

The Impact of Islamic Branding on Consumer Preference towards Islamic Banking Services: An Empirical Investigation in Malaysia

Md. Abdul Jalil¹ and Muhammad Khalilur Rahman²

Abstract

Islamic banking system as a new banking structure has drastically increased its operations in order to expand its usage in different part of the world. The main objective of the study is to explore how much the bank consumers are influenced by the Islamic banking services and this research is also to identify the factors that influence customers in preferring Islamic banking services. A structural questionnaire is constructed to collect data to answer the research questions as being framed on related affective factors that influence consumers' preference towards Islamic banking services in Malaysia. In this study, we have employed confirmatory factor analysis (CFA), hypothesis testing and reliability analysis. The results show that convenience of services, perception of services and ethical organization has positive impact on Islamic banking services. The findings also present that Islamic branding has negative impact and insignificant relationship with Islamic banking service, since Malaysian consumers prefer Islamic banking service due to convenience service, perception of service and ethical organization rather than Islamic branding. One potential limitation of this study is the size and composition of the group which participated in the study. Therefore, a generalization about the entire population of Malaysian banking customers of banking sector is inappropriate. This study could not incorporate all levels of diverse factors that might influence consumers' preference in Islamic banking service. The findings of the study can facilitate the Islamic banking service providers to introduce innovative service offering in according to Islamic *shariah* principle.

Keywords: Islamic branding, Islamic banking services, Consumer preference, Ethical organization, Malaysia

¹Dr. Md. Abdul Jalil, Associate Professor, Faculty of Economics and Management Sciences, Department of Business Administration, International Islamic University Malaysia, Kuala Lumpur, Malaysia. E-mail: abd_jalil2@yahoo.com

²Muhammad Khalilur Rahman, Graduate School of Business, Faculty of Business and Accountancy, University of Malaya, Kuala Lumpur, Malaysia. E-mail: mohdkhalilur@gmail.com

Introduction

Before we embark on what is Islamic banking and finance, it is pertinent to write on what is branding and what is Islamic branding. Branding is to name of a product together with a distinctive logo. By looking on the brand name customers can differentiate one company's product from another company. On the other hand, Islamic branding means giving an Islamic name of the product or to comply with the objectives of shariah (*maqasid al-shariah*) while producing any products or offering any services. It is also important to know about the origin and development of Islamic banking and finance. We should know when exactly Islamic banking and financial mechanism started, how it gradually developed and what its current position of Islamic banking services in the Muslim world and western world. In this chapter these issues have been discussed. Muslims used Islamic banking and financial system from the very early stage of the Islamic History. They invested money in trade without interest. The financial business was based on profit and loss sharing mechanism, such as *mudarabah* (passive partnership) and *musharakah* (active partnership) (Chapra & Khan, 2000; Chapra & Ahmad, 2002).

At that time Muslim traders used coins as a medium of selling and buying goods and the coins were made of precious metals (Chachi, 2005). Muslims used to put these coins in sealed bags of different sizes containing specific amounts of coins to relieve the traders from trouble of counting them every time they made or received a payment. To buy goods physical payment with coins were not needed as it could give trouble of physically transporting the coin bags. The coin bags were placed in the custody of some people who were very trustworthy. The parties just agreed on specific price of goods and transferred funds from place to place without their physical transport. This system of payment for goods sold ensured safety of the money and successful payment mechanism in trades (Chapra & Ahmad, 2002). This mechanism of payment was practiced even long before the Islamic religion was revealed in Arab. Before the Prophethood of Prophet Muhammad, Arabs had a very long tradition to gather in Makkah beside Kabah to perform pilgrimage. They used to come to Makkah every year from far places. When these people came from their country to Makkah, they brought with them their local goods which were not available in Saudi Arabia at that time.

They used to sell these goods and made handsome profits. Similarly, after the pilgrimage when they returned back to their country, they used to buy goods from Makkah which were not available in their home country.

They sold those goods in their home country and used to make good profits (Lieber, 1968). These people (before the advent of Islamic religion) practiced trade based on Islamic financial system; no interest was involved in the transactions. The Quran encourages doing trade (The Quran 2: 275). Trade means buying and selling goods with profit. This profit from halal (permitted) business is permitted in the Quran, it is not *riba* (interest). Hence, we can say, at that time trade and Islamic banking system developed simultaneously. Thus, financial operations such as lending, borrowing, transferring, guarantying, safeguarding etc. all were extensively used in Arabian countries (Chachi, 2005). We can also say that Islamic banking and finance was originated during Prophet Muhammad (peace be upon him) when the Quran prohibited taking *riba* (interest) on loan given to people (Surah Al-Baqarah 2: 275). At that time Islamic banking system originated but it was not institutionalized like at present time developed banking and financial business. Prophet Muhammad and his companions practiced Islamic banking and financial system informally (Amer al-Roubaie, 2010). Islamic scholars say that Islamic banking and financial system in fact originated and practical among Arabs long before the prophethood of Prophet Muhammad in 610 AD.

