

# The Effect of Muslims' Tendency to Regret being Customers of Conventional Banks on Their Intention to Save Money in Islamic Banks

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**Submission date:** 10-Aug-2023 02:53PM (UTC+0700)

**Submission ID:** 2143876745

**File name:** 2022\_JIB\_Burhanudin\_-\_JIMA\_Artikel.pdf (289.1K)

**Word count:** 10256

**Character count:** 55196

# The effect of Muslims' tendency to regret being customers of conventional banks on their intention to save money in Islamic banks

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## Abstract

**Purpose** – There are some Muslims who only hold conventional bank accounts, regardless that some believe that such banks implement an interest charging system that contradicts Islamic law concerning the prohibition of charging interest. This study aims to investigate the consumers' tendency to regret (CTR) related to purchasing conventional banking services (CTR-P) and the failure to purchase Islamic banking services (CTR-NP). Then, this study investigates whether CTR-P and CTR-NP translate into regret, which, in turn, leads to the intention to save money in Islamic banks.

**Design/methodology/approach** – A survey of Indonesian Muslims who only hold conventional banking accounts was conducted. There were 323 participants. This study then applied a partial least square structural equation modeling (PLS-SEM) to test the hypotheses.

**Findings** – This study found that a combination of CTR-P and CTR-NP translates into regret, which then drives the intention to save money in Islamic banks as a means of releasing such feelings of regret. The findings suggest that Muslims evaluate their banking decision on an Islamic basis and that making a decision that contradicts the prohibition of charging interest tends to cause regret. Islamic banks have opportunities to penetrate the market by focusing on Muslims who only hold accounts with conventional banks.

**Originality/value** – The findings of this study help advance understanding of Muslims' negative emotional experience due to making a decision that they perceive contradicts Islamic law. Also, the findings help predict the strategy that Muslims use to neutralize such a negative emotional experience.

**Keywords** Islamic marketing, Islamic markets, Islamic financial services marketing, Islamic retail, Consumer tendency to regret, Regret, Intention to save money in Islamic banks, Conventional banking

**Paper type** Research paper

## Introduction

Islamic banks play a significant role in society. Compared to conventional banks, Islamic banks provide larger lending to small and medium enterprises (SMEs), microfinance and retail lending (Brown, 2020). In such cases, the banks use social instruments to support households by compensating lost income and providing access to basic services such as education and health-care (Damak, 2020). Islamic banks face this situation through a high liquidity strategy (Beck *et al.*, 2013) and by prohibiting speculation, as well as risky asset classes (Brown, 2020) that make the

The author thanks the editor and four anonymous reviewers whose comments helped improve this manuscript.



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