easier. Besides, they will be back again... when things cool down they will be back again.

I: Uhhhh, next question, when Muamalat Bank gives financing to the clients, how does Muamalat Bank ensure that the money is not utilized in a way which is forbidden by Islamic teachings since any prospective client may fake their reasons for taking financing?

BM: Such a probability will always be there. Therefore, firstly, in every proposal... there is what we call an underlying transaction. This 'underlying', stating that the supplier is the one that we appoint, is usually noted and kept by the *Shari'ah* bank. Payment to the supplier must be transferred via Bank Muamalat's account. That is the example. (We) ensure that our transaction to any person is in accordance with what we've agreed upon before. Mostly like that. So we manage their cash outflow in such a way. Ensuring that it happens (and) is recorded. Let us say that we enact certain measures (to guard that from being breached). If we only give cash, that will be it. Hahahahahahahah.

I: But what happens if it is still breached in the middle (of the contract), what is the procedure for Bank Muamalat?

BM: If happens, ok... If there is breach.

I: Yes, if they are caught breaching (the agreement).

BM: Uhhhh... actually, the best thing to do would be to terminate it. The person would be asked to pay everything... as there is a contract (between us). For example, if it is a Mudharabah fund, that is a trust fund. Trust, trust fund, right... (meaning) that the bank entrusts its funds to be

managed by the depositors with (specific) terms and conditions. “Terms and Conditions” is the language. The specific terms and conditions are contained within the financing contract. Outside that (agreement), it is legal (to take action) and the agreement (states) that banks may terminate the agreement and get their money back.

I: Concerning the funds, does that mean the capital only or together with the Mudharabah?

BM: In the case of Mudharabah, banks cannot claim what (any profit that) has not been produced. That’s in the case of Mudharabah. Right?. It will be different in the case of Murabaha. Murabaha involves the buying and selling of an agreement between the depositor and bank. Once the buying and selling process is settled, payables will appear... something that the depositors owe to the bank. Banks have payables. The payables consist of capital plus the bank’s profit. The concept of that is rather different.

I: However, in Murabaha, the product is already clear.

BM: It could be, it may happen that there is a breach in the Murabaha sale. It could happen. If banks delegate the purchasing to the depositors, the purchasing process might not be supervised well. That could (then) happen.

I: What happen if the goods are *Haram*?

BM: Oh no. That’s why, when making a proposal, it must be clear. We make a blacklist. A list of certain forbidden businesses. This is not a blacklist in the sense that a person is bad. No, not that. However, we avoid (that from happening). Hotels, for instance, are not a bad business, right? However, there are parts of the hotel business which are not, not good. For instance: star hotels. They need alcoholic beverages. It is rather difficult to inspect them as the building is far from us, (yet) the alcohol comes from other parties and is sold in our premises so it is not good. Therefore, in order to avoid (that), we say “That’s it.” We, at the outset, state that we are not into hotel business.

I: What about a *Shari’ah* hotel?

BM: There are some which come to us. However, (it is) on the condition that there be no alcohol beverages there and that there be supervision (from a *Shari’ah* supervisory board) in order to ensure that all facilities do not have the chance for people to do something which is not (allowable)... That is stated in the conditions.

I: In the case of Mudharaba, let’s say after 2 years Bank Muamalat finds out that during that time the business is actually *Haram*. Thus, during the past 2 years, the person has paid the Mudharaba plus the capital. Therefore, the *Mudharaba* comes from a *Haram* business. In that case, uhhh... from the perspective of Bank Muamalat, uhhh... your policy regarding that *Mudharaba* payment. Are you going to donate it to a public charity or...

BM: First, uhhhh... it has been screened in such a way that, at the outset, it is ensured that no revenue which... which comes from... in case this (happens), right...I have not seen that. (However,) in case that happens then there are 2 approaches...

I: This is just as an example, theoretically speaking.

BM: The approach is the following: that according to our regulations and the regulations in... that non *Halal* revenues are recorded but not recognized as revenues. That it is recorded and then separated...similar to the middle-eastern *Shari'ah* banks which did not take it in the past. Now, Bank Muamalat may take it but channels it towards social benefits. Secondly, in the case where depositors' revenues have been received and distributed, for example to...

I: Yes, it has already been received by the *Shari'ah* bank.

BM: Received and distributed, ok?. If it is not distributed, it is still ok... (we just need to) take it out.

I: Do you mean the distribution to the depositors?

BM: What can we do if it is already distributed. What has been distributed to them, has been distributed. There is no sin for something we do not know about. Once it is distributed, then it is gone.

I: However, what about your share, as there is a profit sharing agreement? For instance, the 50:50...

BM: Yes, theoretically that is indeed our share. However, as we've said before, non-Halal incomes will be recorded but will be taken out and distributed towards social benefit.

I: Thus, the non-Halal income will not be included into your profit loss sharing, right? It will only be stated that...

