

Analysis of Marketing of Sharia Banking Service Products Based on Consumer Perception

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Abstract: The present study was aimed at describing the perception map of the position of each Islamic banking services in Garut and identifying the benefits of each Islamic banking based on consumer perceptions. The study was conducted by taking a sample of 100 respondents who performed Islamic banking activities using services of the following banks: Bjb Syariah (Bjbs), Bank Syariah Mandiri (BSM), BNI Syariah and Bank Muamalat. To achieve the aims, this study employed a descriptive analysis method using an inferential statistical approach. The samples were chosen using a systematic sampling technique. The data were analyzed using a multidimensional scaling (MDS) procedure. The results revealed that, in terms of product and price perceptions, Bank Muamalat topped the list. In terms of emotion and convenience factors, BSM excelled in its social class, life style, image, technology, strategic location, and likeable bank physical appearance. BNI Syariah; meanwhile, was at the bottom since each of its attributes was always at the lowest rank.

1 INTRODUCTION

The development of Islamic banking has always shown positive trends. This can be seen in the annual increase in assets and market shares of the sharia banking. However, in national banking scale, this does not seem to affect national banking assets at all. This is due to the fact that the asset value and market share of sharia banking are relatively small. This is very ironic considering the majority of Indonesia's population is Muslim. This is in line with a study (Ismal, 2011) that revealed that sharia banking issues in Indonesia are associated with market share, human resources, and product diversity. (Sari, Bahari, and Hamat, 2016) suggested that "The main issues and problems that inhibited the establishment of Indonesian Islamic banks were political issues, lack of government support, legal issues, social problems, economic problems (lack of capital) and the debate among scholars about the legal prohibition of halal-interest conventional banks." Compared with other countries, the development of sharia banking in Indonesia has not reached its optimum level. The market share of sharia banking asset in Indonesia is below 10%, lower than that in the neighboring country Malaysia.

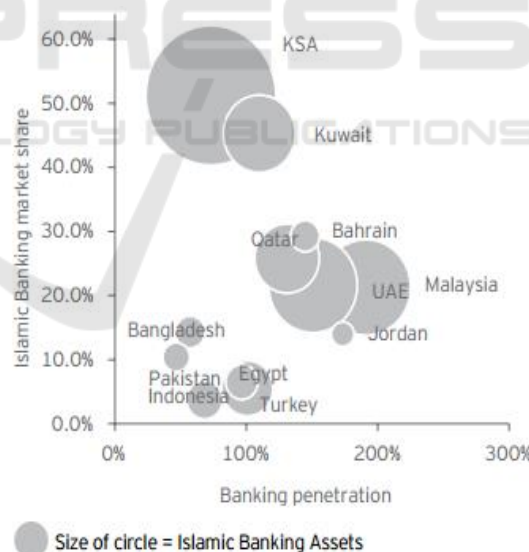


Figure 1: Banking penetration and Participation asset market share (Ernst and Young, 2016).

Based on (Bank Indonesia, 2015), it can be seen that the development of sharia banks in the period 2003-2010 showed a positive trend and in 2010-2015 showed a stagnant trend.

Table 1: The Development of Sharia Banks in Indonesia (2003-2010).

Banking indicators	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Islamic banks (unit)	2	3	3	3	3	5	6	11	11	11	11	12	12
Islamic banking units (unit)	8	15	20	20	26	27	25	23	24	24	23	22	22
Total number of offices (unit)	299	401	504	531	597	822	998	1477	1737	2271	2588	2483	2301
Total deposit (trillion Rp)	5.8	11.9	15.5	20.7	28.0	36.8	52.2	76.0	115.4	147.5	183.5	217.9	231.2
% growth deposit	-	105.2	30.3	33.5	35.3	31.4	41.8	45.6	51.8	27.8	24.4	18.7	6.1
Total financial (trillion Rp)	5.5	11.5	15.2	20.4	27.9	38.2	46.9	68.2	102.7	147.5	184.1	199.6	213.0
% financial growth	-	109.1	32.2	34.2	36.8	36.9	22.8	45.4	50.6	43.6	24.8	8.4	6.7
Total asset (trillion Rp)	7.9	15.3	20.9	26.7	36.5	49.6	66.1	97.5	145.5	195.0	242.3	272.3	296.3
Market share (%)	0.65	1.20	1.46	1.63	1.77	2.14	2.70	3.20	4.19	4.60	4.80	4.89	4.61

The Financial Services Authority (OJK) (OJK, 2016) noted the growth of sharia banking market share by 4.86% until July 2016. This was an improvement to the previous year’s growth in the same period by 4.61%. The 2016’s growth was in line with the ever-improving national economy condition.

