THE CUSTOMERS DECISION IN USING ISLAMIC BANKING SERVICES IN BRUNEI DARUSSALAM: A COMPARATIVE STUDY WITH KINGDOM OF THAILAND

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FACULTY OF ISLAMIC ECONOMICS AND FINANCE SULTAN SHARIF ALI ISLAMIC UNIVERSITY BRUNEI DARUSSALAM

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THE CUSTOMERS DECISION IN USING ISLAMIC BANKING SERVICES IN BRUNEI DARUSSALAM: A COMPARATIVE STUDY WITH KINGDOM OF THAILAND

MUNEEROH CARENG
14MR504

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FACULTY OF ISLAMIC ECONOMICS AND FINANCE
SULTAN SHARIF ALI ISLAMIC UNIVERSITY
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A COMPARATIVE STUDY WITH KINGDOM OF THAILAND

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In the name of Allah, The most Gracious, The most Merciful

زَوْقَلْ رَبِّ زَكَّأَيْتِ عَلَيْكَ وَزُوَّرَ

((And say, ‘O My Lord! advance me in knowledge’ (Qur’an 20 : 114))

Grateful to Allah Subhanahu Wa Ta ala and His Messenger Muhammad Sallallahu Alaihi Wasallam All praises and thanks be to Allah the Almighty, who created human beings and gives clear guidance for a successful life. Due to His Mercy and guidance, we have been able to bring this research to a successful end. Though only my name appears on the cover of this dissertation, many people contributed to its completion. I owe gratitude to all those people who have made this dissertation possible.

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Author

Muneeroh Careng
Dedication

(O you who believe! Do not devour usury, making it double and multiplied, and be careful of (your duty to) Allah, that you may be successful)

To my father, Idris Khareng, my mother, Nik Hasnah Khareng and my brother, Nik Heng Khareng
ABSTRACT

THE CUSTOMERS DECISION IN USING ISLAMIC BANKING SERVICES IN BRUNEI DARUSSALAM: A COMPARATIVE STUDY WITH KINGDOM OF THAILAND

An Islamic banking service has emerged in recent decades as one of the most important trends in the financial world. There has always been a demand for financial products and services that conform to the Sharī‘ah. Whereby, Islamic banking is a bank that provides Islamic transactions with Islamic principles to meet the needs of a Muslim and a non-Muslim customers. The market for Islamic banking has grown rapidly over the past few years. Therefore, the development of viable Islamic alternatives to conventional banking, there are now Sharī‘ah compliant banking products to meet the short-term and long-term banking need of the customers. This research aims at to identify an attitude and the factors that influence the customer decision in using Islamic banking services in Brunei Darussalam and The Kingdom of Thailand. Further, the population samples are the customer of Bank Islam Brunei Darussalam (BIBD) totally 406 persons and Islamic bank of Thailand (Ibank) totally 417 persons. As well as, the data collected were analyzed using descriptive statistics analysis to find an attitude and the factors that influence the customer decision in using Islamic banking services of both countries. The findings in this study reveal that among similarities, the researcher found both customers of Bank Islam Brunei Darussalam (BIBD) and Islamic Bank of Thailand (Ibank) had great extent recognized on Islamic banking services of both countries. Furthermore, the marketing mix 7’P factors had influenced to majority customers to makes a decision in using Islamic banking services. Hence, the government involvement with the promotion and development of the Islamic Financial and Banking System for giving more options to the public which will stimulate efficiency and competitiveness.

Keyword: Customer decision, Islamic banking services, Brunei Darussalam, Kingdom of Thailand.
ABSTRAK

KEPUTUSAN PELANGAN DIGUNAKAN DALAM PERKHIDMATAN BANK DI BRUNEI DARUSSALAM:
KAJIAN PERBANDINGAN DENGAN KERAJAAN THAILAND


Kata kunci : keputusan pelanggan, Perkhidmatan perbankan Islam, Brunei Darussalam, Kerajaan Thailand.
ملخص البحث

يركز الخدمات المصرفية الإسلامية في العقود الأخيرة كواحدةً من أهم الاستجابات في عالم المال والأعمال.

وغالبًا ما نرى أنه كان هناك الكثير من الطلب المتنير على المنتجات والخدمات المالية التي تتوافق مع الشرعية الإسلامية. حيث أن المصرف الإسلامي هو بنك يتوفر فيه الخدمات والمعاملات بطريقة مفيدة للشرعية الإسلامية. وسارة مع مبادئها السامية. وذلك تلبيناً لاحتياجات العملاء المسلم وغير المسلم في آن واحد.

