



## **CONSUMERS' LOYALTY TOWARD ISLAMIC BANKING SYSTEM: DOES *HALĀL* BRAND AWARENESS MATTER?**

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### **ABSTRACT**

In a competitive market structure, brand awareness helps to create a basis of trust and acceptance. Brand awareness is the first step to creating brand equity, an asset that provides companies with sustainable competitive advantages. However, in the Islamic banking context, the majority of consumers are still unable to distinguish between Islamic and conventional banks despite their awareness of the Islamic banking existence. This concern is critical to be addressed particularly in a dual banking environment such as in Malaysia, where consumers have choices between the Islamic and the conventional banking systems. Accordingly, this paper aims at investigating the influence of *halāl* brand awareness on consumer loyalty toward the Islamic banking system. The model also includes brand loyalty as it is the core asset of brand equity. Using survey method, data of 454 respondents have been analyzed using PLS-SEM. The findings reveal that *halāl* brand awareness shows greater influence on consumer loyalty toward the Islamic banking system than brand loyalty. Thus, Islamic bank managers must operationalize effective marketing communication strategies by promoting the Islamic banking products with simplicity to facilitate greater consumer understanding. This is not merely for enhancing organizational competitiveness, but more importantly is to ensure long term Islamic banking industry resilience.

JEL Classification: D14, G21

Key words: *Halāl* Brand Awareness, Brand Equity, Islamic Banking, Malaysia, PLS-SEM

### **1. INTRODUCTION**

Islamic banks are banks operating based on the *sharī'ah* (Islamic law) principles. Therefore, Islamic banks' activities must not only be free

from all the *ḥarām* (prohibited) elements such as *ribā* (interest), *gharar* (uncertainty) and *maisir* (gambling), but more importantly, they must also include *maṣāliḥ* (society welfare) as a priority. According to the latest estimates by Ernst and Young's Global Islamic Banking Center, globally, the Islamic banking assets grew 50% faster than the growth rate of the overall banking sector (Ernst and Young, 2012). They also reported that at the end of 2012, the global Islamic banking assets with commercial banks were at US\$1.55 trillion (emergingmarkets.com, 2013). By the end of 2013, this figure is projected to reach US\$1.8 trillion and will exceed US\$2 trillion by 2014 (Ernst and Young, 2012).

Nonetheless the challenge is that offerings in the financial services sectors are relatively homogeneous, lacking in differentiation, extremely difficult to prevent imitation and are perceived to be fairly complex and high-risk (Babakus, Eroglu and Yavas, 2004; de Chernatony and Cottam, 2006). For Islamic banks, the challenge includes the dearth of consumers' understandings – including Muslims – on how the Islamic banking system operation is different from the conventional system (Kamarulzaman and Madun, 2013; Muslim and Isa, 2008). Many believe that products offered by Islamic banks are similar to those of conventional banks and the only difference lies in the terminology used (Haron, 2007). The significance of consumers' understandings too is apparent as the Islamic Finance Development Index (IFDI) embraces “knowledge” and “awareness” as two critical indicators besides “quantitative development”, “governance” and “corporate social responsibility” in assessing a holistic view of the global Islamic financial services industry development. Sub-indicators of the two include the number of education institutions offering Islamic finance degrees and courses, number of research papers, *sharī'ah* scholars' representation, news articles, and seminars and conferences related to Islamic finance (ICD Thomson Reuters, 2014).

Establishing appropriate awareness toward an Islamic bank's brand is vital as brand awareness is fundamental in developing strong brand equity (Aaker, 1993; Keller, 2003). Given the Islamic banking backdrop, creating a strong brand equity is not only crucial for improving an organization's competitive position in the industry, but in the long run strong brand equity is critical to ensure consumers remain loyal to the Islamic banking system particularly in a dual banking environment such as in Malaysia where consumers have choices between the Islamic and the conventional banking system. Indeed, the concerns are not merely based on the economic

significance but they encompass society's wellbeing considerations. Even though past literature recognized that consumer awareness of Islamic banking brand is imperative (Kamarulzaman and Madun 2013; Loo, 2010), research investigating this issue is still lacking. Thus, in filling this gap, this study aims at answering the following research questions:

- i. Does *halāl* brand awareness influence consumers' loyalty toward the Islamic banking system?
- ii. Does *halāl* brand awareness influence consumers' brand loyalty (loyalty toward a particular Islamic bank)?
- iii. Does consumers' brand loyalty increase their loyalty toward the Islamic banking system?

