

The Customer's Perception Towards Islamic and Conventional Banks In Algeria

Taalbi Abdelhak¹, Dr. Nur Farhah Binti Mahadi, Dr.Ashurov Sharofiddin

Abstract. *This study aims to know the perception of customers towards Islamic and conventional banks in Algeria, and to help banks operating in Algeria focus on the most important factors for customers, improve their ways of dealing with customers, and focus on these standards in its promotional program to reach the target segment. In order to achieve this, the researcher has chosen a random sample of (203) size from customers of Islamic and conventional banks in Algeria, the questionnaire was approved to collect data, and it was subject to honesty and reliability standards. The researcher used one approach to analyze the results of the research; the first is the descriptive analytical approach to answer the research question. The study reached several results, the most important of which are the following: 1. The majority of customers are fully aware of the principle of Islamic and conventional banking in Algeria. They were able to answer all the questions related to customer perception, which indicates their good understanding of the Islamic and conventional banking principle. In other words, the higher the awareness, the more effective the customer awareness of Islamic and conventional banks.*

Keywords: *Islamic banking, Islamic banking products, Perception, Banking, Conventional banks, Algeria*

Abstrak. *Penelitian ini bertujuan untuk mengetahui persepsi nasabah terhadap bank syariah dan konvensional di Aljazair, dan untuk membantu bank yang beroperasi di Aljazair fokus pada faktor yang paling penting bagi nasabah, memperbaiki cara mereka berhubungan dengan nasabah, dan fokus pada standar tersebut dalam program promosinya. Untuk mencapai segmen sasaran. Untuk mencapai hal ini, peneliti telah memilih sampel acak (203) ukuran dari nasabah bank syariah dan konvensional di Aljazair, kuesioner disetujui untuk mengumpulkan data, dan tunduk pada standar kejujuran dan keandalan. Peneliti menggunakan satu pendekatan untuk menganalisis hasil penelitian; yang pertama adalah pendekatan deskriptif analitis untuk menjawab pertanyaan penelitian. Kajian tersebut mencapai beberapa hasil, yang paling penting adalah sebagai berikut: 1. Mayoritas nasabah mengetahui sepenuhnya prinsip perbankan syariah dan konvensional di Aljazair. Mereka mampu menjawab semua pertanyaan terkait persepsi nasabah yang menunjukkan pemahaman mereka yang baik terhadap prinsip perbankan syariah dan konvensional. Dengan kata lain, semakin tinggi awareness maka semakin efektif awareness nasabah bank syariah dan konvensional.*

Kata Kunci: *Perbankan syariah, Produk perbankan syariah, Persepsi, Perbankan, Bank konvensional, Aljazair*

Introduction

Algeria has a dual banking system, with two full-fledged Islamic banks (Bank Al Baraka and Al Salam bank). Al Baraka bank was founded as the first Islamic Bank in Algeria in May 1991, and it operates under a commercial banking license granted by the Bank of Algeria. The bank has 31 branches (al Baraka, 2022) and its main

¹ International Islamic University Malaysia | taalbiabdelhak1@gmail.com

operations are retail and commercial banking. Al Salam Bank Algeria, is the second Islamic bank in Algeria, it is a full bank that operates in compliance with Algerian law, and in accordance with the provisions of Islamic Shari'ah in all its operations. As a result of Algerian-Gulf cooperation, In September 2008, the bank was authorized by the Central Bank of Algeria to commence operations with the goal of offering creative banking services (al Salam, 2022). Al Salam Bank - Algeria operates by offering modern banking services that originate from the ideals and values intrinsic in the Algerian customers, in line with the requirements of economic growth in all essential facilities in Algeria, according to a specific plan that is in line with the requirements of economic development. Receiving the needs of the market, costumers and investors, and controlling its deals by legitimate body made up of leading scholars in Shari'ah and Economic. In addition, the Algerian Central Bank issued a new law to allow conventional banks to open Islamic windows and provide customers with Islamic products, and assigning the National Sharia Board for Issuing Fatwas for the Islamic Financial Industry(Bouakkaz et al., 2021).

