

UDC 336

THE EFFECT OF PROMOTIONAL AND CUSTOMER VALUE ON CUSTOMER TRUST IN THE ADOPTION OF ISLAMIC BANKING

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ABSTRACT

Islamic finance has been one of the fastest-rising industries over the last ten years, 71% of which has been dominated by the Islamic banking sector. Islamic banking and its assets are mainly spread in Qatar, UAE, Saudi Arabia, Turkey, Malaysia, and Indonesia. Indonesian Islamic banking has become the world's most prominent Islamic banking retail. However, it only reaches 18.75% of customers compared to conventional banks in Indonesia. This study analyzes the impact of promotions and customer value on adopting Islamic Banking via customer trust. Our study employed 104 customers of Islamic banking. Data were analyzed using Partial Least Squares (PLS) analysis. The results show that promotion directly affects adoption and indirectly through trust and that customer value does not directly affect adoption and must be mediated by trust. This study proves that customer trust is needed so that they are willing to adopt Islamic banks.

KEYWORDS

Promotion, customer value, trust, adoption.

Islamic finance has been one of the fastest-rising industries over the last ten years. Islamic finance is estimated to be worth US\$2.4 trillion in 2017 and is forecast to grow by 6% CAGR to reach US\$3.8 trillion by 2023 (Reuters, 2020). The Islamic banking sector had 71% of total Islamic financial assets, equal to US\$ 1.721 trillion (Islamic Financial Development Report 2018). Islamic banking and its assets are primarily spread in Qatar, UAE, Saudi Arabia, Turkey, Malaysia, and Indonesia (Mifrahi & Tohirin, 2020).

Indonesian Islamic banking has become the world's most prominent Islamic banking retail. Indonesia has 17.3 million Islamic banking customers, 2,990 Islamic bank offices, 1267 Islamic services, and 43,000 employees. Indonesian Islamic banks have been recognized worldwide as un-doubtful and applicable, so they become examples, references, and places of learning for Islamic banks in other countries (Bank of Indonesia, 2016). Despite various achievements that have been made, Islamic banks face challenges to continue to improve their performance. These challenges include that, as a country with the largest Muslim population in the world, Islamic banks can only reach 18.75% of conventional banking customers (beritasatu.com, 2015).

The primary problem of Islamic banks is to make Muslims become their customer. Most Muslims do not seem to understand how Islamic banks work and how to handle financial services using Islamic financial literacy (Aziz et al., 2015; Zaman et al., 2017 in Kristanto, 2022). Muslim awareness of Islamic banking services remains low (Rammal & Zurbrueg, 2006). There is also a possibility that the public is aware of Islamic banking but does not use the services (Saini, Bick, & Abdulla, 2011). Customers know Islamic banking products are essential but do not fully understand them. The lack of customer understanding has caused an issue in adopting the Islamic banking system in Indonesia.

As an individual's decision to become a regular product user, adoption is influenced by many factors. Promotions allow companies to communicate with customers (Tariq, 2014). Islamic banking product adoption in the community requires enormous promotional costs. An integrated and appropriate communication strategy is needed to prevent the company from soaring promotional costs and ensure effectiveness and efficiency.

Customers considered the positive and negative impact of the product they will buy. If the positive impact is more significant than negative, the likelihood of buying will be greater.

Consumers also use perceived value to weigh various aspects of service compared to the costs offered by service providers in similar companies. Perceived value is a relative measure of the costs and financial aspects of a company's services compared to existing competitors. Customer perceived value is the difference between the customer's evaluation of all the benefits and all the costs they incur and the alternatives.

Increasing the fintech adoption needs customer trust; trust is the most fundamental factor in the financial sector (Nangin et al., 2020). Trust significantly affects the intention to adopt fintech (Eltin, 2019). However, other research found that trust negatively impacted fintech adoption (Noviyanti & Erawati, 2021). A condition with uncertainty automatically carries risks; in risky conditions, trust is required so that the parties involved are willing to take action (Raman & Annamalai, 2011). Trust helps users overcome their concerns and encourages them to adopt the product. The higher the customers' trust in fintech, the higher their possibility of adopting fintech (Nangin, 2020). Islamic banking should measure perceived value to increase trust and adoption of Islamic banking (Suryani, 2014).

LITERATURE REVIEW

Adoption is an individual's decision to become a regular product user (Kotler, 2000). Adoption can refer to a process, an event, or a state of being - sometimes all at once. Adoption is laden with positive value and implied finality. Adopters are those who adopt, as opposed to rejecters who decide not to adopt or non-adopters who have yet to become adopters (Zenobia, 2008). Five stages adoption process are (Kotler, 2000):

- Awareness: the consumer becomes aware of the innovation but lacks information about it;
- Interest: the consumer is stimulated to seek information about the innovation;
- Evaluation: the consumer considers whether to try the innovation or not;
- Trial: the consumer tries the innovation to improve his or her estimate of its value;
- Adoption: the consumer decides to make full and regular use of the innovation.