BM: No, (it is) stated within the books as an (income) and then we will distribute to... So we will not take that.

I: So, what about the naughty depositors? Will they be permanently blacklisted by Bank Muamalat...?

BM: Theoretically yes. In theory, indeed. We are... (in our opinion) the screening should (be done) at the outset in order to ensure that the business is in accordance to something that we...

I: However, what if that still happens?

BM: This is just an example, ok. Just an example... if that happens... then it will happen (blacklist). However, as I've stated before, if it is *Mudharabah*, the bank can terminate (the contract) if it is not in accordance with the stipulated conditions.

I: Is that unilaterally?

BM: Unilaterally.

I: Without advance notice.

BM: Yes, as it is already not in accordance with aqad.

I: What if it happens to the employees?

BM: What do you mean?

I: I mean, Bank Muamalat's own employees could ask for financing from Bank Muamalat, right?

BM: Ooo, yes. However, that is usually for consumptive purposes. I do not think the matter you raised (employees breaching the contract) happens.

I: This is just in theory --in case it happens.

BM: (We could) confirm consumptive financing. Usually, employee (financing) facilities are housing and vehicles. Only those two. It is the same in every bank.

I: For employees, yes.

BM: Yes, so it is easier to manage as it can be transferred to the account, such as Mudharaba.

I: However, there is still the chance that there might be employees of Bank Muamalat who conduct Mudharabah (financing) with Bank Muamalat.

BM: For business, right?

I: Uhuh.

BM: That might happen. That might happen.

I: In case they behave badly by having a *Haram* business, it has been clear (in terms of what will be done), as you've mentioned, from the perspective of the banking relationship.

BM: Yes. It will be terminated.

I: ...Uhuh. However, what about their status as Bank Muamalat's employee?

BM: Such (conduct) has its own, how can I say, its own policy which is related to... perhaps it will not uhh.....banking is a business. Ingenuity can be built but if the internal character, if the tendency is there to cheat then the person will usually be terminated. Indeed, even if it exists (the ingenuity), without good character... the bank, as I've said before, is a business with a reputation at stake. Reputation is built upon good character. We are committing suicide if we do that, Sir.

I: Uhhh, next question, in your opinion on dual banking consumers, why do you think that people do not consider 'riba' as a 'big sin', even a serious sin, while they try their best to avoid many other sinful areas such as taking alcohol and engaging with gambling etc.?

BM: Perhaps this could be traced back to their (level of) comprehension, first of all. Perhaps it is also about socialization. They are similar. In the past, if we could talk about the past, and perhaps you could check the validity of that, in the past some Ulemas said that some things were Riba and some were not and that was understood by the public. Well, I sometimes find a religious scholar (who when asked about their opinions said that). I found that several times... in the past. However, perhaps now (the opinion amongst religious scholars) is more uniform. Islamic organizations also say the same thing (that Interest is *Haram*). This is the same thing if we want to compare it with the fatwa regarding cigarettes. Now, the *fatwa* said it is *Haram*; there is such a *fatwa*. Yet, not everyone quits smoking because, for them, it is not Haram. They question the part (of smoking) which is *Haram*.

I: Perhaps they think that a cigarette contains no pork, hahahahaha.

BM: Hahahahahahaha, perhaps, and that it contains no *Riba* as well, right?

I: Does not contain *Riba* as well, hahahahahaahah, so it is not *Haram*, hahahahahha.

BM: Whereas... that is not so...

I: Are there any employees here who smoke?

BM: Perhaps there are but a minimal amount.

I: When screened, have they been asked on whether or not they are smokers?

BM: We have, we have, we have. However, again, smoking is also about habit. When, when, they start (to feel like smoking) we can say no now. Nevertheless, in Bank Muamalat, as the government has issued a policy, (Bank Muamalat) issued a warning (forbidding one to smoke) as well as (a notice that says) anti riba and anti smoking. That changes, changes the habits of our employees from previously being a smoker into quitting smoking. Me... I used to smoke, hahahahahah.

I: Ooo, have you now quit smoking or do you only quit smoking when in the office?

BM: Stop. No. In my case, I quit. Furthermore, that happens in almost all... many, almost all (employees). If there are (smokers), then the amount is only one or two and that is only a matter of reducing (the amount of cigarettes). That still takes some time (until they fully quit).

I: Therefore, nobody in the board of directors is a smoker, right?

BM: Perhaps, there are (still a few who smoke). I think there are. (However), we avoid that at our premises. If they want to smoke, they will do it outside our premise so that they can do it without being spotted, hahahahaha.

I: Uhhh, on the issue of employees, if I may ask again, uhhh... is it mandatory for Muamalat employees to have only a *Shari'ah* bank account?

