

Comparison of the Importance of Banks' Attributes between Islamic and Conventional Banks' Customers

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Abstract

Purpose – This paper aims to study the main selection criteria for Islamic banks in Indonesia, and to compare them with those for conventional banks.

Research Design, Data, and Methodology – This study employs an exploratory approach and a natural experimental design with Factor Analysis and two independent sample tests as statistical analysis methods. A total of 363 questionnaires were distributed to three groups of bank customers—customers of Islamic and conventional banks individually, and those of both banks together (121 respondents in each group).

Results – The research shows that service appears to be the most important factor in selecting Islamic banks, in addition to other emotional and rational factors. However, this service cannot be expressed as the Islamic banks' advantage compared to conventional banks, because the latter's customers also perceived service as the most important factor. The parametric mean of importance of service for both Islamic and conventional banks' customers is insignificantly different.

Conclusion – Customers of both conventional and Islamic banks have a similar degree of importance for convenience, price, and service.

Keywords: Importance of Bank Attributes, Convenience, Price, Service, Islamic Bank Selection.

JEL Classifications: G21, M31, O53.

1. Introduction

Islamic bank is a banking system that operates under Islamic law (Haque, Jami & Ahmad, 2007; Hassan, Chachi & Latiff, 2008; Marimuthu, Jing, Gie, Mun & Ping, 2010; Manzoor, Aqeel & Sattar, 2010; Idris, Naziman & Januri, 2011), with the main principle prohibits bank interest in all transactions (Haron, 1997

Haque et al., 2007). In other words, Islamic bank follow the Islamic rules and principles in doing business (Dusuki & Abdullah, 2007). Therefore, it is reasonable to use religiosity as an explanatory factor in the previous study of Islamic banks selection. Religious individual is an individual who has a strong commitment to the teachings of his/her religion, and implement the teachings in daily life (McDaniel & Burnett, 1990). Thus, Muslims who have higher degree of religiosity should prefer Islamic banks than conventional banks.

However, previous studies showed different conclusions about the relationship of religiosity and the selection of Islamic banks. Some researchers (Metawa & Almosawi, 1998; Almosawi, 2001; Othman & Owen 2001; Khoirunissa, 2003; Bley & Kuehn, 2005; Zainuddin, Jahyd & Ramayah, 2004; Okumus, 2005; Dusuki & Abdullah, 2007; Ahmad, Rahman, Ali & Seman, 2008; Haque, Osman, Zaki & Ismail, 2009; Manzoor et al., 2010; Butt, Saleem, Ahmed, Altaf, Jaffer & Mahmood, 2011; Idris et al., 2011) revealed that religiosity is an important criterion for selection the Islamic banks. At the same period, other studies (Erol & El-Bdour, 1989; Erol, Kaynak & El-Bdour, 1990; Haron, Ahmad & Planisek, 1994; Gerrard & Cunningham, 1997; Naser, Jamal & Al-Khatib, 1999; Jalaluddin & Metwally, 1999; Zaher & Hassan, 2001; Awan & Bukhari 2010; Marimuthu et al., 2010) revealed that religiosity is not an important criterion for selection the Islamic banks.

On the other hand, the prohibition of interest should lead to reduce the demand of conventional banks services. In fact it did not happen, particularly in Indonesia. It is of importance to note that in Indonesia, the Islamic banking has also been growing rapidly. Based on the *Indonesian Banking Statistics*, number of accounts in Islamic banks increased significantly, from 1,964,438 accounts in 2006 to 13,430,904 accounts in June 2014. In addition, Third Party Funds (TPF) has experienced a relatively high increase, from 11,862 billion dollars in 2004 to 183,534 billion in 2013 (Bank Indonesia, 2014).