Promotion is a variety of ways to inform, persuade and remind consumers directly or indirectly about a product or brand being sold (Ardyanto et al., 2015). Promotion strategy is part and process of marketing strategy as a way to communicate with the market, using the composition of the promotion mix. Promotion is a marketing activity that seeks to disseminate information, influence, persuade and remind the target market of the company and its products to be willing to accept, buy, and be loyal to the products offered (Tjiptono, 2014).

Total customer value is the benefits customers expect from a product or service (Kotler, 2000). Customer total benefit is the monetary value of bundle economic benefit, functional, and psychology that customers expect from a market offer involving a product, service, personnel, and image (Kotler & Keller, 2015). According to Kotler (2003), customer-perceived value is a set of benefits that customers expect from products, service value, employee value, and image value.

Various customer value studies use different dimensions according to the business sector. In the service sector, Sanchez et al. (2006) use the GLOVAL scale to measure the customer perceived value of a tourism package which can be applied at academic and professional levels. In the banking sector, customer-perceived value includes emotional, functional, and social values (Ivanauskiene et al., 2012). Suryani (2014) researched the Islamic banking sector.

Trust is an assessment of one's relationship with others before transactions following expectations in an uncertain environment (Ba & Pavlou, 2002). Trust is a psychological part consisting of the willingness to accept shortcomings based on positive expectations of the other party's behavior (Kendra, 2003). Trust is the transfer of an excellent action to someone expecting the good to be paid despite the lack of a guarantee (Reiersen, 2019). The state of willingness arises because of the belief that the other party will provide what is expected. Trust is formed from expectations, beliefs, and attitudes (Barnes, 2004).

Promotions mean for companies to communicate with customers (Tariq, 2014). It can also be interpreted as an effort of the company to communicate with customers about the

product market (Tariq, 2014; Farida & Tarmiz, 2016 in Nangin, et al, 2020). Communication and trust are directly related (Ball et al., 2004).

Promotion has a positive and significant effect on customer adoption of Islamic banking (Rozikin & Sholekhah, 2020). Nangin et al. (2020) have found that promotion affects customer trust in fintech.

H1: Promotion has a positive and significant impact on trust.

H4: Promotion has a positive and significant impact on adoption through trust.

Customer value has a positive and significant impact on customer trust. Sharma and Klein (2020) stated that customer value has significantly impacted trust in online group buying behavior. Kim & Tang (2020) confirm that customer value is an antecedent to customer trust.

Customer value positively and significantly increases trust and adoption of Islamic banking (Suryani, 2014).

H2: Customer value has a positive and significant impact on trust.

H5: Customer value has a positive and significant impact on adoption through trust.

Trust influences the intention to buy or adopt a product (Gefen, 2002). Some research on developing countries found that trust significantly affects buying intention (Hajli, 2013). Trust and consumer awareness, and the availability of services and information have a significant effect on the consumer adoption process (Baabdullah et al., 2018 in Hasan & Sabbir, 2019). However, other research found that trust has a negative impact on the intention to adopt fintech (Noviyanti & Erawati, 2021).

H3: Trust has a positive and significant impact on the adoption.

METHODS OF RESEARCH

This research has four variables: promotion, customer value, trust, and adoption. The sample for this study consisted of 104 consumers of the Islamic Bank in Palembang City. Data were analyzed using Partial Least Squares (PLS) analysis performed through primary data acquisition and hypothesis testing.

RESULTS AND DISCUSSION

This report involved 104 customers of Islamic banking. Most respondents were male (58.2%), and the rest was female (41.8%). Most of them had become a customer for 1-2 years.

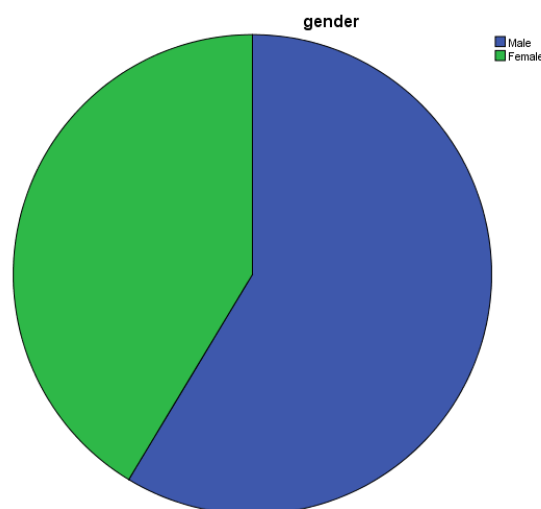


Figure 1 – Respondent's Gender
Table 1 – Length of Time as a Bank Customer

Length of Time as a Bank Customer	Percentage
< 1 year	23.8
1-2 years	48.6
3-4 years	18.1
>4 years	8.6

The validity test in PLS is a convergence validity test declared valid when the load factor is greater than or equal to 0.3. The validity of the discriminant shows the AVE value and is declared valid if it is greater than or equal to 0.5. The convergence validation results are shown in the following table.

