



The role of consumer innovativeness in consumer desire to try the transactions with sharia banking

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ABSTRACT

The study attempts to shed light on factors driving people to turn to sharia banks. The study focuses on consumer innovativeness with alternative capacity and value attractiveness as antecedents. The respondents are sharia banking consumers in Makassar. The sample size follows Malhotra 2007 formula. Respondents are reached through on-line interaction and offline contact on the spot of sharia banks. It applies the PLS tool for data analysis. It conceives that alternative seeking and innovativeness have significant effects on consumer innovativeness and desire to try the transactions with sharia banking, and consumer innovativeness has a significant effect on the desire to try the transactions with sharia banks. In this way, it explores the mediating role of consumer innovativeness in the relationship between alternative capacity and desire and that between value attractiveness and desire. Thus, the study has several novelties. It brings up new constructs such as alternative capacity, value attractiveness, and desire to try the transactions with sharia banking. The results would be that consumer innovativeness serves as a partial mediator in the relationship between alternative capacity and the desire, and a full mediator in that between value attractiveness and the desire.

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Introduction

The study sheds light on the way people get attentive to sharia banking in terms of consumer innovativeness. The study considers that it takes consumer innovativeness to shift to sharia banking services. Culture is a deep-rooted belief and norms that most people hard to escape and have affected all human behaviors for a long time. Habits are long persisted practices that have been accepted as mainstream norms that take enormous events and constrain for people to break from. Subjective norms, the influence of other important people, strengthen the shackles. People around us, close and distance, put a weigh on difficulty to change. It partially explains the still dominance of conventional banking in Indonesia known as having the largest Muslim people in the world.

The study is among the few that explores the construct consumer innovativeness in the context of sharia banking. Consumer innovativeness put decisions of behavior outside social group, free from individuals outside influence. Knowledge, impulse, variety seeking motive, curiosity, desire to support, altruistic motive and others could serve antecedents. The study puts forward constructs of alternative capacity and value attractiveness as antecedents of consumer innovativeness.

The study designs alternative capacity to refer to condition that sharia banking is already equipped for provision of comparable services and product variety, as well as benefits. The evidence that sharia banking could offer more benefits, and operate with different expertise to accommodate ethics and public welfare considerations that lead to competitive edge might engender the thought that not only can sharia banking serve complementary function but also competitive role to conventional banking. If this is the case, the study conceives that alternative capacity has significant effects on consumer innovativeness and the desire to try the transactions with sharia banking. It consequently leads to the idea that consumer innovativeness serves a partial moderator in the relationship between alternative capacity and the drive.

It also designs value attractiveness to refer the distinctiveness of values that guide the sharia banking services and product innovation operation. The values could range from equality that is represented by partnership, transparency, and deal making mechanism, to

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ethics and social welfare orientation. Nowadays, more and more people harbor social concern as opposed to self-concern. It explains the development of green market, social market, and philanthropic market that grasp these specific consumers. Drawing on theory, the study conceives that value attractiveness has a significant effect consumer innovativeness, but not on the drive to consumer desire to try the transactions with sharia banking. If it is the case, it leads to the idea that consumer innovativeness serves a full mediator in the relationship between value attractiveness and consumer desire to try the transactions with sharia banking.

Some the study's novelties worth mentioning. Some new constructs covering alternative capacity, value attractiveness and desire to try the transactions with sharia banking would enrich management knowledge. It is among the few that apply self-expansion theory for sharia banking context.

Literature Review

Conceptual Background

Alternative Capacity

The banking system nowadays is consisted of two types, namely conventional banking and sharing banking. The two offers opposite principles, but what public concerns most is to what extent sharia banking can emulate conventional banking in terms of benefits, service excellence and simplicity, and product variety. The mastery in these terms would develop impression that not only can sharia banking complement the operations of conventional banking, but also has competitive edge that its counterpart could not fulfill.

The choice would depend much on which can offer better benefits, more excellence service, and more various products. Beside minimum socialization and incomplete information, perceived service complexity and limited products are common weaknesses sharia banking suffers. However, some sharia banks have succeeded in tackling these issues. Sharing banking needs to have alternative capacity to have public welcome. It does not allow sharing banking to be perceived as filling the holes conventional banking leave, but also as having competitive edge that conventional banking cannot achieve.

Consumer Innovativeness

Different researchers have different explanation regarding the concept of consumer innovativeness. Roger and Shoemaker (1971), for example argued that the concept refers to the extent to which individual is among the first that decide to use certain service or by product. Hurt et al (1977) held that it is related to the tendency of the consumer for change. Hirschman (1984) pointed out it concerns with which is among individual adopt some goods or ideas regarded as new.