## 2. BRAND AWARENESS AS AN "OPERANT RESOURCE"

Brand awareness indicates consumer knowledge and provides an essential basis for one to consider a brand in one's consideration set (Keller, 2003). In customer-based brand equity (CBBE) literature, brand awareness is the first step to creating brand equity (Aaker, 1993; Keller, 2003). It contributes to brand equity by forming a sense of familiarity and acting as a signal of trust in the brand (Aaker, 1991). As consumers' accumulated experiences with the brand increase, they become more expert in their choice decision (Alba and Hutchinson, 1987). Hence, in a competitive environment such as the Islamic banking industry, brand awareness is undeniably vital to help consumers recognize and familiarize with an Islamic bank brand. Findings show that in a financial market, the best measures of brand equity are brand recall and familiarity (Mackay 2001). Thus, brands need to build "strategic" awareness, in other words to be remembered for the right reasons (Aaker, 1996). As consumers' expertise affect choice behavior (Alba and Hutchinson, 1987), the ability of consumers to recognize an Islamic bank's brand as distinct from the conventional brands is undeniably essential.

Therefore, brand equity and its core elements including brand awareness have been posited as value-creating asset(s) that provide value to the customer and the firm (Aaker, 1993). According to the Service-Dominant (S-D) logic view, this value is uniquely determined by the beneficiaries who can be both economic and social actors in a service system (Vargo and Lusch, 2004, 2008). As consumers play multiple roles, their decisions may be based on their roles as a member of a family, a community, a citizen of a nation or employee of a company (Handelman and Arnold, 1999). In the Islamic banking

industry, consumers' patronage decision may be grounded on their role as *Muslims* -- followers of Islam. Consequently, in understanding the influence of brand awareness on consumer loyalty toward the Islamic banking system it is important to regard brand awareness as an "operant resource". Operant resource is a resource that can be acted on, provides benefit and creates value (Vargo and Lusch, 2004). In this context, brand awareness as an operant resource gives value not only to the customers and the firm, but also to the industry.

In addition, Islamic economics is established on the epistemology of *Tauḥīd* (oneness of God). In Islam, *Tauḥīd* is the guiding philosophical foundation for men to conduct their daily activities including in the matters of economics, finance and business (Dusuki, 2008). This *Tauhidic* paradigm is crucial in explaining brand awareness in the Islamic banking context for it provides the basis for understanding important concepts in Islam such as the *sharī'ah* (Islamic law) and its *maqāsid* (objectives), *khalīfah* (vicegerent), *mu'āmalāt* (man-to-man relationships), *'ibādah* (man-to-God relationship) and *al-falāḥ* (success in both the world and in the hereafter). Drawing upon these theoretical underpinnings -- *Tauhidic* paradigm, S-D logic view, and CBBE theory, the relationships among *ḥalāl* brand awareness, consumer loyalty toward the Islamic banking system and brand loyalty are hypothesized.

### 3. *ḤALĀL* BRAND AWARENESS, CONSUMER LOYALTY TOWARD ISLAMIC BANKING SYSTEM AND BRAND LOYALTY

Brand awareness refers to the ability of the potential buyers to recognize or recall a brand of a certain product category (Aaker, 1991, 1996). Brand recall helps consumers to retrieve the brand from memory whereas brand recognition is consumers' ability to recall given the brand as a cue (Aaker, 1991; Keller, 1993). This ability to recognize and recall a brand (Aaker, 1991) results from customers' knowledge about the brand which is based on their direct and/or indirect experiences (Keller, 2003). Nevertheless, from the conventional perspective brand awareness is primarily achieved by firms' marketing efforts and/or third party referrals (Yoo, Donthu and Lee, 2000).