BM: Concerning that matter, I forget the exact rules. In my opinion, however, it's only advice. No one can ensure that any particular person opens in (Conventional bank)... uhhh, no one can ensure that. The consequence of giving an understanding (on the importance of having a *Shari'ah* bank account) effectively (will not work) if there is no (possession of *Shari'ah* bank account)... Why should we ask other people (to join a *Shari'ah* bank if we do not have one).

I: What about your account, Mr. Andry...?

BM: ...only in Bank Muamalat

I: Only in a *Shari'ah* bank?

BM: *Shari'ah* bank...in a *Shari'ah* bank and I have *Shari'ah* Credit Card.

I: I mean, do you really not have a conventional bank account?

BM: I do not have one.

I: Did you already have it before joining Muamalat or when you were already here?

BM: When in Muamalat, when working in Muamalat.

I: That means you are already *Kaffah*, hahahaha.

BM: No. No.

I: From the point of view of account (possession).

BM: *Kaffah* from that perspective. Perhaps it is due to the amount of my money, which is not much, hahahaha. So, I don't get dizzy (with money).

I: Uhhhh, last question. So far, are there many depositors with various types of businesses? Suppose, this particular person is depositing... is only depositing. However, later you know that the money comes from a *Haram* source, although according to... to law the money is legal and is not stolen money. (For instance,) He or She may have a bar and you know that this money is in Muamalat Bank. So, in cases where the management of Muamalat Bank finds such thing, even if it is lawful from the legal perspective, what are you going to do with the money? How will you treat the depositor...? Are you going to close the account or... because you already know that the person has a massage parlour or bar...

BM: I do not recall the existence of such a thing, if such thing has ever existed.

I: Indeed, this is only a theoretical (question). Just in case it happens

BM: ...it should be able to be done (in case such a thing happens). Thus, banks could unilaterally reject the fund, should they want to. That means, that this is allowed, and the (bank says)...

I: Oh, is it? Does it exist within the agreement?

BM: I do not really remember (whether it exists) in the form, form, form of the opening (account).

I: Do you have that within your deposit form, saying that in case that it is found...

BM: However, this is... the point, the point... is that there is voluntary *Aqad*, well... based on the blessings of two parties. So, if one party feels uncomfortable with the other party, under positive law it is possible to (withdraw)... Then, again, uhhh... a negative campaign might come not only from our employees with bad behaviour but also from the depositor's profile. That could happen. Therefore, in our case, uhhh... indeed we differentiate ourselves as purely *Shari'ah*, and that is something which we really take into account. So, we try to materialize such a strategy. Also, in the tagline, the tagline is that we promise to deliver. We are the first bank and we are striving (to do that) which means that we... that we bring the impact of our marketing strategy, our products, its impact towards...uhhh, how can I say, our human resources, and so on. A lot of... impacts. So, that is why, if we are asked whether we have non-Muslim employees... so far not yet, so far not yet.

I: Uhhh, last question. For those in the loan department, what happens if they receive any gifts?

BM: Ooo, for us, that is very clear. We really ensure that (that does not happen). Thus, it is clear in our policy that...

I: ...even if it's not in the form of money. For instance, being given a Blackberry and so on...

BM: ...Yes, yes... that carries a clear sanction and, well, although we will look into the case, usually it will end up in their termination. Such is the principle (on which the case is based). It is even written in the oath; in our revised oath, it is stated that... that I cannot... will not (take) anything, anything from parties who I know or will know (on matters) pertaining to my position. Such is the wording. That is the oath, one of them. We apply that. Pertaining that, I can confidently (state)... as that is related to integrity.

I: Alright, uhhhh, thank you very much for the interview. Uhhh, I, on behalf of Durham University, especially my department the School Of Government And International Affairs, would like to thank very much Bank Muamalat, especially you. I hope Allah SWT accepts deeds, eases your *Hisab* in *Yaumul Akhir*, and eases your process in crossing *Siratal Mustaqim*. Thank you very much for the interview. Assalamualaikum warahmatullahi wabarakatuh.

BM: Waalaikum salam.



**APPENDIX B.3: INTERVIEW QUESTIONS ON INDONESIAN *SHARI'AH*
BANKING INDUSTRY (BANK SYARIAH MANDIRI)**

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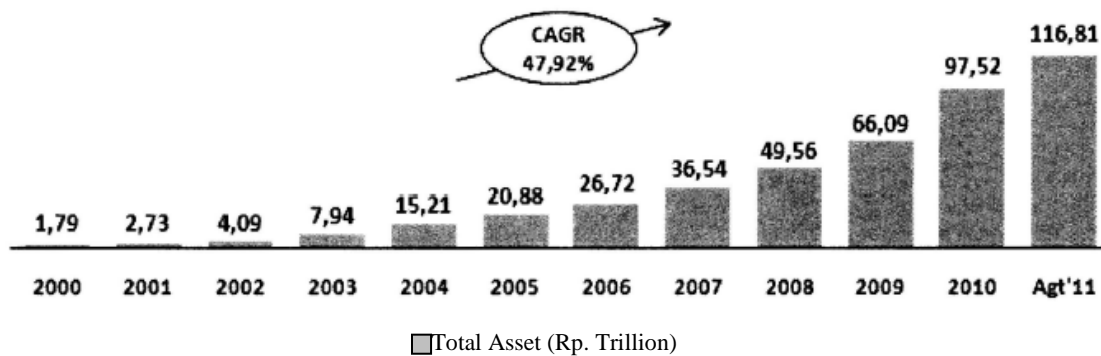
1. Would you please evaluate the progress and developments of Islamic banking in Indonesia, in particular in comparison with other countries?