Although Islamic banks in Indonesia have undergone a rapid growth in terms of the number of accounts, from 1,964,438 accounts in 2006 to 13,430,904 accounts in June 2014, and TPF, from 11,862 billion dollars in 2004 to 183,534 billion in 2013, this phenomenon did not bring about a negative impact for conventional banks. In fact, deposits of conventional banks increased from 963,106 billion dollars in 2004 to 3,663,968 billion

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dollars in 2013 (Bank Indonesia, 2014). By comparing the TPF of Islamic banks and conventional banks, it shows that the proportion of TPF of Islamic banks is still relatively small, which is about 5%. Meanwhile, even though the number of accounts in Islamic banks is increasing rapidly, it does not mean a conventional bank customers have switched to Islamic banks. Many banks customers in Indonesia hold multiple accounts. They open accounts in Islamic banks, but still use a conventional bank.

Based on the results of previous research and the reality of the condition of Islamic banks in Indonesia, it can be stated that at least religiosity is not the only cause of a person chooses the Islamic banks. In other words, there are explanatory factors other than submission to religious orders that cause a person to choose the Islamic banks. Therefore, research on rational reasons to explain the selection of Islamic banks needs to get attention.

Shopping Preference Theory (Sheth, 1981) suggest that shopping preferences are determined by shopping motivation and shopping options. Shopping option refers to the availability of outlets to satisfy individual's shopping motivation. That is, consumers will choose an outlet due to what is offered by these outlets according to their shopping motivations.

Fishbein and Ajzen (1980) revealed that the individual's attitude towards the store is a function of: (a) the degree of 'importance' that consumers perceived toward the various attributes of the store; and (b) the consumer's perception of the attributes of a store. Consumers will evaluate whether the relative importance of the attributes of the store in line with their perception. If both of them match, the store will be selected, and otherwise, the store will not be selected (Moye, 2000). Customer patronized Theory (Darden, 1980) explicitly show the importance of attributes is the factors that influence consumer behavior. Thus, in evaluating bank option, customers will consider the attributes of banks to determine their choice.

In a previous study on the selection of Islamic banks, there are three criteria that always considered important by customers of Islamic banks, namely: convenience, price, and service. Convenience which includes hours of operation Automatic Teller Machine (ATM), the location of branch offices, extensive branch network, and the location that is close to home or workplace, are the dominant criteria to choosing the Islamic banks (Haron et al., 1994). These results are supported by Kaynak and Whiteley (1999) and Almosawi (2001) who concluded that convenience is the main motivation of customers in the selection of Islamic banks. Several previous studies (Dusuki & Abdullah, 2006; Mokhlis et al., 2008; Rehman & Ahmed, 2008; Ahmad et al., 2008; Awan & Bukhari, 2011; Butt et al., 2011; Idris et al., 2011; Abduh & Omar, 2012; Selamat & Abdul-Kadir, 2012; Saleh, Rosman & Nani, 2013) also reveal the importance of convenience in the selection of Islamic banks.

Gerrard and Cunningham (1997) revealed that the profit or bank interest is an important reason people keep relations with Islamic banks. The importance of price in the selection of Islamic bank is also revealed in several previous studies (Haron et al., 1994; Hegazy, 1995; Al-Sultan, 1999; Haron & Noraffiah, 2000; Amin, 2008; Hamid, Yaakub, Mujani, Sharizam & Jusoff,

2011; Dusuki & Abdullah, 2006; Ahmad et al., 2008; Rehman & Ahmed, 2008; Mokhlis et al., 2008; Awan & Bukhari, 2011; Idris et al., 2011; Thambia, Eze, Santhapparaj & Arumugam, 2011; Abduh & Omar, 2012; Subhani, Hasan, Rafiq, Nayaz & Osman, 2012; Selamat & Abdul-Kadir, 2012; Saleh et al., 2013).

A bank service is a further criterion, that was identified by several previous studies (Erol & El-Bdour, 1989; Haron et al., 1994; Hegazy, 1995; Metwally, 1996; Gerrard & Cunningham, 1997; Ahmad et al., 2008; Dusuki & Abdullah, 2008; Rehman & Ahmed, 2008; Awan & Bukhari, 2011; Butt et al., 2011; Hedayatnia, 2011; Abduh & Omar, 2012; Hasan et al., 2012; Selamat & Abdul-Kadir, 2012) as an important criterion for customers to choose Islamic banks.

