Do Religious Factors Influence Consumers' Intention to Switch to Sharia Banking in Indonesia?

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Abstract. The paper investigates the religious factors influencing the intention to switch to Sharia Bank in Indonesia. Switching intention often occurs among consumers who have choices and access to information about products or services that are being used or will be used. A broader choice that allows consumers to consider the option of product or service to be used by paying attention to factors that suit consumer needs and references [1]. One increasingly relevant phenomenon in this context is the shift in consumer behavior, which is influenced by the consumers' religion. The data are gathered through an online self-administered questionnaire. The sample in this study was 260 conventional bank customers who were also Sharia bank customers in Indonesia. Smart PLS-SEM is used to analyze the data. The result showed that belief and trust in Islamic banks influence the intention to switch from conventional banks in Indonesia to a Sharia bank. The literacy of Islamic financial and religious motivations does not significantly affect the intention to switch from a conventional bank to a Sharia bank. This paper provides several factors rarely investigated previously in the context of religiosity in marketing literature. Hence, several factors in this research contribute significantly to the switching intention of Muslim consumers to Sharia banks from conventional banks.

Keywords: Literacy in Islamic banking, Religious motivation, Belief, Trust in Sharia Bank, Switching intention

1 Introduction

1.1 Background

As a variable examined in this study, switching intention plays an important role in consumer switching behavior. Switching intention is the probability or certainty that consumers will switch from the currently used provider to a new service provider [2]. Switching intention is an individual's desire or intention to switch services and is described as a signal and opportunity for customers to switch to a new service. The higher switching intention is expected to increase the movement from conventional banks to Islamic banks [3]. The theory of Planned Behavior (TPB) is an extension of the Theory

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of Reasoned Action (TRA), which also includes perceived behavioral control. Switching intention to pay attention to perceived behavioral control can consist of factors such as the availability of alternatives, the ease of switching, and the obstacles that may be encountered in the switching process [4]. In the context of switching intention, a person's intention to switch will be influenced by their attitude towards the brand they are currently using and the brand they will switch to [1].

The banking sector, which has a variety of products/services and consumer personal preferences, such as differences between conventional banks and Islamic banks, provides consumers with alternatives to choose products and services that suit their desires. Switching behavior variables in Islamic banking have different characters that include halal and usury elements in their selection [5]. However, in reality, many non-Muslim consumers also move and use Islamic banking products [6].

Consumer perceptions of banking services and customer trust strongly impact customer decisions to switch from conventional to Islamic banks [3]. Indonesian people still think that Islamic and conventional banks are no different, and there is a lack of public knowledge about Islamic banks, so people agree that Islamic banks are the same as conventional banks [7]. On the other hand, studies say that religion is one of the factors that consumers use to save at Islamic banks in Indonesia. As reflected in a study, the influence of religiosity on saving behavior in Islamic banks proves that an ideological-emotional mindset is more dominant than a rational mindset [8]. The halalness of the product is important to us as Muslim consumers [9]. They have to ensure the product complies with all Islamic legal requirements. When Muslim customers learn that the product they are using goes against Islamic principles, they become dissatisfied and regretful. When someone regrets using a product because they are displeased with it and discover better options, they plan to move to the better choice [10]. The basis for this research is the diversity of study results conducted by experts. Religion is one factor influencing Islamic consumers' choice of halal products [11]. Furthermore, this study addresses research questions to fill the current research gap on whether the religious factor affects switching intention from a conventional bank to a Sharia bank.

1.2 Hypothesis Development

Switching Intention. Switching intentions can negatively impact a consumer's experience after making a purchase, particularly when there is a tendency to move from one product, brand, or service provider to another. A few factors that influence the intention to switch include consumer behavior, price, halal labeling, religious beliefs, the quality of the product, and persuasion bias [10], [12], [13], [14].

Literacy in Islamic Banking. According to research, literacies are one of the most important factors in the development of Islamic banks. The low level of Islamic banking literacy in Indonesia hinders the development of Islamic banking [15]. Islamic banking literacy refers to an individual's ability to comprehend and apply knowledge of Islamic currency, skills, and attitudes in selecting and using Islamic banking products. The low level of Islamic banking literacy in Indonesia hinders the development of Islamic bank-

ing. However, religious observance and faith are important considerations when choosing a Syariah bank product [13]. Islamic and Halal literature are philosophical ideas that can influence a person's decision-making, particularly when adhering to Syariah law [13].

