

Purchase intention behavior of Syariah financial product

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Abstract

This study explores purchase intention of Syariah financial product. The purpose of the study is to identify factors of consumer's intention to use Syariah financial product. Framework of the study is TRA model proposed by Ajzen and Fishbein (1980). The design of this study is qualitative approach. This study employs focus group discussion and in depth interview in data collection. Focus group discussion in this study involves 6 Syariah financial products. In depth interview has been accomplished with 3 different managers from Syariah financial institutions. Findings in this study are consumer's evaluate Syariah financial product by comparing benefits of the product with conventional financial products. The concept of non economic benefit and religious aspect is also discussed in this study.

Keywords: purchase intention, beliefs, benefits, religiosity.

Introduction

he growth of Syariah financial product within these 5 years is very rapid so it opens opportunity to the management researchers to analyze the many aspects in it. But, research about Syariah financial product blocked by the lack of theory of study of Syariah management that is still stagnant. In Syariah banking outlook in 2014 from Bank of Indonesia, it is mentioned that the performance of Syariah banking marketing in Indonesia is increasing, there is 4,3% increase in the market segment.

In 2012, the number of Syariah Public Bank (Bank Umum Syariah (BUS)) and Syariah Business Unit (Unit Usaha Syariah(UUS)) until October is still the same, but the number of office network is increasing. Even though the number of BUS (11 units) and UUS (24 units) is still the same, but the service of the people's need of Syariah banking is increasing widely, it could be seen on the increasing of branch office from 452 units become 508 units, while Co Branch Office (Kantor Cabang Pembantu(KCP)) and Cash Office (Kantor Kas(KK)) has increased by 440 offices in the same period (October 2012). In total, the number of active Syariah banking office until October 2012 is increase compared to the same period in the previous year, from 1692 offices become 2188 offices.

From people's preference on Syariah banking products, people tend to choose products which give high yield. Yield of deposit is fluctuate between 5,74% to 6,28% (equivalent rate), yield of saving is 2,32% and gyro is 0,88% (equivalent rate). Deposit product is more preferred than saving product.

Increasing performance of Syariah banking from marketing aspect indicates that there is increase of people interest on Syariah banking products. Point of this study is what caused the increase of consumer interest in Indonesia. How to explain the performance increase of Syariah bank? Does the customer make a decision based on

purchasing decision making process with general framework in customer attitude theory?

Literature review

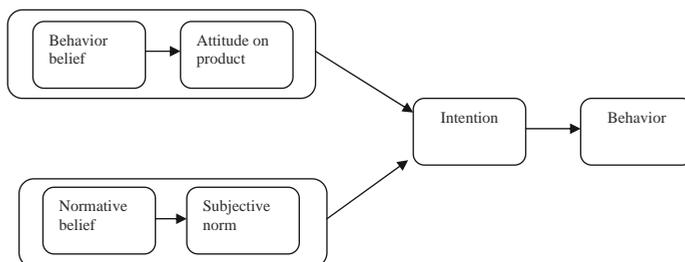
Islamic Perspective in Customer Behavior

The literature on consumer behavior shows that in purchasing decision, consumers are rational to follow the pattern of emergence of the need and evaluate the options. This pattern is called the consumer decision making process (Hoyer and Macinis, 2010, p 193). This process begins with the identification of the consumer to the problem, information searching, evaluating options, purchasing decision and end with post-purchase evaluation. Patterns of consumer decision making is based on the desire of consumers to maximize its utility (Simon, 1997).

The characteristic of Islamic financial products is unique because these products offer the concept of halal and blessing for consumers. The concept of halal and blessing is an abstract advantage for consumers. However, philosophically Islamic financial products have several argumentations of how to be a rational consumer. Some of the main arguments of those are: 1. Surah Al Baqarah, verse 168: "O mankind eats of the lawful and good from what is contained in the earth, and do not follow the steps of Satan, He truly is an outright enemy to you". 2. Surah Al Hujuraat, verse 6: "O ye who believe! If a wicked person comes to you bringing a message, then examine the truth, lest you harm a people out of ignorance (carelessness), which eventually you regret what you have done". 3. Surah Al Araf, verse 31: "Son of Adam, wear beautiful clothes in every (enter) mosque, eat and drink and be not extravagant. Allah loves not those exaggerated ". Two ayahs above provide the basis for a Muslim to prioritize lawful and blessing in their consumption activities, while also requires a Muslim to be a rational consumer. This means that the main value of the consumption activity of a Muslim is utility, lawful and blessing. The third ayah gives a warning that a Muslim should not be caught up in consumptive behavior. Consumptive behavior identical to excessive behavior that is not pleasing to Allah SWT. This shows that the Islamic perspective of the decision making process with a rational consumer is highly recommended.