وقد نما سوق الخدمات المصرفية الإسلامية بسرعة كبيرة خلال السنوات القليلة الماضية. لذلك فإن تطوير البديل الإسلامي قابلة للتطبيق المصري التقليدي، والأفكار الكثير من المنتجات المصرفية المتواجدة مع الشرعية الإسلامية رغبة منها في تلبية احتياجات عملائها المصرفية، سواء كانت طويلة أو قصيرة الأمد.

والجدير بالذكر أن هذا البحث يهدف إلى تحديد المواقف والتعامل الذي يؤثر على قرارات العملاء، في استخدام الخدمات المصرفية الإسلامية في دولة بروناي دار السلام ومملكة تايلاند. خاصة على ذلك فإن البحث أخذ عينته من السكان، من عملاء بنك إسلام بروناي دار السلام (BIBD) وعددهم 406 شخصًا، والبنك الإسلامي في تايلاند (IBank) وعددهم 417 شخصًا. إضافة إلى أن هناك بعض البيانات التي تمثل تحليلها باستخدام التحليل الإحصائي الوظيفي لجداول موقف جماعي، والمعاملات التي تؤثر في قرار العمل لإستخدام الخدمات المصرفية الإسلامية لكلا البلدين. تكشف النتائج عن هذه الدراسة إلى أن من بين أوجه النجاح الذي وجدته البحث على حد سواء، أن عملاء بنك إسلام بروناي دار السلام (BIBD) والبنك الإسلامي (IBank) كان الوسيط المعترف به على الخدمات المصرفية الإسلامية في كلا البلدين. بالإضافة إلى أن عوامل 7 للمجتمع التسويقي أثرت على غالبية الربانين ليتقدموا قرارهم في استخدام الخدمات المصرفية الإسلامية. وبالتالي في تدخل الحكومي الذي يقوم بتوجيه وتطوير النظام المالي الإسلامي والمصرفي، لإعطاء المزيد من الخيارات للمتعامل، والذي يدوره يقوم بتوجيه الكفاءة والقدرة التنافسية.

كلمات البحث: قرار العملاء، الخدمات المصرفية الإسلامية، بروناي دار السلام، مملكة تايلاند.
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**ABBREVIATION**

- **ASEAN**: Association of Southeast Asian Nations
- **OIC**: Organization of the Islamic Conference
- **APR**: Asian Pasific Region
- **IBB**: Islamic Bank of Brunei
- **TAIB**: Tabung Amanah Islam Brunei
- **IDBB**: Islamic Development bank of Brunei
- **DBB**: The development Bank of Brunei
- **BIBD**: Bank Islam Brunei Darussalam
- **Pcl.**: Public Company Limited
- **AEC**: ASEAN Economic Community
<table>
<thead>
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<th>Abbreviation</th>
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<tr>
<td>IBANK</td>
<td>Islamic Bank of Thailand</td>
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<tr>
<td>S.D.</td>
<td>Standard Deviation</td>
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<td>LSD</td>
<td>Fisher Least Significant Difference</td>
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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Islamic banking is an emerging industry its wide application is attributed to its ethical banking theory and practice. Islamic banking system is not only prohibited usury, but also the association in activities such as uncertainty, liquor, gambling involving trade relations and insurance product that are considered unethical (Amin, Abdul Rahman, Hwa, and sondoh Jr, 2011). Islamic banking is one of the most developed new banking method. Currently, Islamic banking is spreading around the world and has attention of both Muslim and Non-Muslim (Thambiah, S., H. Ismail, and C.A Malarvizhi, 2011). Islamic banking is a bank that provides Islamic transactions. Accordance with Islamic principles (Sharī’ah) to meet the needs of Muslim and Non-Muslim customers. The market for Islamic banking has grown rapidly over the past few years, and this robust growth is expected to continue for the foreseeable future. In many markets, Islamic banking has evolved from being a niche offering into being part of the mainstream financial services landscape.

At the same time, the competitive landscape is being redrawn, with more Islamic financial services institutions in the marketplace than ever before. Incumbent banks and new market entrants are facing vastly different market conditions and need to develop new sources of differentiation beyond compliance with Sharī’ah (Islamic law) to compete or remain successful in the future.

Islamic banking has emerged in recent decades as one of the most important trends in the financial world. There has always been a demand for financial products and services that conform to the Sharī’ah (Islamic law). With the development of viable Islamic alternatives to conventional banking, there are now Sharī’ah compliant banking products to meet the short-term and long-term banking need of the customers.
Islamic banks have been operating like other traditional bank about for decades. They also mobilize deposits and product loan based on Islamic Law (Sharīʿah), which are different from the other conventional or commercial banks. Therefore, Islamic banking differs from conventional banking in several ways, such as the prohibition of transactions based on interest rate and the requirement that bank’s operations be carried out according to certain procedures through the use of certain financial instruments. However, the Islamic bank can also offer products and services which are similar to those offered by a conventional bank. Islamic banking is based on the principles of Sharīʿah law. The Islamic banking system offers similar functions and service as the conventional banking system while abiding by Sharīʿah principles.