In general, previous studies only examine the role of attribute importance of the Islamic bank customers, and does not compare with conventional bank customers. As a result, the important criteria to selection the Islamic bank is seemingly considered as excellence of Islamic banks. In fact, Holstius and Kaynak (1995) stated that the selection criteria of the Islamic banks and the conventional banks are not really different, because the banking products and services are similar between both kinds of banks. Therefore, it is important to compare between the Islamic and conventional bank customers in studying the importance of attributes.

Based on these problems, this research has two objectives: (1) to study the main criteria for the selection of Islamic banks in Indonesia; and (2) to comparing the main criteria for the selection of Islamic banks and conventional banks.

2. Literature Review

2.1. Shopping Preference Theory

Shopping Preference Theory (Sheth, 1981) in principle suggests that spending is determined by what the customer wants and what is provided by the store. Consumers will choose a store because of what the store has to offer in accordance with the motivation of consumers shopping. The Five-Stage Model explained that in the evaluation stage, consumers are trying to satisfy a need, and they will pay the most attention to attributes that deliver the sought-after benefits (Kotler & Keller, 2014).

Shopping Preference Theory (Sheth, 1981) describes, there are three type of the process of individuals choose the shopping options, called the choice rule, that is:

1. Sequential calculus: Customers using multiple attributes, which are sorted by importance to eliminate shopping options.
2. Trade-offs calculus: Customers shopping evaluate each option based on attributes simultaneously and forming an average score overall acceptability.
3. Dominant calculus: Customers only use one attribute to establish a preference on a variety of shopping options and evaluate them.

In previous studies, particularly the study of Islamic banking,

the researcher assumes the customer uses the trade-off calculus method as the basis for forming preferences.

2.2. Importance of Store Attributes

In an effort to understand how consumers make decisions in choosing a store based on the attributes of the store, researchers have been emphasized how the consumers perceive the 'importance' of an attribute store (Mokhlis, 2006). The purpose of using the variable importance of store image is to obtain what attributes are important to consumers. Dickson & MacLachlan (1990) mentions people building the image to a store through a psychological process that connects between the opinions and attitudes about the tangible and symbolic characteristics. Consciously or unconsciously, people try to answer the questions in his/her mind, that is: Does the store have friendly personnel? Are the prices fair? Is it easy to return merchandise? Do they carry quality products? Are their customers like me? Is the store like me? Consumers will give weight to each of these questions, based on the importance of the attributes.

In a previous study on the selection of Islamic banks, there are three criteria that always considered important by customers of Islamic banks, namely: convenience, price, and service. Convenience which includes hours of operation Automatic Teller Machine (ATM), the location of branch offices, extensive branch network, and the location is close to home or workplace is the dominant criteria become determinant choosing banks (Haron, et al, 1994). Almossawi (2001) also found that convenience as an important factor for students in selecting a bank, such as: the availability of parking near the bank, and the availability and location of ATMs, in addition to reputation, and bank personnel that are friendly. Meanwhile, Khan, Hassan & Shahid (2008) based on a study of 100 customers at five Islamic banks in Dhaka, Bangladesh, namely: Islamic Bank Bangladesh Ltd, Al-Arafah Islami Bank Ltd., Social Investment Bank Ltd., EXIM Bank Ltd., and Shahjalal Islamic Bank Ltd., concluded that the most important criteria in choosing a Islamic bank is a convenient location, family and friends, and yield/profit. Several previous studies (Kader, 1993; Kaynak & Whiteley, 1999; Dusuki & Abdullah, 2006; Mokhlis et al., 2008; Rehman & Ahmed, 2008; Ahmad et al., 2008; Ahmad et al., 2010; Marimuthu et al., 2010; Awan & Bukhari, 2011; Butt et al., 2011; Idris et al., 2011; Abduh & Omar, 2012; Selamat & Abdul-Kadir, 2012; Saleh et al., 2013) also revealed the importance of convenience in the selection of Islamic banks.