Islamic banking and financial system developed tremendously for 14 years after Hijrah (Arabic Calendar) of Prophet Muhammad (peace be upon him) in Madinah. It is desired from Islamic scholars that the Islamic banking and finance should move towards right direction. It is the time to critically evaluate how Islamic banking and financial system respond to new world order, good governance and transparency. (Amer al-Roubaie, 2010). It is emphasized that Islamic banking and financial system must follow good governance and accounting transparency conforming to *maqasid al-shariah* (objectives of Islamic law). According to Amer al-Roubaie (2010), in recent years, a number of Islamic banks have been created to cater to the growing demand, driven by globalization and the vast wealth of some Muslim States in the Middle East and Southeast Asia and Islamic finance has moved from a niche position to become a main stream component of the global banking system. Most economists think that conventional banking system originated in the 12th century AD in Italy. They think that banking was Italian by birth (Bergier, 1979:105).

They opine that the technical word 'bank' is derived from the Italian word 'banco' which means a table or a bench on which Italian money-changers used to display their monies with an intention to conclude loan transactions.

They also gave loan to people and kept record of loan transactions (Chachi, 2005). They also believe that the first banks were established in different cities in Italy during the 12th century AD, such as Venice, Florence, Genoa and Lucca (Usher, 1943; De Roover, 1954).

However, the belief of those economists is wrong. Their notion of the origin of traditional banks can be dispelled if we study the financial history of the world. Actually traditional banking operations were practiced by most of the well-known early civilizations long before 12th century AD in Italy (Chachi, 2005). On the other hand, Islamic banking system originated and practiced on a scale which surpassed anything known before. Banking operations had been practiced in earlier civilizations such as the Islamic, the Roman, the Greek, the Egyptian, the Babylonian and the Sumerian civilization. According to Chachi (2005), there is available historical evidence on the practice of banking and finance which dates back as early as 34 centuries BC (i.e. 5,400 year ago). History shows that a very advanced banking system was carried out by the religious temples, which took deposits and gave loan to needy people and operated just like banking system.

Nowadays the Islamic banking is growing faster because of the interest free system and many developed countries have started to look at it as the alternative from their conventional banking system. In the last few decades the Islamic banking has developed very rapidly in many different economies and has been established in these economies as one of the most influential alternative to the conventional banking system which is based on interest transaction (Ahmad and Haron, 2002). The major reason for people to look for the banking alternative is that the conventional system has some problems and may suddenly cause instability to the economy at some point of time. The financial crisis that started in the United States in early 2008 and continued till 2010 has prompted Islamic banking proponents to renew their claim that Islamic banking is superior to conventional banking as it not prone to economic depression (Loo, 2010). The most basic flaw which is attached to the interest based banking system is that the crisis is embedded in the conventional banking system and as long as the economies are dependent on the conventional banking system especially its interest based banking system then the economies may delve into crisis at some point of time (Almossawi, 2001). However, the Islamic banking that based on Shariah laws that prohibited interest (*riba*) in the transaction will not depend on the interest and will not cause the probable crisis in the economy.

With this issue, many conventional bank starts to offer Islamic banking services to capture the demands and needs of the Muslim as well as Non-Muslim customers. The consequence of this is that Islamic banks operating in Islamic countries are faced with strong competition not only from Islamic banks but also from non-conventional rivals (Naser & Moutinho, 1997).

Furthermore, the number of Muslim population in non-Muslim countries is growing and the demand for Islamic banking will also increase in future. The competition between Islamic bank and conventional bank will increase day by day and the products and services offered will also increase in both types of banks. So, management of both types of banks will differentiate their services, brand, and marketing efforts. Therefore, this study aims to identify the relationship between Islamic branding toward customer preference on Islamic banking service and also other factors that influence the customer in choosing Islamic banks. Due to the challenging international financial environment in several major economies of the world, Islamic banking services have become an alternative to the conventional system. Public support and acceptance of Islamic banking system in Malaysia is technically reflected by the increasing amounts of total deposits and total financing based on Islamic principles that are placed by Muslim and non-Muslim customers, as well as the usage of Islamic banking products offered by the conventional financial institutions.