Answer:

Financial Performance:

The asset of *Shari'ah* banks has grown significantly during the past 11 years. Its assets have grown from Rp. 1.79 Trillion in December 2010 to Rp. 116.81 Trillion in August 2011. In other words, its asset growth is equal to 47.92% p.a. (CAGR).

Figure B3.1: Shari'ah Bank's Asset Growth



The average asset growth of *Shari'ah* banks is higher than that of conventional banks, which is equal to 10.92% p.a. (CAGR). The significant asset growth of *Shari'ah* banks makes the *market share* (asset wise) of *Shari'ah* banks to the national banking industry increase from 0.17% in 2000 to 3.59% in August 2011.

Figure B3.2: CAGR Of Shari'ah Banking Asset Year 2000 – August 2011¹²²

Aset	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ag't'11
Perbankan Syariah		52,06%	50,94%	64,21%	70,64%	63,37%	56,86%	53,81%	51,41%	49,29%	49,12%	47,92%
Perbankan Konvensional		5,68%	3,32%	5,11%	4,90%	6,90%	8,22%	9,42%	10,22%	10,10%	10,86%	10,92%
Perbankan Nasional		5,76%	3,42%	5,28%	5,17%	7,17%	8,47%	9,69%	10,50%	10,40%	11,21%	11,28%

¹²²Perbankan Syariah = *Shari'ah* Bank; Perbankan Konvensional = Conventional Bank; Perbankan Nasional = National Banking (Industry)

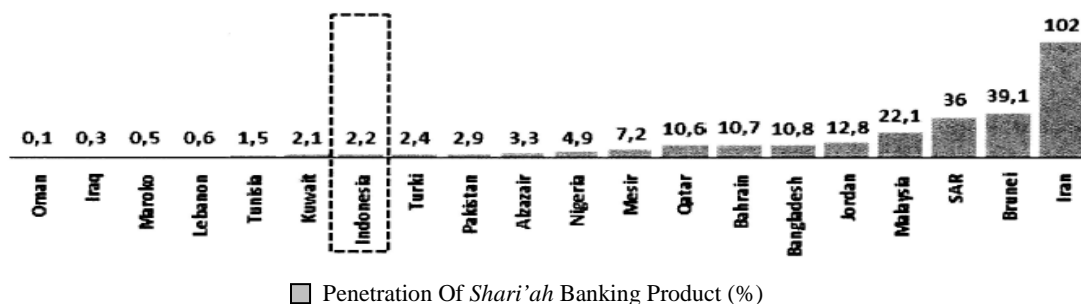
Figure B3.3: Market Share Of Shari’ah Banking Asset In Terms Of National Banking Industry



The increasing public trust, as shown in the development of the deposit, is the factor which determines the increase of the *Shari’ah* banking asset. Furthermore, the depositors’ funds have increased by an average of 52.39% p.a. (CAGR) during the 2000 – 2011 period. Moreover, the average growth of the depositors’ funds in the *Shari’ah* banking industry, which surpasses that of conventional banks (12.12% (CAGR)), increased the market share from 0.15% in 2000 to 3.74% in August 2011 (Deposit Wise).

Moving forward, it is interesting to see the *Global Islamic Finance Report* (GIFR) 2011 released in London. With a factor analysis method, suggested by Kaiser-Meyer-Olkin, an observation was conducted in 36 countries using 8 variables. This was compiled in the *Islamic Finance Country Index*. According to this index, Indonesia ranks first in the development of *Shari’ah* banking among non-muslim countries. When Indonesia is included as an Islamic country, due to its population, Indonesia occupies the 4th position behind Iran, Malaysia, and Saudi Arabia which occupy the 1st, 2nd, and 3rd.

Figure B.4: Percentage Of Shari’ah Banking’s Product Penetration



2. Do you think is there a communication problem between Islamic banks and the costumers in getting the message across?

Answer: The main challenge is how to persuade the customers, in general, that *Shari'ah* banks manage to be in accordance with the *Shari'ah* and yet very much appreciate universality. Universality encapsulates the values of being good and true that everyone can accept. For instance, honesty, open-ness, justice, together-ness, and modernity.

We communicate modernity through a banking service which is able to meet today's demand from the depositors, by paying attention to the following aspects: *Shari'ah* conformity, ease, security, and speed. Such modernity is a distinctive challenge that must be met by the *Shari'ah* bank.