In Islam, knowledge is basically founded on *sharī'ah* or the revealed sources of *Qur'ān* and *Ḥadīth* of the Prophet. In the *Qur'ān*, description of knowledge can be categorized into three (Ahmad, 1989:80):

- i. *‘Ilm al-yaqīn (al-Qur’ān 102:5)*, knowledge gained from reasoning and inference
- ii. *‘Ain al-yaqīn (al-Qur’ān 102:7)*, knowledge gained from sight (or senses), and
- iii. *Haqq al-yaqīn (al-Qur’ān 69:51)*, knowledge that is absolute in truth, not subject to alteration from knowledge received through sense, perception, reasoning or inference.

The first two categories are also referred as *‘ilm al-‘aqlī*, knowledge which is developed by one's wisdom; while the third one is also known as *‘ilmu al-naqlī*, knowledge which is revealed from the divine sources (Othman, 1998). These two types of knowledge are complementing each other; but if conflicts arise, the divine based knowledge will prevail for man's knowledge and rational thinking capacity is limited (Othman, 1998).

Accordingly, the term “*halāl* brand awareness” is employed in this study to denote that in the Islamic banking context, consumer understanding about Islamic banking doctrines and concepts are particularly important (Dusuki and Abdullah, 2006; Loo, 2010; Muslim and Isa, 2008). Though the products of Islamic banks and conventional banks look similar, they are different (El Gamal, 2000). “Lease is a lease” but the contract in Islamic banking must be according to conditions required by Islamic jurisprudence where it does not contain forbidden elements such as *gharar* (uncertainty) and *maisir* (gambling) (El Gamal, 2000). Consequently brand awareness should gauge some sense of expertise to capture how much a customer understands about a brand (Bauer, Sauer and Schmitt, 2005).

Thus, *halāl* brand awareness is conceptualized as “consumers' familiarity with an Islamic bank's brand which includes their ability to recognize it as different from the conventional brands”. Since financial services are intangible, fairly complex and risky, it is common for consumers to make evaluations based on search attributes such as brand logo, brand color, brand name, numbers of branches and bank size (Babakus, Eroglu and Yavas, 2004). Thus, many Islamic banking subsidiaries of conventional banks are using a distinctive brand name from the parents as an assurance of *sharī‘ah* compliance (Wilson, 2000). These include Arabic or *Islamic* sounding brand name and *halāl* banking symbol. The Islamic sounding names for example, help to portray that the brand promotes Islamic products. In Malaysia, it is pronounced that brand names such as Maybank *Islamic* or HSBC *Amanah* are used to distinguish between the Islamic banks and conventional banks' brand.

Nevertheless for Islamic banks, it is equally important to educate the people about Islamic banking and remove their concerns and reservation about Islamic banks in order to gain their support and participation (Khan and Bhatti, 2008). Recent phenomenon also witnesses that as the non-Muslims' awareness about *ḥalāl* brand increases, their interest in Islamic banks also rises (Loo, 2010). Customers are willing to patronize Islamic banks if they understand the operations of Islamic banks better (Loo, 2010). For the Muslims, *ḥalāl* brand awareness reflects their understanding about the religion even though they lack understanding about specific Islamic banking concepts (Dusuki and Abdullah, 2006). Hence, it is a conscious effort for one to choose Islamic banking or not to switch back to conventional banking given the fact that the latter has been in existence long before Islamic banking came into the picture.

Therefore, loyalty toward the Islamic banking system refers to "consumers' strong commitment and motivation to support Islamic banking industry". It implies one's commitment to the religion as it is regarded as an obligation rather than merely a market exchange to fulfil individual needs (Asutay, 2007). As interest or *ribā* is regarded as sinful, it is a Muslim's responsibility to enjoin goodness and forbid evil (Quran 3:114, 9:71, 9:112) through advocating the brand to the society at large. Though total transformation from dual banking to fully Islamic banking system may appear to be too idealistic, apparently, loyalty to the Islamic banking system is an essential form of support in ensuring the long run survival and growth of the industry.

Based upon the *Tauhidic* view, this reflects that the consumers are not merely acting as economically minded persons or "*homo economicus*" -- a neo-classical economists' concept that postulates mankind as self-interest oriented individuals who seek to maximize their own utility in a rational way (Asutay, 2007). The consumers may be "*homo Islamicus*" -- the assumption of altruism where every individual must behave unselfishly for the welfare of society (Asutay, 2007; Warde, 2000). This altruistic behavior is expected from Muslims because God has created human beings as *khalīfah* or 'vicegerent on earth' (Quran 2:30; 6:165). Hence awareness guided by the divine knowledge should lead to loyalty toward the divine-based system. Therefore, the study posits:

H<sub>1</sub>: As consumers' *ḥalāl* brand awareness increase, their loyalty toward the Islamic banking system will increase.

