

Determinants to adopt conventional and Islamic banking: evidence from Indonesia

Adopt
conventional
and Islamic
banking

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Abstract

Purpose – This paper aims to investigate how extrinsic and intrinsic religiosity influences the mediator variables, such as consumers' brand image and materialism in the Indonesian banking sector (e.g. conventional and Islamic). It also examines how mediators influence consumers' preferences.

Design/methodology/approach – The sample consists of 575 bank consumers. The experiment method was used to test the research hypotheses through three studies.

Findings – The empirical results indicate that religiosity positively affects consumers' decision-making process, precisely when bank products are based on Islamic principles. Furthermore, consumers' brand image and materialism partially mediate religiosity and consumers' preferences.

Research limitations/implications – This study was limited to Indonesian bank consumers. Therefore, future study is needed to analyze cross-region.

Practical implications – Bank managers and regulators need to enhance Islamic banks' products and services and the varying principle between conventional banks. They also need to enlighten consumers from the perspective of business and religiosity.

Originality/value – This study contributes to consumers' behavior literature and the decision-making process of developing and testing a model of religious determinants of consumer preference toward bank products.

Keywords Religiosity, Brand image, Materialism, Consumer preference

Paper type Research paper



Ethical approval: All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards.

1. Introduction

In 2030, half of the population worldwide is Muslims; during the period, the USA and several European countries will reach 6.2 million (Junaidi *et al.*, 2021; Solomon, 2018). It has prosperous economic and social demand for halal products and services (Hassan *et al.*, 2018). In some Muslim countries, the people are strongly committed to products and services compliant with Islamic law. The main difference between Islamic banks and conventional banks is applied profit and loss sharing and avoiding collaboration in alcohol, smoking and speculation activities. Indonesia is one of the countries that adopted a dual banking system where Islamic banks and conventional banks compete. Hence, Islamic banks need a unique strategy to attract consumers' concerns and interests. One way to strengthen consumers' preference is to launch the products regarding their beliefs.

Despite his most Muslim people worldwide, Indonesia's Islamic bank market share is around 5% (Junaidi *et al.*, 2021). Interestingly, prior studies concluded religiosity has an essential role in consumers' preference in South Korea (Hur *et al.*, 2020), South Asia (Rauf *et al.*, 2018) and Malaysia (Amin, 2020; Zainudin *et al.*, 2019). It also influences consumers' materialism (Pace, 2013; Raggiotto *et al.*, 2018) in Azerbaijan (Ahmadova and Aliyev, 2021) and Saudi Arabia (Abalkhail, 2021) and Iran (Ramazani and Kermani, 2021). On the other hand, religiosity has a significant correlation with consumers' decision-making process. However, other scholars found religion has a crucial role in Islamic business and marketing; for instance, Forghani *et al.* (2019) found religion less effective to Muslim consumers in Malaysia. Religiosity level does not correlate with Muslim people choosing an Islamic bank in Indonesia, and most of them are more prone to select a conventional bank (Pepinsky, 2013; Wilson *et al.*, 2013). Other scholars, such as Bananuka *et al.* (2019), attempt to examine Muslim consumers in Uganda. Recently, Adil (2021) found religiosity has a significant effect on Muslim consumers' materialism and ethical behavior in India. Junaidi *et al.* (2021) concluded that religiosity also positively affects consumers' commitment and materialism in Indonesia. Religiosity also has a crucial role in influencing brand image in Saudi Arabia (Abalkhail, 2021), the UK (Kok, 2021) and the USA (Liu and Minton, 2018). Unfortunately, the authors avoided simultaneously validating the role of materialism and Islamic brand image among Muslims in conventional and Islamic bank contexts.

Lack of study to compare Muslim motivation toward comparative study between conventional and Islamic banks. The other weakness of prior studies is more prone to examine a decision-making process, which mainly uses correlation and cross-sectional techniques such as surveys (Adil, 2021; Hassan *et al.*, 2018; Naveed *et al.*, 2020). Hence, fall to provide comprehensive results on Muslim behavior on Islamic banks even though some scholars found consumers more inclined to adopt conventional banks than Islamic banks in some Muslim countries. Furthermore, the authors also recommended that future studies investigate the essential role of religiosity in business and marketing fields with the distinguish approach.

The recent study attempts to fill this gap by examining the role of religiosity to consumer materialism, which adopted brand image and consumers materialism as a mediator variable toward comparative study among Muslim conventional and Islamic bank consumers. It is, therefore, worth exploring the consumers' prone across the countries and combining the method (e.g. experimental and survey). It provided internal validity and established causal relationship tools among variables (Kardes and Herr, 2019). Furthermore, this study addresses two research questions to fill the current research gap:

RQ1. Whether religion has a positive effect on consumer brand image and materialism?

RQ2. Whether consumer brand image and materialism have a positive effect on consumer preference?

This study makes two significant contributions in business, and it will utilize the banking sector more comprehensively. First, this study validates the effect of religiosity and consumer preference in conventional and Islamic banking. Similarly, the mediator variables (e.g. brand image and materialism) play a crucial role in bridging religiosity and consumer preferences. These studies enlighten not only in Indonesia context but also in a region with a dual banking system.