3. What is/are the barrier(s) in communicating Islamic banking products in Indonesia?

Answer: The barrier(s) of communication for *Shari'ah* banks is the ability of *Shari'ah* bank to communicate to the public that a *Shari'ah* banking product and its service is modern. *Shari'ah* banks must provide complete and diverse products and services and must always be up to date with the customers' needs. Product diversity alone is not adequate without the support of easy access and use.

4. What is your communication strategy to get new and to keep old depositors?

Answer: The communication strategy to retain new and keep current customers is done by implementing the market segment and by ensuring the needs of the target customers accurately. Moreover, we employ combined strategies which are right and efficient brand activities, and the strategy of a recruiter and anchor product through developing a variety of them as well as the right program and business model for each segment.

5. Overall, what is your branding strategy to increase your bank's awareness in the eyes of the Indonesian public?

Answer: As for the strategy, we brand our bank as a modern *Shari'ah* bank which highly praises universal values.

6. Do you think using religious discourse and symbols for branding and marketing is an acceptable ethical strategy?

Answer: The utilization of religion and religious symbols for branding purposes is not prohibited. However, for us, the best value from religion which can be used for branding purposes is universality.

7. What are the main features of your marketing strategy for Islamic banking and financing products?

Answer: A banking service which is able to meet the needs of today's depositors by paying attention to the following aspects: *Shari'ah* conformity, ease, security, and speed.

8. How do you increase your bank's brand awareness among the non-Muslim community in Indonesia?

Answer: We do a lot of branding activities such as continuous gathering and are involved in social and community activities which are held by the community. At that time, socialization and discussion concerning *Shari'ah* banks is conducted.

9. Why do you think the customers regard the pricing of Islamic financing products as more expensive than that of conventional financing?

Answer: This matter can be understood. This is because the market share of *Shari'ah* banks is still small. Therefore, the economy of scale for several *Shari'ah* banks is relatively unattained. Nevertheless, this can be anticipated by helping the public understand that *Shari'ah* banking products are different to those of conventional banks and in fact give an added value. For example, depositors will get the same price within the period of the Murabaha contract in order to comfort them in calculating the ability to repay. In another case, under the concept of profit sharing, depositors are not repaying the bank in fixed amount as the revenue fluctuates.

10. How far does the influence of regulation contributing to the (un)attractive pricing of the Indonesian Islamic banking industry?

Answer: The banking regulations are not the cause of pricing unattractiveness in *Shari'ah* banks. On the contrary, the regulator, in this respect, the 'Direktorat Perbankan

Syariah BI¹²³, has enacted very supportive regulations to support the development of *Shari'ah* (banking) in Indonesia. Our view is that the pricing strategy only reflects the condition and the direction of the policy within the particular Islamic banks themselves.

11. How do you convince your depositors that the relatively high financing rate justifies the certainty and the insurance of their good night's sleep?

Answer: Every bank has its respective strategies for keeping the price competitive with other banks. Price sensitivity only happens to customers with big deposits. In general, we communicate the benefit of using a *Shari'ah* scheme, including any sweeteners, transparently and in detail during the time of the negotiation. We also state it clearly on the offer letter as well as on the financing *Aqad*.

12. Based on your experience, why do you think the majority of Islamic banking consumers choose to be 'Dual Banking' consumers? And why do they choose Islamic and/or conventional banks?

Answer: This matter can be understood as the banking service needs demanded by the consumers cannot all be fulfilled by the *Shari'ah* bank. This does not stem from the incompleteness of a *Shari'ah* bank, but rather from the readiness of the *Shari'ah* bank to develop modern and sophisticated products. The lack of human resources and technologies hinders this, among other things.

13. Do you think religion is the only factor which motivates individuals to patronize Islamic banks? Is there not any role for financial incentives?

Answer: According to our internal investigation, one of the main reasons customers become our depositors is because of religious motivation. Certainly other factors play a part as well, such as service, the spread of ATMs, and the availability of products.

14. Based on your experience from the 2008 crisis, how did you manage to persuade your customers to keep their deposits with you to avoid depositors' "rush"?

Answer: (We) actively gave accurate information to the depositors, especially the main ones. We gave information regarding the healthy macroeconomic condition of Indonesia

¹²³This is translated as the 'Directorate Of Islamic Banking'. 'BI' stands for 'Bank Indonesia' or the 'Indonesian Central Bank' in English.

as well as informing them of our financial condition monthly. Therefore, our bank did not really get a significant impact from the 2008 crisis.

15. In the event where financing is given to the clients, how do you ensure that the money is not utilized in a way which is forbidden by Islamic teachings, since any prospective clients might fake their reasons for taking financing?