In the context of sharia banking, though the history of sharia banking has been dating back to early history of Islam itself, its revival is signified by the establishment of first Islamic Bank that is Myt-Ghamr Bank, in Egypt in 1963. In Indonesia, it is signified by establishment of Bank Muamalat Indonesia (BMI) since 1991. Though has existed in historical time, sharia banking is commonly considered new, complementing the operations of conventional banking widely seen as the pioneering financial institution. In this case, the study sees that it takes innovativeness process for consumers to make a swift or decision to try financial service of sharia banking.

Value attractiveness

Sharia banking emphasizes some principles that conventional banking lacks. Equality represented by partnership and loss and profit sharing principles makes bank and consumer are in equal position. Transaction is made on deal between the two parties accordingly. Sharia banking bulks at interest-based transaction. It also avoids investment making into ventures it regards as resulting in larger negative effects than positive effects such as liquor, gambling and other illicit businesses, and those involving high risks.

The transaction goals not only cover profit to each party, but also its effects on goodness to humanity and social welfare. It can be in the form of prioritizing labor-intensive business, green business, and real estate for public advantage.

The explanation of value attractiveness can be approach by means of self-expansion theory and attraction theory. Self-expansion theory holds that individuals has a motive to develop his or her self-efficacy by expanding scope of interaction to other individual or group with resources that promises to enrich knowledge, position or esteem. Combined with attraction theory, individual, organization, or group with valuable resources has a higher attraction than others that do not have the resources. It enriches initial attraction theory that posits that similarity and reciprocity are drivers for attraction.

Desire to Try the Transaction with Sharia Banking

Keaveney (1995); Reichheld and Teal. (2001) emphasized that some customers switch products even when they satisfied with them. It is still related to variety-seeking approach (McAlister and Pessemier, 1982). People look to another products or organizations because they prefer to have more options to take (Fox et al., 2005) and want to wider freedom and shoulder greater risks (Levav and Zhu, 2009).

The study develops construct of consumer desire to try the transaction with sharia banking to refer an urge to have experience of transaction in sharia banking to get to know the nature of its banking type. Satisfaction at the first transaction would lead to another trial. If consumer continuously enjoys satisfaction, there comes intention for close relationship and loyalty. The words of desire to

try denote opposition to discouragement to. Habits, culture, social group pressure, unwillingness to leave comfort zone all contribute to discouragement. It partially explains the still dominance of conventional banking though Indonesia's population is mostly Muslim people that should be future potential.

Self-Expansion Theory

Self-expansion theory posits that human has motive to expand themselves through acquisition of resources, perspectives, and identities that support the achievement of their goals (Aron et al, 2007). People will leave something that make stagnant, and turn to something else that can make them growth and support their goal achievement.

Self-expansion theory has been applied to understand relationship between brand and consumers (Reiman and Aron, 2009). It is posited that self-expansion motive is one of the reasons for relationship between consumers and new brand. For the purpose of the study, it also can explain the emergence of the consumer desire to try transaction with sharia banking.

Contributions

Alternative Capacity and Consumer Innovativeness: When sharia banking is considered of having alternative capacity, people could at any time make decision to apply the services of sharia banking without considering other people approval. Innovativeness is a consciousness to make change, break or departure from old behavior dictated by old belief or principles. New belief, taste, ideas or principle are responsible for the change. This change is affected by changing condition of sharia banking which now many people attach alternative capacity to it. Innovativeness is justified by the logics that alternative capacity has made the sharia banking in the position of complementary and competitive to conventional banking services. Alternative capacity involves trust that sharia banking could bring comparable, even more, benefits, services and product variety. Thus the study proposes the following contributions:

Alternative capacity has a significant effect on consumer innovativeness

Value attractiveness and consumer innovativeness: Sharia banking follows values based on ethics, norms, morale and welfare of society that none finds in its counterpart. These values can provide enlightenment, source of knowledge, inspiration and means to support the good goals. These values are not only reflected in service provision, but also in innovations of product variety. One another important value is avoidance of interest-based interactions due to its usury nature. Agreeing with these values, being attracted to them, and drive to support them accordingly could make people ready to change or swift from old behavior without waiting other important people approval, even thought it could be against the wide norm or mainstream culture. Decision to make change is at individual level, not involving the norms of social groups or society. When it occurs, decision takes place much earlier, as waiting for other significant others is no longer necessary. Thus, the study proposes the following contribution:

Value attractiveness has a significant effect on consumer innovativeness

Consumer innovativeness and desire to try the transaction with sharia banking: Individual readiness to make a swift or change based on the motive of self-expansion including the development of self-efficacy can be a drive for the emergence of individual desire to try the transaction with sharia banking. Conventional banking has been dominating financial service for a long time in Indonesia. Decision to make change would open market wider for the participation of sharia banking in providing financial services. This innovativeness would make sharia banking have a wider chance of playing the complementary and competitive roles to its counterpart' services. The final result would be the advantage to consumers that have more options in seeking financial services. Thus, it put forwards the following contribution:

Consumer innovativeness has a significant effect on consumer desire to try the transactions with sharia banking

Alternative capacity and desire to try the transactions with sharia banking: Alternative capacity refers to conditions where sharia banking can provide services and products comparable to those in conventional banking. Sharia banking also should successfully develop widespread awareness that it operates in a sphere and under expertise quite different from those of conventional banking. The existence of sharia banking as alternative to conventional banking has engendered the thought that any time people have difficulty in interaction, have problem with the services of conventional banking, or even a slight curiosity concerning the way the services of sharia banking are provided, they could rely on sharia banking' services. Not to mention the benefits, where people get to know that sharia banking could offer not only better benefits, but also multiple benefits, including ethics and social benefits. Thus, it puts forward the following contribution:

Alternative capacity has a significant effect on consumer desire to try the transactions with sharia banking

Value attractiveness and desire to try the transactions with sharia banking: Sharia banking's operations follow values of ethics, norms, moral and welfare of society which become sharia banking characteristics because of their absence in its counterpart. Equality in the forms of transparency, fairness, loss and profit sharing and deal making principles could emit strong attraction that triggers the desire to try the transactions with sharia banking. Agreement on ideals of Interest-based transaction avoidance and want to support to them could be a strong motive to desire to try the transactions with sharia banking. People with a strong altruistic personality would quickly turn to sharia banking services, as it orients the investments into businesses free from hazardous practices and considered to bring positive effects to society and to contribute to public welfare. However, culture, habit, group pressure and reluctance to leave comfort zone are among others that serve as stronger obstacles. Too much often people only learn the value advantages of another products,

brands, or organizations, but appreciation of the tradition makes the swift impossible. People also get used to rely on old behaviors, especially when they have proven benefits. Thus, it makes the following contribution:

Value attractiveness does not have a significant effect on desire to try the interactions with sharia banking.

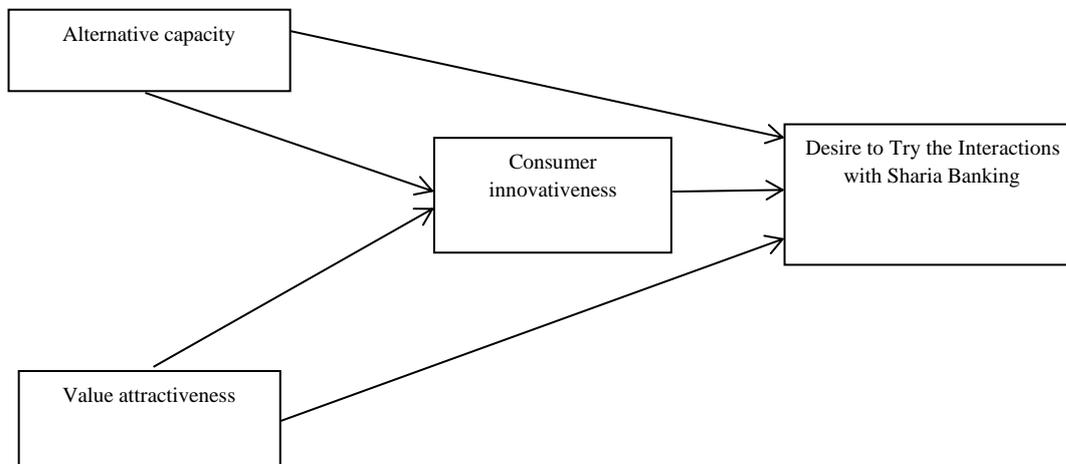


Figure 1: Conceptual Model

Research and Methodology

The research respondents are new consumers of sharing banking within at least 2 years of participation period. The contact is made on-line. Some new constructs in research model should run content and face validity, including alternative capacity, value attractiveness, and consumer desire to try the transactions with sharia banking. Interviews with some experts (expert judgment) and consultation with several respondents are common practices for respective tests. Construct validity test is carried out by means of Kaiser Meyer Olkin (KMO) test. Pre-test would involve at least 40 consumers. Malhotra (2007) regarding sample size with calculation of at least 10 times of indicators of all variables might serve guidance.

The study's predictive nature of research and the existence of mediation analysis justifies application of PLS tool for data analysis (Chin, 2010). For validity and reliability of research's instruments, it will run confirmatory analysis (CFA) and path analysis is important to confirm validity and reliability of research's instruments (Hair et al., 2011). For mediation analysis, it would rely on Sobel test procedure.

Result and Discussion

The study conceives that alternative capacity has a significant effect on consumer's desire to try the transactions with sharia banking. This construct refers to conditions where consumers commonly see comparable benefits from sharia banking service, that it has excellent and simple services in the same quality as those in conventional banking, and offer wide variety of products consumers can choose from. If these conditions already exist, sharia banking has a great potential to be seen as being able to complement the services of conventional banking, and able to give service that conventional banking not only can complement conventional banking in providing financial services, but also has competence that conventional banking does not intend to master because of respective characteristics.