Second, the exception of literature and studies concerning the effect of religion on business is limited. Hence, they need legitimacy and transparency of the products and services (Hur *et al.*, 2020; Liu and Minton, 2018). The result from this study uncovers the crucial role of religion in the competition. It offers a detailed view of its impact on consumer preferences which was neglected in preliminary studies. Third, the current research has significant practical implications for the demand for religious products and services (Ahmadova and Aliyev, 2021; Hassan *et al.*, 2018). Finally, this study provides an insight into the existing situation of the current banking practice. The stakeholders would discover how the consumers' consciousness of religious versus non-religious products influences their decision. A comparative worldview study will deploy effective strategies and attract new acolytes due to business and religion having mutual relationships (Ayyub *et al.*, 2019; Ireland, 2018). We turn to bank brand image, products, materialism, and religiosity dimensions (e.g. extrinsic and intrinsic) to understand whether consumers choose conventional or Islamic banks. Therefore, the aim of this study is to examine how religiosity influences consumers preference, explore religiosity (e.g. extrinsic and intrinsic) as a mediator to validate consumer behavior, validate the level of the religious dimensions as a facilitator in the correlation between consumer decision process when faced to the more beneficial products.

2. Literature review

2.1 Religiosity

According to Md-Ilyas (1992), the fundamental principle of Islamic comprises knowledge (Ma'rifah) which provides Qur'an and Sunnah, belief (Aqidah) and practice (Amal). It has the foundation belief of humans to build their lives (Ahmadova and Aliyev, 2021; Abalkhail, 2021; Junaidi *et al.*, 2021). For a region with a Muslim population, religion is a substance of an individual religious commitment and harmonization to the state laws to their people consumption and use, namely, Islamic law (Shariah principle). It has become a guideline among Muslims what is acceptable (halal) and forbidden (haram) (Shome *et al.*, 2018). On the other hand, the company's operation and products must comply with the people's belief to protect the consumer shake principle and gain the consumer influx.

Commonly, the concept of religion in business has been explored from two key dimensions: religious affiliation and religious commitment (Minton, 2018; Stillman *et al.*, 2012). Furthermore, religiosity has two dimensions: Intrinsic religiosity is correlated with the people's spiritual aspects, and extrinsic religiosity maintains more behavioral characteristics (Ji and Ibrahim, 2007). Both religious dimensions could affect the consumers' behavior through the influence of the core value of belief and moral judgment. It can be seen that religiosity should influence consumer behavior with particular acts, spiritual rituals and specific ways of behavior. Individuals with high religious attributes usually have a relatively higher motivation to avoid worldly desires. They are aware of products and services that comply with their beliefs in the context of the emergence of Islamic finance and

Muslim consumers. Religion also possibly influences the Muslim image of Islamic and conventional banks.

2.2 Islamic brand image

In business literature, brand plays a crucial role in the intermediate relationship between seller and buyer. The process includes establishing the brand in the consumers' inspiration and behavior (Aaker, 1996). For instance, if consumers have positive attitudes and satisfaction toward the brand image, they will repeat the uses and purchase the products and services. This phenomenon will help the company or seller to increase the market share. This phenomenon pursues global firm launch the brand identified with a famous image and based on religiosity context such as Islamic brand. However, many definitions from scholars caused the meaning not clear of the mean of Islamic brand (Wilson and Liu, 2011), which caused by the elementary and lack of study and few kinds of literature based on Islamic brand (Temporal, 2011). In the Islamic view, the brand of "Halal" will help the consumers to avoid any element of doubt or forbidden based on Islamic principle in their view as a potential deal-breaker (Wilson and Liu, 2011).

Commonly, Islamic brand has three primary constructs: origin, target audience and halal products (Alserhan, 2016) for three reasons. First, the religious sense refers to all the activities of Muslims that are responsible to Allah (God). Therefore, all transactions must be under Islamic law. Second, the Islamic finance institution (IFI) success dominated the region with Muslim people as majority and minority countries (e.g. UK, Singapore). It proves the recognition of Islamic viewpoints in a business context. The religious and social background forms last, legal reason due to the legal context of a country.

2.3 Religiosity and materialism

The relationship between spirituality and materialism among scholars is still questioned, assembling in one spiritual materialism concept. In Islamic law, religion has an essential role in promoting care, harmony, love, peace, patience and rules and regulations that serve as a belief code of conduct. It has guidelines for individual and social life. Hence, business and religion are unity with regard to which products and services are authorized and which are prohibited (Amin, 2020). Muslims have adopted these principles to adopt Islamic bank products and services (Junaidi *et al.*, 2021; Kok, 2021; Zainudin *et al.*, 2019).

According to Raggiotto *et al.* (2018) and Stillman *et al.* (2012), materialism has two dimensions. First, self-enhancement versus self-transcendence. This concept divides values into personal-centric and other-centric. In contrast, spirituality refers to community values. Hence, religiosity potentially shifted from individual and hedonic desire to more prone to social orientation. Second, the openness to change versus conservation refers to personal experiences and value or against alteration toward prominence on self-restriction. Hence, this sense of the sacred of source consumption is a brand community to engagements religious magniloquence and influences ways to build innovative products and services (Pace, 2013).