H1. Literacy in Islamic banking has a positive direct effect on switching intention

Religious motivation. One variable that also affects switching intention in this study is religious motivation. Religious motivation is a driving force or inspiration that encourages someone to engage in religious activities or to participate in religious activities [16]. The word "religious" comes from the word "religion," which is derived from the word "bending," which refers to religion. Religions are analyzed in terms of the quality of life and character traits of individuals based on the principles of their adopted religion. Consumers' use of banks does not deviate from the terms they have agreed upon based on the agreement, similar to research conducted in Indonesia [8].

H2. Religious motivation has a positive direct effect on switching intention

Belief. Belief in purchasing behavior is based on strategies marketers use to influence consumers' decisions to buy a particular good or service [17]. The principle of trust is applied in negotiation through various means. Markets systematically offer services or products that prioritize customer satisfaction, ethical standards, and religious values. Religious beliefs, cultural practices, and regional languages affect how well global marketplaces promote services and goods in various nations. A person's religious beliefs can influence their style of living and the type of product they choose [18]. According to another study, trusting beliefs can mitigate the impact of brand awareness and product quality on customer satisfaction [19].

H3. Belief has a positive direct effect on switching intention

Trust in Sharia Bank. Trust can be defined as someone's confidence or trustworthiness toward another person or thing, such as a product or brand [20]. Enhancing trust can be achieved through developing communication skills, minimizing agreed-upon terms, addressing consumer concerns, and other factors such as product quality, service quality, and interest rate on Islamic banks also positively impact customer loyalty [21].

H4. Trust in Sharia Bank has a positive direct effect on switching intention

2 Methods

The purpose of this paper is to examine Muslim customers' intention to switch to a Sharia bank. The study employed primary data gathered via a self-administered, two-part questionnaire. The questions in the first section covered the respondents' demographic data. There were twenty-six questions about the variables in the second section. The Likert scale was used, with one representing strongly disagree and seven representing strongly agree. The population under investigation in this study is Muslim bank customers. Furthermore, the study's sample consists of 260 respondents who are clients of Sharia banks.

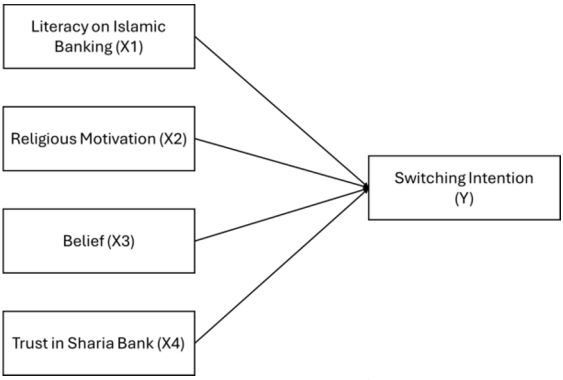

Fig. 1. Framework

Sources: Author's work

Researchers will conduct quantitative research, which will produce data in the form of numbers and be processed by computers using SmartPLS version 3 software. Quantitative research aims to develop and use systematic models, theories, and hypotheses to help analyze data and prove hypotheses by providing results in the form of numerical numbers.

3 Results and Discussion

This study observes males (66%) and females (34%). The respondent's character is described in Table 1 as follows. According to data from the February 2023 National Labor Force Survey (Sakernas), the number of working men in Indonesia reached 11,947,824, while the number of working women was 8,151,396. This shows that more men are working than women. With more men working, more men have savings for salary receipts.

Table 1. Description of respondent characters

Variable	Description	Amount	%
Gender	Male	172	66%
	Female	88	34%
Age	17-26 years	5	2%
	27-36 years	52	20%
	37-46 years	96	38%
	47-56years	80	31%
	>56 years	23	9%
Last education	Senior high school	4	2%
	Vocational bachelor	8	3%
	Bachelor degree	172	66%
	Master degree	61	23%

Variable	Description	Amount	%
Average income	Doctoral degree	15	6%
	<1 million IDR	3	1%
	>1-5 million IDR	31	12%
	>5-10 million IDR	59	23%
	>10-20 million IDR	89	34%
	>20-30 million IDR	37	14%
	>30 million IDR	41	16%

Sources: Author's work

Based on Table 1, it can be seen that this study was dominated by respondents aged 37–46 years (30%) where this age is the age of the workforce that has been stable in a career, which can also be seen from the large number of those with a bachelor's degree (66%) who have a salary in the range of 10-30 million IDR (34%).