When public sees that sharia banking has achieved alternative capacity, it would pave the way to consumer innovativeness. It paints the condition of rushing into sharia banking service without waiting for others' hints, recommendations, or steps. People would decide to take sharia banking services whenever they found flaw or dissatisfaction in conventional banking services without doubt. People also would directly themselves right away to sharia banking services when they want specific services within sharia banking areas or competence.

The belief that sharia banking has had alternative capability could rise the thought that it is a wise to try at least once the transactions with sharia banking, or sense of guilt because of missing the chance of having experience of sharia banking services. Thus, the study conceives that alternative capacity could lead to the emergence of desire to try transactions with sharia banking. The desire could drive people to apply both sharia and conventional banking services at the same time for different purposes, or swift to sharia banking services when they feel a slight disappointment with conventional banking services. Attribution of bad loans or recession to conventional banking could lead to sharia banking services, as that occurred in some European countries.

The significant effects of alternative capacity on consumer innovativeness and the desire to try the transactions with sharia banking, and of consumer innovativeness on the desire underlines the partial mediator consumer innovation could play in the relationship between alternative capacity and the desire to try the transactions with sharia banking. It means that though alternative capacity and consumer innovativeness affect the drive, the latter is not prerequisite for alternative capacity to affect the drive. Sharia banking still needs to consider of the importance of consumer innovation, but once alternative capacity attaches to it, it seems that it holds all the cards.

The study conceives that value attractiveness has a significant effect on consumer innovation. People chase values as justification for change. Sharia banking offers values that seem to be contrary to those people find in conventional banks. Fairness implemented through loss and profit sharing, partnership and deal making principles, with the avoidance of interest-based transactions as a consequence, investment priority to businesses regarded to bring benefits to society, and concern with social welfare are values of sharia banking specific. To those who find them attractive, value attractiveness could raise consumer innovativeness. In terms of self-expansion theory, these values could serve as resources that provide them with enlighten, knowledge widening, or sense of relief by participating in support to values' ideals. Innovativeness is a consciousness to make change, break or departure from old behavior dictated by old belief or principles.

However, the study conceives that value attractiveness does not have a significant effect on desire to try the services of sharia banking. Some hindrances stand in the way for people to harbor the desire to make change. Habit and culture form a deep-rooted pattern that most people find hard to escape. Other important people's influence also gives constraint.

Value attractiveness should be strong enough for consumer desire of starting transactions with sharia banking to emerge. Different people are attracted to different values. The same values exert different degrees of attraction to different people. High attraction of values tends to bring up agreed-upon attention from a large body of people. In this case, consumer innovativeness is prerequisite for value attractiveness to lead to people desire to try the services of sharia banking. It serves as a full mediator for the relationship between value attractiveness and the desire.

Limitations and future research

Many factors that have significant effects on people desire to try the service of sharia banking. It could range from perceived benefit to ethical consideration, and future research could explore other constructs beyond those in this model. Especially constructs that are predicted to be able to explain the insignificant effect of value attractiveness on consumer desire to try the service of sharia banking.

The study focuses on decision-making in individual sphere represented by consumer ethnocentrism. The exploration of social factors influences on consumer ethnocentrism such as social media communication, online platform business, or others. Future research also should consider the representation of consumers among non-Muslim people. It would allow useful comparison that would further enrich relevant knowledge.

Every region in Indonesia has its own characteristics. It justifies research on moderating roles of culture, habit, demographic factors. Comparison between regions or even countries could provide better knowledge.

Conclusions

The importance of effort to bring up public awareness concerning sharia banking through its alternative capacity and value attractiveness. By means of socialization and reliable service, sharia banking should prove that it has a great capability to serve what people do not get in conventional banking. It is not only competitor, but it complements greatly what conventional banking lacks. It can promise benefit than its counterpart can. The ability to prove it has made many people consider that it can replace conventional banking. Conditions in Bali and other regions where people evidence that sharia banking can provide bigger benefit in the form of lucrative profit and less cost to burden. Service excellence is a pertinent issue. The image of service complexity should be aggravated through increased efficiency and effectiveness. Arabic language could be barrier to Indonesian people who mostly do not understand it. Deal making should be made simple to make sure convenience. The application of information technology could be highly useful if continuously improved.

Profit sharing that accentuates equality principle between consumers and sharia banking, investment orientation to businesses without illicit operations such liquor, gambling, or high risks, and those that have great potential to increase public welfare, and fairness reflected by usury-based transactions should become sharia banking advantage over conventional banking. Socialization, loyalty program, online-communication, among others, could make value advantages lead to desire to start transactions with sharia banking.

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