In other words, materialism can be viewed as the value a consumer places on the acquisition and possession of material objects, and also more prone to luxury goods and consumption patterns of food. In the banking context, materialism relates to individuals' approaches and desires to increase their economic and social status, known as extrinsic materialism. It is related to competitiveness, egoism, envy, jealousy and self-interest. However, in Islamic banking, materialism is not just related to how much income will get but also whether a banking product halal (allowed) or haram (prohibited) is based on Islamic law compliance (Abalkhail, 2021; Junaidi *et al.*, 2021).

2.4 Islamic banking and finance

The basic philosophy of Islamic banking is based on some prohibitions and encouragements. The prohibition on *riba* and permission to trade, as enshrined in verse Al-Baqarah: 275 of Holy Qur'an [Allah has allowed (profit from) trade and prohibited *riba*]. It has addressed the financial activities in an Islamic economy through asset-backed business and transactions. Furthermore, the Islamic bank operation system refers to activity based on Islamic law (*Syariah*) and avoids interest, *gharar*, gambling and games (Ayub, 2012; Hassan *et al.*, 2018). Hence, Islamic banking products and services have become alternative financing principles toward four main approaches: *Mudharaba* (financing engagement among two people), *Musharaka* (joint venture based on profit and loss sharing), *Murabaha* (trade transaction) and *Ijara* (leasing). However, sometimes behavior control and benefits are the essential factors the consumers perceive to select Islamic banks rather than religiosity factors (Ayyub *et al.*, 2019; Ireland, 2018). Therefore, the Islamic bank system makes no profit, which complies with Islamic law; furthermore, the money is converted into tangible assets before the transaction occurs. It is an alternative solution to support the *Fiqh Muamallah* related to financial transactions (Figure 1).

3. Hypotheses

Islamic ethical code (Sharia) makes clear distinguishes between halal (permissible) and haram (prohibited) of products included alcohol and interest (Shome *et al.*, 2018). In Islam, the Muslim life is predominant with the religious behavior including all of life is a servant of God (Allah). Furthermore, the achievement is neither purely based on economic possessions nor assets representing delight's factual basis. These results have caused the decline numbers of consumer disappointment, materialistic and reduced their complaining. Preliminary studies found religiosity has become an essential key point among consumers to choose Islamic banks toward religion tenet (Hassan *et al.*, 2018; Junaidi, 2021). Furthermore, religion also directly affects influence consumer behavior in UAE (Shome *et al.*, 2018), India (Islam and Rahman, 2017; Rauf *et al.*, 2018) and Indonesia (Junaidi *et al.*, 2021). Thus, the relationship between business and religion is inseparable. Given the consideration, the hypothesis that:

H1. The Muslim people have a greater intention to choose Islamic bank than conventional bank.

In general, Islamic brand encompasses three sources: compliance, origin and consumer (target audience). It was rigorously attracted to Sharia principle compliance, which predominantly focused on halal products' food sector and finance. Furthermore, brand religiosity has a positive effect on consumer decisions (Abalkhail, 2021). Halal products are associated with emotions, and this aspect commonly recognizes the Muslim consumers' personality and behavior to produce a successful Islamic brand. Temporal (2011) is defined Islamic brands related to the marketing and product concept among people in Muslim

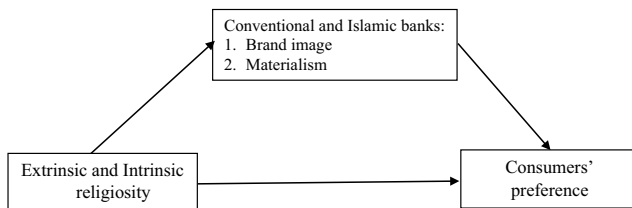


Figure 1.
Conceptual model of
Muslim preference to
conventional and
Islamic bank

countries. This definition has applied in counties with both Muslims as majority and minority, targeting a potential market. From Islamic law and a marketing perspective, halal products and services are essential standards, but economics and quality are imperative from a marketing perspective. Every aspect of life, such as culture, economy, religion and society, is inseparable from the brand (Stolz and Usunier, 2019). Previous studies concluded that belief strongly correlates to brand image and consumer preference (Ahmadova and Aliyev, 2021; Bananuka *et al.*, 2019; Islam and Rahman, 2017; Tabrani *et al.*, 2018). Given these considerations, the hypothesis:

H2. Brand image has a positive effect on mediating religiosity and consumer preference.

The consumer with a high spiritual level would select religious doctrines through the same method to choose a commercial good and service (Pace, 2013). It has a positive effect on self-caring and also would be a screen behind the self-control of consumers. Islamic law recommends that people should understand boundary materialism to access economic resources. God and religious awareness are the dimensions of the intrinsic religiosity dimension, which positively correlates to adopting permitted products while forbidding evil. While, extrinsic religiosity incorporates ethical principles, which are available in the Holy Qur'an and reliable prophet Muhammad conducted to Muslim people. It is all externally, internally and moral terms, which must be applied to the actions of the individual Muslim as a concept of personal well-being (toward consuming legitimate products and services by Islamic law) and societal well-being to preserve the ideal society (Alserhan, 2016). Besides, in their lives, Muslim people's activity is based on religion and accountable to God. Therefore, the business transaction must be following Islamic law (Islam and Rahman, 2017; Shome *et al.*, 2018). It proves religion has a crucial effect on Muslim consumers to drive Islamic banking products' choice (Junaidi *et al.*, 2021; Shome *et al.*, 2018).