There are five basic principles underlying Islamic banking:

1. The prohibition of Riba (interest).
2. The prohibition of Gharār between the bank and customer.
3. The prohibition of Gambling.
4. The prohibition of Haram products and services.
5. The sharing of profit and loss between a bank and its customers.

The operations of Islamic Banking institutions are based on a profit and loss sharing principle. An Islamic bank does not charge any interest for the financing offered to customers but rather participate in yield, resulting from the use of funds. On the other hand, depositors get their share from the bank’s profit based on a pre-determined ratio.

1.1.1 Prohibition of Riba (Interest) in Islam

The Islamic Economic System revolves upon the prohibition of Riba. Islamic bank is a bank that conducts its business activities (collect funds and distribute funds to communities) based on the principles of Sharīʿah. The Islamic Bank conducts its business activities using the system of profit sharing instead of the system of interest (Ribā); because the system of interest (Ribā) is not allowed in Islamic Sharīʿah. The prohibition against usury contained in the Qurʾan and the Hadith. Which are;
Riba in the Qur'an

First Revelation:

زَوَالَا عَلِيَّمَ مَنْ يَهْبِيْنَ فِي أَهْلِ الْآيَاتِ فَلا يُرِيُّوا عَدَدَ الْهَيْبَةِ وَمَا عَلَيْهِمْ مِنْ رَكْمَةٍ

“They who give interest in their wealth are not strange to Allah, for they have an unequal account of it, and they shall abide eternally therein”

Surah Al Rum, verse 39

Riba from Surah Al Baqarah

زَوَالَا عَلِيَّمَ مَنْ يَهْبِيْنَ فِي أَهْلِ الْآيَاتِ فَلا يُرِيُّوا عَدَدَ الْهَيْبَةِ وَمَا عَلَيْهِمْ مِنْ رَكْمَةٍ

“They who give interest in their wealth are not strange to Allah, for they have an unequal account of it, and they shall abide eternally therein.”

Surah Al Baqarah, verse 275.

رَبِّ يُقْرِضَ اللَّهُ الَّذِينَ آمَنُوا مِنْهُمْ بِمَا كَانَ لَهُمْ مِنْ مَنْعَةٍ يُفْرَجُونَ مِنَ الْعَذَابِ الْآخِرِ

“God deprives interest of all blessing but blesses charities; And Allah does not like every sinning disbeliever.”

Surah Al Baqarah, verse 276.

زَوَالَا عَلِيَّمَ مَنْ يَهْبِيْنَ فِي أَهْلِ الْآيَاتِ فَلا يُرِيُّوا عَدَدَ الْهَيْبَةِ وَمَا عَلَيْهِمْ مِنْ رَكْمَةٍ

“O believers fear Allah and give up what is still due to you from interest (usury), if you are true believers.”

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1 Quran Surah Ar-Rum, verse 39, English Translation by Mohammad Habib Shakir.
2 Quran Surah Al Baqarah, verse 275, English Translation by Mohammad Habib Shakir.
3 Quran Surah Al Baqarah, verse 276, English Translation by Mohammad Habib Shakir.
Surah Al Baqarah, verse 278

“If you do not do so, then take notice of war from Allah and His Messenger. But, if you repent, you can have your principal. Neither should you commit injustice nor should you be subjected to it”.

Surah Al Baqarah, verse 279

“O Believers, take not doubled and redoubled interest and fear God so that you may prosper”.

Surah Al Imran, verse 130

Riba in Hadith

The Prophet said, "The selling of wheat for wheat is Riba (usury) except if it is handed from hand to hand and equal in amount. Similarly the selling of barley for barley, is Riba except if it is from hand to hand and equal in amount, and dates for dates is usury except if it is from hand to hand and equal in amount. (See Riba-Fadl in the glossary)."

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4 Quran Surah Al Baqarah, verse 278, English Translation by Mohammad Habib Shakir.
5 Quran Surah Al Baqarah, verse 279, English Translation by Mohammad Habib Shakir.
6 Quran Surah Al Imran, verse 130, English Translation by Mohammad Habib Shakir.
7 See: Sahih Bukhari 2170, Vol. 3, Book 34, Hadith 379
A’ishah (may Allah be pleased with her) narrated: When the Ayahs of Surat Al Baqarah about the usury (Riba) were revealed, the Prophet (peace be upon him) went to the mosque and recited them in front of the people and then banned the trade of alcohol. 