Data Analysis Techniques Validity Test Validity testing is used to see whether the variables under study have valid results. A valid instrument means that the measuring instrument used to obtain the data is valid. Valid means that the instrument can measure what should be measured. A questionnaire is declared valid if the Sig. (2-tailed) < 0,05. All items in this study, after being processed, have valid results.

Convergent validity: Criteria – Loading Factor > 0,7 & Average Variance Extracted (AVE) > 0,5.

Table 2. Outer Loadings

	Belief (X3)	Literacy On Islamic Banking (X1)	Religious Motivation (X2)	Switching Intention (Y)	Trush In Sharia Bank (X4)
X11		0,773			
X12		0,795			
X13		0,85			
X14		0,833			
X15		0,683			
X21			0,845		
X22			0,857		
X23			0,863		
X24			0,902		
X25			0,828		
X26			0,849		
X27			0,905		
X28			0,924		
X31	0,853				
X32	0,929				
X33	0,854				
X41					0,894
X42					0,900

	Belief (X3)	Literacy On Islamic Banking (X1)	Religious Motivation (X2)	Switching Intention (Y)	Trush In Sharia Bank (X4)
X43					0,871
X44					0,762
Y1				0,900	
Y2				0,899	
Y3				0,910	
Y4				0,880	
Y5				0,931	
Y6				0,592	

Sources: Author's work

Based on Table 2, the Loading Test for questions X15 and Y6, they have a value <0.7, so these two questions can be ignored, as shown in Table 3.

Table 3. Loading Test

	Belief (X3)	Literacy In Islamic Banking (X1)	Religious Motivation (X2)	Switching Intention (Y)	Trush In Sharia Bank (X4)
X11		0,822			
X12		0,858			
X13		0,875			
X14		0,819			
X21			0,845		
X22			0,858		
X23			0,863		
X24			0,901		
X25			0,828		
X26			0,849		
X27			0,905		
X28			0,924		
X31	0,85				
X32	0,93				
X33	0,856				
X41					0,895
X42					0,901
X43					0,871
X44					0,76
Y1				0,917	
Y2				0,913	
Y3				0,904	
Y4				0,869	
Y5				0,931	

Sources: Processed data

After X15 and Y6 are discarded, the Loading Factor criteria meet the requirements of > 0.7, so the questions above are "valid", as shown in Table 4.

Table 4. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Belief (X3)	0,854	0,868	0,911	0,774
Literacy On Islamic Banking (X1)	0,866	0,874	0,908	0,712
Religious Motivation (X2)	0,955	0,957	0,962	0,761
Switching Intention (Y)	0,946	0,953	0,959	0,822
Trust In Sharia Bank (X4)	0,879	0,883	0,918	0,737

Sources: Author's work

After X15 and Y6 were discarded and viewed as "Construct Reliability and Validity," the data above met the criteria where Cronbach's Alpha> 0.7 and AVE> 0.5.

When looking at the results of "Discriminant Validity" where using the Fornell-lacker method obtained in Table 5.

Table 5. Fornell-Larcker Criterion

	Belief (X3)	Literacy On Islamic Banking (X1)	Religious Motivation (X2)	Swiching Intention (Y)	Trush In Sharia Bank (X4)
Belief (X3)	0,880				
Literacy On Islamic Banking (X1)	0,493	0,844			
Religious Motivation (X2)	0,819	0,609	0,872		
Switching Intention (Y)	0,765	0,409	0,672	0,907	
Trush In Sharia Bank (X4)	0,729	0,411	0,632	0,752	0,859

Sources: Author's work

Discriminant Validity meets the condition that the root of the AVE is greater than the correlation between the variables below. Because all tests have been met, the data can be used for further research, and the model becomes (see Fig 2).

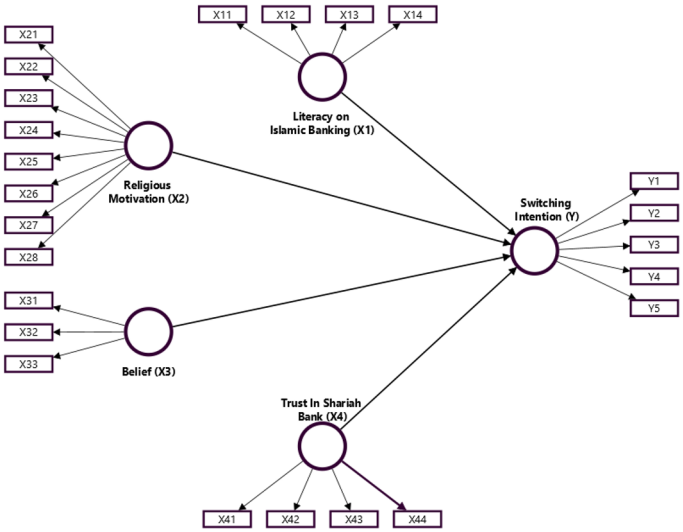

Fig. 2. Hypothesis Model

Sources: Author's work

Hypothesis proof test Bootstrapping method shows in Table 6 below.