Moreover, the success of a business should be measured by Islam principles (halal) instead of purely measuring it in terms of material. Islamic banking does not wholly alleviate obstacles to financing, but it can provide a solution as a substitute for conventional products and services. The level of personal religion is likely to be more dogmatic than fewer individuals with lower religiosity levels. Hence, Muslims with more religion is more likely to align their life based on Islamic law. Moreover, Muslims with a firm commitment to faith can make assessments consistent with their belief.

The principle between Islamic and conventional is quite different. Specifically, the financial instruments which applied interest-free conducted with Islamic law. Therefore, consumers commonly have various Islamic bank deposits and financing responses (Ayyub *et al.*, 2019; Hassan *et al.*, 2018). There is a solid inclination for a profit-loss sharing banking system from a segment of people who strongly desire to abide by Islamic law. However, the measurement of economic benefits is valued less to consumers with higher religion than by less (Ireland, 2018; Hassan *et al.*, 2018; Pace, 2013). Prior studies concluded that religiosity strongly emphasizes decreased materialism (Ireland, 2018; Islam and Rahman, 2017; Junaidi *et al.*, 2021). Given these considerations, it is a hypothesis that:

H3. Materialism negative effect to mediate between religiosity and consumer preference.

4. Study 1: the basic pattern of Indonesian people to use bank product

This study explores the basic pattern of consumers' financial products offered by the Islamic bank (IB). It compares it to the conventional bank (CB) for consumption or

investment purposes. We measure that the aggregate number of financial products offered by IB and CB to potential consumers. This study was designed in a one-direction where participants were accidentally given a condition: IB product as a represent religious product because it a symbol to the local conventional bank system as based on interest and consumer-minded preference that interest is prohibited in Islamic law. All participants saw the same condition with two alternative products before answering the questions, and lastly, four covariances such as gender, age, education and income were included in fundamental sociodemographic factors and product type preferences.

4.1 Methodology

The current study applies two approaches (e.g. experimental and survey) to explore the connection between religiosity and consumer preference among Muslim people in Indonesia. In particular, the experimental approach possibly validates internal validity and causal relationships among the investigated variables (Kardes and Herr, 2019). The advantages of the experiment method are fully prepared for accurate observation and possibly the observation under the same condition, enabling other experiments to control the result independently with different situations and variations of products. One hundred and fifty-nine participated in this study in exchange for charity donations for every survey were completed. This study was focused on the financial and loan products of banks in Indonesia. We assigned an Islamic operation system and no religious symbol on the cover/full brochure for products. The Islamic label, shaped like free interest, is widely recognized as the symbol of an Islamic product among Indonesians. First, the participants are informed that they would be obtained with bank products and briefly overview them. The file/brochure itself is without a bank logo to eliminate the potential influence of the content on manipulating the product's type. The number of consumers is divided by Islamic and conventional bank products choice (Figure 2).

4.2 Results

We compute the comparative result between IB and CB products. Consumers' preferences were significantly different, with the value of IB being larger than CB. If product type did not affect, the ratio is 1.00 would be predictable in *t*-test method. In Study 1, the mean value was 1.40 ($alic > t(35.95) = 2.80, p < 0.001$), and all the amount of the product was more than 1.00 ($p < 0.001$, binomial). This result has consistent with the hypothesis (*H1*). Thus, we can justify studying 2 for the expected pattern of both IB and CB products.

4.3 Discussion

The key finding in this study shows that most of the participants are more inclined to adopt Islamic banks rather than a conventional banks. Interestingly, religious symbols such as

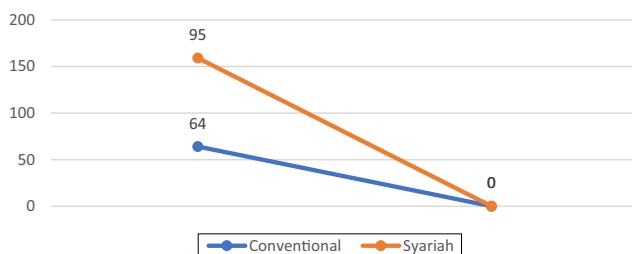


Figure 2.
Study 1: Bank
product choose by
consumers

free interest and Islamic view possibly influence Muslim opinions on financial products and services. It implies that the managers need to enhance the Islamic bank operation system's socialization and discuss their opinions and dissatisfaction with consumers. Furthermore, as regulator and Shariah supervise board (SSB), the government also needs to collaborate to develop Muslim awareness and commitment to an Islamic bank. It also supports prior studies that commonly Muslim people are more prone to Islamic banks (Bananuka *et al.*, 2019; Junaidi, 2021; Shome *et al.*, 2018; Zainudin *et al.*, 2019). However, some scholars argued brand image and materialism possibly influence the Muslim consumer decision-making process. Hence, we need to examine the role of brand image and materialism as a mediator to bridge religiosity and consumers' preference.