Gerrard and Cunningham (1997) showed that the profit is the reason people keep relations with Islamic banks. In Kuwait, Al-Sultan (1999) found that the attitude of a few hundred customers on products and services offered by Islamic banks is driven by interest-free Kuwait Finance House. Similar to Kuwait, Sudan's Islamic bank never give rewards to one's account, but gives them the facility according to the teachings of Islam (Haron & Noraffifah, 2000). Furthermore, Amin (2008) revealed the most important criteria for the selection of Islamic banks are Islamic principles, low monthly payments, the practice of open-

ness, and interest-free practice. Meanwhile, Mokhlis, Hazimah, and Salleh (2008) found that the price and convenience is the main reason for choosing a new bank or change banks. Thambia et al. (2011) revealed that urban residents put the cost of the service as the most important factor, besides safety when taking large amounts of money, high returns on savings or deposits, and mortgages with fixed installments. While Hamid et al. (2011) mentions that the favorable credit, efficient service, and electronic services is the most important factor selection of Islamic banks. Several previous studies (Haron et al., 1994; Hegazy, 1995; Al-Sultan, 1999; Haron & Noraffifah, 2000; Amin, 2008; Hamid, Yaakub, Mujani, Sharizam & Jusoff, 2011; Dusuki & Abdullah, 2006; Ahmad et al., 2008; Rehman & Ahmed, 2008; Mokhlis et al., 2008; Awan & Bukhari, 2011; Idris et al., 2011; Thambia, Eze, Santhapparaj & Arumugam, 2011; Abduh & Omar, 2012; Hassan, et al., 2012; Selamat & Abdul-Kadir, 2012; Saleh et al., 2013) also revealed the importance of price in the selection of Islamic bank.

Erol and El-Bdour (1989) revealed that the effective and efficiency service, reputation and image of the bank, and confidentiality are the main criteria in choosing banks, both Islamic and conventional banks. In subsequent studies, Erol et al. (1990) obtained similar conclusions with previous studies. The slight difference between Islamic and conventional bank customers is interpreting the price policy. Furthermore, Hegazy (1995) found that the Islamic bank customers still put the efficiency of service as one of the most important criteria, while the interest rate offered by banks is an important factor in the selection of conventional banks.

Haron et al. (1994) which examines the preferences of the selection criteria for the dual-banking environment to 301 Muslims and non-Muslims customers in Malaysia, revealed that it is not important to distinguish between Muslims and non-Muslims in the bank selection criteria, which the fast service and high quality are the most important criteria. In Singapore, Gerrard and Cunningham (1997) revealed that the quick and efficiency service and assurance of confidentiality is the primary motivation in choosing a bank. Several previous studies (Erol & El-Bdour, 1989; Haron et al., 1994; Hegazy, 1995; Metwally, 1996; Gerrard & Cunningham, 1997; Ahmad et al., 2008; Dusuki & Abdullah, 2008; Rehman & Ahmed, 2008; Awan & Bukhari, 2011 Butt et al., 2011; Hedayatnia, 2011; Abduh & Omar, 2012; Hasan et al., 2012; Selamat & Abdul-Kadir, 2012) also identified that bank services is a most important criterion.

