

Customers' perceptions of selection criteria used by Islamic bank customers in Sudan: The importance of Shariah compliance

Ilham Hassan F. Mansour^{a*}

^aSchool of Management Studies, University of Khartoum, Sudan, e.mansour@uofk.edu

*Corresponding author.

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ABSTRACT

This paper attempts to investigate the importance of Shariah compliance compared to other criteria that influence the selection of Islamic banks in Sudan, a total Islamic banking system in which the "Islamic" variable is supposed to be constant. Primary data collected by self-administered questionnaires distributed to a sample of 393 respondents from bank locations in the capital of Khartoum state. The perceptions on the importance of choice criteria ranked by the respondents were analyzed using mean analysis and independent t-test. Exploratory factor analysis is employed to provide a more holistic view of the bank choice criteria. The customers of Sudanese Islamic banks prioritized Shariah compliance factors over another selection criterion. We conclude that although all banks work under the Islamic system, consumers were most concerned with the extent to which their bank services are adhering to Islamic principles. Other factors deemed important were "Experience and third-party influence", followed by staff competency, convenience, service quality, bank reputation, and customer care. Most studies have focused on countries with mixed conventional and Islamic banking systems (Arab and other Muslim countries). This study aims to contribute to the development of a better understanding of the determinants of Islamic bank selection in Sudan, an Arab African country characterized by a strong Islamic culture and a total Islamic banking system.

Keywords: Bank customers; Selection criteria; Shariah compliance; Sudan.

JEL codes: G21, Z12

1. INTRODUCTION

In the last two decades, Islamic banking is growing to play a vital role in the world. Islamic banking has continued to grow all over the world and Islamic banking is currently practiced in more than 53 countries worldwide (Butt, et al., 2011) with about 396 of Islamic banks and financial institutions located in Asia, Africa, Europe and the Americas (Ahmed et al, 2017). Throughout the 1970s, a number of Islamic banks started to operate in various Muslim countries such as Saudi Arabia, Sudan, Jordan, Egypt, the UAE and Kuwait (Riaz et al., 2016). Sudan is one of the few countries to have a financial system built completely according to Islamic principles with 100% Islamic banking services (Chong and Liu, 2006). In other Arab and Muslim countries, such as Jordan, Saudi Arabia, United Arab Emirates, Egypt, Indonesia, Bangladesh, Malaysia, and Pakistan with a dual banking system, Islamic banking co-exists with conventional banking. The banking system in Sudan started with conventional banks in the colonial period. Faisal Islamic Bank pioneered Islamic banking. This was the first Islamic bank in Sudan and commenced its operations in 1977, followed by Al-Tadamon Islamic Bank, the Sudanese Islamic Bank, and the Islamic Co-operative Development in 1983, the Islamic Bank for Western Sudan and the Al Baraka Sudanese Bank in 1984, and Al-Shamal Islamic Bank in 1985, although the latter only functioned until 1990. However, in 1989, the government decided to change the whole banking system to an Islamic banking system, in line with the Islamic

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orientation of the entire country. By 1992 the financial sector was built entirely on Islamic principles, consequently, financial transactions that not compatible with Shariah were not allowed.

Furthermore, the focus in Sudan has shifted from the mere Islamization of banks and economic transactions to the issue of true application of Shariah principles. In other words, economic agents look for more than gimmicks in the application of Islamic Shariah to the economy. Although the Central Bank of Sudan determines the methods of operation and the modes of finance in all Islamic banks in Sudan, individual banks differ in their applications. These differences can be attributed to the objectives and goals of each bank (Mohsin, 2005). However, although religion mandates strict laws in terms of buying financial products or services, the extent to which its adherents follow these Shariah laws is likely to vary (Khayruzzaman, 2016). This paper attempts to examine the patronage factors used by bank customers in Sudan, and the importance of Shariah compliance, within a total Islamic banking system, compared to other criteria in their selection decisions.

It is essential for bank managers to know the degree to which different product or service features are important and how these features influence customers' decisions regarding the choice of bank. Most studies have focused on countries with mixed conventional and Islamic banking systems, such as the Arab countries and other Muslim countries. This study aims to contribute to the development of a better understanding of the selection criteria of Islamic banks in Sudan, an Arab African country characterized by a strong Islamic culture. A deep understanding of the salient criteria used by customers in choosing a bank should help bankers to develop more precise, targeted marketing strategies to attract a larger number of customers and to better cater to the needs of both current and potential customers (Mokhlis, 2009). It is important to understand the bank selection criteria of customers to shape Islamic financial services and to develop a robust growth strategy for Islamic banks (Polat *et al.*, 2014). Identifying the main selection attributes will allow Islamic banks to develop appropriate marketing strategies (Metawa and Almosawi, 1998).