5. Study 2: mediation through brand image and materialism

The recent study examines whether consumers are more inclined to use financial products offered by IB than their similar coming from CB (H1). The usage patterns of IB' are differential religiosity versus CB' on brand image and materialism to influence Muslim people with to overuse IB' products than less religious (H2). This study examines the relationship between product type (e.g. conventional and Islamic bank) and participants' religiosity level (e.g. extrinsic and intrinsic).

5.1 Method

In Study 2, the religiosity dimensions were added. Two hundred and thirty-five respondents participated in this study in exchange for charity donations for every completed survey, which randomly assigned them to the condition of IB' or CB' products. The initial side of the questionnaire contains the modifying of product kinds. In IB's product condition, "X" is framed as a pro-Islamic product with religious principles such as free interest. Bank description indicates that "X" is committed to offering an ethical product based on Islamic law in which the consumer will get the benefit not only material but also spiritual. In CB's product condition, "Y" is described as a company with a fast process, high-quality, low-interest rate, long-term payback period and a mission for consumers' services.

Furthermore, all the participants delivered a narrative of the features of Y products, which are with the same conditions. Then, all the participants are given a brochure with content, logo, and symbol. They are asked to reply how they would choose by demonstrating the strength of the products after reading the randomly assigned scenario. Participants completed measure using seven-point Likert scale assessing they are perceived about the image of the bank (Hassan *et al.*, 2018; Islam and Rahman, 2017) ("religious/not religious", "different/similarly with conventional/Islamic bank", "very good/very bad", $\alpha = 0.605$). We also measured the participants' level of religiosity dimensions referring to Ji and Ibrahim (2007) scales. Because the instruments are applied in prior studies and built from Indonesian Muslim perspective, namely extrinsic dimension, $M = 6.44$, $SD = 0.92$, $\alpha = 0.918$ and intrinsic dimension, $M = 6.38$, $SD = 0.95$, $\alpha = 0.854$) with all the ratings are on seven-point scale Likert. In this study, we accompanied double spotlights analysis of the experimental product condition, brand image and preference intention at high and low religiosity to validate two-way interaction Appendix.

5.2 Discussion

The result of spotlight analysis of the participants perceived IB' products was a success regarding extrinsic religiosity value ($M = 2.95$, $SD = 0.57$) and intrinsic religiosity ($M = 8.91$, $SD = 0.51$). Moreover, a simple slope test was conducted between product choices to better understand the interaction effect (Figure 3). Consumer prefer to IB significantly with the

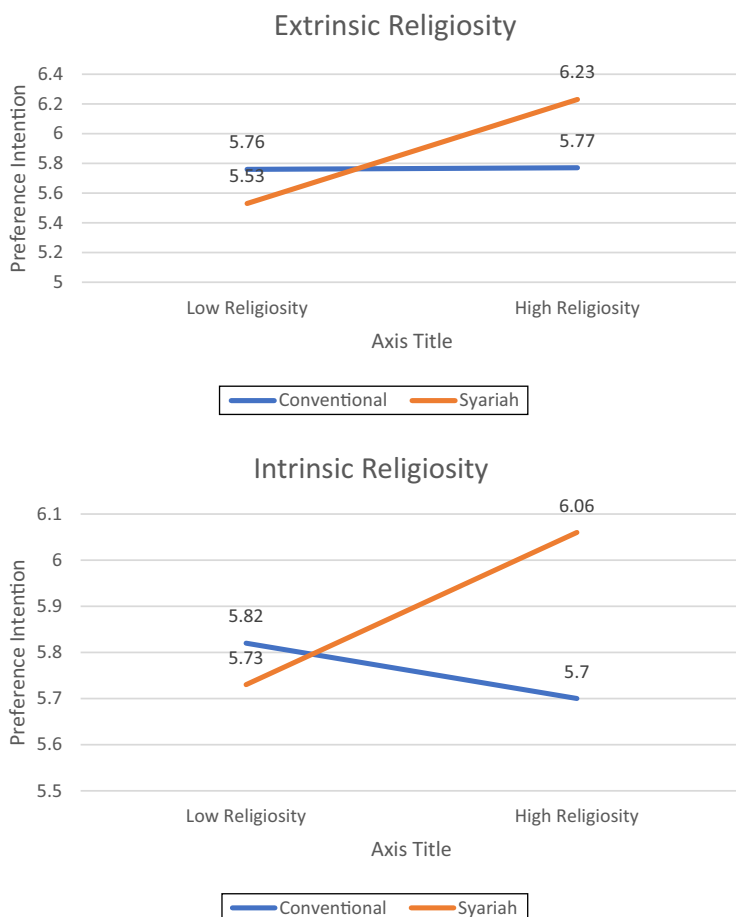


Figure 3.
Brand image
mediation effect
between religiosity
and consumer
preference among
Muslim consumers