Answer: We try to form a close, family-like relationship with our financing customers. Therefore, we relatively do not have difficulties in obtaining the latest data and conditions from them. However, we also have the tools to measure and to monitor when conducting preliminary analysis and when the financing has been given (For example, the risk acceptance criteria (the starting criteria used in order to find out which target we would like to solicit)), the loan origination system, the four eyes principles, and so on).

16. In your opinion on dual banking consumers, why do you think that people do not consider 'riba' as a 'big sin' while they try their best to avoid many other sinful areas such as taking alcohol, gambling etc.?

Answer: According to our opinion, people must have a solid reason to have an account in both conventional and *Shari'ah* banks. One can understand that a solid reason exists when the needed banking service is not available in a *Shari'ah* bank while it is needed for business purposes (emergency). On the other hand, we see that such a situation should make *Shari'ah* bankers feel 'guilty' and challenged as they have not been able to offer the needed banking service to the customers, and that results in customers heading towards conventional banks.

APPENDIX C: ERROR CHECKS

C.1. ERROR CHECKS FOR CONVENTIONAL BANKING ONLY

In order to check the validity for any flaws in the descriptive data¹²⁴, some simple statistics is conducted especially with the statistics involved with the conventional banking respondents. Therefore, several error scenarios are discussed.

One error that might occur would be when respondents do not answer any questions at all. Any respondents who did not participate in this question will be singled out in the descriptive analysis. As a result, this will create a miscalculation regarding the ‘true’ number of respondents who possess accounts in not conventional banks, one conventional bank, two conventional banks, and three conventional banks respectively. The results for the no response error are exhibited below.

However, before checking whether or not there are any respondents who did not answer the question, the characteristics of the question should be elaborated. As one can observe from the questionnaire, there were 20 options in this question (one for ‘None At All’ plus 19 conventional bank names). Every time respondents answered this question, their response was coded as ‘1’ in SPSS®. Therefore, if respondents possessed any account in conventional banks, the total number of their responses was valued at 3 at most (as the question only requires respondents to answer 3 conventional banks at most). However, if respondents did not possess any account in conventional banks, then their response value would only be 1 (as they would only opt for the ‘None At All’ answer).

Therefore, in the first error check, an attempt is made to check if there were any respondents who skipped the question. Based on the observations from table 6.18, it could be argued that there were no respondents possessing only conventional bank accounts who skipped the question. This can be seen from the exact number of respondents who possessed account only in conventional banks and the total number of respondents who have account in one conventional bank only, two conventional banks only, and three conventional banks only.

¹²⁴Prior to presenting questionnaire results on this chapter, the author had already cleaned the data. Thus, the 1063 respondents are considered as ‘Clean’ respondents (in terms of the quality of their response). However, for the sake of clarity and transparency, the procedure will be re-done again. It could be said that this process will decrease the level of doubts when observing the results and will ease readers in re-checking the data again.

The second error check was done in order to observe whether there were respondents who opted for both the ‘None At All’ option and any of the 19 conventional banks.

Table C1.1: Second Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out. This command is not executed.

This formula simply instructs SPSS® to choose any respondents who opted for both the ‘None At All’ answer and any of the 19 conventional banks or whether respondents have account in one conventional bank only, two conventional banks only, or three conventional banks only. Based on table C1.1, one could argue that none of the respondents opted for both the ‘None At All’ and any of the 19 conventional banks at the same time.

The third error check was intended to observe whether there was at least one respondent who picked more than 3 conventional banks.

Table C1.2: Third Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out. This command is not executed.

Based on the third error check above, it can be said that none of the respondents opted for having accounts in more than 3 conventional banks.

Table C1.3: Fourth Error Check

Warnings
The crosstabulation of Do Not Possess Any Conventional Bank Account * ownsharbankacc=2 (FILTER) is empty.

The fourth error check was intended to find out whether there were any respondents who claimed to have conventional bank accounts but opted for ‘None At All’. The result of this check is presented in table C1.3, according to which, it can be argued that none of the

respondents who possessed conventional bank accounts claimed not to have any conventional banks.

The fifth error check was intended to find out whether there were any respondents who claim not to have conventional bank account but chose any of the 19 conventional banks instead. The result of this error check is presented in table C1.4.

Table C1.4: Fifth Error Check

Warnings
The crosstabulation of Mandiri * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of BRI * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of BCA * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of BNI46 * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of CIMB Niaga * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Danamon * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Panin Bank * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of BII * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of BTN * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Permata * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Bukopin * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Bank Mega * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of OCBC NISP * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Bank Victoria International * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of BTPN * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Bank Jabar * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of HSBC * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Citibank * ownconvbankacc=2 (FILTER) is empty.
The crosstabulation of Standard Chartered Bank * ownconvbankacc=2 (FILTER) is empty.

Based on the table, it could be argued that none of the respondents who do not possess conventional bank account opted for any conventional bank accounts.