Table 6. Bootsraping

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Belief (X3) -> Switching Intention (Y)	0,391	0,388	0,100	3,908	0,000
Literacy On Islamic Banking (X1) -> Swiching Intention (Y)	-0,014	-0,009	0,060	0,229	0,819
Religious Motivation (X2) -> Swiching Intention (Y)	0,102	0,104	0,094	1,088	0,277
Trush In Sharia Bank (X4) -> Switching Intention (Y)	0,408	0,408	0,077	5,323	0,000

Sources: Author's work

X1 and X2 do not affect Switching Intention, as the P value> 0.05 indicates. At the same time, X3 and X4 affect Y. Bootstrapping of the model occurs (see Fig. 3).

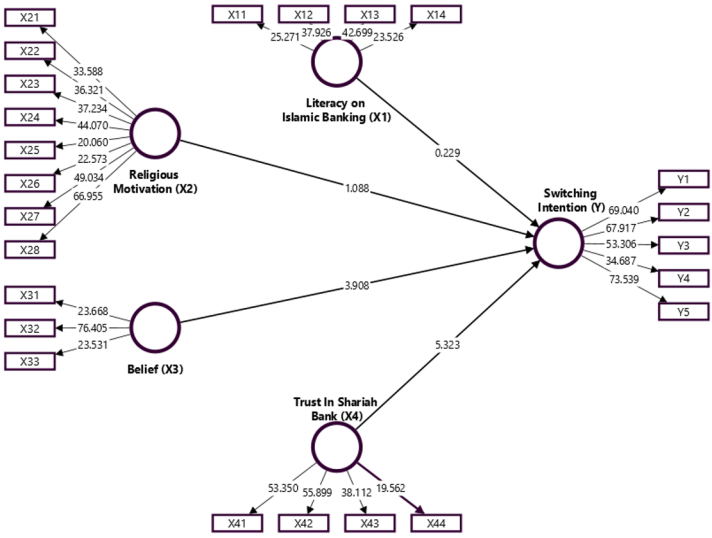

Fig. 3. Bootstaping Model

Sources: Author's work

The best model with X1 and X2 removed, then the bootstrap model becomes: (see Fig. 4)

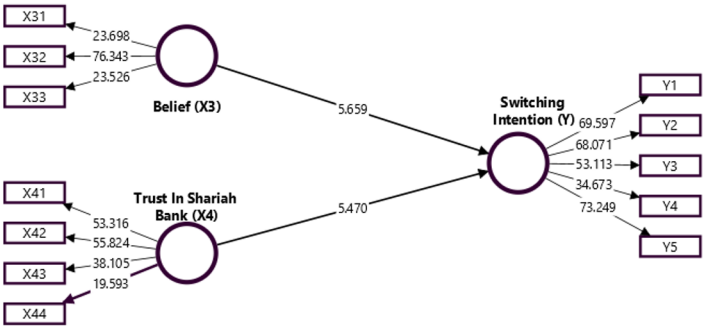

Fig. 4. Bootstrap model X1 and X2 removed

Sources: Processed data

As mentioned in the previous section, the result of the study revealed that two of the hypotheses are accepted (belief then Trust in Sharia Bank.), while two of the hypotheses are rejected (Literacy on Islamic banking, religious motivation). This section will discuss Literacy in Islamic banking, religious motivation, belief, and Trust in Sharia Bank.

4 Conclusion

As mentioned in the previous section, the result of the study revealed that two of the hypotheses are accepted (belief then Trust in Sharia Bank.), while two of the hypotheses are rejected (Literacy on Islamic banking, religious motivation).

Understanding the various facets of religiosity can excite customers in a more relevant way to cross-cultural aspects. Therefore, Future research must meet certain criteria to validate the findings with different states and affiliations. Another study could examine the effects of religion using various tools.

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