extrinsic religiosity value ($r = 2.95, p < 0.000$), as well as intrinsic religiosity ($r = 8.91, p < 0.000$) were significant. It implies the distinctive pattern of effect extrinsic and intrinsic religiosity dimensions such as the frequent to attend religiosity discussion, pray and the presence of Allah (God) have a crucial role to reduce Muslim desire on wealth, the beneficial and facility of a conventional bank. On the other hand, consumers with high religiosity levels prefer IB, and Muslims also think and behave in line with their beliefs and value. Hence religiosity has an essential role in influencing Muslim attitudes regarding Islamic bank products and services. In contrast, consumers low in religious dimensions reported incline to CB brand, thereby supporting *H2*. This result confirmed prior literature and studies that the religious dimension positively affects consumers' preference, mediated by brand image (Abalkhail, 2021; Hassan *et al.*, 2018; Stolz and Usunier, 2019; Temporal, 2011; Wilson and Liu, 2011). The implication of this study to practice is the Islamic concept is quite different from a conventional bank. Moreover, the concept of materialism is halal (permitted) or haram (forbidden). It was also compliant with Islamic law. Whereas in a conventional bank, the concept of materialism is the amount of income for Muslim consumers.

6. Study 3: religiosity dimension and consumer indulgence among Muslim consumer

To apprehend the effect of Muslim religiosity on their decision in Study 3. We examined the consistency of participant choice with conventional product indulgence (e.g. materialism propose) and Islamic bank with beneficial material and spiritual preference intention, mediated by religiosity level dimensions.

6.1 Method

In Study 2, we have highlighted the critical factor of the effectiveness of religious dimension in product chosen pattern with the same method for participants' spiritual dimension level in Study 3. The primary goal of this study is to validate the probability of indulgences of the product, whether practical to increase the preference of IB (*H3*) with religiosity level as mediator variables, also to examine the consistency of prior results on products preference.

Two hundred and forty-seven respondents in this stage with an exchange for charity donation for every survey were completed, which accidentally assigned to one of the three experimental circumstances manipulating the product type and the information with a description of the banks' mission to convey the status of each product.

After reading the product descriptions, which are detained perpetual across conditions, participants are obtainable with a brochure of CB's and IB's products description. They are asked to show how they would get an economic impact only, using the simple calculation of the product. Note that a similar effect in a brochure is offered to all participants in similar situations to control the prospect of product description might distort the results. We measure product preference with the frequent participants' selection of the products. Next, the participant reported their preference intention ("not at all/greatly, a small amount/a great amount, very unwilling/very willing"; $\alpha = 0.763$).

6.2 Results

It is well-meaning to note were positive and significant correlations between participant preference or religiosity level and the dependent variable (regularity of choice bank products). From simple slopes tests, it can be seen that religiosity significant emerged with the value ($r = 0.39, p = 0.010$) and ($r = 3.28, p = 0.022$). Spotlight investigation toward standard deviation value for extrinsic religiosity ($M = 2.50, SD = 0.060$) and intrinsic religiosity ($M = 2.12, SD = 0.051$) was applied to additional observation of consumers preference pattern based on religious information (Figure 4). On the other hand, the participants' religiosity level has different perceived materialism of bank products.

6.3 Discussion

Comparable to Study 2, the participant's product preference correlates with extrinsic and intrinsic religiosity. It subsequently positive effect on Muslim materialistic behavior and bank product preference, thereby supporting *H3*. Thus, regardless of whether religion has a positive impact on consumer product brand image (Study 2) or is a material indulgence (Study 3), and also can subsequently be an effective way of influencing Muslim consumer behavior. These conclusions also support previous studies that consumers' religiosity levels significantly affect Muslim brand image, materialism and consumers' preference (Hur *et al.*, 2020; Abalkhail, 2021; Pace, 2013). Meanwhile, opposite with Pepinsky (2013) and Wilson *et al.* (2013). It was also a proven consumer decision to change when presented with a religious product and the spiritual value of an Islamic bank.

The authentic objective of the religious product effect is well-intentioned to study further. The consumers' extrinsic and intrinsic religiosity levels have a positive impact on marketing

