

## Engagement and Awareness of Islamic Banking Customers: Exploring an African Context

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### Abstract

The Islamic banking industry is a niche market within the South African banking industry. Information is needed on the profile of customers and their level of awareness concerning activities at Islamic banks. Thus, this study aims to identify the banking engagements and CSR awareness levels of Islamic bank customers in South Africa. This study involved 163 respondents in South Africa selected using non-probability sampling. Meanwhile, the data were collected using a questionnaire. The collected data were then analyzed using descriptive statistics. The results indicate that respondents seek Islamic banking for them, have a long-standing relationship with the Islamic bank, and mainly use saving, current, and investment accounts. The findings also show that respondents should be aware of the CSR activities undertaken by the Islamic banks, and they could have engaged in CSR activities more regularly. Thus, the Islamic bank management is encouraged to proactively make their Sharia-compliant offerings and CSR activities visible.

Keywords: Islamic banking, customer engagement, customer awareness, South Africa

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### INTRODUCTION

Islamic banks are a primary mechanism, which operates Islamic economics (Asutay, 2007; Khan, 1994). Islamic banks provide a service for those seeking banking services based on justice, moral values, efficiency, and anti-capitalist behavior. Islamic banks ensure that money is fairly circulated and distributed within the economy to elevate the living standard by balancing the social, environmental, and economic demands of stakeholders and by focusing on the collective rather than the individual (Farooq & Selim, 2018; Afroze, 2015; Gilani, 2015). Islamic banks are expected to operate using Islamic law or Sharia, which requires the banks to engage in corporate social responsibilities (CSR) (Siddique & Iqbal, 2014). Therefore, Islamic banking should provide an attractive option for Muslim customers who look for Sharia-compliant banking and for non-Muslim customers who look for ethical banking (Gilani, 2015). However, in many cases, customers are only convinced that Islamic banks truly comply with Sharia or fulfill their duties of CSR (Ashraf & Lahsasna, 2017; Majeed & Zainab, 2017; Migdad, 2017).

The literature proves inconsistent findings as some studies report that customers are highly aware of Islamic banking (Abdullahi & Shaharuddin, 2016; Faisal et al., 2014). Other studies report that customers need a higher awareness and understanding of Islamic banking and Sharia compliance (Belwal & Maqbali, 2018; Mahdzan & Zainudin, 2017). Some studies report that even when respondents are highly aware, the adoption of Islamic banking products and services is still low (Saini, Bick, & Abdullah, 2011). Thus, having an awareness of Islamic banking does not influence customers to use this type of banking (Kaabachi & Obeid, 2016).

The banking industry necessarily understands customers' preferences (Kontot et al., 2016). This is required because customers are viewed as partners of the Islamic bank and are entitled to share in the profits and losses of the bank based on the types of products they use (Afroze, 2015; Jamaldeen, 2012).

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The most popular products and services offered by Islamic banks are current accounts, savings accounts, automated teller machines (ATM), investment accounts, and credit cards. In comparison, money order drafts, traveler's cheques, and letters of credit are the least popular products and services (Okumus, 2005; Metawa & Al-Mossawi, 1998).

Okumus (2005) has found that 70% of 161 respondents in Turkey do not use investment accounts while 47% need education on *musharakah* financing. Muslims in Australia are interested in using Islamic banking but do not understand the functions of the products and services. They consider the availability of credit services as a critical factor when using Islamic banking; nevertheless, this indicates limited knowledge of Sharia-compliant transactions (Rammal & Zurbruegg, 2007). Meanwhile, Mansour et al. (2010) have found that 78% of 156 respondents in the United Kingdom are Muslims and prefer using Islamic banking while 70.61% of the respondents combined Islamic banking with conventional banking. Finally, a study in Macedonia has found a strong demand for Islamic banking; this finding is proven by 93% of the 500 respondents who will willingly use Islamic banking products and services offered by an Islamic window (Abdullahi & Shaharuddin, 2016).

In South Africa, the Islamic finance market, in general, and Islamic banking, in particular, are considered emerging markets. There are several studies have focused on, among others, customer perceptions and governance of Islamic banks (Moosa, 2022; Saini et al., 2011). The current studies investigating this context have not considered how customers engage with Islamic banks and their awareness of CSR. Thus, to explore this gap in literature within a South African context, this study proposes two objectives. First, this study identifies customers' banking engagements. Second, this study determines customers' awareness levels of CSR made by Islamic banks in South Africa. Exploring these objectives is essential as Muslims in South Africa strive to align their religious practices, which include banking, with Islamic tenets (Vahed & Vawda, 2008). Furthermore, addressing these objectives will assist managers, marketers, and academics of Islamic banking to understand customers' engagement and level of awareness of CSR made by Islamic banks.