However, since there are numerous players in the Islamic banking industry, it is imperative for individual Islamic banks to develop a well-known brand on which consumers can rely. In a competitive market structure, brand awareness helps to create a basis of trust and acceptance (Aaker, 1991). Empirical evidence in brand equity literature also supports that brand awareness affects brand loyalty (Kumar, Dash and Purwar 2013). In this study, brand loyalty refers to “consumers’ strong commitment and attitude towards a particular Islamic bank’s brand”. Past study found that while using Islamic banks, the customers are at the same time still subscribing to the conventional banks (Wan Ahmad et al., 2008). This indicates that an Islamic bank and Islamic banking system are two separate entities deserving customer loyalty. Since in the Islamic banking environment consumers may be either loyal to the Islamic banking system (Loo, 2010) or to a particular Islamic bank (Osman, 2011) the study also posits;

H<sub>2</sub>: *Halāl* brand awareness exerts positive influence on brand loyalty

Brand loyalty is also the core element of brand equity, a “value-creating asset” that provides benefits to both customers and firms (Aaker, 1993). More importantly, these loyal customers provide benefits not only at the micro level (i.e., individuals, firms) but also at the macro level (i.e., society, industry). In Aaker’s (1991:41) words, “the value of committed consumers is not so much the business he or she generates, but rather, the impact upon others and upon the market itself”. In a similar vein, Vargo and Lusch (2010:176) in their S-D view stated that “repeat patronage does not merely signify transactional exchange but in a broader context it provides insights into how actors can better participate in a service ecosystem to benefit themselves”.

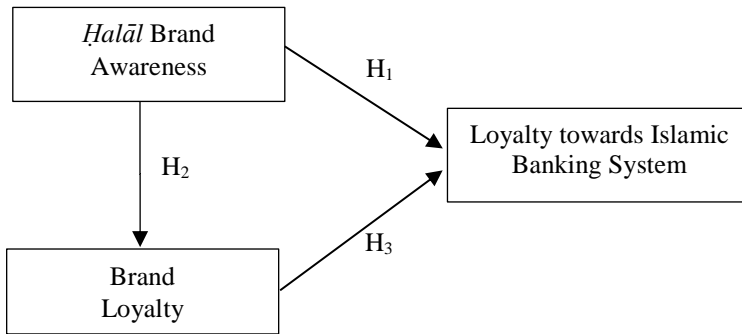
Therefore, for Islamic banks, as long as consumers are loyal to any particular Islamic bank, they will still be in the Islamic banking system. Particularly in the banking industry, switching behavior is rare (Gerrard and Cunningham, 2004). Therefore, brand loyalty will increase the opportunity for consumers to remain with the Islamic banking system. Particularly for the Muslims, the continuity of Islamic banking industry is crucial in ensuring the achievement of success in both this world and in the Hereafter or *al-falāḥ*. Thus, within a complex configuration of a service system, the beneficiaries will continuously interact and integrate their resources for the benefits of

other entities or the entity itself (Vargo and Lusch, 2010). In a loyalty program context, empirical evidence found that customers' loyalty to the program significantly affect store loyalty (Omar, 2008). Thus, it is hypothesized:

H<sub>3</sub>: The higher the brand loyalty, the higher will be the consumers' loyalty toward the Islamic banking system.

Based on the hypotheses, a conceptual framework depicting relationships between the constructs is developed (Figure 1).

FIGURE 1  
Study Conceptual Framework



#### 4. RESEARCH METHODOLOGY

Data were collected using survey method. Using “drop-off and collect” technique, 550 self-administered, structured questionnaires were distributed to the targeted respondents. To get a representative sample of adult customers (above 18 years old) that owned at least a six months account with any Malaysian Islamic bank(s) who live or work within the Klang Valley, the sample was carefully selected to ensure participants would not be selected based on characteristics that might influence the researcher's selection. To avoid bias, the author personally contacted key personnel in several organizations to negotiate access to their staff. Each respondent would select a particular Malaysian Islamic bank (Bank XYZ) that they had been a customer for at least six months, and that they would like to focus on in the questionnaire.