The rest of this paper is organized as follows. Section 2 reviews the relevant literature relating to the bank selection criteria of customers of both Islamic and conventional banks. Section 3 outlines the methodology and data analysis. Section 4 presents the main findings and implications of the study. Finally, section 5 provides the conclusions from the paper, including theoretical and managerial implications and directions for future research.

2. LITERATURE REVIEW

2.1 Customers' selection of Islamic banks

Bank selection and customers' bank preferences regarding Islamic banks have been extensively discussed and various dimensions have been identified in several Islamic countries worldwide. Religious belief as a motive to choose to bank with Islamic banks has been explored by several recent studies in an Arab context. In the most of these studies, religious belief was found to be a major motivation for selecting an Islamic bank (e.g. Abu Alsoud and Abdallah, 2013; Ahmad and Haron, 2002; Al-Ajmi *et al.*, 2009; Al-Tamimi *et al.*, 2009; Altwijry and Abduh, 2013; Hamid and Masood, 2011; Khan and Khanna, 2010; Ltifi *et al.*, 2016; Metawa and Almosawi, 1998; Metwally, 1996; Nasser *et al.*, 1999; Rehman and Masood 2012; Sayani and Miniaoui 2013; Subhani *et al.*, 2012).

Metwally (1996), for example, studied the attitudes of Muslims in three Arabic dual-banking systems (Kuwait, Saudi Arabia, and Egypt) towards Islamic banking and concluded that religion was the primary factor in the choice of an Islamic banking institution. These findings further validated by Metawa and Almosawi (1998) who examined customers' perceptions towards Islamic banks in Bahrain and concluded that bank-selection decisions by bank customers were predominantly religious-based decisions. Adherence to Islamic principles was found to be the most important selection criterion. Nasser *et al.* (1999) studied the preferences of Islamic banking customers and found that, in Jordan, trust was a key factor in the choice of an Islamic bank. Findings also revealed that most consumers selected an Islamic bank because of religious motives. Banks that operate according to Shariah have a good reputation and gain their clients' confidence by conducting their operations based on Shariah principles and the secrecy of information. These results validated previous findings that proposed religious belief as a major motivation for selecting an Islamic bank.

Later, Rashid *et al.* (2009) investigated the influential bank selection factors on customers of Islamic banks in Bangladesh. The results revealed that compliance with Shariah laws as one of the influential factors, along with convenience, cost-benefit, corporal efficiency, core banking services and facilities, and confidence. Corporal efficiency and confidence were the two most important factors found in this analysis. Al-Tamimi *et al.* (2009)

compared the image of Islamic and conventional banks among the customers in the UAE and investigated whether the perception had an impact on the banking behavior of consumers. Their results revealed that consumers in the UAE preferred to bank with Islamic banks and the most important bank-selection factor was the characteristics of bank products, followed by service quality, and religious factors. The positive image of Islamic banks was associated with religious factors and service quality. In Kuwait, Hamid and Masood (2011) revealed that Shariah principles, fast and efficient services, bank reputation, and product flexibility were the most important factors considered by customers in choosing Islamic mortgages. Hedayatnia and Eshghi (2011) reported that the quality of service and innovation in the provision of banking services were the most important factors in Iran, followed by efficiency and staff qualities. In Pakistan, Subhani *et al.* (2012) investigated ten factors to investigate the consumers' criteria for selecting Islamic banking. High profit and low service charges were found to be the most important factors, followed by religious motives and quality of service. Rehman and Masood (2012), however, found that the most important factors were religious factors and the convenient location that customers consider while selecting an Islamic bank. They also found that customer's feelings regarding security, quality-related issues, and bank efficiency were other important factors. This result was supported by Usman and Khan (2012) who found that religious motives had a major impact on consumers' behavior towards Islamic banks in Pakistan.