3. Hypothesis

Previous research has revealed that each study provides a different conclusion about the most important criteria in the selection of Islamic banks. Even so, there are three dimensions has always been an important criterion, namely: convenience, price, and service. To study the most important criteria for customers in the selection of Islamic banks in Indonesia, this research proposed a hypothesis:

<Table 1> The Main Criteria of Selection Islamic Banks According to Previous Research

Author	Main Criteria
Eroldan El-Bdour (1989)	Services, Reputation, Image, and Confidentiality
Erol et al. (1990)	Services, Reputation, Image, and Confidentiality
Kader (1993)	Services, Reputation, and Convenience
Haron et al. (1994)	Services
Hegazy (1995)	Services and Return
Metwally (1996)	Services and Price
Gerrardan Cunningham (1997)	Services, and Confidentiality
Metawadan Almosawi (1998)	Services and Price
Naser et al. (1999)	Reputation, Product, and Services
Al-Sultan (1999)	Services and Price
Kaynakdan Whiteley (1999)	Convenience
Harondan Ahmad (2000)	Profit
Almosawi (2001)	Services, Reputation, and Convenience
Gerard dan Cunningham (2001)	Confidentiality
Ahmad dan Haron (2002)	Islamic Principles, Services and Knowledge.
Khoirunissa (2003)	Benefit, Profit, Services, and Safety.
Bleydan Kuehn (2004)	Knowledge
Dusukidan Abdullah (2007)	Convenience, Services and Price
Mokhlis, Hazimah, danSalleh (2008)	Convenience and Price
Amin (2008)	Islamic Principles and Price
Haque et al. (2009)	Services
Rashid dan Hassan (2009)	Services and Trust
Manzoor et al. (2010)	Profit
Ahmad et al. (2010)	Convenience
Marimuthu et al. (2010)	Services and Price
Idris et al. (2011)	Convenience, Price and Safety.
Awandan Bukhari (2011)	Product and Price
Hamid et al. (2011)	Services and Technology
Khan et al. (2011)	Convenience and Price

<Hypothesis 1> There are significant differences between the importance of convenience, price, and services, for Islamic banks customers.

Holstius and Kaynak (1995) revealed that the selection criteria of the Islamic banks and the conventional banks are not really different, because the banking products and services are similar between both kinds of banks. Thus, the hypothesis to compare important criteria for the selection of bank between customers of Islamic banks and conventional banks is:

<Hypothesis 2> There are no significant differences the importance of convenience, price, and services, between Islamic banks and conventional banks customers.

4. Research Method

Population of study is Muslim who has bank(s) account. The respondents were conditioned as to be classified into three groups – the Islamic bank customer group, the conventional

bank customer group, and the Islamic and conventional bank customer group.

The sampling technique used in this study was a purposive quota. The first step is to determine the number bank customers in each of the three groups of bank customers that are 121 respondents in each group. The second step is to select the sample with the following criteria: 1) Muslims, and 2) at least the age of 18 years.

Data collection was carried out using a self-administered. Respondents filled out a questionnaire by themselves. However, the data collector accompany them, to help in case of respondents have difficulty filling out the questionnaires.

Importance of Attributes measurements using several items statements, which are adopted on various previous studies (See Table 2). The measurement of statement items is 6-point semantic differencing with a scale of 1 (Not Important At All) to 6 (Very Important).

The method of analysis used in present study is the Two Independent Samples Test. Meanwhile, the data processing use SPSS version 19. For complete information, especially about the phenomena related to Islamic banking, this study also conducted an exploratory study.