There are criticisms to conventional banking systems and similarly there are criticisms to Islamic banking services. Some people opine that Islamic banking system does not substantially differ from its conventional counterpart. They suggest that Islamic banking services offered must be in compliance with Islamic law (shariah). Some people worried that Islamic banking does not differ from conventional banking but it is just a terminological change, where the terms were substituted with more attractive and sounding words. Those depositors claim that they prefer Islamic banking service for a number of reasons. Therefore, if this issue of criticism continues it will damage the reputation of Islamic banking services. So, Islamic banks should come up with convincing and shariah compliant solutions to overcome those rising problems and convince the public. In fact, it is pertinent to exert robust research in developing more and more Islamic banking transactions which are interest free and fully shariah compliant. Islamic banks just started its operation in 1980s while the conventional bank started its function one thousand years ago.

Hence, the lovers and protectors of Islamic banks need enough time to develop its financial transactions further too fully comply with *maqasid al-shariah*.

The rest of this paper is organized as follows: The following section briefly reviews the literature. The next section defines the conceptual model and research hypotheses, follows by a description of the methodology and results. The study concludes with a description of the significance of the findings, managerial implications, and future research directions.

Literature Review

Different literature review shows that there are many factors that influence customers to receive Islamic banking services such as products and services, reliability, availability of enough outlets throughout the country for Muslims and so forth. However, for non-Muslims products and services is the most important factor; other important factors to them are reliability, availability of outlets and religion. Hence, some Islamic scholars say that it is not the Islamic branding only that influences customers to receive Islamic banking services. From the data analysis it has been found that the non-Muslims take Islamic services not only due to Islamic branding but some other factors such as perception of services, convenience of services, ethical organization etc. Therefore, in this research four important independent variables have been selected to determine which factor is the most important factor for the customers to take Islamic banking services. The above mentioned four independent variables are explained here with the support of previous literature review.

Islamic Branding

The Islamic market is totally Shariah compliant; means a brand should fulfill all aspects of the brands for the Muslim consumers, because Muslim consumers consume those goods and services, which fulfill the Islamic laws and norms. The markets are open and the Muslim brands as halal must be introduced to capture the Muslim market and can use the Islamic ideology for accruing the market which company wants to do business in the Muslim Market must go through the Islamic laws and norms (Jumani & Siddiqui, 2012). Awareness of the customers regarding the Islamic banking is an important factor in setting the attitudes of the Muslim customers regarding their acceptance of the Islamic banking services.

By properly making the customers aware of the positive aspects of the Islamic banking and making them realizing the flaws which are associated with the use of the interest based banking in the economy is an important determinant of the acceptance of the Islamic banking (Asif et al., 2012). Mark Loo (2010) highlighted that religion as the most important factor, followed by products and services, reliability, other factors and availability of outlets throughout the country for Muslims. However non-Muslims ranked products and services as the most important, followed by other factors such as reliability, availability of outlets and religion. Other factors that non-Muslims cited include words-of-mouth recommendation, automated teller machines, electronic fund transfer, electronic data interchange and e-business, the latest offerings in the banking industry. The findings conclude that the most attractive factor that draws Muslims is religion while the most attractive factor for non-Muslims is product and services. Even though it has been nearly a decade since the Islamic bank was first established in the country, only about 63% of the Muslims have understood either partly, or completely, the differences between the Islamic bank and conventional banks.

Non-Muslims showed much less understanding (Sudin et al., 1994). In the same paper of Mark Loo (2010) stated that most of the Muslim consumers have good understanding of the concept of Islamic banking and its service while non-Muslims do not have clear picture of the concept of Islamic banking and its services. In addition, Muslims customers said that they get advantages from Islamic banking services but non-Muslims stresses lack of special advantage. On the degree of the non-Muslim's customer perception of an Islamic banking, most respondents are unsure whether the establishment of Islamic banking will improve the general banking facility and products. Similarly, most respondents are unsure on the potential of Islamic banking products (Aziz et al. 2012). There is an insignificant difference in perception 'Yes or No' between Muslim X-Gen and Baby Boomers, there is a distinct difference between the two generation categories among non-Muslims. In any service industries, it is important to investigate customers' awareness and usage in investigating customer behavior. The assessment of customers' awareness and usage of products and service has become more important as today Islamic banks is not rely solely on religious factors as a strategy to secure customers' allegiances but they should also emphasize providing quality and efficient product and services (Dusuki & Abdullah, 2007). Religion is a key element to describe a cluster of beliefs. It is more than ecology of themes for social communication rather it is a specific way of communicating. It is not just cultural arbitrariness, but it is also systematic.