Table 2 – Outer Loading

n/n	Promotion	Value	Trust	Adoption
P1	0.763			
P2	0.729			
P3	0.740			
P4	0.710			
V1		0.745		
V2		0.807		
V3		0.887		
V4		0.738		
V5		0.826		
V6		0.627		
T1			0.811	
T2			0.781	
T3			0.786	
A1				0.953
A2				0.863
A3				0.849
A4				0.741
A5				0.928

The maximum loading factor of promotion is 0.763, and the minimum is 0.710. Customer value has the highest impact factor value of 0.887 and the lowest of 0.627. Trust has a maximum loading factor of 0.811 and a minimum loading factor of 0.781. Adoption has a maximum loading factor of 0.953 and a minimum of 0.741. After testing convergence validity, we examined the AVE values to test discriminant validity.

Table 3 – Average Variance Extracted (AVE) and Cronbach Alpha

n/n	Cronbach's Alpha	AVE
Promotion	0.868	0.541
Value	0.719	0.602
Trust	0.708	0.629
Adoption	0.919	0.757

Table 3 shows that the AVE score for each variable is greater than 0.5. It means all propositional elements are discriminatively valid. Instrument reliability checks were tested with Cronbach Alpha analysis; it is the average of all parts of the coefficients resulting in dimensions of the scale term. Table 2 confirms that the Cronbach Alpha value for each variable is greater than 0.7, meaning all statements for each variable are reliable.

Table 4 shows that the p-value for hypothesis 1 is 0.005. It proves that promotion affects trust. The p-value for hypothesis 2 is 0.004 < 0.05, meaning that customer value affects trust. The p-value for hypothesis 3 is 0.000 < 0.05, meaning that trust affects adoption.

Table 5 shows that the p-value for hypothesis 4 is 0.000 < 0.05, meaning that promotion affects adoption mediated by trust. The p-value for hypothesis 5 is 0.997 > 0.05, meaning that customer value does not affect adoption mediated by trust.

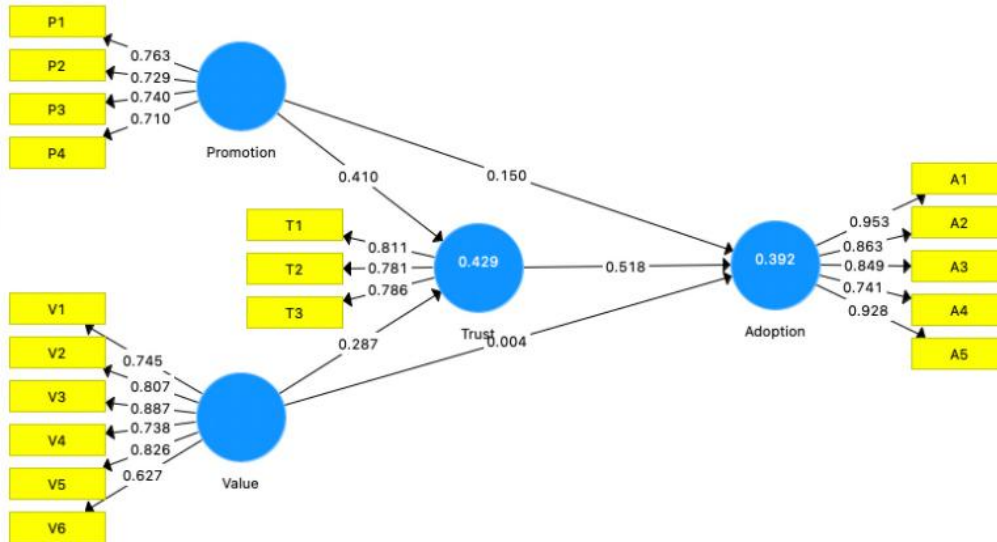


Figure 2 – Conceptual Framework

Table 4 – Hypothesis Testing Summary

n/n	T Statistics (O/STDEV)	p-values
Promotion -> Trust	2.802	0.005
Value -> Trust	2.885	0.004
Trust -> Adoption	4.659	0.000

Table 5 – Hypothesis Testing on Mediating Effects

n/n	T Statistics (O/STDEV)	p-values
Promotion -> Adoption	1.039	0.000
Value -> Adoption	0.029	0.977

CONCLUSION

Findings confirm that promotion has a positive and significant effect on customer trust. This means that more promotion exposed to the public will increase their trust in Islamic banking. Promotion has a positive and significant direct effect on adoption. Promotion has a positive and significant effect on customer trust. This proves that the promotion strategies by Islamic banking will customer trust and ultimately leads to the adoption of Islamic banking.

Customer value has a positive and significant effect on customer trust. Customer value does not directly affect adoption but must be mediated by trust. This study proves that customer trust is an antecedent to adopting Islamic banks.

Trust is the most fundamental factor in the financial sector (Nangin et al., 2020). Islamic banking can continue to carry out promotional strategies to increase customer trust and adoption of Islamic banking. It is recommended that the promotions carried out are content about customer value.

In addition to using conventional promotional strategies, Islamic banks can increase the use of social media to conduct promotion strategies and communicate customer value. This is based on the development of the times and the many studies that prove that customers trust communication through social media and community media.

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