

# Islamic Financial Literacy, Promotion, and Brand Image Towards Saving Intention in Sharia Bank

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## Abstract

This paper aims to empirically examine the relationship between Islamic financial literacy, promotion, and brand image and the intention of saving in Islamic banks. The data in the study were taken from 125 respondents. Respondents in this study were customers of Islamic banks, conventional banks, and were not yet customers of the two banks. This study uses quantitative research methods and analyzes the data using multiple regression models with SPSS 21 application. The results indicate that Islamic financial literacy, promotion, and brand image affect the intention to save in Islamic banks.

**Keywords:** Saving intention, Sharia bank, Islamic financial literacy, Promotion, Brand image.

## INTRODUCTION

Islam forbids the existence of usury in everyday life in the community. Because with usury, borrowers will not escape debt bondage and can experience bankruptcy. Usury generally occurs in conventional banking companies with their interest system. To replace the interest system, Islamic banking was established (Ismal, 2009). Sharia banking has two basic principles, namely profit sharing and prohibiting speculation (Gharar). Consequently, Indonesia also established Islamic banking.

In Indonesia, Islamic banking is still relatively new. The first Islamic bank in Indonesia was Bank Muamalat which was established in 1992 (Wahyudi *et al.*, 2018). With the existence of Islamic banks, the charging system in Indonesia has increased (Puteh *et al.*, 2018). Currently, Islamic



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banking in Indonesia is experiencing growth. In fact, there are 12 Sharia Commercial Banks, 22 Sharia Business Units and 162 Sharia People's Financing Banks (Bank Indonesia, 2015). Although the number of banks has experienced growth, the number of offices decreased. This can be seen from the data in July 2014 with 3,016 offices down to 2,881 offices in June 2015 (Bank Indonesia, 2015). This proves that the community is lacking loyalty to Islamic banking. One reason is the lack of Islamic financial literacy in these communities (Hardianto & Wulandari, 2016).

Indeed financial literacy is useful to protect a country's economy from a monetary crisis (Nidar *et al.*, 2012). Financial literacy is also very important for people from economic, financial, and social perspectives in making their personal financial decisions (Setiawati *et al.*, 2018). This is particularly important for Muslims. A Muslim needs to expand financial literacy to an Islamic perspective. That means not only they have to do transactions according to sharia but also have to expand its aspects (Abdullah and Razak, 2015) in order to attract customers with good marketing.

Marketing is important to use to introduce company products to prospective customers (Armstrong and Kotler, 2009). Marketing strategies are designed to influence customer behavior (Peter and Olson, 2008). Marketing strategies that are suitable for how to do promotions. With the promotion, it is expected to be able to attract customers (Naik *et al.*, 2009). The intention of saving can also be influenced by the brand image of the Islamic bank.

A good brand image will reduce customer doubts about the quality of the product (Hazée *et al.*, 2017). The brand image of a company or banking will affect consumer attitudes. If the brand image is good, consumers will decide to use the brand (Dolich, 1969) and will make purchases on an ongoing basis. With a good brand image, customers will intend to save at a Sharia Bank. This is in line with research conducted by Ahmad *et al.* (2011) which states that the main factor that can attract customers' intention to save in Islamic banks is the brand, ease of use, and quality of social interaction.

The intention to save has been widely researched and provides diverse information. Previously, there were several financial literacy studies, promotions, brand images, and intention to save. Widyastuti *et al.* (2016), examined the impact of financial literacy on saving intentions and saving behavior. The results of the study showed that financial literacy had no effect on the intention to save among students. Meanwhile, according to Jamal *et al.* (2015) who examined the influence of social and financial literacy on

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saving behavior, financial literacy influences saving behavior. With these differences, this article aims to examine the effect of Islamic financial literacy on the intention to save in a Sharia Bank.

There is another study conducted by Haque *et al.* (2010) about the advertising practice of Bank Muamalat in Malaysia. The results of the study showed that promotion can increase the awareness of sharia bank customers. This is also in line with research conducted by Istiqomah (2015) whose research results stated that promotion has a positive effect on consumer decisions using savings products from Bank Syariah Mandiri. So, this article also aims to examine the effect of promotion on the intention to save in a Syariah Bank.

Concerning brand image, there is a study that was conducted by Reza Jalilvand *et al.* (2014). His research was to find out the relationship between brands and customer attitudes towards banking services in Iran. The study revealed that brand construction (brand image, brand awareness, perceived quality, and brand loyalty) had a significant relationship with the attitude construction (affective attitude, subjective norms, perceived behavioral control, and behavioral intention). With the existence of these previous studies, this article aims to determine whether the brand image influences the intention to save on Islamic banks in Indonesia.

Based on the problems discussed above, we can investigate the factors that influence the intention to save in Islamic banks. The author aims to find evidence of Islamic financial literacy, promotion, and brand image as predictors of the intention to save in Islamic banks. The data are analyzed using SPSS 21 with four variables (Islamic financial literacy, promotion, brand image, and intention to save).