Abu Hurairah said:

"The Messenger of Allah said: 'Dates for dates, wheat for wheat, barley for barley, salt for salt, exchanged hand to hand. Whoever gives more or takes more has engaged in Riba unless they are of different types.'"

Bushair b. Yasir reported on the authority of some of the Companions of Allah's Messenger (may peace be upon him) from among the members of his family that he

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8 See: Sahih Al Bukhari 459, Vol. 1, Book 8, Hadith 449

9 See: Sunan an-Nasa'i 4559, Vol. 5, Book 44, Hadith 4563
forbade (the direct exchange of a commodity having different qualities) but with the change that Ishaq and Ibn al-Muthanna used the word Zabn in place of Riba and Ibn Abu 'Umar used the word Riba (interest).

Sahih Muslim 1540 c, Book 10, Hadith (3689)\(^{10}\)

Narrated Ibn Shihab:

From Malik bin Aws bin Hadathan that he said: "I once said: 'Who can change some Dirham?' So Talhah bin 'Ubaidullah - and he was with 'Umar bin Al-Khattab - said: "Leave your gold with us, then return to us when our servant comes and we will give you your silver." 'Umar bin Al-Khattab said: "No! By Allah! Either give him his silver or return his gold to him. Indeed the Messenger of Allah (ﷺ) said: 'Silver for gold is Riba, except for hand to hand; and wheat for wheat is Riba except for hand to hand; and barley for barley is Riba except hand to hand; and dried-dates for dried-dates is Riba except for hand to hand.'

[Abu 'Eisa said:] This Hadith is Hasan Sahih. This is acted upon according to the people of knowledge. And the meaning of Ha' Wa Ha' is hand to hand.\(^{11}\)

Jami' at-Tirmidhi 1243, Vol. 1, Book 12, Hadith 1243

1.1.2 Prohibition of Gharār between the bank and customer

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\(^{10}\) See: Sahih Muslim 1540 c, Book 10, Hadith 3689

\(^{11}\) See: Jami' at-Tirmidhi 1243, Vol. 1, Book 12, Hadith 1243
The Arabic word *gharar* means risk, danger or peril. In legal and business term it means to undertake anything blinding without sufficient knowledge or to risk oneself in a venture not knowing exactly what will be the result or to rush headlong into a peril without regard to the consequences. In all these circumstances, the element of risk is present.\textsuperscript{12}

Contracting parties should have perfect knowledge of the center value intended to be exchanged as a result of their transactions and parties cannot predetermine a guaranteed profit. This is based on the principle of uncertainty gains which on a strict interpretation, does not even allow an undertaking from the customer to repay the borrowed principal plus an amount to take inflation into account. The rationale behind the prohibition is to protect the weak from exploitation.

**Gharar in Quran**

\[\text{نَّبِيَّةُ عَلَى الْيَتَّينِ عَامِلِيِّنَّهَا لَا تَأْكُلُوا أَمْرَ لَكُمْ بَيْنَكُمْ إِلَّآ إِنَّكُمْ تُكْنَى تُجْرَةً عَنَّ تَرَاضٍ مَّسْكُهُمْ وَلاَ تَدْرِسُوا أَنَّكُمْ إِنَّ اللَّهُ كَانَ بَيْنَكُمْ رَجِيماً} 152\]

“and give full measure and weight with justice-- We do not impose on any soul a duty except to the extent of its ability; and when you speak, then be just though it be (against) a relative”\textsuperscript{13}

Surah Al An’am (6:152)

\[\text{رَبِّيَّةَ عَلَى الْيَتَّينِ عَامِلِيِّنَّهَا لَا تَأْكُلُوا أَمْرَ لَكُمْ بَيْنَكُمْ إِلَّآ إِنَّكُمْ تُكْنَى تُجْرَةً عَنَّ تَرَاضٍ مَّسْكُهُمْ وَلاَ تَدْرِسُوا أَنَّكُمْ إِنَّ اللَّهُ كَانَ بَيْنَكُمْ رَجِيماً} 154\]

“O Believers! Do not devour one another’s property by unlawful means. Instead of this do Business with mutual consent”\textsuperscript{14}

Surah An-Nisa (4:29)

\textsuperscript{12} Mahmood M. Sanusi, Al-GHARAR, IIUM Law Journal

\textsuperscript{13} Quran Surah Al An’am, verse 152, English Translation by Mohammad Habib Shakir.

\textsuperscript{14} Quran Surah An-Nisa, verse29, English Translation by Mohammad Habib Shakir.
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