As for measurement, this study utilized multiple measures for each construct. For *halāl* brand awareness, two items were adapted



from Yoo and Donthu (2001), two items from Buil et al. (2004) and two new items to capture the consumer's ability to recognize and differentiate an Islamic bank's brand from the conventional ones. Brand loyalty scale utilized six items adapted from Jones and Taylor (2007) who developed the measures specifically for services organizations. Loyalty toward the Islamic banking system was also measured using six items from Jones and Taylor (2007) coupled with one new item "I am duty bound by my religion to use Islamic banking system". All the items were pre-tested for their content and face validity. Feedback was solicited from the respondents if they encountered any problems while answering the questions. This pre-test resulted in improvement where an item measuring *halāl* brand awareness "I understand that Bank XYZ operates on different concepts from conventional banks" was to be provided with example: "i.e., *al-Ijārah* vs Hire purchase" so that the respondents could better understand the statement.

TABLE 1  
Respondents' Profile

Demographic Profile		Respondents (n = 454)	
		Frequency	Percentage
Gender	Male	194	42.7
	Female	260	57.3
Religion	Muslim	410	90.3
	Non-Muslims	44	9.7
Age	18 to 25	70	15.4
	26 to 35	214	47.1
	36 to 45	123	27.1
	46 to 55	37	8.1
	56 and above	10	2.2
Status	Single	188	34.8
	Married	288	63.4
	Widowed/Divorced	8	1.8
Education	Secondary and below	38	8.4
	Certificate/Diploma	121	26.7
	Degree	224	49.3
	Postgraduate	71	15.6
Employment	Public	154	38.3
	Private	258	56.8
	Own Business	17	3.7
	Others	5	1.2

Overall, 472 participants returned the survey, representing a response rate of eighty-six percent. Nevertheless, for the analysis, only 454 questionnaires were valid for use. Table 1 shows the demographic profile of the respondents. Some 57 percent of the respondents are female. The majority of them (around 90 percent) are Muslim. This is consistent with Loo (2010), Muslim and Isa (2008) and Osman (2011) that the main supporters of Islamic banks are Muslim customers. Additionally, the major age group is 25 to 35 years old (47.1 percent) while in terms of marital status, married respondents represent the largest group (63.4 percent). Most of the respondents hold a degree (49.3 percent) and work in the private sector (56.8 percent).

## 5. FINDINGS AND DISCUSSIONS

The data were analyzed using PLS-SEM using SmartPLS Version 2.0 (Ringle, Wende and Will 2005). Similar to SEM techniques, PLS allows the simultaneous modelling of relationship among multiple constructs (Chin, 2010). The analysis involves two-step process, i.e. outer model evaluation, and inner model evaluation; which will be discussed in the following subsections.

### 5.1 OUTER MODEL EVALUATION

First, the outer model evaluates the constructs' reliability and validity. It involves determining individual indicator reliabilities (standardized outer loading), internal consistency reliabilities (composite reliability), as well as the measures' convergent validity (average variance extracted, AVE) and discriminant validities (Fornell-Larcker criterion, cross-loadings). Table 2 shows the item loadings and cross-loadings. The results reveal that all the indicators load higher on their own construct, and, all items except two -- "I am likely to pay a little bit more for using Bank XYZ" and "I deal exclusively with Islamic banking system", are above the cut off value 0.708 (Hair et al. 2014). However, since the values (0.659 and 0.643) are between tolerable range of 0.6 and 0.7 (Hair et al., 2014), the two items are retained.

Second, consumers may not deal exclusively with the Islamic banking system while using Islamic banks; they may at the same time still be subscribing to the conventional banks (Wan Ahmad, Ab Rahman, Ali and Che Seman 2008). Hence interestingly, for the whole model, the lowest loading is 0.643 (I deal exclusively with Islamic banking system) while the highest is 0.869 (I will continue using Islamic banking system in the future).