## LITERATURE REVIEW

Financial literacy is the understanding of consumers and investors on products and concepts and their ability and confidence in making informed decisions (Abdullah and Razak, 2015). Financial literacy are a mixture of awareness, knowledge, skills, attitudes, and behavior to make sound financial decisions that achieve prosperity (Bhabha, 2014). Financial literacy has five domains, namely a) Knowledge of financial concepts; b) Ability to communicate about financial concepts; c) Ability to manage personal finance; d) Ability to make financial decisions e) Confidence to make future financial planning (Remund, 2010). According to Zait and Berteau

(2015), financial literacy consists of five dimensions: “financial knowledge, financial communication skills, the ability to use financial knowledge for decision making, the real use of financial instruments (financial behavior), and financial trust. This is a conventional explanation of financial literacy, a little different from Islamic Financial Literacy.

Islamic financial literacy is individual knowledge about finance, skills, and attitudes and how people can use it to manage resources according to Islamic teachings (Rahim *et al.*, 2016). Islamic financial literacy is also considered as a person’s knowledge, awareness, and skills in Islamic finance and services that influence his attitude to make financial decisions that are appropriate to Islamic teachings (Antara *et al.*, 2016). Islamic financial literacy has nine factors that can influence it, namely banking products, views on Islamic banking products, the influence of parents, investment, views on conventional banking products, personal financial management, knowledge of wealth planning, knowledge of wealth management and attitudes towards products and Islamic financial services (Abdullah and Anderson, 2015).

Measurements for islamic financial literacy are seen from several dimensions, such as the basic concept (prohibition of usury, prohibition of training, and prohibition of Gharar), Borrowing concept (Mudarabah, Musyarakah, Ijarah, Murabahah, Istisna, Qard, Rahn, Ujrah), saving/investment concept (Wadi’ah, Waqf), and the concept of protection (Takaful) (Antara *et al.*, 2017). Therefore, to measure islamic financial literacy researchers also used indicators on these dimensions.

H<sub>1</sub>: islamic financial literacy positively influences saving intention

Promotion is an activity to offer products to customers and persuade them to buy in various ways (Armstrong and Kotler, 2009). This promotion is used as a tool that can be used to attract new customers (Schweidel *et al.*, 2008). A company including a bank uses promotions to attract customers to buy their products (Gupta and Cooper, 1992). Promotional activities in banking are communication between the bank and customers (Istiqomah, 2015).

In a study conducted by Mohammad *et al.* (2012), there are results that state that in marketing mixes, the promotion has a significant effect on customer satisfaction. In contrast, the research conducted by Bena (2010) stated that promotions carried out by the bank did not make customers satisfied. So, it is necessary for management to take part in conducting promotions that educate and enlighten customers (Isa Mohammad, 2015). According to Armstrong and Kotler (2009), the promotion has several

indicators, namely advertising, public relations, personal sales, sales promotion, and direct marketing.

H<sub>2</sub>: promotion positively influences saving intention

Lien *et al.* (2015) recommend brand relationships only to name or sign relationship with consumers. Brand image is a response to the brand that is done by consumers (Keller, 1998). Another notion of brand image is the brand's impression in the minds of consumers, and all the features and beliefs that shape the customer's cognitive processes after using these products (Xin-xin Zhang *et al.*, 2019).

In order for the brand image to be successful, companies must pay close attention to customer's needs and fulfill them (Chernatony & Malcolm, 1998). In addition, if a company has a good quality product, it can attract customers and create a good brand image (Aaker, 1997). Therefore, companies must maintain and enhance brand identity. To maintain and improve their identity, companies must improve the quality of products and services. The indicators used to measure brand image in this study are: the strength of brand associations, the benefits of brand associations, and the uniqueness of brand associations (Keller, 1998).

H<sub>3</sub>: brand image positively influences saving intention.

## METHODS

This study uses a quantitative approach of the type of correlational research to determine whether there is a relationship between Islamic financial literacy, promotion, and brand image variables and the intention to save in Islamic banks. This study uses multiple regression analysis methods using SPSS 21 software. The multiple linear regression equation used in this study is as follows:

$$Y = a + b_1 IFL_1 + b_2 P_2 + b_3 BI_3 + e$$

Y = Saving Intention

a = Intercept

b = Partial Slope

IFL<sub>1</sub> = Islamic Financial Literacy

P<sub>2</sub> = Promotion

BI<sub>3</sub> = Brand Image

e = Error term

**Research Data**

The data was collected from 125 respondents with questionnaire. The sample was determined using proportional random sampling. The data collection is done by using a questionnaire distributed by using the Google Form application. Respondents consist of customers of Islamic banks, conventional banks, and those who are not customers of both.

**RESULTS**

Table 1 below shows the results of data analysis on the intention to save, Islamic financial literacy, promotion, and brand image using SPSS 21 software.