## **RESEARCH METHOD**

This study employed a quantitative approach and collected data from respondents by using a questionnaire. The study was advertised using various media platforms with instructions on accessing the questionnaire. The questions included in the questionnaire were adopted from the studies by Dusuki (2005) and Shifa (2012). A total of 163 valid responses were received using non-probability sampling techniques from Muslim customers of Islamic banks in South Africa. The respondents' characteristics were as follows. 81 of the respondents were male, 82 were female, 89 were between 18 and 40 years old, and 74 were 41 years old and older. The data were analyzed using descriptive statistics using STATA software. In particular, the statistics of interest included the respondents' frequency and percentage of responses. The results and discussions of the findings related to the research objectives and developed for the study are presented in the following section.

## **RESULTS AND DISCUSSION**

The results and discussion present the research objectives developed for this study.

**Research Objective 1: Banking Engagements of Respondents**

The study's first research objective is to identify customers' banking engagements. To answer this objective, the respondents were asked three questions about who introduced them to the Islamic bank (Table 1), how long they have been engaged with Islamic banking (Table 2), and what facilities of Islamic banks they use (Table 3).

**Table 1. Parties introducing them to Islamic banking**

Parties introducing them to Islamic banking	n	%
Respondents	102	South
Friends	6	4
Religious leaders (Imam/Sheikh)	3	2
Media	13	8
Family	29	18
Advertisement	10	6
<b>Total</b>	<b>163</b>	<b>100</b>

Source: Compiled by author

The majority of the respondents (62%) decide to engage with an Islamic bank, while 18% are introduced to an Islamic bank by family members, 8% are introduced by the media, 6% are introduced by advertisements, 4% are introduced by friends, and 2% are introduced by religious leaders. A percentage of less than 10% indicates unsuccessful methods of attracting new customers.

**Table 2. Length of engagement with Islamic banking**

Length of engagement with the Islamic bank	n	%
Less than 1 year	12	7
1 to 3 years	43	26
4 to 5 years	29	18
More than 5 years	79	48
<b>Total</b>	<b>163</b>	<b>100</b>

Source: Compiled by author

Table 2 shows that the majority of the respondents (93%) have been engaged with Islamic banks for more than one year represents. This percentage is detailed as follows: 7% of the respondents have been engaged with Islamic banks for less than a year, 26% for 1 to 3 years, 18% for 4 to 5 years, and 48% for more than 5 years.

The facilities of Islamic banks mostly used by the respondents are savings accounts (28%), current accounts (25%), and investment accounts (23%). Meanwhile, the facilities commonly used by the respondents are credit cards/charge cards and vehicle financing (7%), and home financing (6%). The facilities least used by respondents are corporate banking facilities (2%), personal financing (1%), trade financing (1%), and education financing (1%). Finally, the data show that no participant uses Islamic banking for capital financing.

To conclude, customers in South Africa either decide to engage with Islamic banks or are introduced to Islamic banks by friends and family. Their personal decision to engage with Islamic banks is primarily caused by religious reasons. This statement is well supported in the literature (Basheer et al., 2018; Mbawuni & Nimako, 2017). Other studies have also proven that family members play a leading role in introducing customers to Islamic banks (Ergec et al., 2016; Marimuthu et al., 2010). Another study in Bahrain shows that customers generally have a long-standing relationship with Islamic banks (Metawa & Al-Mossawi 1998). In addition, a good relationship and high degree of stability exist between customers

and Islamic banks because most customers have been engaged with Islamic banks for more than three years (Amin & Isa, 2008). Facilities, such as saving accounts, current accounts, and investment accounts, are popular and mostly used by customers (Mahdzan & Zainudin, 2017; Ul-Hassan, 2007; Okumus, 2005; Metawa & Al-Mossawi, 1998).

Based on the research findings, this study recommends that Islamic bank managers conduct extensive marketing campaigns to attract customers. This strategy is crucial because the findings indicate that most customers voluntarily decide to engage with Islamic banks. These marketing campaigns should emphasize the bank's commitment to comply with Sharia principles. Such a strategy will attract and retain customers. Finally, the marketing campaigns should demonstrate and offer types of facilities, such as savings, current, and investment accounts. In addition, the campaigns should show the benefits of using these facilities compared to conventional banking.

**Table 3. Facilities used at the Islamic bank**

Facilities of Islamic banks used by	Rank	N	%
Savings account	1st	101	28
Current account	2nd	89	25
Investment account	3rd	83	23
Credit card/charge card	4th	25	7
Vehicle financing	4th	25	7
Home financing	5th	22	6
Corporate banking facilities	6th	6	2
Personal financing	7th	4	1
Trade financing	7th	4	1
Education financing	7th	2	1
Working capital financing	8th	0	0
<b>Total</b>		<b>361</b>	<b>100</b>

Source: Compiled by author

### Research Objective 2: CSR Awareness of Respondents

The second research objective is to determine the customers' level of awareness of CSR performed by Islamic banks. To answer this objective, the respondents were asked four questions. The questions included if they were aware of the CSR activities performed by the Islamic banks (Table 4), if they perceived that Islamic banks actively performed CSR (Table 5), and what keywords best describe CSR (Table 6). Lastly, the respondents were asked about the preferable information sources to receive CSR information from Islamic banks (Table 7).

