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## Consumer Decision Making in Conventional Banks and Islamic Bank based on Quality of Service Perception

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### Abstract

A high level of competition between Islamic and conventional banking is occurring in Indonesia. They use quality of service as a winning strategy. The objective of this study is to describe and understand customer decision-making in terms of perception of the differences in the quality of services between Islamic and conventional banking. This study is a qualitative research with phenomenological approach. The respondent of the study is Bank Muamalat and Bank Rakyat Indonesia customer. Interviews and documentation are used for data collection. Techniques of analysis involved in this study are data collection, data reduction, data presentation, and conclusion.

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**Keywords:** Islamic banking; conventional banking; qualitative research; decision making; perception; quality of service

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### 1. Introduction

Financial institutions in Indonesia begin to apply Islamic (sharia) principles in 1992. The first commercial bank that applies the principles of sharia is Bank Muamalat. In addition to Islamic banks there are conventional banks, that running their business conventionally. Based on regulation (UU RI) Number 21/ 2008, the principle of sharia in banking activities based on fatwas issued by agencies that have authority in setting it. Implementation of sharia principle in banking industry using the principle of profit sharing rather than interest as applied in conventional banks. Islamic bank conducted its activities based on the Qur'an and the Hadith which is the foundation of Islam. In contrast

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to conventional banks that are taking advantage of the application of interest in activities.

Customer perception of the values expected from each bank will affect them in choosing between banks with Islamic principles and conventional banks. Banks that have been chosen by the customer will explain their reason using the selected bank, so they made the decision through understanding and consideration. The behavior of bank customers to the services used (conventional banks and Islamic banks) can be influenced by the environment toward the bank characteristics, so each bank has a different customer. Bank Muamalat as per 2013 grows their market share to 24% (increase 1% from 2012) and the asset reach Rp 54.9 Triliun (Wiyanto, 2014).

The respondents in this study are the customers of Bank Muamalat and Bank BRI. The easiest thing that can be perceived by customers is the principle in the distribution of profits from transactions carried out. Bank Muamalat which is the first Islamic bank and a pioneer for Islamic banks had already implemented a profit sharing system, so customers do not have to worry and also customer can conducting transactions using ATM Muamalat to transfer to another bank account for free. If Bank Muamalat is the first Islamic bank emerged, in contrast to Bank BRI which is a conventional bank which is able to reach outlying villages in their network. People quite familiar with the BRI because extensive network coverage. BRI is able to reach remote areas. In addition, people look for BRI because the ease to obtain and use the services of the bank. Bank BRI branch unit has been able to reach remote villages and their ATM also has spread in many regions so easy to make cash withdrawals. This research is based on the phenomena arise in a society that customers has a reasons while choosing between Muamalat Bank and Bank BRI in Jember. The research comparing customer reason in choosing their banking services using qualitative approach.

## 2. Problem Statement

The growing of banking industry between Bank Muamalat and Bank BRI in Jember which is has a different system in the implementation of interest and profit sharing also has result in different customers type. Each client has its own reasons to choose, especially when it viewed from the side of the quality of services offered by the banks.

## 3. Purposes

The purpose of this research is to understand and describe the perception of the public in decision-making in terms of differences in the quality of services of Islamic banks and conventional banks.

## 4. Literature Review

Islamic bank is a bank in which their activity is based on the Qur'an and hadith. According to Sulhan and Ely (2008:125) islamic bank is a bank that is in running their business based on the principles of Islam. Islamic banks do not recognize the interest system, but they used revenue sharing for their customers. Basically principles of Islamic banks requires all funds raised in the Islamic banking system is managed with high integrity and very carefully. Revenue sharing system will bring benefits more equitable for all parties, both for the owner of the fund and the bank as fund manager.

Determination of the risk is made at the time the contract was made with reference to the possibility of profit and loss. The value of the revenue sharing is depend on business profits or project being undertaken. If it does not benefit then the loss will be shared by both parties. Prohibition of riba would be a strategy on the elimination of the injustices in the midst of today's society. As well explained in the Al Baqarah verse 278-279 :

يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنتُمْ مُؤْمِنِينَ (٢٧٨)  
فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ وَرَسُولِهِ وَإِنْ تُبْتِمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ (٢٧٩)

Meaning : *O' you who have Faith! be in awe of Allah, and forgo what remains (due to you) of usury, if you are faithful. But if you do (it) not, then be you apprised for war from Allah and (His Apostle, and if you repent, you shall have your capital; (thus) deal you not unjustly (with others), nor you be dealt with unjustly.*

Economic relations based on Islamic law is determined by the relationship of aqad which are consists of five concepts of aqad. Those five concept are: the principle of pure deposits (al'Wadiah), profit sharing (Syirkah), the principle of buying and selling (at-Tijarah), the principle of the lease (al-Ijara) and the principle of service/ fee (al-Ajrwalumullah). Islamic banks and other Islamic non-bank financial institutions uses those principle in their business.

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