Lastly, the sixth error check involves an investigation to find any respondent who claimed not to have accounts in any of the conventional banks but at the same time showed that no *Shari'ah* banks were opted for. The result of this error check is presented by table C1.5, according to which it can be argued that none of the respondents who do not possess conventional bank account also claimed not to have any *Shari'ah* banks.

Table C1.5: Sixth Error Check

Warnings
The crosstabulation of Do Not Possess Any Sharia Bank Account * ownconvbankacc=2 (FILTER) is empty.

C.2. ERROR CHECKS FOR SHARI'AH BANKING ONLY

One error that might occur would be when respondents fail to answer this particular part at all. Any respondents who did not participate in the question will be singled out in the descriptive analysis. Such an error would create a miscalculation regarding the true number of respondents who possess no *Shari'ah* banks, one *Shari'ah* bank, two *Shari'ah* banks, or three *Shari'ah* banks.

However, before checking whether there are any respondents who did not answer the question, an attempt was made to elaborate the characteristics of the question. As one can observe from the questionnaire, there are 20 options in this question (one for 'None At All' plus 19 *Shari'ah* bank names). Every time a respondent answers this question, their response is coded as '1' in SPSS®. Therefore, if a respondent opts for any *Shari'ah* banks, the total of their response value will be at 3 at most (as the question only requires respondents to answer 3 conventional banks at most). However, if respondents do not possess any conventional banks, then their response value would only be 1 (as they should only opt for 'None At All' as an answer).

Therefore, in the first error check, this paper would like to observe if there were any respondents who skipped the question. Based on the observation from table 6.20, it could be argued that there were no respondents holding only *Shari'ah* bank accounts who skipped the question. This can be seen from the exact number of respondents who are only affiliated with *Shari'ah* banks and the total number of respondents who have account only with one *Shari'ah* bank only, two *Shari'ah* banks only, and three *Shari'ah* banks only.

The second error check was done in order to observe whether or not there are respondents who opted for both the 'None At All' option and any of the 19 *Shari'ah* banks, and the results are presented in table C2.1.

Table C2.1: Second Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out.
This command is not executed.

Based on table, one could argue that none of the respondents opted for both ‘None At All’ and any of the 19 *Shari’ah* banks at the same time.

The third error check is intended to observe whether there is at least one respondent who picked more than 3 *Shari’ah* banks.

Table C2.2: Third Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out. This command is not executed.

The fourth error check is intended to find out whether there is any respondent who claims to have *Shari’ah* bank account but opts for ‘None At All’. The result of this checking is presented in table C2.3. according to which it can be stated that none of the respondents who possess *Shari’ah* bank accounts claimed not to have any *Shari’ah* banks.

Table C2.3: Fourth Error Check

Warnings
The crosstabulation of ownconvbankacc=2 (FILTER) * Do Not Possess Any Sharia Bank Account is empty.

The fifth error check is aimed at finding out whether there are any respondents who claim not to have *Shari’ah* bank account but chose any one of the 19 *Shari’ah* banks instead. The result is presented by table C2.4. Based on the table, one could argue that none of the respondents who do not possess *Shari’ah* bank accounts opted for any *Shari’ah* banks.

Table C2.4: Fifth Error Check

Warnings
The crosstabulation of ownsharbankacc=2 (FILTER) * Muamalat is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Mandiri Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * BRI Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * BCA Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * BNI 46 Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * CIMB Niaga Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Danamon Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Panin Bank Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * BII Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * BTN Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Permata Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Bukopin Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Bank Mega Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * OCBC NISP Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Bank Victoria Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * BTPN Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Bank Jabar Syariah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * HSBC Amanah is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Maybank Indonesia Syariah is empty.

The sixth error check involves determining if any respondent who claimed not to have any *Shari'ah* banks also had no conventional bank chosen either. Based on the result presented in table C2.5, none of the respondents who claimed not to have any *Shari'ah* bank account also claimed not to have any conventional bank account.

Table C2.5: Sixth Error Check

Warnings
The crosstabulation of ownsharbankacc=2 (FILTER) * Do Not Possess Any Conventional Bank Account is empty.

C.3. ERROR CHECKS FOR DUAL BANKING ONLY

Before moving on to the next section, several error checks were conducted in order to ensure that no anomalies were found. This is important in order to receive good quality findings. The first error check will determine the total number of those who possess accounts with both conventional bank accounts and *Shari'ah* bank accounts. After counting the total number of respondents who possess both type of accounts, their

number was exactly the same as the total number of respondents who have both *Shari'ah* and conventional bank (523 respondents).

The second error check was conducted in order to determine whether there were any respondents who opted for a 'None At All' answer in both the conventional and *Shari'ah* bank questions, and the results presented in table C3.1.

Table C3.1: Second Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out. This command is not executed.

As can be seen in table C3.2, there were no respondents who opted for the 'None At All' answer in both the conventional and *Shari'ah* bank questions.

Table C3.2: Third Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out. This command is not executed.