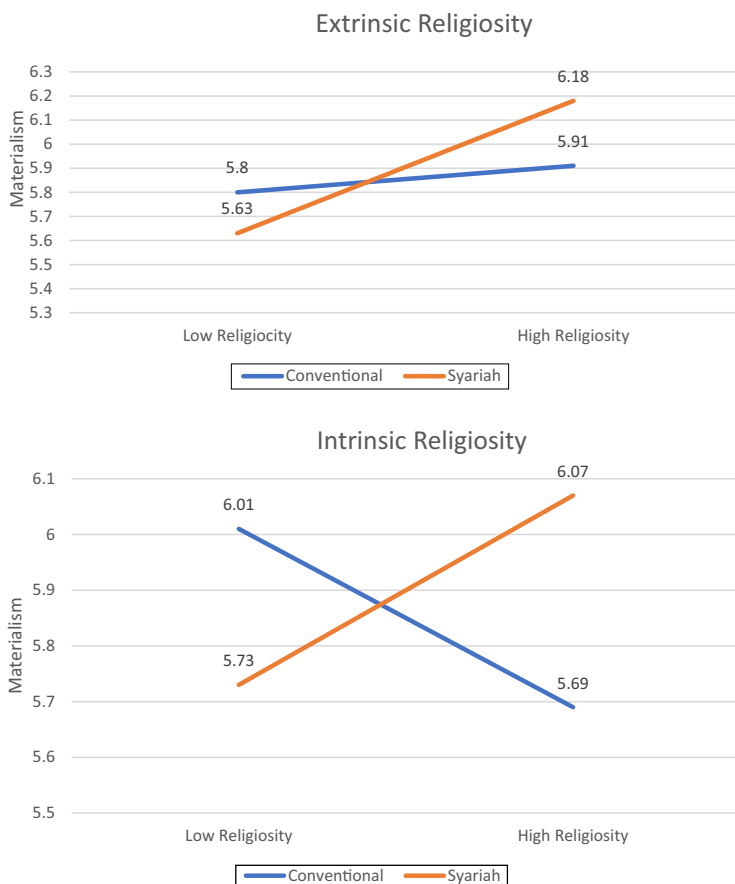


Figure 4.
Materialism
mediation effect
between religiosity
and consumer
preference among
Muslim consumers

the Muslim decision-making process. Moreover, brand image and materialism have a keen sense of belonging for Muslim preparations or could respond to an internal struggle of the desire of wealth mindset, which will affect religious scripture, symbol, or brand. Remarkably, all the direct effects of extrinsic religiosity dimensions on Muslim preference. Whereas non-significantly between intrinsic religiosity on consumer preference intention.

6.4 Mediation effect

This study adopted the procedure recommended by Hayes (2018) and the PROCESS macro for SPSS to calculate the 95% confidence interval (CI) with 5,000 bootstrapped samples to test the mediation effects of brand image and materialism between religiosity and consumers' preference. CIs result has represented significance at a 95% confidence level.

It can be seen in Table 1, the participants who chose the IB product is different from CB products (Figure 3), proving the manipulation of products type were successful. The model included product type (IB = 1 and CB = -1). To confirm the effect of religiosity on brand image. Study 2 examines how the brand image mediates between religiosity (e.g. extrinsic and intrinsic) and consumer preference (H2). We found a significant effect of interaction

Table 1.
Mediation effect
result

IV	M	DV	IV → DV (c)	IV → M (a)	IV (c')	IV + M → DV M(b)	Percentile method	Bootstrapping 95% CI Bias-corrected
<i>Study 2</i>								
ED	BI	PI	0.491***	0.445***	0.177**	0.703***	[0.061, 0.377]	[0.075, 0.481]
Standard error (SE)			0.120	0.138	0.072	0.034		
ID	BI	PI	0.241**	0.311**	0.019	0.719***	[0.117, 0.494]	[0.149, 0.613]
Standard error (SE)			0.107	0.122	0.063	0.034		
<i>Study 3</i>								
ED	MI	PI	0.312**	0.170**	0.219	0.550*	[0.413, 0.198]	[0.504, 0.244]
Standard error (SE)			0.153	0.077	0.149	0.141		
ID	MI	PI	0.280**	0.141**	0.203	0.550*	[0.006, 0.164]	[0.009, 0.199]
Standard error (SE)			0.134	0.067	0.130	0.141		

Notes: BI: Brand image, MI = Hedonic/Materialism, ED = Extrinsic religiosity, ID = Intrinsic religiosity, PI = Preference intention. Significant at *: $p < 0.05$; **: $p < 0.01$; ***: $p < 0.001$

between experiment product condition (e.g. religious and non-religious) and consumer preference emerged.

7. General discussion

Islamic brand image influences consumer preference, such as halal products, which control product indulgence. This interesting interaction was conducted in the context of the consumers' behavior and decision-making, thereby providing evidence of the outcome of religiosity level consumers upon disclosure of Islamic bank of products. The product indulgences with consumers' more significant level of religiosity were more reactive to the religious consequences. The positive connection fits with concepts that religiosity affects consumer inclination due to belief and faith in sacred scripture. Studies 2 and 3 show the positive relationship between religiosity and consumer preference facilitated by brand image and materialism.

Toward three studies, we validated the role of religiosity on Muslim preference to adopt conventional and Islamic banks. We also applied brand image and materialism as mediator variables between religiosity (e.g. extrinsic and intrinsic) and Muslim consumers' preference. Our conclusions fulfill the two research questions and the aims of the study in the introduction part. We found that Muslim consumers are more prone to adopt Islamic banks if the contents and religious symbols are described to people than the conventional bank. Furthermore, the income benefit has a more negligible effect of influencing Muslim decisions if they have a good understanding of Islamic law and Islamic bank products (Studies 1 and 2). The awareness of Islamic bank products has a greater effect on influencing Muslim consumers' decision-making process than conventional bank brand image and facilities (Study 3). This study contributes to the literature on the business field's religious dimension, specifically, how consumers change their decision after exposure to the principal Islamic information. This research also contributes to the consumer principal Islamic to demonstrate that religiosity dimensions could be part of a consumers' value and inducement information to evaluate potential study (e.g. when religious prompts are incorporated into business efforts).