Religion does not just lie in its capacity for differentiation of people, it also lies in its ability to structure and lend meaning to everyday, to the local world of interaction. At the same time, Islamic banking came into existence to satisfy the financial needs of Muslims who have to observe the prohibition of interest based transactions (Haq and Smithson, 2003). Based on this we have proposed the following hypothesis:

H1: Islamic branding has positive effect on consumers' preference towards Islamic banking services

Convenience of Service

Except for a few differences in terms of order of importance, both the Muslims and non-Muslims valued the same traits when selecting their banks. The most important factor considered by Muslims when selecting their financial institutions is fast and efficient service and this factor was ranked second by non-Muslims. Friendliness of bank personnel, considered as the most important factor by non-Muslims, is ranked third by Muslim customers. Non-Muslims considered reputation and image of bank and reception received at the bank as third and sixth important factors respectively, but Muslims ranked these factors as seventh and fourteenth, respectively (Sudin et al., 1994). Compared Muslim and non-Muslim commercial bank customers in Malaysia and found no significant differences in patronage factors. Both ranked fast and efficient service speed of transactions and friendliness of bank personnel as the three most important factors. Muslim and non-Muslim customers were savings account, followed closely by the automated teller machine (ATM). This situation indicates that retail customers prefer banking facilities which carry some kind of return and that these customers also make full use of the ATM facility because of convenience and limited amount of withdrawal. Other facilities such as travelers' cheques, foreign exchange, safe deposit boxes, personal overdrafts, housing loans, personal fixed loans are seldom used by the respondents.

Cengiz erol and Radi EI-bdour (2007) suggest that convenience and public relations and is considered to be the most important factor influencing customer selection criteria of Islamic banks, fast and efficient service, recommendations of friends and relatives, external appearance of bank, interior comfort, counter partitions in bank, mass media advertising and availability of parking space nearby. Islamic banks relates to availability of credit with favourable terms, lower interest charges on loans and higher interest payments on savings accounts.

Following a similar study conducted by Boyd, Leonard and White (1994), the current study measured customer satisfaction with various products and services of Islamic banks, and with four basic elements of the service delivery system of Islamic bank: employees, physical facilities of the bank, location, and evening (late) banking hours. These criteria (i.e., satisfaction with products and services and satisfaction with basic service delivery elements) tend to cover a broad array of factors to be considered for customer satisfaction in a service industry like Islamic banking. Knight (2007) found that convenience customers selected recommendation by friends as the most important factor, followed by location, reputation, service charges and friendliness of bank staff ; whereas the service customers ranked availability of credit as the most important factor, followed by reputation, recommendation by friends, friendliness of staff and interest charged on loans. Thus, the following hypothesis is developed:

H2: Convenience of service has significant relationship with consumers' preference in Islamic banking service.

Perception of Service

According to Haque et al. (2009) customer perception about Islamic banking is being influenced significantly by quality of services, confidence in bank, social and religious perspective and availability of services. Three coefficients were positive values that mean positive relationship between customer perception and quality of services, social and religious perspective and availability of services. In other word, the positive values of coefficient revealed that positive perception towards Islamic banking. Furthermore, higher level of availability of services and social and religious perspective make the Islamic banking easier and comfortable. The negative value of the confidence in bank indicated that has less impact on customer perception. This study reflects that there was little difference concerning the usefulness of Islamic banking as compared among these three races. Nonetheless, this study finds the fact that there is a great deal of racial diversity within the Malaysian culture having similarities and differences in their perceived understanding on the operations of Islamic Banking(Haque, 2010). Base on this the following hypothesis is proposed:

H3: Perception of service has positive effect on consumers' preference in Islamic banking services.

Ethical Organization

Islamic services and products are well-received by non-Muslims population especially in Malaysia. They are fast gaining popularity and more widely accepted by the society at large, in particular the non-Muslims. It indicated that majority of the consumers have both Islamic and conventional banking accounts. This phenomenon is also in line with the wide support worldwide on Islamic banking (Aziz et al., 2012). According to Dusuki et al. (2006) customers highly regard knowledgeable and competent personnel coupled with friendly and courteous values to be the most important criteria in patronizing Islamic banks. This result indicates that the selection of Islamic banks appears to be predominantly a combination of Islamic and financial reputation and quality service Islamic banks offered by the bank. Therefore, Islamic banks must have good public relations in order to boost their reputation simultaneously to foster good customer and employee relations in order to attract customers. Lateh (2009) states that Islamic banking systems are based on the Islamic law (shariah) in the sense that the Islamic banks have to operate within the ethical and moral frameworks of the shari'ah. Under this framework, the Islamic banks are prohibited from dealing with activities that are considered unlawful (haram) in Islam such as investing in alcoholic factories, casinos, night clubs etc. Thus, we have developed following hypothesis:

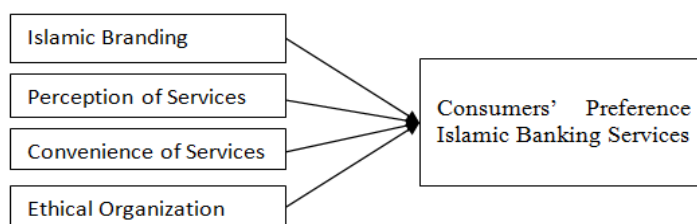
H4: Ethical organization has positive impact on consumers' preference in Islamic banking services.

Conceptual Framework

Grounded on extant literature review, the conceptual model (Figure. 1) is developed collecting data through survey questionnaires covering the most important factor that influencing consumers' preference Islamic banking services. The theoretical framework shows that there are significant relationship between the four independent variables and the dependent variable. The independent variables are: Islamic branding of services, perception of services, convenience of services and ethical organization. The dependent variable is 'receiving Islamic banking services'. The variable 'Islamic branding' is taken from the source Jumani et al. (2012), perception of services is taken from Abdullah et al. (2012), convenience of services is taken from Abdullah et al., (2012) and Erol & El-Bdour, (1989). Ethical organizations are very much influential factors among the bank customers regardless of Muslims or non-Muslims in choosing banking services from a particular bank.

Ethical organization is taken from the following literature review: Lateh et al., (2009), Lewis (1982), Thwaites and Vere(1995), Holstius and Kaynak (1995), Kennington (1996), Mylonakis et al. (1998), Owusu (1999), Almassawi (2001), and Bick et al. (2004).

Figure 1: Conceptual Framework



Methodology

Research Design

Survey questionnaire has been developed to collect data from respondents on random sampling basis. The respondents are requested to fill in the information required therein. The respondents consist of students, Bank officer, customer of banks, academicians and administrative staff members of some selected universities in Kuala Lumpur. Well-designed methodology is very important to collect data and to analyze the data to find the opinions of the respondents.

Instruments

Quantitative research methodology is used to analyze data in this research. Survey questionnaire is developed to collect required data. The questionnaire is prepared based on the previous literature review to pick up important factors and items therein referred. The questionnaire includes both close ended questions and open ended questions. Both types of questions are needed to explore clear opinions of respondents on influence of Islamic branding in choosing Islamic banking services. A total of 500 questionnaires were distributed, in which 373 valid cases have been selected for data analysis, whereas response rate was 74.6% in view of time constraints, cost and geographic distance.

A statistical package for social sciences (SPSS) and structural equation modeling (SEM) are used for descriptive and factor analysis.

Data Analysis and Result

Reliability and Validity

Assessing the reliability and validity of the questionnaires are very important. Most of the research is evaluated by using the terms reliability and validity. According to Rahman et al. (2010) the validity and reliability of the variables must be measured before conducting a latent variables model analysis. The study of Lowley (1998) elaborated the basic types of reliability and validity, such as construct validity (theoretical and empirical evidence), convergent validity (two measurement scales on equal concepts), discriminatory validity (different measurement scales) and content or face validity (proposed concept under consideration). Normally, reliability test is associated with a clear statement, pretesting and multiple indicators in the survey questionnaires. According to Churchill & Lacobucci (2010) in terms of each research, the consistency of result is found from a measurement instrument which is reliable to the content. The study by Ping (2004) recommended that validity indicates the consistency, reliability and validity. The validity is very crucial to test the hypothesized relationship among the variables (Musa, 2004). Validity refers to the consistency, relevancy and sequence of questions in the questionnaire. According to Malhotra (2007) validity is the extent to which different observed scale scores ponder true differences among objects. Table 2 shows KMO is 0.812 which is highly significant. The Barlett's Test of Sphericity is highly significant as the P value found is 0.000.

Table 2: KMO and Barlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.812
Barlett's Test of Sphericity	Approx. Chi Square	904.966
	Df	276
	Sig.	0.000

Demographic Information

Table 1 below shows demographic information of Islamic branding on Consumer preference towards Islamic banking services. The number of male respondent 229 and female respondent is 144. Majority respondents are Muslims that is 278 and non-Muslim respondents are 95.