Model of Consumer Purchasing Intention Behavior

Model of purchasing intention behavior in this research use theoretical framework model called Theory of Reasoned Action (TRA) from Ajzen and Fishbein (1980). In this theoretical framework, consumer behavior on a product is explained by consumer intention to do purchasing. Consumer intention to do purchasing is explained by consumer attitude on product and subjective norm. Consumer attitude on product is produced by behavior belief that is belief on the result of behavior and evaluation of that result. Subjective norm is produced by normative belief that is belief about normative hope from another person and motivation to adapt with that hope. Picture 1 shows the relation between belief, behavior intention and behavior.



Picture 1

The framework of theory of reasoned action (TRA) from Ajzen and Fishbein (1980) In the context of purchasing intention of Syariah financial product, the relevance of using that framework is whether behavior intention to do purchasing has the same framework with theoretical logic of TRA. Oliver and Bearden (1985) tested the behavior of diet medicine using from the family in USA with TRA framework. The result shows that belief on product influences intention and behavior moderated by some variables: self confidence, good knowledge on diet medicine, involvement in information searching process, age and gender.

Silva et al., (2007) examined the behavior of TRA in the context of condom use for couples in Portugal demonstrate the relevance of this theory in the context of condoms product use. Interesting findings in the study is the existences of moderating variables that are control and self efficacy. TRA is also relevant in the choosing process and shopping coupons using on supermarket consumer and choosing of fast food restaurants in the US (Bagozzi et al., 1992; Bagozzi et al., 2000).

Attitude Toward Product And Subjective Norm

Attitude toward product is the result of attitude belief that is belief on the result of behavior. Orr et al., (2013) shows that behavior intention emerges from a group of belief that cause consumer satisfaction. Behavior belief emerges from learning process from another side that experience satisfaction from the consumption of the product. Study from Orr et al., (2013) by the background of medical check attitude in the high society in the USA. The study shows that intention to do medical check occurred as a result of satisfaction that comes from learning process that emerge behavior belief. In the Syariah financial product context, Hassan et al., (2008) shows that Islamic ethics could be the main element to emerge behavior belief so it could support positive attitude on Syariah financial product.

Subjective belief emerges subjective norm. Subjective belief is belief that emerge because of normative expectation from public opinion that motive individual to fulfill or follow that normative expectation (Herr, 1995). In a study conducted by Bagozzi et al., (1992), subjective norms emerging from the subjective belief of consumers about the use of coupons is profitable despite the discount given is little affect consumer intention to use the coupons. The following studies were conducted by Bagozzi et al., (2000) with the background of the selection of fast food restaurants in the US showed

that subjective norm influence when go to the restaurant together, but when go to restaurant alone subjective norm does not affect the behavior intention.

Naser and Moutinho (1997) in their study of the selection of marketing strategy of Syariah banks in the Middle East gives some suggestions to increase the competitiveness of Syariah banks. One is to encourage the marketing executive at Syariah banks to be further involved in the business activities of their customers. This is reasonable considering that between banks and customers share the advantages and risks (profit loss sharing). Deeper involvement with customers is in line with the path to building consumer normative belief.

FGD (focus group discussion) with the consumer of financial product

This study explores consumer behavior intention to use Syariah financial product, the first step is to explore the consumer perception of Syariah financial products. Focus group discussion involving six consumers of financial product. The key persons in this FGD have experience in using Syariah and conventional financial product. This FGD discusses general consumer perceptions of Syariah financial products. There are two key questions to be discussed by the key person.