One year later, in Saudi Arabia, Altwijry and Abduh (2013) examined the customer satisfaction of Islamic bank customers. They found that the major factors were internet banking, religious motives, the accuracy of bank statements, and new technology adoption. Nasser *et al.* (2013), studying the Kuwait Finance House, found that the main reasons for the choice of the bank were the bank's name and reputation, its guaranteed confidentiality, and the trust in the management and Shariah Supervisory Committee. Similar results were found by Abu Alsoud and Abdallah (2013) in Kuwait in that bank reputation regarding abidance with Shariah principles was one of the five most important factors (but was ranked fifth). Sayani and Miniaoui (2013) concluded that the determinants for bank selection were more distinguishable among Islamic bank customers in the UAE: they were more concerned with the religious aspects of business and therefore all the attributes related to Shariah compliance ranked highly, above all the other determinants of bank selection, including bank reputation and expectation of profit on deposits. The credibility of the Shariah advisory board in the context of Islamic banks in this study was the most valued determinant, followed by collective considerations of profit and religion. Bizri (2013) investigated the status of Islamic banking in Lebanon, through addressing the perceptions both of existing and potential clients. Findings revealed that clients considered five variables in deciding whether to patronize Islamic banks: trust in Islamic banks and their true compliance with Shariah; customers' expertise with Islamic modes of finance; the cost of financing and other transactions; accessibility; and the quality of service offered by of Islamic banks

More recently, Srouji *et al.* (2015) identified the determinants of bank-selection criteria for both Islamic and conventional banks in Jordan and stated that the religious motive of customers was a significant variable among Islamic bank clients. Ltifi *et al.* (2016), in Tunisia, emphasized the role of explanatory factors such as perceptions of service quality, trust, and Shariah compliance in an individual's decision to choose an Islamic bank. The results showed that the importance of these factors varied from one client to another. However, since customers of Islamic banks ranked the attributes associated with Shariah compliance as the first priority. They concluded that religious aspects of the financial institution were the most important factor followed by the perceived quality of service and trust in the banks. Later, Riaz *et al.* (2017) explored the perceptions of consumers about products and services of Islamic banking and found that religion, among other factors, has a significant effect on consumers' perception of Islamic products and services in Pakistan.

However, contrary to findings discussed above, some studies in the same context have concluded that religious motives are not the main motive in selecting an Islamic bank (e.g. Erol and El-Bdour, 1989; Haron, 1999, 2002); Haque *et al.*, 2009; Hegazy, 1995; Ramadan, 2013; Zaher and Hassan, 2001). Further, other studies, e.g. Gerrard and Cunningham (1997), Abbas *et al.* (2003), and Awan and Bukhari (2011) were unable to find any relationship between bank selection and religious beliefs. For example, Hegazy (1995) investigated bank-selection criteria for both Islamic banks and commercial banks in Egypt. For the selection of Islamic banks, it was found that the most important factor was the advice and recommendations made by relatives and friends. Convenience of bank location, friendliness of bank staff, and the bank's vision of serving the community regardless of the expected profitability, timeliness, and efficiency, were also found to play important roles in the selection of Islamic banks. Erol and El-Bdour (1989) investigated Jordanian individual customers regarding their bank-selection criteria and concluded that instead of religiosity, other factors such as rate of return, facilities, and services provided, and the reputation of the bank were the main factors influencing individual customers to patronize a particular bank. A similar result was found by El-Bdour (1989, p 53) who suggested that "in considering motives responsible for

selecting Islamic banks as depository institutions, religious motives did not stand out as being the only significant ones; bank customers are profit-motivated”.

2.2 Customers' Selection of Islamic vs Conventional Banks

In a comparative study of Muslim and non-Muslim customers of Islamic banks, Haron *et al.* (1994) reported that the provision of fast and efficient service, the speed of transaction, and friendly bank personnel were the most important criteria perceived by Muslims in Malaysia. This implies that Islamic banks should not overemphasize, and rely on, the religion factor as a strategy in their efforts to attract more customers. Furthermore, the results revealed that only 40% of Muslims believed that religion was the main factor for patronizing an Islamic bank. Gerrard and Cunningham (1997) found that, in Singapore, undergraduates were more aware of the existence of Islamic banking than non-Muslims. A feeling of security, the availability of electronic services, quality of service, convenience, and promotional activities were found to be the top five determinants of bank selection among Singaporean undergraduate students. Similarly, this study found no evidence of Muslims and non-Muslims differing in their bank-selection criteria. In another study, Almossawi (2001) investigated college students' perceptions of Islamic banks. The results revealed that the bank's reputation, bank convenience, and the availability and location of automated teller machines (ATMs) were the main factors behind selecting Islamic banks. Jahiruddin and Haque (2009), in their study of Malaysian customer preferences, found that factors associated with convenience were valued the most by consumers, followed by economic, promotional, and influential factors.