Literature Review

There are several studies that have documented that several internal and external factors are significant in determining which banks that customers deal with. For example, Akbar et al (2012) examined the user perception of Islamic banking practices in the United Kingdom which the result concluded that it is not fully aligned with Shari'ah principles. They should generate more awareness to the users about Islamic banking products and services to finally able them to utilize full benefits of Islamic products and services. However, to what extent that Islamic Banking is accepted by non-Muslim and what is their perception towards products and services that offered under Islamic Banking? The perceptions of non-Muslims towards Islamic banks are various among themselves. Islamic Bank aims to draw as many Muslim customers as possible and it also accepts non-Muslim customers so these customers are part of their projects and investments. In my point of view for the degree of perception, the relation between religion and education could not be formed with the perception that the establishment of Islamic banking would enhance the overall

banking facilities as most non-Muslims are aware of Islamic banking products and services and it gain popularity among non-Muslims day after day.

Echchabi & Aziz (2012) conducted longitudinal studies on the understanding and acceptance of customers towards Islamic banking services and analyzed the ability of Moroccan customers to accept Islamic banking services and the variables that which affect their decision-making. The findings have shown that ambiguity, relative benefit, compatibility, perception and subjective expectations have a big effect on the attitude towards Morocco's Islamic banking services.

Another exploration by Belwal & al Maqbali (2019) focused on the endeavor to comprehend the status of Islamic banks and the perception of clients towards Islamic Banks in Oman. The presentation of undeniable Islamic banks and Islamic windows in the financial area in Oman are moderately ongoing turns of events. The paper assessed the clients' view on Islamic banks and Islamic Banking windows in Oman. Following the interpretive model and an analytical structure, information gathered through close to home meetings with a gathering of 60 respondents were subjectively examined in two of Oman's conspicuous urban communities. The investigation found that Oman clients have blended opinions about Islamic Banks as they were uncertain are the banks following Islamic qualities, thus larger part of them had not opened account with Islamic banks or Islamic windows.

Method

To measure the perceptions, of the customers (respondents), quantitative research methods are utilized in this study. A quantitative analysis is conducted to fulfill the research objective. A survey is used to collect original data for describing a population too large to observe directly. In this study the information was collected through self-administered questionnaires distributed personally to the customers by the researcher.

Two modes of survey were adopted in this study design (English and Arabic language survey). The sample of the population of this study stood at 203 respondents from a different states and deferent background.

In order to interpret the findings of the study, the investigator used two separate approaches; the first is the descriptive empirical method to address the number one research query. Since one of the research's purposes is to know the degree to which the theory of Islamic and traditional banking is known by clients, and this is the appropriate way to explain this. However, the researcher used the multiple regression tests, research question number two and three, since the researcher needs to know the impact of one item on another, as found in the second research question, which aims to investigate whether the perception of customers' consciousness affects Islamic and conventional banks, And also in the third purpose of the report, which aimed to investigate whether the perception of customers towards Islamic and traditional banks has a preference impact. Both of it, then, to fulfill the study's objectives.

Results and Discussion

The research question, "What is the customers' perception level towards Islamic and conventional banks? Has been analyzed using descriptive analysis in order to determine the customers' perception level towards Islamic and conventional banks. Table (1) the customers' perception level towards Islamic and conventional banks in Algeria. The findings for the Statement 'choosing Islamic banking means choosing Islam.' showed that 68 (33.5%) indicated disagree, 18 (8.9%) indicated neutral, 117 (57.6%) indicated agree. Besides that, the question Statement 'Islamic banks are exclusively for Muslims not non-Muslim' revealed that 132 respondents (65.0%) indicated disagree, 29 (14.3%) indicated neutral while 42 (20.7%) indicated agree.

The Statement 'Islamic banking treats Muslim and non-Muslim in the same way.' revealed that 34 respondents (16.7%) indicated disagree, 34 (16.7%) indicated

neutral whereas 135 representing 66.5% indicated agree. On the other hand, the Statement 'Islamic banking can be a good alternative source of financing besides the conventional banking' showed that 30 (14.8%) indicated disagree, 24 (11.8%) Indicated neutral and 149 (73.4%) indicated agree. Meanwhile, The Statement 'Islamic banking contributes in removing society's inequalities and improving their standard of living which contribute to social welfare' revealed that 31 (15.3%) indicated disagree, 45 (22.2%) indicated neutral while 127 (62.6%) indicated agree. finally, the Statement 'Islamic banking is free from exploitations of rich to poor' showed that 42 (20.7%) indicated disagree, 43 (21.2%) indicated neutral whereas 118 (58.1%) indicated agree. The overall findings indicated that majority of the respondents had agreed with the Statements involving customers' perception level towards Islamic and conventional banks.