Key persons have a professional background, civil servants and entrepreneurs with educational level from diploma to postgraduate. There are 4 male and 2 female key persons in this FGD.

Consideration on Choosing Product and Financial Institution

The first question of the discussion related to consideration of key person to choose product and financial institution. Financial product owned by key person varies from saving to insurance. All of them also have experience in using product of credit consumption and investment from banking. Consideration in choosing a financial institution and its products are various from the reason of its distance to the residence of consumer to the reason of saving and credit use.

Two key persons choose the financial institution that has payroll because the demand of institutions where they work. The following statements are from the 2 key persons.

The first key person is a civil servant, 36 years old, female, Diploma, states:

"At first I used a public bank, but then I moved to Niaga Syariah bank because its payroll facility. This facility is in accordance with the policy of my office".

The second key person, male entrepreneur, 38 years old, states:

"The payroll facility in BRI suits my business need, my employers could easily accessed the ATM".

Another key person is a 32 years old professional who also has on-line business, choose the product and financial institution because of its credit card facility. He states:

"Mega and Mandiri banks are my primary bank because of their credit card facility could support my business".

Key person aged 29 who work as a staff in a hospital states that:

"Syariah bank become my choice because of the hajj saving, beside that the administration

cost in Syariah bank is lower compared to conventional banks for example BCA". The interesting statement is from a male key person aged 42 who works as professional in agribusiness field, about his bank choice and product. The following is his statement:

"When I was looking for house credit (KPR), I came to Syariah bank. But the credit department was not enthusiast with my interest to use the KPR of that bank. I went to another Syariah bank and I got the same treatment and its KPR facility is less complete than conventional bank. Then I visited conventional bank, the way they treated me was impressive and considered me as an important customer. Finally, I chose the KPR facility in that conventional bank. However, for hajj saving, I still used Syariah bank".

The two key persons have a preference that when using banking services related to religious service, they chose Syariah banks, since only this type of bank that provide hajj saving. However, the standard of service from both Syariah and conventional banks was taking into consideration for choosing a bank products and services. Based on those statements the key person's decisions to select product and financial institution based on the benefits they could get from the product and the institution. The benefits they expect is in compliance with their needs when interacting with financial institution.

Perception about Syariah Banking Product

The second key question related to key person's perception of Syariah banking product. In general, the key persons perceive there is no fundamental difference between the products of Syariah banking and conventional finance because both banks offer the same benefit that is financial service. Some statements from the key persons show it.

Key person who is a male entrepreneur aged 38 states that:

"Based on my experience in credit application and open new saving account, there is no principle difference between Syariah financial product and conventional financial product".

Another key person a female civil servant aged 36 states a similar statement:

"Syariah banks have a little difference when doing contract transaction, but in principle relationship between customer and bank is still the same with conventional bank. Honestly, compared to Syariah banks, conventional banks are easier on the process and have lower term rate".

On principle two key persons understand the concept of Syariah financial product is different compared to the product of conventional finance. A male key person aged 29 who work in a hospital states that:

"When I was still in college I remembered the basic difference from Syariah financial product with conventional product was the contract transaction. The main principle of Syariah banking was to share benefit and risk between customer and bank. In conventional bank it is applied the bill plus rate. There are many products in Syariah banking, as far as I knew there were three products: mudharabah, musyarokah and murobahah. The three of them did not available in conventional bank".

Key person a professional aged 42, work as manager in multinational agribusiness

enterprise, also understand the principle of Syariah banking product. It is based on this statement:

"Syariah bank, as I know, has production sharing principle".

Some key person commonly consider conventional bank more interesting than Syariah bank. A professional key person aged 32 who has online business said that:

"Based on my experience conventional bank is more innovative, for example it offers 0% installment pay for certain credit card with certain condition and they keep their promise. I do not see this kind of innovation in Syariah banking when offering its product".

A 42 years old professional work as manager in multinational agribusiness enterprise states that:

"The services from Syariah banking is not awesome, there is no appeal on it".

Key person who is a female entrepreneur aged 42 states:

"I see in many Syariah banks, the number of the teller officer is little, and the transaction facility is not complete enough to accommodate my business".