Awan and Bukhari (2011) investigated customers' criteria for selecting an Islamic bank in a Pakistani context and concluded that product features and quality of service were valued by most of the customers, with less importance given to religious beliefs. The dimensions related to product features and quality of service were greatly valued by customers of both Islamic banks and conventional banks with Islamic banking subsidiaries. The findings of this study suggest that religious principles are not the sole reason to opt for an Islamic bank and revealed that the customers of Islamic banks ranked Shariah compliance features of Islamic banking services last among other selection criteria.

Ahmad *et al.* (2011) investigated the factors that determine a customer's bank selection in Malaysia and found that convenience, ATMs and their locations, parking space, the attractive location of the banks, and it's opening hours were all important factors. They pointed out that, even though the basic concepts of Islamic banking differed from those pertaining to conventional banking, Islamic banking institutions faced intense competition both from other Islamic banks and conventional banks. In their study in Iran, Hedayatnia and Eshghi (2011) concluded the quality of service and innovation in the provision of banking services were the most important factors, followed by efficiency and staff qualities.

Ramadan (2013) examined the attitudes of Jordanian customers towards Islamic banks and found that the three major factors that customers considered while selecting an Islamic bank were friendly personnel, bank reputation, and the service fees charged by the bank. He also found that the least significant factors were bank location and convenience, concluding that the religious aspect was not enough to attract customers to Islamic banks; they also needed to meet the expectations of customers.

Polat *et al.* (2014) attempted to extract important components in Islamic bank selection of the bank customers in Turkey and concluded that bank customers would select an Islamic bank depending on their high-quality bank services and fast banking in terms of the “conventional” need of a customer, while the third latent variable was Islamic banking. The modern structure of businesses and the business environment requires banks to provide high-quality products but also in a timely manner. Islamic banking services are the core and basic requirement of an Islamic bank but, on their own, they are not sufficient for an Islamic Bank to be selected by customers. Khatibbaeva *et al.* (2014) examined the most important criteria for selecting the best Bank in Dubai. Results indicated that three main factors influenced student-customers' bank preference: service charge, proximity to and location of ATMs, and convenience.

More recently, Al-Hunnayan and Al-Mutairi (2016) examined the main factors that motivate customers to deal with Islamic banks in Kuwait and concluded that quality of service was the most important factor, followed by low service charges friendly, responsive attitudes of banking staff, and recommendations from friends and families.

In conclusion, despite the fact that Shariah-compliant solutions are widely recognized by most Muslim customers, some empirical studies suggest that religion is not the sole reason for selecting an Islamic banking-service provider (see also Dusuki and Abdullah, 2007). According to Tara (2014), the reason for not ranking religion highly is a lack

of trust, i.e. Islamic banks are not providing 100% Halal financial services, which stimulates customers to join conventional banks offering better service quality. In the age of competition with conventional banks, Islamic banks should not only closely observe their adherence to Shariah principles but also provide high-quality and efficient services with low charges to retain their customers.

3. METHODS

The study design is exploratory research. Data were collected from bank customers visiting a branch during working hours using a questionnaire survey instrument. The customers were selected using a random sampling technique. Undergraduate business students were trained to fill in the questionnaires via face-to-face meetings with the respondents at bank locations in the capital of Khartoum state. Thus, the sample was an appropriate approximation of the representation of the banking population in the country.

The questionnaire consisted of questions regarding demographics, customers' account information, and selection criteria for choosing a bank. Participants were also requested to rate the relative importance of 25 bank-selection criteria on a five-point Likert scale ranging from (5) extremely important to (1) not at all important. The measures used in this study were adapted from previous literature (Almossawi, 2001; Dusuki, 2007; Erol and El-Bdour 1989; Haron *et al.*, 1994; Gerrard and Cunningham 1997). To collect the data, a convenience sampling method was utilized: 450 questionnaires were distributed, of which 393 were returned (a response rate of 87%). The questionnaire was presented in Arabic. SPSS 23.0 was used to analyze the data.