**Table 1. Result of Regression**

<b>Variable</b>	<b>Coefficients</b>	<b>Std. Error</b>	<b>t-Stat</b>	<b>Sig</b>
(Constant)	2,500	1,077	2,321	,022
Islamic Financial Literacy	0,201	0,074	2,706	,008
Promotion	0,174	0,063	2,744	,007
Brand Image	0,239	0,109	2,181	,031
R-squared	0,296			
Adj R-squared	0,279			
F-Statistic	16,988			
Prob (F-Statistic)	0,000			

Source: Data Processed from SPSS 21

From the table, the results of positive constant value of 2,500 indicate that the intention to save in Islamic banks continues to increase without being influenced by the variables of Islamic financial literacy, promotion, and brand image if the three variables are considered constant. Islamic finance literacy has a positive and significant influence on the intention to save in Islamic banks, this is supported by a coefficient of 0.201 and a significance value of  $0.008 < 0,05$ . Hence, it can be interpreted that Islamic financial literacy contributes 20.1% to the intention of saving someone in an Islamic bank.

Promotion variables have a positive and significant influence on the intention to save in Islamic banks. This is evidenced by the coefficient of 0.174 and a significance value of  $0.007 < 0.05$ . Then it can be interpreted that

the promotion variable contributes 17.4% to the intention of saving someone in an Islamic bank. Brand image variables also have a positive and significant effect on the intention to save in Islamic banks. With a coefficient of 0.239 and a significance value of  $0.031 < 0.05$ . So, it can be interpreted that the brand image has a contribution to the intention to save in Islamic banks by 23.9%.

The R-squared table shows a value of 0.296, which means that the variables of Islamic financial literacy, promotion, and brand image have a contribution of 29.6% to the intention of saving someone in Islamic banks, while the remaining 70.4% are influenced by other variables outside of this research. The value of F in this study was 16,988 with a value of  $P = 0,000 < 0,05$ . So, it can be concluded that the three independent variables (Islamic financial literacy, promotion, brand image) affect the dependent variable, namely the intention to save in Islamic banks.

## **DISCUSSION**

Based on the results of the research that have been obtained, Islamic financial literacy, promotion, and brand image influence the intention to save in Islamic banks. The results of the analysis of each independent variable on the dependent variable will be discussed one by one.

Islamic finance literacy in this study positively and significantly affects the intention to save in Islamic banks. This result is in accordance with the research conducted by Abdullah and Anderson (2015) which state that Islamic financial literacy affects a person's personal financial management and the intention to save in Islamic banks. Meanwhile, research conducted by Widyastuti *et al.* (2016) shows that financial literacy does not affect the intention to save students. In the results of research by Jamal *et al.* (2015), financial literacy influences saving behavior. This means that a person's level of Islamic financial literacy can influence their intention to save in Islamic banks. The higher a person's understanding of Islamic financial literacy, the more they will be interested in saving in Islamic banks. Vice versa, the lower a person or even does not understand about Islamic financial literacy, then they will assume that Islamic banks are the same as conventional banks.

The promotion has a positive influence and significantly affects the intention to save in Islamic banks. In line with the research conducted by Awam *et al.* (2015) which explains that promotion can increase customer intention to use a company's products. The product in question is a

product from Sharia Bank. Haque *et al.* (2010) mentioned in his research that promotion can increase awareness of sharia bank customers. This is in line with the results of research from Istiqomah (2015) which showed that promotion has a positive effect on consumer decisions using savings products from Islamic banks. Promotion is used as an intermediary between the bank and the customer, because promotion is communication between the bank and the customer (Istiqomah, 2015). So, what the bank needs to do is establishing good relationships with customers or prospective customers. If this relationship is good, the customer will still save in Sharia bank and prospective customers will have the intention to save at Sharia bank.

Brand image has a positive and significant effect on the intention to save in Islamic banks. This result is in accordance with the research conducted by Ahmad *et al.* (2011) which state that brand image influences the customer's intention to save in Islamic banks. Therefore, Islamic banks must pay attention to their ability to gain a competitive advantage and build a strong brand image. To get it all, banks must improve product quality and service quality (Aaker, 1997). The bank must also know what is needed by the customer and must be able to fulfill it so that the brand image is successful (Chernatony & Malcolm, 1998). Reza Jalilvand *et al.* (2014) in his study concluded that the brand construction (brand image, brand awareness, perceived quality, and brand loyalty) had a significant relationship with the attitude construction (affective attitude, subjective norms, perceived behavior control, and behavioral intention).

Islamic financial literacy, promotion, and brand image increase the intention to save in Islamic banks because having high financial literacy in each individual community will help them to know the advantages of saving in Islamic banks. Of course, to support this, there are needs of encouragement from promotions by Islamic banks. What is important from all this is the brand image of the Islamic bank itself.

## **CONCLUSION**

Based on the results and discussion of the research in this study three conclusions can be made: (1) Islamic financial literacy has a positive and significant effect on the intention to save in Islamic banks, (2) promotion has a positive and significant influence on the intention to save in Islamic banks, (3) brand image has a positive effect and significant intention to save in Islamic banks. The value of R-squared is 0.296, which means that

the variables of Islamic finance literacy, promotion, and brand image affect the intention to save by 29.6%. This proves that Islamic finance literacy, promotion, and brand image only contribute little to one's intention to save in Islamic banks. Therefore, there are needs for further research on the same topic by adding several variables and research samples. The limitation of this study is the adequacy of data to analyze factors that influence the intention to save. Therefore, for further studies, we suggest adding several variables and research samples.

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