**Table 4. Awareness of CSR activities**

Awareness of CSR activities undertaken by the Islamic	n	%
Yes	35	21
No	128	79
<b>Total</b>	<b>163</b>	<b>100</b>

Source: Compiled by author

Table 4 shows that 79% of the respondents are not aware of the CSR activities performed by Islamic banks. Meanwhile, 21% of the respondents have been aware.

**Table 5. Active performance of CSR**

Frequency of Islamic banks to perform CSR activities	n	%
Always	33	20
Sometimes	105	64
Never	25	15
<b>Total</b>	<b>163</b>	<b>100</b>

Source: Compiled by author

Table 5 shows that 64% of respondents (consider that Islamic banks 'sometimes' perform CSR activities. Meanwhile, 20% of respondents argue that Islamic banks 'always' perform CSR, and 15% argue that Islamic banks 'never' perform CSR activities.

**Table 6. Keywords describing CSR**

Keywords describing CSR	Rank	n	%
Giving back to society	1st	101	22
Business ethics	2nd	73	16
Responsible business	3rd	70	15
Society, environment, and profit	4th	61	13
Charity and/or philanthropy	4th	60	13
Business and society	5th	44	10
Corporate sustainability	5th	43	10
<b>Total</b>		<b>361</b>	<b>100</b>

Source: Compiled by author

Respondents propose three keywords best describing CSR: 1) giving back to society (22%), 2) business ethics (16%), and 3) responsible business (15%). Meanwhile, the two keywords least describing CSR are business and society (10%) as well as corporate sustainability (10%).

Furthermore, respondents propose the top three information sources to receive CSR information about Islamic banks. They are email (37%), annual reports (15%), and short message services (14%). Meanwhile, the least preferable source of information are leaflets or brochures (6%), and internal newsletters (5%). Finally, 3% of respondents prefer receiving no communication.

To sum up, the findings of the second research objective indicate that the respondents should be aware of the CSR activities performed by Islamic banks. Additionally, the respondents consider that Islamic banks only occasionally perform CSR activities. Similar findings on customers' awareness of CSR activities performed by Islamic banks have been discovered in the Malaysian context (Shifa, 2012). The respondents also specify that 'giving back to society' is the keyword that best describes CSR. Meanwhile, the successive best keywords are 'business ethics' and 'responsible business'. These findings are supported by the literature postulating that customers of Islamic banks prefer 'giving back to society' as their best option; however, 'business and society' and 'charity and philanthropy' are significant descriptors (Shifa, 2012). Finally, the respondents indicate that the top three sources to receive CSR information about Islamic banks are emails, annual reports, and short message services. In the Malaysian context, respondents are asked how Islamic banks communicate their CSR information. The findings indicated that 37.1% of respondents are not aware, 34.4% argue that the information is available in public media, and 31.2% believe it is available on Islamic banks' web pages (Dusuki, 2005).

The findings, as discussed above, highlight that Islamic bank managers should make their CSR activities more visible to customers and the community in which they operate. Moreover, Islamic banks should actively create awareness of their CSR activities by using terminology that agrees with customers'

expectations, such as 'giving back to the community'. Thus, Islamic banks can demonstrate their compliance with the Sharia and CSR principles. We also recommend that Islamic banks should use media, such as email, annual reports, and short message services, to report their CSR activities.

**Table 7. Media to receive CSR information**

Medium to receive CSR	Rank	n	%
Emails	1st	110	37
Annual reports	2nd	45	15
Short messages service (SMS)	3rd	42	14
Websites	4th	32	11
Media outlets (radio/television)	5th	29	10
Leaflet/brochure	6th	17	6
Internal newsletters	7th	14	5
None	8th	9	3
<b>Total</b>		<b>298</b>	<b>100</b>

Source: Compiled by author

## CONCLUSION

This study explores the banking engagements and the CSR awareness of Islamic bank customers in South Africa. The data on banking engagements of customers show that most of the respondents decide to engage with an Islamic bank (62%). Meanwhile, nearly half of all respondents have used services from Islamic banks for more than five years (48%). The facilities mostly used by the respondents are savings accounts (28%), current accounts (25%), and investment accounts (23%). The data on CSR awareness of the respondents show that most of them are unaware of the CSR activities performed by Islamic banks. Similarly, most of them believe that Islamic banks do not regularly engage in CSR. Based on these findings, we recommend that Islamic banks should more visibly offer their Sharia compliance and perform CSR activities for customers and the broader community where they operate.

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