The data in Table I show the respondents' demographic profile, which serves two purposes. First, the profile gives a general sense of the attributes of the survey participants, as well as the variation within the sample. Second, it can be used later in the analysis when the results of the study are discussed and analyzed. Overall, there was sufficient variation in the demographic attributes of respondents; although the respondents' age was quite young (almost 70% were less than 40 years old). The sample was almost evenly divided between males and females, whereas the majority of the sample was well educated, with more than 77% holding a bachelor's degree or above.

The respondents were employed in both the public and private sectors of the economy, while only 4.5 % were students and 20% were retired. However, the respondents are quite experienced in dealing with banks. More than half of the sample has more than three years' experience in dealing with their banks.

4. ANALYSIS AND RESULTS

4.1. Mean Ranking Analysis

The mean, Standard Deviation, and ranking of possible important factors that might influence consumers' bank selection decisions are depicted in Table 2. The relative rank is based on the mean score of the responses, and higher scores signify more importance. The Mean score shows that the five most important choice criteria in patronizing Islamic banks by bank customers are related to human resources factors in terms of efficiency and competence. The most important criteria are:

- 1) Trust and Commitments,
- 2) Privacy & Confidentiality,
- 3) Friendliness of bank personnel,
- 4) Efficiency in carrying out transactions, and
- 5) Handling of customers' complaints.

Customers are more likely to use these factors for selecting their banks.

The least important choice criteria, ranked according to their least importance, are:

- 1) Influence from relatives and friends,
- 2) Advertising and promotion,
- 3) Media influence,
- 4) Islamic name of the bank and
- 5) Previous relations with the bank.

Customers are less likely to use these factors for selecting their bank.

Table 1. Demographic Profile

Item	N(%)
Age (years)	
Less than 20	31 (8%)
21-30years	138 (35%)
31-40 years	104(26%)
41-50 years	85(21 %)
51-60 years	30(8%)
60+	7(2%)
Gender	
Male	187(%)
Female	202(%)
Education	
Less than Secondary	16(4%)
Secondary certificate	74(19%)
Bachelor Degree	217(55%)
Master Degree	67(17%)
Doctorate Degree	19(5 %)
Occupation:	
Public sector employee	146(37.4%)
Private sector employee	134(34.4 %)
Student	91(23.3%)
Retired	19(5%)
Banking experience (years)	
less than a year	63(16%)
1-2	108(27%)
3-4	77(19%)
5-10	74(19%)
more than 10 years	66(17%)

Note: $n= 393$

When looking to the mean score of the responses of the committed, Muslims group about the importance of the bank’s chosen criteria. The data in Table 3 show that they share the same preferences in their bank choice with the less committed Muslims group particularly in the first three important variables “Trust and Commitments”, “Privacy & Confidentiality” and “Friendliness of bank personnel”. The two groups differ in two factors. The committed group chooses “Availability of ATM” and “Halal investment” among the most important factors while the less committed group chooses “Efficiency in carrying out” and “Customers complaint”.

The two groups rank the criteria related to religion significantly different. The committed group ranked four of the six factors included in the questionnaire among the top ten of the most important criteria. None of the same criteria ranked within the top ten of the most important criteria by the less committed group with the exception of “Halal investment” which is ranked as the eighth important criterion.

Independent samples t-tests were used to identify the differences or conformance between the committed group and the less committed group of Islamic bank customers. Significant difference occurred for some of the factors e.g. At the 0.001 significant level, factors of which both samples had variation were: “Faster Transaction”, “Availability of ATM”, “work according to Shariah”, “quality of the service”, “credibility of advisory board”, “comfort branches” and “Islamic brand bank”. At the 0.05 significant level, there were variations for factors: “Friendliness of bank personnel”, “Halal Investment”, “Eye-catching Location”, “Bank reputation”, “interest-free transaction”, “No. of branches” and “Influence from Media”.

However, it is noticed that the two groups differ significantly in factors related to religious and customer services by banks. The independent samples t-test results indicated that committed group customers have a higher perception of factors related to compliance and customer services compared to the less committed group. On the other hand, there is no significant difference between the two groups in variables such as Trust and Commitments, Privacy & Confidentiality, Efficiency in carrying out transactions, Handling of customers' complaints, bank image, transparency, previous relationships with the bank, and Advertising promotion.