<Table 2> Indicators and Construct of the Importance of Bank Attributes

<i>Variable/Dimension</i>	<i>Statement Item pernyataan</i>	<i>Sources</i>
<i>Importance of bank attributes</i>		
Convenience	1. Ease of access to branches	Khan et al. (2012); Lee & Morlewe (2003)
	2. Ease of access to ATM	Almossawi (2001); Rao & Sharma (2010)
	3. Wider ATM Network	Almossawi (2001); Rao & Sharma (2010)
	4. 24 Hours ATM Services	Almossawi (2001); Rao & Sharma (2010)
	5. Availability of parking at the branch or ATM	Esso & Dibb (2004); Visser et al. (2006)
	6. Availability of public transport to reach the branch or ATM	Ahmad et al. (2008)
Price	7. High return, which is paid on savings or deposits	Ahmad et al. (2008); Metawa & Almossawi (2001)
	8. Availability of point reward	Ahmad et al. (2008); Metawa & Almossawi (2001)
	9. There is no charge to open an account	Metwally (1996); Marimuthu et al. (2010)
	10. There is no inter-bank transaction fee	Ahmad et al. (2008); Metawa & Almossawi (2001)
	11. There is no cost to replace bankbook	Metwally (1996); Marimuthu et al. (2010)
	12. There is no charge for the use of internet banking	Ahmad et al. (2008);
	13. There is no charge for the use of sms banking	Ahmad et al. (2008);
Services	14. Efficiency in teller services	Haron et al. (2004); Hassan (2009)
	15. Fast resolve the problems which is faced by customers	Haron et al. (2004); Hassan (2009)
	16. Queue using the waiting number	Rao & Sharma (2010)
	17. Easy to ask various things	Abbas et al. (2003); Hamid et al. (2001)
	18. Easy to report problems	Hamid et al. (2011); Rao & Sharma (2010)
	19. Easy to get a variety of information	Hamid et al. (2011); Rao & Sharma (2010)

5. Results

The results of data processing shows the average value of the different scores, where Dimensional Services have the highest average score, which is 5.2548, followed by Dimensions Convenience (5.2438) and Dimension Price (4.7001). This condition indicates that Islamic banks customers consider that services more important than other criteria. In addition, statistics show the average score all of the dimensions of the importance of the bank attribute high relatively, considering the maximum score are 6. It can be stated that in selecting the Islamic banks, Muslims not only consider the emotional factors, such as religious orders, but also consider rational factors.

Based on factor analysis, statement items are grouped in four factors, which all items in the statement of service dimension as the first primary factor. These results also indicate that Islamic banks customers consider that services more important than other criteria. The results support previous studies (Errol & El-BdourErrol, 1989; Erol et al., 1990; Hegazy, 1995; Metwally, 1996; Gerrard & Cunningham, 1997; Ahmad et al., 2008; Dusuki & Abdullah, 2008; Rehman & Ahmed, 2008; Awan and Bukhari, 2011; Butt et al., 2011; Hedayatnia, 2011; Abduh & Omar, 2012; Hasan et al., 2012; Selamat & Abdul-Kadir, 2012), that indicate the importance of the services provided to customers.

Haron et al. (1994) revealed that it is not important to distinguish between Muslims and non-Muslims in the bank se-

lection criteria, which the fast and high quality services banks are the most significant selection factor. For Islamic banks that have sharia as a compass to conduct the business, then quality service, hospitality, professional, and so on, is part of the mandate that must be run, and has been embedded in the values of Islamic banks.

Referring to Shopping Preference Theory (Sheth, 1981), the findings show that the Islamic bank customers judge that the service is the most important attribute in choosing a bank, so that it can be stated that Islamic banks have been able to provide the desired service customers, so customers choose the bank. The question then is, whether the result showed that Islamic banks have advantages in services compared to conventional banking, so that people choose Islamic banks?

This study found that the average score of the importance service and price for conventional banks customer are respectively 5.2658 and 4.7296, slightly higher than Islamic banks customers. Meanwhile, the average score of convenience for Islamic banks customers is 5.1777, higher than conventional banks customers. Although the average score of the importance banks attributes between Islamic banks and conventional banks customers are different, after a hypothesis test to the dimensions of convenience, it was decided to accept H_0 at level of significant 5% (sig. 0.467). It can be stated, the average score of convenience of Islamic banks customer do not differ significantly compared to conventional bank customers. So it can be concluded that the degree of importance of the Islamic

banks customers to convenience are no different than conventional banks customers.

Hypothesis testing results also show that the average score of price dimension of Islamic banks customers and conventional banks do not differ significantly (sig. 0.794). Similarly, the average score of service dimension did not differ significantly (sig. 0.914) between customers of Islamic banks and conventional banks. It can be concluded that the degree of importance to price and service of the Islamic banks customers is no different than a conventional bank customers.