According to profession of respondents data was collected from 161 students, 122 academicians and 90 administrative staff members. In terms of monthly income, around half (45%) of the respondents' monthly income was RM 5001-10,000, which followed by 27.6% (RM 300-5000), 25.5% (RM below 3000) and around 2% (RM above 10,000).

Table 1: Demographic Profile

Description	Frequency	%	Description	Frequency	%
Gender			Profession		
Male	229	61.4	Student	161	43.2
Female	144	38.6	Academician	122	32.7
Age			Administrative staff	90	24.1
20-25 years	94	25.2	Monthly income		
26-30 years	111	29.8	RM Below 3000	95	25.5
31-40 years	101	27.0	RM 3000-5000	103	27.6
Above 40 years	67	18.0	RM 5001-10,000	168	45.0
Religion			RM Above 10,000	7	1.9
Muslim	278	74.5			
Non-Muslim	95	25.5			

Factor Analysis

Generally, factor analysis is used to present analytical process of transferring data into linear combinations of variables (Sandelowski, 1995; Haque et al., 2012; Jalil et al., 2013). This study is use to explore the factors in selecting Islamic banking services. CFA is addressed a larger number of populations into a considerably smaller number of factors with a minimum loss of information (Hair et al., 2010; Haque et al., 2012; Jalil et al., 2013). Table 5 shows confirmatory factor analysis which provides factor loading values for all items in 4 factors are highly significant which range from 0.67 to 0.93. Hair et al. (1992) recommended in his study that the minimum factor loading can be considered if its loading becomes equal to 0.30. In his opinion, factor loading greater than 0.40 is very important but factor loading greater than 0.50 is most significant. In our analysis the highest factor loading is 0.93 and the lowest factor loading is 0.67.

Fig. 1: Structural Model

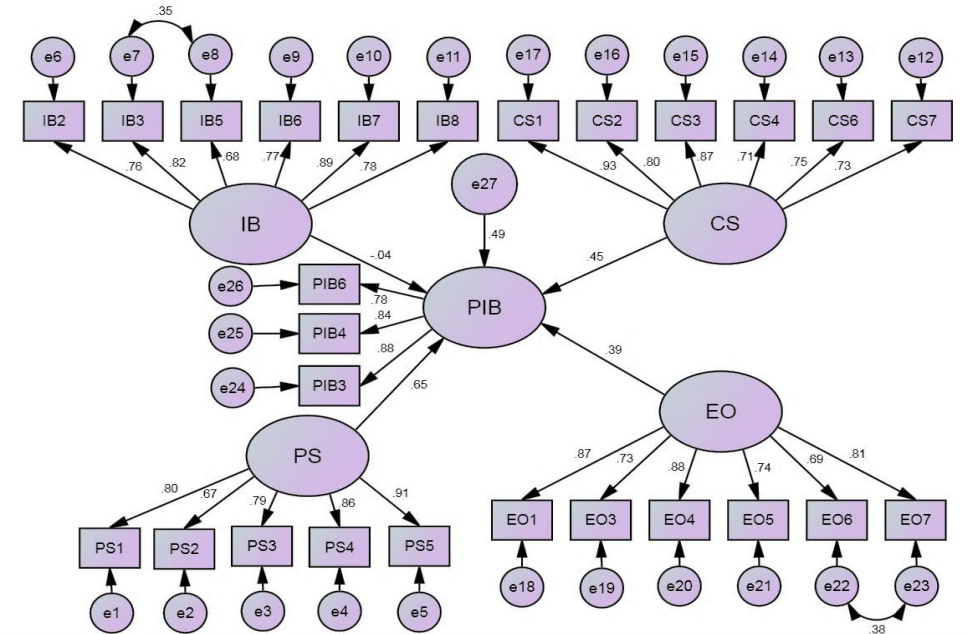


Table 3: Fit Measurements

Model measure	Ideal value	Model value	Model test
Normed chi-square	$\chi^2 \leq 5$	3.205	Accepted
Root mean square residual (RMSR)	$RMSR < 0.08$	0.071	Accepted
Comparative fit index (CFI)	$CFI > 0.90$	0.953	Accepted
Goodness-of-fit index (GFI)	$GFI > 0.90$	0.938	Accepted
Adjusted goodness-of-fit index (AGFI)	$AGFI > 0.90$	0.974	Accepted
P-value	$P > 0.05$	0.137	Accepted

Structural Model

The structural model shows that the chi-square/df= 3.205, which indicates a very good fit of the model, as suggested by Hair et al. (2010) who stated that the chi-square/df should be less than 5. In this study, RMSR (0.071) is achieved the required level. Hair et al. (2010), and Awang (2012) recommended that RMSEA less than 0.08 indicates a very good fit of the model. In Terms of p-value, it should be greater than 0.05. A CFI, GFI and AGFI value greater than or equal to 0.90 is considered to be acceptable, but 0.95 is deemed to be a very good model fit (Bentler, 1992; Haque et al., 2012). Hence, both criteria is achieved the recommended level (Table 3).