Table 2. Mean Standard deviation and Ranking of the important selection criteria

	Mean	SD	Rank
1. Trust and Commitments	4.66	0.576	1
2. Privacy & Confidentiality	4.66	0.602	2
3. Friendliness of bank personnel	4.60	0.586	3
4. Efficiency in carrying out transactions	4.54	0.602	4
5. Customers complaint	4.54	0.581	5
6. Faster transaction	4.52	0.686	6
7. Availability of ATM	4.51	0.669	7
8. Halal investments	4.47	0.664	8
9. Work according to Shariah	4.46	0.719	9
10. Image	4.42	0.687	10
11. Transparency	4.40	0.654	11
12. Shariah compliance services	4.40	0.782	12
13. Quality of services	4.39	0.674	13
14. Credibility of Advisory board	4.38	0.866	14
15. Comfort branches	4.37	0.621	15
16. Eye -catching location	4.34	0.781	16
17. Reputation	4.31	0.652	17
18. Interest free transactions	4.30	0.850	18
19. No of Branches	4.28	0.791	19
20. Parking space	4.09	0.895	20
21. Previous relationships with the bank	3.98	0.805	21
22. Islamic brand	3.80	0.863	22
23. Influence from media	3.68	0.690	23
24. Advertising promotion	3.59	0.861	24
25. Influence from relative / friends	3.51	0.833	25

The study also examined the statistical difference between males and females with regard to the importance of bank selection factors. The findings revealed that there is no statistical difference between males and females with regard to the important factor. They consider when selecting their bank, except for the “transparency” factor, where males and females differ significantly at 0.05 significant levels. Male respondents value bank transparency more than females’ respondents do.

Moreover, with regard to the age differences, the findings showed significant differences between age categories that occurred for some of the factors at the 0.001 significant levels e.g. “Bank reputation & image”, “Parking space”, and “service quality”. At 0.05 significant levels, “Interest-free transactions” and “Transparency”. Younger respondents value bank service quality more than older respondents.

4.3. Factor Analysis

Factor analysis of the data is used to “reduce a large number of variables to some smaller number by telling us which belong together and which seem to say the same thing” (Emory and Cooper, 1991). Using factor analysis next to mean-ranking analysis, be supposed to add to the quality of the empirical analysis by providing a more holistic view of the bank choice criteria.

Table 3. Importance of bank selection criteria relative to religiosity

Selection criteria	Committed Muslims n=172		Less-committed n=191		t	Sig.
	Mean	Rank	Mean	Rank		
Trust and Commitments	4.69	1	4.62	1	1.11	0.268
1. Privacy & Confidentiality	4.69	2	4.62	2	1.10	0.271
2. Friendliness of bank personnel	4.67	3	4.53	3	2.09**	0.037
3. Efficiency in carrying out transactions	4.56	10	4.52	4	0.57	0.570
4. Customers complaint	4.56	11	4.52	5	0.54	0.590
5. Faster transaction	4.65	4	4.41	7	3.12***	0.002
6. Availability of ATM	4.64	5	4.42	6	2.69**	0.008
7. Halal investments	4.58	9	4.40	8	2.38**	0.018
8. Work according to Shariah	4.62	6	4.31	12	3.77***	0.000
9. Image	4.49	14	4.36	9	1.43	0.154
10. Transparency	4.48	15	4.35	10	1.50	0.135
11. Shariah compliance services	4.59	7	4.22	16	4.52***	0.000
12. Quality of services	4.55	12	4.25	13	2.87***	0.004
13. Credibility of Advisory board	4.58	8	4.22	16	4.20***	0.000
14. Comfort branches	4.52	13	4.25	14	3.04***	0.003
15. Eye -catching location	4.45	16	4.25	15	2.34**	0.020
16. Reputation	4.41	18	4.21	17	2.05**	0.041
17. Interest free transactions	4.42	17	4.21	18	2.32**	0.021
18. No of Branches	4.39	19	4.17	19	2.23**	0.026
19. Parking space	4.19	20	4.02	20	1.63	0.104
20. Previous relationships with the bank	4.08	21	3.90	21	1.62	0.107
21. Islamic brand	4.06	22	3.58	22	3.87***	0.000
22. Influence from media	3.82	23	3.57	23	2.00**	0.046
23. Advertising promotion	3.73	24	3.49	24	1.93	0.055
24. Influence from relative / friends	3.64	25	3.41	25	1.63	0.104

Significant at: ***= p≤0.001,**=p≤0.05

The Bartlett test of sphericity (of approximate $\chi^2 = 3558.16$; $df = 300$; significant at 0.000) and Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy index value of 0.822, which is greater than the threshold of 0.5 suggested by Hair *et al.* (2010), confirmed the appropriateness of the data for exploratory factor analysis. Principal component analysis with Varimax rotation was employed to reduce the number of factors where the eigenvalue having a value of more than one was the criterion used in determining the number of factors.