The improvement was made possible by various policies in sharia finance. (Anwar, 2016) suggested that there was an improvement in the performance of sharia banking after the implementation of sharia financial policy in Indonesia.

The development of sharia banking in Indonesia is far behind that in Malaysia despite the fact that Indonesia enjoys its status as a country with the largest Muslim population in the world. Today’s market share of sharia banking in Malaysia is around 40-50%, and that in Indonesia is only 4.86%. (Bm and Uddin, 2016). Sharia banking is expected to contribute to the economic transformation in productive economic activities and to have high added and inclusive values, especially by making the most of demographic bonus and high economic growth prospect so that sharia banking can play a more significant role in the society. Furthermore, based on the study by (Furqani and Mulyany, 2009), sharia banking greatly contribute to the growth of economy in Malaysia.

The greater the growth of sharia banking, the more people will be served. A wider scope of sharia banking scope indicates its greater role in the economic development of the society. The sharia banking is supposed to become a vanguard or a locomotive of the financial inclusion.

In order for its services to perform well in the market, the sharia banking can do product positioning in accordance with existing targets and create a consumer perceptions based on the corporate expectations. Basically, this study was conducted to figure out the strengths and weaknesses of a product

when compared with its competitors. Before and after sales, consumers will always see banking services from different perspectives. Thus, this study took account of consumer perceptions to ensure its accuracy and relevance to the real market condition.

2 LITERATURE REVIEW

Every function of management contribute in its own way to the drafting of strategy at different levels. Marketing is a function with the largest contacts with the external environments over which the corporation has only little control (Muangkhrot, 2015). Thus, marketing plays an important role in the strategic planning (Jaakkola, Parvinen, and Möller, 2007). Its strategic role includes all efforts to adjust the corporation to the environment in order to find solutions to issues associated with two basic considerations. The first is the question of what kinds of business the business people run today and what business that could be penetrated in the future. The second is the question of how to successfully run the selected business in a competitive environment on the basis of product, price, promotion, and distribution perspectives (Kotler, Philip dan Keller, 2012) and (Kotler and Keller, 2009).

In the Sura of an-Nisa (4), Ayat 29, Allah the Most Holy said: “O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful.” This means that all economic activities can be carried out through rightful trading and marketing that are free from unjustness.

The consumer perception is a process of making someone choose, organize, and interpret stimuli into a meaningful and comprehensive picture of his world (Kotler, Philip dan Keller, 2012). Some studies

suggested that perceptions are influenced by stimuli. These stimuli come from family, religion, friends, media, and a bank image (Awan and Azhar, 2014). This is in line with the opinion of (Ioanās and Stoica, 2014) that the now trending social media factor can influence consumer behaviors in purchasing a product or service. Meanwhile, (Zeithaml, 1988) and (Quratulain and Karachi, 2012) said that consumer behaviors are influenced by price, quality, and value. Today's competition has encouraged corporation to offer high value to the consumers by proposing the best quality with a competitive price. That is why intrinsic and extrinsic factors are required to shape quality perceptions.

On internal and environmental stimuli, (Kotler, Philip dan Keller, 2012) stated that the stimuli can be in the form of: (1) market stimuli which refer to every communication or physical stimulus intentionally shaped and designed based on market analyses with the purpose of influencing consumers and (2) environmental stimuli which refer to the physical stimuli designed to influence the environments.