TABLE 2  
Items Cross-Loadings

Constructs/Items	Halāl Brand Awareness	Brand Loyalty	Loyalty to IB system
Can recognize Bank XYZ among other competing Islamic banks	0.757	0.369	0.351
Can quickly recall the symbol or logo of Bank XYZ	0.821	0.326	0.380
Have no difficulty in imagining Bank XYZ in my mind	0.837	0.411	0.421
Bank XYZ is the Islamic bank that I am familiar with	0.844	0.435	0.404
I am aware that Bank XYZ is different from conventional banks	0.774	0.432	0.335
I understand that Bank XYZ operates on different concepts from conventional banks (i.e., <i>al-Ijarah</i> vs Hire purchase)	0.781	0.444	0.359
I consider myself loyal to Bank XYZ	0.435	0.805	0.413
I prefer Bank XYZ to other Islamic banks	0.451	0.859	0.338
I am likely to pay a little bit more for using Bank XYZ	0.298	0.659	0.296
I say positive things about Bank XYZ to others	0.395	0.840	0.386
I recommend Bank XYZ to someone who asks my advice for banking matters	0.424	0.865	0.373
I will continue use Bank XYZ in the future	0.444	0.850	0.386
I deal exclusively with Islamic banking system	0.302	0.318	0.643
I am duty bound by my religion to use Islamic banking system	0.341	0.297	0.800
Price is not an important factor in my decision to remain with Islamic banking system	0.322	0.334	0.708
I encourage my friends and relatives to do transactions with Islamic banking system	0.351	0.373	0.837
I am responsible to promote Islamic banking system to others	0.382	0.398	0.817
I will continue using Islamic banking system in the future	0.415	0.386	0.869
I am likely to do whatever I can to help Islamic banking industry do better	0.437	0.355	0.799

The relatively lower loadings for the two items yet indicate that, first, pricing is one of the important aspects in the customers' banking decision including Islamic banks (Dusuki and Abdullah, 2007; Gait and Worthington, 2008). Consumers have options to choose the Islamic bank that offers the most competitive price.

Next, Table 3 shows the values of composite reliability (C.I), Cronbach's alpha (Alpha) and AVE. Both Cronbach's alpha and composite reliability estimates exceed the recommended threshold value of 0.7 (Hair et al., 2014). For AVE, the values range between 0.617 and 0.666, which are above the required minimum level of 0.5 (Hair et al., 2014). Table 3 also compares the square root of the AVE (diagonal values) with the correlations among the constructs. The results show that the square roots of AVE are all greater than the correlation values, which means that all constructs are more strongly correlated with their own measures than with any other constructs. Table 2 and Table 3 combined demonstrate the convergent and discriminant validity of the constructs in the outer model.

TABLE 3  
Convergent and Discriminant Validity

Constructs	Alpha	C.I	AVE	(1)	(2)	(3)
<i>Halāl</i> Brand Awareness	0.889	0.916	0.645	0.803		
Brand Loyalty	0.898	0.922	0.666	0.504	0.816	
Loyalty towards Islamic banking system	0.894	0.918	0.617	0.468	0.450	0.785

Note: Diagonal figures represent the square root of the AVE and the off-diagonal figures represent the correlations.

## 5.2 INNER MODEL EVALUATION

Having established the appropriateness of the measures, the next step is to provide evidence supporting the theoretical model. Two key criteria for assessing the inner or the structural model in PLS-SEM are the significance of the path coefficients ( $\beta$ ) and the coefficient of determination ( $R^2$ ). For this, bootstrapping ( $n = 454$ , sample = 1000, no sign changes) was applied. Table 4 shows that all the path coefficients are significant at the one percent level ( $t > 2.57$ ), thus supporting all the hypotheses. As for the  $R^2$  values, according to Hair et al. (2010), acceptable level depends on research context. Since research in Islamic banking marketing is relatively new, the rule of thumb used is  $R^2$  values of 0.26, 0.13 or 0.02 which can be described

as substantial, moderate or weak respectively (Cohen 1988). Therefore, for loyalty toward Islamic banking system, the values can be regarded as substantial ( $R^2= 0.280$ ), and for brand loyalty, even though the value is considered moderate it is very close to substantial ( $R^2= 0.254$ ).