Factor analysis strengthens the conclusions tests of hypotheses above, which shows both conventional bank and Islamic banks customers, the service is the most important dimension in the selection of the bank.

The statistical test showed that customers of Islamic banks and conventional banks have relatively similar importance to convenience, price, and service. These results support the Hypothesis 2 that there was no significant difference in the importance of convenience, price, and service between Islamic banks and conventional banks customers. The results also supports Holstius & Kaynak (1995) which states that the selection criteria for Islamic banks and conventional banks in fact no different, because Islamic banking offers products and services similar to conventional banks, and Haron, et al. (1994) that stated which the fast and high quality services banks are the most significant selection factor.

Referring to Shopping Preference Theory (Sheth, 1981), it can be concluded that the service is not an advantage of Islamic banks compared conventional banks. In other words, both conventional bank and Islamic banks customers consider that the service is the most important attribute. Why do people who have an importance in the same attributes, choose a different bank? It shows that there are other variables that influence selection of the banks. Base on the results, can it be suggested that religiosity is more dominant attribute to influence customers on the selection of Islamic banks? As stated by Metwally (1996) that there were no significant differences between Islamic banks and conventional banks in terms of the benefits and cost of the product, the service bank, and the competence of staff. Thus, the selection of the Islamic banks is due to religious reasons.

Various previous studies (Haron et al., 1994; Hegazy, 1995; Almosawi, 2001; Ahmad et al., 2008; Dusuki & Abdullah, 2008; Rehman & Ahmed, 2008; Abduh & Omar, 2012; Awan & Bukhari, 2011; Butt et al., 2011; Idris et al., 2011; Hassan et al., 2012; Khan et al., 2012; Selamat & Abdul-Kadir, 2012; Saleh et al., 2013) conclude that convenience, price and service are important criteria in the selection of Islamic banks, so that these attributes are considered as Islamic banks advantages compared to conventional banks. This study reveals that these attributes are not only considered important by Islamic bank customers, but also customers of conventional banks. Therefore, the recommendations on the previous research was given to Islamic banks regarding the selection of the main criteria of Islamic banks, particularly about convenience, price and service, are also applicable to conventional banks.

6. Discussion, Conclusion and Managerial Implication

The present study concluded that the services is an important criterion in choosing a bank for customers of Islamic banks, and important criteria selection both Islamic banks and conventional bank customers do not differ significantly. The results of this study are similar to study was conducted by Metwally (1996), which finally concluded the selection of the Islamic banks is due to religious reasons.

However, with regard based on the TPF and the number of account of Islamic banks customer in Indonesia, the question arises, is it true that religiosity have very significant role in the selection of the bank? If so, why is the number of Islamic banks customers in Indonesia is still very low?

There is a group of Islamic bank customers in Indonesia, which is only encouraged religious motivation when choosing an Islamic bank, namely 'loyalists' of Islamic bank. All the individuals in the 'loyalists' group certainly have used Islamic bank. Since the number of Islamic banks customers in Indonesia is still low, it can be stated that their number is very limited. It raise the question, are the majority of Indonesia's population is not religious?

Considering that in Indonesia, the Islamic tradition still has a major influence on people's daily lives, then it can be stated, individuals that included in the loyalist can be expected as religious Muslim, but not all religious Muslims included in loyalist group. Perhaps, emotional factors (religious order) encouraging them in choosing a bank, but at the same time, they also consider the rational factor. It is at least shown by degree of importance by bank customers to the convenience, price and service. Thus, to get more customers, Islamic banks should pay more attention to the customers'importance from the rational side.