Table 1 The Customers' Perception Level Towards Islamic and Conventional Banks in Algeria

No	Items	Disagree	Neutral	Agree	Means	Standard Dev.
		(%)				
1	choosing Islamic banking means choosing Islam	68 (33.5)	18 (8.9)	117 (57.6)	2.91	1.385
2	Islamic banks are exclusively for Muslims not non-Muslim	132 (65.0)	29 (14.3)	42 (20.7)	1.91	1.273
3	Islamic banking treats Muslim and non-Muslim in the same way	34 (16.7)	34 (16.7)	135 (66.5)	3.33	1.110
4	Islamic banking can be a good alternative source of financing besides the conventional banking	30 (14.8)	24 (11.8)	149 (73.4)	3.44	1.067

5	Islamic banking contributes in removing society's inequalities and improving their standard of living which contribute to social welfare.	31 (15.3)	45 (22.2)	127 (62.6)	3.32	1.067
6	Islamic banking is free from exploitations of rich to poor	42 (20.7)	43 (21.2)	118 (58.1)	3.17	1.178

Findings For The Customers' Awareness Level Towards Islamic And Conventional Banks

The second research question, "awareness of Islamic banking products? Has been analyzed using descriptive analysis in order to determine the customers' awareness level towards Islamic and conventional banks. Table 4.4 the customers' awareness level towards Islamic and conventional banks in Algeria. The findings for the Statement 'Only Muslim knows that Algeria has dual banking system.' showed that 98 (48.3%) indicated disagree, 70 (34.5%) indicated neutral, 35 (17.2%) indicated agree. Furthermore, the Statement 'Conventional and Islamic banking systems are the same' revealed that 139 (68.5%) indicated disagree, 37 (18.2%) indicated neutral while 27 (13.3%) indicated agree. The Statement 'Islamic banking products are more diverse' showed that 56 (27.6%) indicated disagree, 49 (24.1%) indicated neutral and 98 (48.3%) indicated agree. Meanwhile, the Statement 'The services provided in Islamic banking are better than the services offered by conventional banks' revealed that 43 (21.2%) indicated disagree, 48 (23.6%) indicated neutral whereas 112 (55.2%) indicated agree.

Table 2 The Customers' Awareness Level Towards Islamic and Conventional Banks in Algeria

No	Items	Disagre	Neutra	Agre	Mean	Standar
		e	l	e		
		(%)				
1	Only Muslim knows that Algeria has dual banking system	98 (48.3)	70 (34.5)	35 (17.2)	2.21	1.217
2	Conventional and Islamic banking systems are the same	139 (68.5)	37 (18.2)	27 (13.3)	1.76	1.162
3	Islamic banking products are more diverse	56 (27.6)	49 (24.1)	98 (48.3)	2.93	1.261
4	The services provided in Islamic banking are better than the services offered by conventional banks	43 (21.2)	48 (23.6)	112 (55.2)	3.13	1.179

Findings For The Customers' Preference Level Towards Islamic And Conventional Banks

The third research question “Factors Encouraging Use of Islamic Banking?”

Has been analyzed using descriptive analysis in order to determine the customers' preference level towards Islamic and conventional banks. Table 4.5 the customers' preference level towards Islamic and conventional banks in Algeria. The findings for the Statement ‘Factor encouraging use of Islamic banking is the bank’s reputation and image’ showed that 42 (20.7%) indicated disagree, 35 (17.2%) indicated neutral, 126 (62.1%) indicated agree. The Statement ‘Compliance with Islamic Shari’ah principles’ revealed that 33 (16.3%) indicated disagree, 26 (12.8%) indicated neutral while 144 (70.9%) indicated agree. However, the Statement ‘A wide range of product

and services provided' showed that 31 (15.3%) indicated disagree, 41 (20.2%) indicated neutral meanwhile 131 (64.5%) indicated agree. Meanwhile, the Statement 'Better modes of financing' revealed that 21 (10.3%) indicated disagree, 39 (19.2%) indicated neutral whereas 143 (70.4%) indicated agree. The Statement 'No interest charge in the loan and deposits' showed that 37 (18.2%) indicated disagree, 31 (15.3%) indicated neutral and 135 (66.5%) indicated agree. Besides that, the question Statement 'Low service charge' revealed that 46 respondents (22.7%) indicated disagree, 54 (26.5%) indicated neutral while 103 (50.7%) indicated agree. The overall findings indicated that majority of the respondents had agreed with the Statements Factors Encouraging Use of Islamic Banking.