The results of the study conducted by (Rivai, Luviarman, and Dkk, 2006) revealed that perceptions of Syariah banks were different from that of conventional banks. As many as 51.4% of 124 respondents of the conventional banks' customers expressed that bank interests were against the religious teachings. However, this did not keep them from choosing products of conventional banks. 29.8% of respondents firmly expressed that interests were not against the religious teachings, so it was legitimate for them to use conventional banks' products. The rest (18.5%) were undecided if the interests were against the religious teachings. Similarly, (Noonari et al., 2015) stated that religious factors and understandings about religion influence consumer perceptions of sharia banks. What encourages consumers to choose sharia banks includes religious knowledge and expectation about benefits offered by sharia banks (Amin Safri, Inda Hasnan, 2012).

The results of study conducted (Fada and Bundi Wabekwa, 2012) revealed that consumer perceptions of sharia banks were directed towards their products, services, and economic benefits. Similarly, (Kotler, Philip dan Keller, 2012) suggested that consumer perceptions were shaped by price, quality, emotion, and convenience. The price is represented by price adjustment and perception, the quality is represented by the quality of product as perceived by the consumers, and emotion is associated with the brand image and the convenience of sharia financial transaction process. (Doraisamy, Shanmugam, and Raman, 2011) studied perceptions of sharia banking through the dimensions of service quality, awareness, and expected benefits of sharia banks. The results

revealed that consumers chose sharia banks due to the service quality and benefits they offered; the awareness factor was not significantly influential. Some studies revealed that factors affecting consumers' decisions in choosing sharia banks included awareness, environmental influence, and knowledge of sharia banks' products (Imhmed Mohmed, Binti Azizan, and Zalisham Jali, 2016), (Amin Safri, Inda Hasnan, 2012), and (Bodibe et al., 2016).

3 RESEARCH METHODOLOGY

A descriptive method was deemed appropriate to conduct this study. The purpose of a descriptive study is to systematically, factually, and accurately describe facts about the characteristics of relationship between the investigated phenomena.

This study was conducted by collecting and analyzing data, drawing a conclusion based on products' attributes as perceived by the consumers. The samples were 100 persons consisting of 25 consumers of BNI Syariah, 25 of Bank Muamalat, 25 of Bjb Syariah, and 25 of Bank Syariah Mandiri in Garut. They were selected using a non-probability sampling technique. The concepts used in this study were quality perception, price perception, emotion perception, and convenience perception.

The data were analyzed using a multidimensional scaling (MDS) procedure. The objective of MDS is to provide a visual representation of the proximity pattern in the form of similarity or distance between a set of objects. In contrast to factor and discriminant analyses which involve a researcher's assessment, MDS can directly visualize the respondents' assessments in the form of proximity pattern about products' similarities. MDS is able generate a map that can be used to display the groupings of the observed objects.

4 RESULTS AND DISCUSSION

The instrument validity was tested using the Pearson product-moment correlation with the significance level of 0.05. Every questionnaire item stated to be valid could be used as an instrument to collect the data. The validity test procedure can be seen in the appendix. The result is illustrated in Table 2.

Table 2: Result of validity test.

S	0.39	0.17	0.28	0.55	0.39	0.51	0.19	0.33	0.45	0.31
observed t	4.24	1.70	2.93	6.44	4.17	5.87	1.92	3.46	5.04	3.18
critical t	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Dec.	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID

R	0.36	0.52	0.53	0.5	0.36	0.51	0.52	0.5	0.48	0.42
observed t	3.81	6.08	6.24	5.76	3.8	5.8	6.08	5.66	5.42	4.53
critical t	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66
Dec.	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID	VAL ID

The validity test results showed that the correlation coefficient of each questionnaire item was greater than 1.66. Thus, it could be concluded that all items were valid.

The Cronbach’s alpha test also revealed that the questionnaire was reliable. The reliability test procedure can be seen in the appendix. The result is summarized in Table 3

Table 3: Reliability test summary.

$\sum \sigma^2$ item	23.72
σ^2 total	80.70
r	0.71
t_o	10.07
t_c	1.66
Decision	Reliable

As the coefficient value was greater than 1.66, the instrument was deemed to be reliable.

Table 4: Quality and price perception.