The significant paths provide empirical evidence that *halāl* brand awareness directly influences both consumer loyalty towards Islamic banking system ( $H_1$ ) and brand loyalty ( $H_2$ ). While the linkage between *halāl* brand awareness and consumers' loyalty towards Islamic banking system is new, the significant linkage between *halāl* brand awareness and brand loyalty is well supported in the past literature (Gil, Andres and Martinez, 2007; Kumar et al. 2013). However, the result further reveals that the relationship between *halāl* brand awareness and brand loyalty is more significant ( $H_2: \beta = 0.504$ ) than the relationship between *halāl* brand awareness and consumer loyalty toward the Islamic banking system ( $H_1: \beta = 0.323$ ). This suggests that as the Islamic banking landscape is increasingly becoming competitive, the ability of a brand to be on the consumers' "top-of-mind" is undoubtedly paramount. Hence, the Islamic banking managers must strive to promote the corporate brand name to the consumers to increase their awareness of a particular Islamic bank.

TABLE 4  
Hypotheses Testing Results

Hypotheses	Path Coeff.	S.E	t-stats	Sig.	Decision
$H_1: Halāl$ Brand Awareness $\rightarrow$ Loyalty towards Islamic Banking System	0.323	0.052	6.168	***	supported
$H_2: Halāl$ Brand Awareness $\rightarrow$ Brand Loyalty	0.504	0.045	11.139	***	supported
$H_3: Brand Loyalty \rightarrow$ Loyalty towards Islamic Banking System	0.287	0.054	5.365	***	supported

Note: \*\*\* significant at  $p < 0.01$ .

In addition, the findings also provide evidence that consumer loyalty toward the Islamic banking system is influenced not only by *halāl* brand awareness, but also brand loyalty ( $H_3$ ). These links support the CBBE theory and S-D view that brand loyalty and *halāl* brand awareness are brand equity assets that are 'operant' in nature -- intangible resources, dynamic and capable of creating value (Vargo

and Lusch, 2010). Interestingly, *halāl* brand awareness shows greater influence ( $H_1: \beta = 0.323$ ) than brand loyalty ( $H_3: \beta = 0.287$ ). This implies the significance of the *Tauhidic* view that consumers' understanding of the religion motivates them to support the Islamic system where obligation may outweigh economic reason.

## 6. CONCLUSIONS

This study attempts to investigate the importance of *halāl* brand awareness in developing customer loyalty particularly in Malaysia where the Islamic banking system is operating alongside the conventional banking system. The findings support that the *halāl* brand awareness should not only concern with consumers' familiarity with the brand name but also their ability to differentiate an Islamic bank from a conventional bank. This awareness will not only influence consumer loyalty to a particular Islamic bank but more importantly, it will also ensure that the consumers remain loyal to the Islamic banking system.

Therefore, it is vital that the government continue to promote and educate people at large about Islamic banking. Collaboration with Islamic banks could be further strengthened in creating Islamic banking awareness. Enhancing *halāl* brand awareness is a two-pronged strategy that will benefit not only the individual bank but more importantly the industry as a whole. For the Muslim community in particular, religious knowledge and education are undeniably crucial so that using the Islamic banking system is not a matter of alternative but actually an obligation. In this regard, global efforts to establish more Islamic finance education institutions; produce more *sharī'ah* scholars, research, publications, seminars and conferences related to Islamic finance must be continuously supported.

However, despite its significance, the study has its own limitations. First, the research framework includes only two dimensions of Islamic bank's brand equity, namely *halāl* brand awareness and brand loyalty. Nevertheless, based upon the findings, the selected variables broaden the understanding of how consumer loyalty toward the Islamic banking system can be created. Second, the study was conducted in the Malaysian environment. Thus, the framework needs to be replicated in various contexts in future studies. As the sampling approach used prevents generalization of the results; replicating the study across different sectors, such as hotels, restaurants, and *takāful* as well as extending it to other nations should be beneficial. Third, the study does not test the mediation effect of

brand loyalty on the relationship between *halāl* brand awareness and consumer loyalty toward the Islamic banking system as the focus of this study was on the role of *halāl* brand awareness. Since mediating effect has been indicated, future research efforts may explicitly test brand loyalty as the mediator.

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