Table 4: Standard Estimation of the Main Model

Structural path (Standard Estimate				S.E	C.R	P-value	Decision	
H1	PIB	<---	IB	-0.043	0.120	-0.362	0.71	Not Accepted
H2	PIB	<---	PS	0.658	0.199	3.819	0.00	Accepted
H3	PIB	<---	CS	0.450	0.109	4.113	0.00	Accepted
H4	PIB	<---	EO	0.392	0.137	2.859	0.04	Accepted

Footnote: PIB= Preference of Islamic banking service, IB= Islamic branding, PS= Perception of services, CS= Convenience services, EO= Ethical organization.

Hypothesis Testing

In this study, four path coefficients are tested to identify the relationship with the model. The results show that three hypothesis are positively significant at the $p < 0.05$ level and Islamic branding has been perceived as not important by the customers as the path coefficient value is 0.04; as a result H1 is not accepted. However, perception of services is the most important to customers as it receives path coefficient value 0.65, which followed by convenience of services (beta=0.45) and ethical organization (beta=0.39). Therefore H2, H3 and h4 are accepted. As stated above, Islamic branding (IB) has not been seen as important by customers. Hence, we can conclude that it is not the Islamic branding (IB) that influences customers to take Islamic banking services but other factors such as perception of services, convenience of services and ethical organization which are in line with the findings of Abdullah et al. (2012); Lateh et al. (2009). Nonetheless, our finding is to some extent different from the finding of Loo (2010). In his finding, Muslim respondents ranked religion as the most important factor but non-Muslims ranked religion as the least important factor. For our research we may exchange 'religion' for 'Islamic branding' as Loo did not use Islamic branding as one of the independent variables in his research. On the other hand, Jumani and Siddiqui (2012) find that Islamic branding is not important for taking Islamic banking services. In his study he stated that it is safe to understand that Muslims act on their perceptions rather than their beliefs for Islamic branding.

Table 5: Convergent Validity and Construct Validity

Items	Characteristics	Loadings	Eigv	AVE	CR
	Islamic Branding ($\alpha=0.882$)		4.295	0.617	0.905
IB2	I buy Islamic banking services	.76			
IB3	Islamic banking services do not involve interest	.82			
IB5	I do not prefer the banking services if there is no Islamic branding	.68			
IB6	Islamic branding is not important to me	.77			
IB7	I prefer interest free banking services	.89			
IB8	I prefer shariah compliance transactions	.78			
	Perception of Services ($\alpha=0.873$)		3.984	0.656	0.904
PS1	Islamic bank not taking interest	.80			
PS2	Knowledge on Islamic banking system, influences customer's perception	.67			
PS3	Views and general perception of customers influence Islamic banking services	.79			
PS4	Good perception can change the preference of Islamic banking services.	.86			
PS5	Perception of banking service is material to customers	.91			
	Convenience of Services ($\alpha=0.858$)		3.201	0.643	0.914
CS1	Islamic bank provide quality service	.93			
CS2	Islamic banks are near to my residence	.80			
CS3	There are adequate ATMs of Islamic banks	.87			
CS4	Islamic bank officers are very cordial in providing services	.71			
CS6	I prefer fast and efficient service	.75			
CS7	Islamic bank provide quick service	.73			
	Ethical Organizations ($\alpha=0.886$)		2.876	0.624	0.825
EO1	I can trust Islamic banks	.87			
EO3	Islamic banks are not involve in unethical activities	.73			
EO4	Islamic bank do not invest in unlawful activities	.88			
EO5	Islamic banks are ethical organization	.74			
EO6	I like ethical banking service	.69			
EO7	Islamic bank provides equal rights to each customers	.81			
	Consumers' Preference Islamic Banking Service ($\alpha=0.838$)		2.552	0.696	0.872
PIB3	I am satisfied in Islamic banking service	.88			
PIB4	I prefer Islamic banking services	.84			
PIB6	I trust Islamic banking transaction	.78			