Factors influence bank choice results of applying factor analysis (see Table 4) showed the presence of seven factors with all 25 items of the banking selection criteria demonstrating large factor loadings (above 0.5 significant levels). All seven factors explained a cumulative variance of 60%. The communality indices were acceptable, ranging from 0.878 to .600. Cronbach's α values for all constructs ranged from 0.900 to 0.616, exceeding the minimum of 0.60, which is acceptable in exploratory research (Hair *et al.*, 2010). Thus, construct measures are deemed reliable.

The first factor emerged as a combination of six items: the credibility of the advisory board; keeping promises to invest in Halal investment; interest-free transactions; offering Shariah-compliant services; offering interest-free loans, and Islamic banks brand. We labeled this factor "compliance" and it was the most important factor in the selection of an Islamic bank in Sudan with the highest eigenvalue and variance, contributing about 14% of the total variance for the variables in the data set. This finding is consistent with many earlier Islamic banking patronage studies (e.g. Al-Ajmi *et al.*, 2009; Dusuki and Abdullah, 2007; Metawa and Almosawi, 1998; Metwally, 1996; Naser *et al.*, 1999; Rashid *et al.*, 2008; Sayani and Miniaoui, 2013).

Table 4. Factors influence bank choice

	F1	F2	F3	F4	F5	F6	F7
F1: Shariah Compliance : $\alpha=.811$, mean = 4.37							
1. Credibility of the Advisory board	.780						
2. Interest-free transactions	.738						
3. Shariah compliance services	.721						
4. Halal investments	.719						
5. Work according to Shariah	.708						
6. Islamic brand bank	.564						
F2: Experience & third-party influence: $\alpha=.819$, mean = 3.69							
7. Media influence		.887					
8. Advertising & promotion		.829					
9. Influence from relatives/ friends		.764					
10. Previous relationships with the bank.		.639					
F3: Staff competency: $\alpha=.797$, mean = 4.62							
11. Trust and Commitments			.811				
12. Friendliness of bank personnel			.740				
13. Privacy & Confidentiality			.665				
F4: Convenience: $\alpha=.702$, mean = 4.27							
14. Parking space				.736			
15. Comfort branches				.675			
16. Eye-catching location of the branch				.671			
17. No of Branches				.625			
F5: Service quality: $\alpha=.616$, mean = 4.45							
18. Quality of services					.789		
19. Faster transaction					.673		
20. Availability of ATM					.602		
F6: Reputation & Image: $\alpha=.900$, mean = 4.37							
21. Bank Image						.870	
22. Bank reputation						.862	
F7: Customers care : $\alpha=.670$, mean = 4.49							
23. Customers complaints							.764
24. Transparency							.646
25. Efficiency carrying out transactions							.565
Eigen value	6.45	2.54	2.05	1.61	1.39	1.21	1.01
% variance	13.27	11.35	9.23	8.82	7.66	7.50	7.21

Extraction Method: Principal Component Analysis. Rotated Method: Varimax with Kaiser Normalization

The second most important factor was a combination of four items: the influence of media; advertising & promotion; the influence of relatives, and friends and previous experience with the bank. This factor labeled as “Experience & third-party influence” and the findings were in line with those of Haron *et al.* (1994), Gerrard and Cunningham (1997), and Erol and El-Bdour (1989).

The third factor comprising three items: trust and commitment; privacy and confidentiality; and friendly and responsive attitude of banking staff. We labeled this factor “Staff competency” and it explained around 9.19 % of the total variance. This is similar to the findings of Haron *et al.* (1994), Ahmad *et al.* (2011), and Bizri (2014).

The fourth factor labeled as “convenience,” is related to the accessibility of the branch’s location, comprising, and four items: eye-catching location; parking space; and the number of branches & branches comfort and explain about 8.8 % of the total variance. This is in line with the studies of Rasheed & Hassan (2009) and Ahmad *et al.* (2011).