Table 3 The Customers' Preference Level Towards Islamic and Conventional Banks in Algeria

No	Items	Disagre	Neutra	Agre	Mean	Standar
		e	l	e		
		(%)				
1	Factor encouraging use of Islamic banking is the bank's reputation and image	42 (20.7)	35 (17.2)	126 (62.1)	3.21	1.188
2	Compliance with Islamic Shari'ah principles	33 (16.3)	26 (12.8)	144 (70.9)	3.38	1.104
3	A wide range of product and services provided.	31 (15.3)	41 (20.2)	131 (64.5)	3.34	1.071
4	Better modes of financing.	21 (10.3)	39 (19.2)	143 (70.4)	3.50	.935
5	No interest charge in the loan and deposits	37 (18.2)	31 (15.3)	135 (66.5)	3.30	1.145
6	Low service charge	46 (22.7)	54 (26.5)	103 (50.7)	3.05	1.191

Multiple Regression Analysis

Does Awareness Affect the Understanding of Customer' Perception Towards Islamic And Conventional Banks?

The second research questions “does awareness affect the understanding of customer’s perception towards Islamic and conventional banks?

The multiple regressions for awareness as independent variables and understanding of customer’s perception towards Islamic and conventional banks as dependent variable. The finding of the MRA presented in the Table 4.6 shows a significant regression model between awareness and understanding of customer’s perception, in which $F = 63.610$, $p < 0.05$.

The result of the model above demonstrated that awareness had a positive impact on understanding of customer’s perception towards Islamic and conventional banks such a way that the regression equation predicted a significant contribution of awareness to understanding of customer’s perception. With the regression analysis findings, the results showed that awareness was positively and significantly related with understanding of customer’s perception with t-value of 12.658, at $p < 0.05$ and $\beta = .490$. The result means that for every 1-unit variation of awareness will raise understanding of customer’s perception by .490. With t-value of 12.658 at $p < 0.05$ it means that awareness is a significant predictors of success of understanding of customer’s perception. I.e. the more the increase of awareness the more the understanding of customer’s perception towards Islamic and conventional banks will be successful.

Table 4 Multiple Regression Analysis for the Awareness Affects the Understanding of Customer’s Perception Towards Islamic and Conventional Banks

	Unstandardized Coefficients	Standardized Coefficients	T	Sig.
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Model	B	Std. Error	Beta		
(Constant)	12.694	1.003		12.658	.000
awareness	.675	.085	.490	7.976	.000
a. Dependent Variable: Understanding of customers perception, R2 = .240 F = 63.610					

Conclusion

The descriptive findings indicate that in almost all things concerning the degree of perception of customers towards Islamic and conventional banks in Algeria, most of the respondents agreed with the question point. In addition, the findings also indicated that majority of the respondents had agreed with the statement's factors encouraging use of Islamic bank.

In addition, the findings also indicated that majority of the respondents had agreed with the statements factors encouraging use of Islamic banking. The results show positive significant correlation between both awareness and preference with the understanding of customer's perception towards Islamic and conventional banks in Algeria. The regression analysis findings showed that both awareness and preference are positively and significantly predicted the understanding of customer's perception. Meaning that the more the increase of awareness and preference the more the understanding of customer's perception Islamic and conventional banks in Algeria will be successful.

As mentioned in the research question, the main objective of the research question is to determine the customers' perception level towards Islamic and conventional banks. From the results of the descriptive analysis (see Table 1) it shows that the overall findings indicated that most respondents agreed to statements involving the level of perception of customers towards Islamic and conventional banks in Algeria.

The objectives of this research have been achieved through knowing the perception of customers towards Islamic and conventional banks in Algeria, and to help banks operating in Algeria focus on the most important factors for customers, improve their ways of dealing with customers, and focus on these standards in its promotional program to reach the target segment.

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