Attribute	BSM	Muamalat	BJbs	BNI Syariah
Banking Service	2	1	3	4
Sharia Compliance	4	1	3	2
Service Quality	1	2	3	4
Sharia Product Diversity	1	3	2	4
Sharia Service	1	3	2	4
Conformity of price and quality	1	2	3	4
Profit Sharing	4	2	3	1
Transaction convenience	4	1	3	2
Benefits	1	3	2	4
Price change	4	1	3	2
Total	23	19	27	31
Average	2.30	1.90	2.70	3.10
Rank	2	1	3	4

Table 4 showed that in terms of price and quality perception, Bank Muamalat topped the list, and its attributes were the second in number. Bank Muamalat was perceived by the consumers to excel in the during sale condition, its sharia compliance, the price/quality conformity, and price change. BSM was ranked the second for its excellent service quality, product diversity, and its affordable administration cost. BJbs was ranked the third, and BNI Syariah was at the bottom since each of its attributes was always at the lowest rank. However, BNI Syariah excelled in its profit sharing system.

Table 5: Emotion and convenience.

Attribute	BSM	Bank Muamalat	BJbs	BNI Syariah
Social Class	1	2	3	4
Life Style	1	2	3	4
Service Image	1	2	3	4
Experience	2	1	3	4
Banking Technology	1	2	3	4
ATM availability	1	2	3	4
Transaction Convenience	3	1	2	4
Strategic Location	1	2	3	4
Bank Physical Appearance	1	2	3	4
Total	13	20	27	40
Average	1.30	2.00	2.70	4.00
Rank	1	2	3	4

Table 5 showed that in terms of emotion and convenience perception, BSM topped the list. BSM was perceived by the consumers to excel in its packaging size variants, social class, life style, bank image, technology, strategic location, and likeable

bank physical appearance. This was made possible by the existence of two subbranch offices in two different sub-districts. BNI Syariah; meanwhile, was at the bottom since each of its attributes was always at the lowest rank. This was due to the fact that they have only operated in Garut since 2016. This result came as no surprise.

Based on the perceptual map of product quality, price, emotion, and convenience, the brand rank can be listed as seen in Table 6.

Table 6: Rankings based on consumer perceptions of product quality, price, emotion, and convenience dimensions.

Dimension	Note	BSM	Bank Muamalat	BJbs	BNI Syariah
Product quality	Average	1.80	2.00	2.60	3.60
	Rank	1	2	3	4
Price	Average	2.80	1.80	2.80	2.60
	Rank	4	1	3	2
Emotion	Average	1.20	2.20	2.60	4.00
	Rank	1	2	3	4
Convenience	Average	1.40	1.80	2.80	4.00
	Rank	1	2	3	4
Average		1.80	1.95	2.70	3.55
Rank		1	2	3	4

Table 6 shows that based on consumer perceptions of the overall dimensions of product quality, price, emotion, and convenience, the ranking of the sharia banks in Garut can be listed from the highest to the lowest as BSM, Bank Muamalat, Bjbjs, and BNI Syariah respectively.

5 CONCLUSIONS

With the average score of 1.80, BSM was perceived by consumers to be the first ranked sharia bank in Garut. Bank Muamalat was ranked at the second with the average score of 1.95. Bjbjs came third with average score of 2.70, and the last was BNI Syariah with the average score of 3.55. Based on consumer assessment, the position of each brand can be determined. The position of product in the consumers' mind can be identified by looking at the attributes. This way, the corporation can evaluate if their strategic planning has been in line with the consumer perception.

6 RECOMMENDATION

BSM was perceived to be the first ranked sharia bank in Garut, but many consumers complained its less convenient transaction process. Therefore, BSM

should make innovations in its transactions to ensure a speedy service to the consumers. Its profit sharing system also needs re-evaluating to be more competitive.

Bank Muamalat excels in its sharia system compliance, banking service, and experience, but lacks product and service diversity and technology. In order to perform better in consumer perception, Bank Muamalat should develop technology system to ensure the easiness in online transactions and ensure a good bargaining power. Since BNI Syariah has only operated in Garut since 2016, they need to increase their marketing activities in order for the society of Garut get to know better of them.

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