Convergent Validity, Construct Validity and Discriminant Validity

Convergent validity is achieved when all the items in a measurement model are statistically significant (Awang, 2012). Table 5 illustrated the convergent validity, construct validity and discriminant validity and reliability. The convergent validity this study indicates that all the items in the structural model are highly significant. Furthermore, the convergent validity varies through the Average Variance Extracted (AVE). The measurement model shows that the AVE of each construct is statistically greater than 0.60, which indicates a very good fit of the model (Table 12). Awang (2012) recommended that the AVE should be greater or equal to 0.50. The fitness index presents the construct validity. In this study, the fitness indexes of the measurement model shows that the ratio of Chi-square/df is less than 5.0, RMSR is less than 0.80, and the CFI, GFI and AGFI are greater than 0.90, which indicates that construct validity is achieved, as stated by Tanaka and Huba (1985). Construct reliability is achieved when $CR \geq 0.60$ as suggested by Wheaton et al. (1977), and Awang (2012). In this study, Table 5 shows that the factor loadings of the items, Cronbach's alpha, CR, and AVE, chi-square, RMSR, CFI, GFI and AGFI achieved the recommended level.

Table 6: Discriminant Validity (Squared Correlations between Constructs)

Constructs	IB	PS	CS	EO	CIBS
Islamic Branding (IB)	0.785				
Perception of Services (PS)	0.428	0.809			
Convenience of Services (CS)	0.395	0.483	0.801		
Ethical Organization (EO)	0.305	0.362	0.491	0.790	
Consumer Preference of IB Services (CIBS)	0.224	0.304	0.421	0.377	0.834

The diagonal values in bold (Table 6) are the square root of AVE while other values are the correlation between the respective constructs. In this study the discriminant validity is achieved because a diagonal value in bold is higher than the values in its row and column.

Conclusion

Islamic banking and finance are proliferating rapidly in the world. The number of new Islamic banks and new Islamic banking branches has increased tremendously for the past decades. Islamic banking services have been accepted by non-Muslims in Asia, Europe and America due to their interest free nature and ethical practice. The Islamic bank customers find trust in the bank and they consider the Islamic bank is more ethical compared to conventional banks. Although many Islamic as well as secular scholars are accusing Islamic banks saying they are not operating based on *maqasid al-shariah* and they are taking usury in the name of profit. However, the allegations are not completely true. There are a number of Islamic banking transactions which are fully complying with *shariah* principles. Nevertheless, there is still scope to upgrade the *shariah* transactions which have element of usury. So, we are hopeful that one day Islamic banks would be able to clear all allegations against them by fully complying with the *maqasid al-shariah*.

The objective of the research as stated earlier is: (i) to explore how much the bank consumers are influenced by Islamic branding to receive Islamic banking services; (ii) to identify the factors that influence customers in choosing Islamic banking services. The research questions are: (a) what is the relationship between Islamic branding and receiving Islamic banking services? and (b) What are the factors that influence customers in choosing Islamic banking services? To investigate the research questions, survey has been conducted through questionnaires from 113 respondents. The findings of the research show that respondents are not influenced by Islamic branding to take Islamic banking services but they are influenced by other factors such as perception of services, convenience of services and ethical organization. The finding shows that there is strong positive relation between the independent variable 'perception of services' and dependent variable 'consumer preference of Islamic banking services'.

There are some limitations of the research. Firstly, the sample size of the respondents is only 113. The result could have been more acceptable if the sample size was more than 200. Secondly, the data was collected only from different places in Kuala Lumpur. If the data was collected from different cities of whole Malaysia, the finding could be more significant. Thirdly, the number of non-Muslim respondents is a few in numbers that is 14 out of 113.

If non-Muslim respondents could be increased to at least 20% of total sample, the result could be more reliable. We recommend that future researchers would consider the above mentioned limitations in their research to see whether there is any change in the finding.

The number of Islamic banks has increased considerably over past decades. Consumers' preferences have also changed over the years. It has always been recognized that Islamic financial institutions face a challenging task in building customers' allegiance and attracting newcomers, particularly in a dual-banking system country like Malaysia, where competition is fierce with many other conventional financial institutions (Ahmad and Haron, 2002). This study is very significant in the sense that there are many papers and books have been written on Islamic banking and finance. However, no literature has focused on the issue whether customers go to the Islamic banks only because of 'Islamic branding' or some other factors. In this research, primary data has been collected through questionnaire survey to determine by using SPSS and AMOS software how much percentage of customers go to the Islamic banks solely because of 'Islamic branding'. This is the main significance of this research. As said above this study provides information about how Islamic branding affects consumer preference in receiving Islamic banking services. The information will be useful and beneficial for the institutions that provide Islamic banking services and enable them to communicate appropriately and develop new Islamic financial services that may appeal to potential customers.

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