The third error check was conducted in order to find out whether there were any respondents who had both accounts but opted for more than 6 banks. The table C3.2 shows that there was no trace of any respondents who had both accounts but opted for more than 6 banks.

C.4. ERROR CHECKS FOR CONVENTIONAL BANKING PRODUCT(S)

The first error check involves an investigation to find out whether the total number of respondents who possess only conventional bank(s) is exactly the same as the total number of respondents who possess only conventional banking product(s). A close observation reveals that the total number of respondents who possess only conventional bank(s) is exactly the same as the total number of respondents who possess only conventional banking product(s) (412 respondents).

The second error check investigates whether there were any respondents who possess conventional bank(s) but claim not to have any conventional banking products. The result is presented in table C4.1, which shows that there were no respondents who possessed conventional bank accounts only but did not possess any conventional banking products.

Table C4.1: Second Error Check

Warnings
The crosstabulation of ownsharbankacc=2 (FILTER) * Do Not Possess Any Conventional Bank Account is empty.

The third error check investigates whether there were any respondents who do not possess conventional bank(s) but have conventional banking products. As the results in table C4.2 show, there were no respondent who do not possess conventional bank accounts yet claim to have conventional banking products.

Table C4.2: Third Error Check

Warnings
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Savings Account is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Current Account is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Time Deposit is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Debit Card is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Credit Card is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Consumer Loan is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Money Transfer is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Priority Banking is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Safe Deposit Box is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Bank Assurance is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Cheque is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Currency Exchange is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional L/C is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Unit Trust is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Indonesian Retail Bond is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Retail Sukuk is empty.
The crosstabulation of ownconvbkacc=2 (FILTER) * Conventional Stocks is empty.

The fourth error check investigates whether were any respondents who do not possess conventional bank(s) but do not possess any *Shari'ah* banking products either. The results in table C4.3, which shows that, were no respondents who did not possess conventional bank accounts but claimed to have conventional banking products.

Table C4.3: Fourth Error Check

Warnings
The crosstabulation of ownconvbankacc=2 (FILTER) * Do Not Possess Any Sharia Bank Account is empty.

C.5. ERROR CHECKS FOR SHARI'AH BANKING PRODUCT(S)

Several error checks is also conducted in order to ensure that all the information is accurate. The first check involves the number of respondents who possess only *Shari'ah* bank(s) products and the number of respondents who possess *Shari'ah* banking product(s). Based on the data available, it could be said that there are no discrepancies on the number of respondents who possess *Shari'ah* banking product(s) (128 responses).

The second error check investigates whether there were any respondents who customized with *Shari'ah* bank(s) but claimed not to have any *Shari'ah* banking products. The results are presented in table C5.1 below: no respondents who possessed a *Shari'ah* bank account only but did not possess any *Shari'ah* banking products.

Table C5.1: Second Error Check

Warnings
The crosstabulation of ownconvbankacc=2 (FILTER) * Do Not Possess Sharia Banking Products is empty.

The third error check investigates whether there were any respondents who do not possess *Shari'ah* bank(s) but have *Shari'ah* banking products. The results in table C5.2 shows that there are no respondents who do not possess conventional bank accounts but claim to have conventional banking products.

Table C5.2: Third Error Check

Warnings
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Savings Account is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Current Account is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Time Deposit is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Debit Card is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Credit Card is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Consumer Loan is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Money Transfer is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Priority Banking is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Safe Deposit Box is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Bancassurance is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Cheque is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Currency Exchange is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia L/C is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Unit Trust is empty.
The crosstabulation of ownsharbankacc=2 (FILTER) * Sharia Retail Sukuk is empty.

The fourth error check investigates whether there were any respondents who do not possess *Shari'ah* bank(s) and do not possess any conventional banking products either. As can be seen in table C5.3, there are no respondents who do not possess *Shari'ah* bank accounts and do not have any conventional banking products either.

Table C5.3: Fourth Error Check

Warnings
The crosstabulation of ownsharbankacc=2 (FILTER) * Do Not Possess Conventional Banking Products is empty.

C.6. ERROR CHECKS FOR EXPERIENCES WITH SHARI'AH BANK AND THE STAFF

The first error check was intended to find out whether there are any respondents who have a *Shari'ah* bank only but have never entered any *Shari'ah* banks and or interacted with its staff. Based on the results reported in table C6.1, there were no respondents who have *Shari'ah* banks only but have never entered any *Shari'ah* banks and or interacted with its staff.

Table C6.1: First Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out.
This command is not executed.

The second error check is intended to find out whether there are any respondents who have both a *Shari'ah* bank and a conventional bank but have never entered any *Shari'ah* banks and or interacted with its staff. Based on the results reported in table C6.2, there were no respondents who have *Shari'ah* banks but have never entered any *Shari'ah* banks and interacted with its staff.

Table C6.2: Second Error Check

Warnings
No cases were input to this procedure. Either there are none in the working data file or all of them have been filtered out.
This command is not executed.