7.1 Conclusion

Religion is an essential key point to marketplace behavior, such as Islamic banking products related to financing, investment and saving to avoid conventional products with an exciting base. The religiosity dimensions (extrinsic and intrinsic) had differential on the marketplace when bank products were launched based on Islamic principles, precisely, material or logical consideration response. Whereas consumers' intrinsic religiosity level, less self-controlled when showing to the same position. Hence, understanding the consumers' religious context can influence business activities and real consumer demand. There are confirms that Muslim consumers' religiosity is high when they have a higher intention to interact with other Muslims and communities. However, reading Koran, discussing religious principles and distinguishing between conventional and Islamic bank principles in the group or community over their activities have a more negligible effect than extrinsic religiosity. It also corroborates that the Mosque has become pivotal in bridging people's minds and knowledge about worship and economic principles in Islamic law.

7.2 Academic contribution

Moreover, this study contributes to business literature on the crucial role of religiosity (e.g. extrinsic and intrinsic) in the marketing field, which has played a different role in influencing consumer behavior based on the rule allowed and prohibited context.

This research also highlights the significance of religious code and principle as a mechanism of the behavior, belief, expectations and values to influence consumer decisions.

In addition to theoretical contributions, the recent study provided information for government, marketers and practitioners. When planning to launch specific products (e.g. exercise halal products), understand consumers' religiosity as critical insights into their preferences. The consumers' intrinsic religion is more approachable to an Islamic bank. Meanwhile, consumers' extrinsic religiosity is a lower reactant. Also, the recent study demonstrates a diversity of approaches for promoting religious-based products (sStudy 1) and religious knowledge, activities, advertising, brochure and message of religion to increase consumer preference in Studies 2 and 3. These results could combine into promotion and brand image in the short-term and long-term based on the company goals.

7.3 Practical implication

The religious messages may improve Muslim consumers' consciousness to be realized by consumers with specific spiritual attention. Furthermore, these online communication and interaction provide a particular site for consumers' religiosity dimensions to give a precise subject. The religious brands or products can equal the consumers' desire outline (e.g. descriptive religiosity). For instance, corporations could build market share with specific religious products or services to connect with consumers. It was also possible to seek words, which are linked to extrinsic religiosity (e.g. search terms of "religion member organization" or "religious product base"). In addition, the bank manager should consider the consumer religion aspect, especially when trying to establish products. The religious concept can also be used for the economic and social sector; these tactics could also apply to social and public policymakers to encourage more pro-social and self-controlled consumer behavior.

7.4 Limitations and future research

Although this research tries to combine age, culture, education and income among Indonesian Muslim people, future studies need to discover another marketplace attitude and potential awareness factors to influence consumers' decision-making. It is possible to learn the different fields of religiosity, such as praying and attending religious discussions to stimulate consumers marvelous, which is more applicable for cross-cultural dimensions. Thus, future studies need requirements to authorize the conclusions with other affiliations and states.

An additional study might also use different instruments to address religions' effects based on brand image and materialism reactance. Whether consumers with more religiosity level have determined by advisory factors, such as distinguish interpretation of scripture is a necessity to ones' organizations or council of scholar judgment (Fatwa) related to products. Moreover, the participants' religious background, knowledge and intention to attend a seminar or sacred assembly to elaborate *Fiqh muamallah* (Islamic rulings governing commercial transactions and Islamic banking and finance) can be applied as a control.

Recent research also warranted understanding why consumers with lower extrinsic religiosity have an insignificant effect mediating between brand image and materialism to religious products preference. Future studies also need to seek alternative mechanisms and variables to bridge the relationship between religion and consumers' behavior. Hence, further examination would validate belief cues in marketing primarily related to the brand, whether religious base or conventional base, to identify how religious versus non-religious belief and brands affect increasing or decreasing self-control.

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Appendix

Extrinsic religiosity (Ji and Ibrahim, 2007)

1. My reason to go and join member of Mosque is to establish in the community.
2. Although I am a religious person, I refuse to let religious considerations influence my everyday life.
3. A primary reason for my interest in religion is that my Mosque has congenial social activities.
4. Occasionally, I find it necessary to compromise my religious beliefs to protect my social and economic interest.
5. The Mosque is most important as a place to formulate good social relationship.

Intrinsic religiosity (Ji and Ibrahim, 2007)

1. I enjoy reading the literature about my faith and join the Koran study group.
2. I try to carry my religion over into all my other dealing in life.
3. I have been aware of the presence of God or the divine being.
4. My religious beliefs are what really lie behind my whole approach to life.
5. It is important for me to spend periods of time in private religious thought and meditation.

Brand image (Tabrani et al., 2018)

1. I commit to stay in a relationship with Islamic banks.
2. I have a strong attachment with Islamic banks.
3. I have a strong sense of belonging with Islamic banks.
4. I remain loyal to IBs due to the high cost to switch to other banks.

Consumer materialism (Junaidi et al., 2021)

1. I choose a bank that benefits me and the society regardless of Islamic law.
2. I choose a bank that refrains from dirty practices that can be detrimental to the public.
3. I choose a IBs because the penalty of the financing is lower than a conventional bank.
4. I choose a IBs because the profit-sharing of Islamic banks is higher than a conventional bank.
5. I choose a IBs because the overall of Islamic bank's product and service is better than a conventional bank.

Customer preference (Junaidi et al., 2021)

1. I consider use Islamic bank as my first choice.
2. I feel using Islamic bank is a good idea.
3. I am interested to use Islamic banking.
4. I am interested to use banking in the future.
5. I will definitely recommend Islamic banking to others.

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