Key persons also reveal that the superiority of Syariah financial products is in deposit products that give greater yield. Syariah insurance also gives bigger investment yield and business processes are much simpler than conventional insurance product. A key person sees from another side that is the issue aqidah or faith for a Muslim when they interact with bank or financial institution. A 29 years old key person who works as staff in the hospital states that:

"As a Muslim, according to aqidah, if we want to be a kaffah Muslim we should choose Syariah banking as it is in accordance with the religious belief".

Consumer perception shows how they evaluate Syariah bank compared with conventional banks. Most of them see that in order to meet consumer expectation about the benefit of financial product, the conventional financial products are still favorable.

In depth interview with Syariah bank manager and Syariah financial institution

In depth interviews conducted with the involvement of three managers of banks and Syariah financial institutions. Those who interviewed are the general manager of Bank Jateng Syariah, marketing manager of BMT Ammanah Ummah financial institution in Sukoharjo and marketing manager of Takaful Insurance Surakarta. There are two key questions asked at each manager of the bank and the Islamic financial institutions.

Product Excellence

The manager of Bank Jateng Syariah states that the excellence of their products is finance or credit. Their product provides lower production share compared to conventional financial product. Calculation from the side of interest, administration costs and 20 percent lower penalty. Deposit product with misbah also the excellence of the products of this bank.

Manager of BMT Ammanah Ummah declare that their product's excellence is in terms of the results that provide higher yield investment. In addition, this BMT product meet two main Syariah principles, the transaction are free of usury or riba and help

the poor because they are engaged in microfinance. They consider that for Muslims who want to be kaffah, the Syariah financial product is the only choice of financial product.

Based on the result of interviews, Syariah insurance product from Takaful has the advantage of higher yield and also eases on the process of insurance claim compared to conventional insurance. This insurance product already has a strong community by utilizing several Islamic study groups and majelis taklim as a means of communication with consumers. Kaffah Islamic concept and responsibility to do religious proselytizing of Islam is also an advantage of Takaful financial product.

Media Marketing Communication

Three banks and financial institutions were interviewed using the same media marketing communications, combination of the electronic media, print media and internet also word of mouth strategy. Islamic study community and majelis taklim become a way to encourage word of mouth strategy among consumers, so that the process of recognition of the product to information search of the product could be done well.

Media communication is also done with the social activity in accordance with muammalah and also gives shodaqoh, infaq and zakat. For example, it is done by the Takaful insurance that manages shodaqoh, infaq and zakat of their net income to be given to orphans, elder widows and the poor. Besides that, scholarship for underprivileged students is also part of this activity.

Discussions and direction of further studies

This study is an exploratory study to analyse decision making process and behavioral intention of consumers of Islamic financial product. Key persons in the consumer FGD provide information that the product evaluation process that they do for Syariah financial product is the same with conventional financial product. They compared the benefits from Syariah financial product. Syariah financial product should always stick to the rules established by the board of Syariah must refer to the Islamic fiqh or law about transaction which is halal or lawful. This causes the service to be not flexible. From the TRA context of Ajzen and Fishbein (1980) it emerges the research's question of how behavior belief shape consumer attitude on Syariah financial product. This finding is relevant with Che-Ha *et al*, (2017) conclusion of Islamic banking customer in Malaysia, that they are still consider product attribute in their decision making upon Islamic products.

The key persons in FGD and indepth interview also mentions the term that being a kaffah Muslim means that they must choose Syariah financial product as the only option because it is free of usury. Consumers realize that ghiroh (the spirit of) Islam should be the main consideration in using Syariah financial product in compared with the benefits of the product itself. On the other hand, marketers of banks and Syariah financial institutions are aware that the potential advantages of their products are halal or lawful financial transactions and barokah or blessing also the spirit to

develop Islam. The next research question is whether we could consider the concept of Islamic ghiroh is the same with religiousness as used in several researches related to the product with religious and belief background.

This research became the basis for further research to develop an operational definition and measurement of Islamic ghiroh. Islamic ghiroh's position in the context of purchase intention whether it could be the driver of subjective norm in the TRA context of Ajzen and Fishbein (1980)? This exploratory study shows the direction for a deeper research of the concept of non-economic benefit of the purchasing intention on Syariah financial product.

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