Wilson (1995) suggested that Islamic banks should not only consider their business just to fulfill religious obligations of the Muslims, but more significantly as a business that is always needed to win customers at the same time retaining existing customers (Dusuki & Abdullah, 2007). A similar statement was also expressed by Ahmad and Haron (2002) that Islamic banks should not rely solely on the religious factor as a strategy to attract more consumers, but should emphasize efficient service, and should look into situational factors that will determine their level of competitiveness in the future. Furthermore, Ashraf and Nurdianawati (2006) mentions that the Islamic banking activities should no longer be regarded as an initiative to carry out a religious obligation, but significantly as the innovation needed to win the competition of customers. This study revealed that trust is one important key for Islamic banks to win the competition against conventional banks.

Islamic Banksin Indonesia are relatively younger than conventional banks, and almost all of them were born by conventional banks. Therefore, it is reasonable that the Islamic banks still have various shortcomings compared to conventional banks. Based on information obtained from an exploratory study, there are at least three important elements that must be answered by Islamic banks related to providing excellent service, that is:

Human Resources (HR), Information Technology (IT), and products.

The weakness of the Islamic banks of Human Resources is limited understanding of the concept of Islamic banking itself. This is due to the limited formal education on Islamic banking in Indonesia. Typically, employees who work in Islamic banks come from various fields of study, which is then received training on Islamic banking. Besides that there is a tendency that the Islamic banks is not the primary choice for job seekers, who are interested to work in a bank, so that qualified workers have been first absorbed in conventional banks.

Infrastructure readiness is one of the main requirements for developing the banking business. In-depth interviews revealed that in fact, many religious Muslims hold two accounts. For save or invest, they use the Islamic banks, and for trading, transaction or payment, they use the conventional banks. This condition is caused by IT in conventional bank is very supportive. Thus, the development of IT in Islamic banks needs to be prioritized.

In-depth interviews also revealed that Islamic banking products are still not following the market demands. How Islamic banks will compete against conventional banks if the Islamic banks offer the products that do not follow customers' needs and desires? Bank Islam does have various restrictions in product innovation, because should adhere to the principles of Islam. However, these restrictions should not be viewed as a weakness, but rather should be seen as an Islamic bank differentiation.

Prohibition of bank interest is a fundamental distinction between Islamic banks and conventional banks (Hassan et al., 2008; Manzoor et al., 2010). However, the bank interest is not the only distinguishing between Islamic and conventional banks, because these differences lead to emergence the others differences.

As a consequence of the prohibition of bank interest, Islamic banks use the concept of 'equity-participation' (Hassan et al., 2008), and the profit and loss sharing system in all business (Haron, 1997; Idris et al., 2011). This concept actually has the objective to involve the participation of the customer to develop the bank. If the Islamic banks get high profit, customers will also get a higher profit. Thus, conceptually, banks and customers will evolve together. Therefore, Islamic banks treat customers as a partner, not a debtor or borrower, as the practice of conventional banks (Marimuthu et al., 2010).

In banking practice, Islamic law also prohibits *gharar* or speculative trading and '*maisir*' or gambling (Idris et al., 2011). Islamic banks are also prohibited from engaging in transactions (payment or acceptance) with business related to illicit (*haram*) products, such as: alcohol and pork trade (Manzoor et al., 2010). Furthermore, Islamic banks are required to run the business and trade activities based on the principles of justice and obtain kosher (*halal*) profit, pay *zakat*, prohibit monopolies, and work for social purposes (Haron, 1997).

Based on the explanation of the characteristics of Islamic banks, it seems that Islamic banks offer systems based on positive values, which is acceptable to all parties. Positive values in

business that is embedded in Islamic banks not only will attractive to Muslims, because the values are not simply a matter of religious belief, but rationally can provide benefits to all customers. Thus, there are opportunities that positive values will also attract non-Muslim groups. As stated by Warde (2000), the western attitude also changed to the bank, as the growth of 'ethical' banking. Currently, the non-Muslim customers refuse to invest in companies that are unethical and have socially harmful activities.

What are the real characteristics of Islamic banks, which distinguishes it from conventional banks, have come to the whole of society? Promotion and education to public are the real challenge of Islamic banks to achieve success in competing against conventional banks, in addition to the standard requirements as banks, such convenience, price, and service.

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