The items under the fifth factor, defined as “services efficiency” were quality of services; faster transactions; and availability of ATMs. While the sixth factor we labeled “bank reputation & image” and comprises two items: bank reputation and bank image. The two factors explain about 7.66 % and 7.50% of the variance respectively.

Finally, the least important among the factors were labeled as “customer care” delineates a choice factor based on “customers’ complaints”; “transparency”; and “efficiency in carrying out transactions” and explains about 7.21% of the variance.

5. CONCLUSIONS

This study intended to investigate the important factors affecting the customers’ bank preferences and the importance of Shariah compliance criteria compared to other criteria in a total Islamic banking system such as Sudan. The study used factor analysis to provide a summarized measure of the important bank-selection criteria for Sudanese Islamic banks. The successful outcome of such a methodology helps to avoid using numerous individual items that are sometimes difficult to use in cases where we need to have a controllable set of selection variables or dimensions. Moreover, factor and statistical groupings help researchers, analysts, and regulators to avoid ad hoc and random groupings that are widely practiced in industry and academia. The empirical analysis carried out in this study on a sample of Sudanese Islamic banks’ customers’ shows that the seven factors that emerged explained about 65% of the total variation among the sample of bank customers. The customers of Sudanese Islamic banks prioritized Shariah compliance factors over another selection criterion for selecting their Islamic bank, and we conclude that they were most concerned with the extent to which their bank services are according to Islamic principles, as all banks in Sudan are Islamic banks. The second most important factor was “Experience and third-party influence”, followed by staff competency, convenience, service quality, bank reputation, and customer care. Banks managers should keep in view these important factors and their importance while making marketing strategies.

In line with previous researchers (Ahmad and Haron, 2002; Al-Ajmi *et al.*, 2009; Al-Tamimi *et al.*, 2009; Altwijry and Abduh, 2013; Dusuki and Abdullah, 2007; Hamid and Masood, 2011; Ltifi *et al.*, 2016; Metawa and Almossawi, 1998; Nasser *et al.*, 1999; Rashid *et al.*, 2009; Sayani and Miniaoui, 2013; Subhani *et al.*, 2012). The results of this study indicate that even in the total Islamic banking system and despite the fact that all banks in Sudan operate under a fully Islamic banking system compliance to Shariah is persist as the most important factor considered by customers. Thus, it is unfeasible for Islamic banks to disregard the religious sentiment of their customers. Religious Commitments and religiosity norms must rely upon as a strategy to attract new customers or retain existing ones, especially for devout groups.

Since the majority of Sudanese, due to religious reasons, we are afraid to deal with interest-based banks, as reported by Hamdi (1982) (cited in Mohsin, 2005), this high importance given to banks’ Shariah compliance can be translated into high dissatisfaction of customers when banks do not observe it. It is very likely that the banks face the prospect of customers withdrawing their money if they caught

Violation of the Shariah principles (Abu Alsoud and Abdallah, 2013). Similarly, Butt *et al.* (2011) reported that the perception of non-adherence to Islamic principles was a barrier in the selection of Islamic banks in Pakistan.

5.1 Theoretical implications

The study makes important contributions to the body of literature on the selection criteria used by bank customers from the Sudanese perspective, where empirical studies on the topic are almost non-existent. To the author’s knowledge, this is the first research to study the selection criteria used by Islamic bank customers and the importance of Shariah compliance compared to other criteria in their bank-selection decisions in Sudan. The study fills an important gap in the literature and contributes to theoretical knowledge regarding investigation of how customers of Islamic banks evaluate bank adherence to Shariah and use this in their selection decisions in Sudan, an Arab African country characterized by a strong Islamic culture but different from those in other Muslim countries previously studied in the literature. Therefore, the findings of this study can add to the existing body of knowledge and serve as a starting point on which future studies can build.

5.2 Managerial implications

First, one important finding of this study was that compliance with Shariah principles still appears to play an important role in consumers' selection decisions in a totality Islamic banking system in which the "Islamic" variable is supposed to be constant (Chong and Liu, 2006). Therefore, Islamic banks' managers should emphasize their banks' genuine adherence to Shariah principles. Managers must also design an effective promotional mix to improve their communication that promotes the Islamicity of their products and services.

Practically, this study will help banks' managers in identifying the important factors for customers in terms of bank selection. The findings of the study will also assist the banks' management when developing policy criteria and designing marketing strategies that will successfully attract new, and retaining existing, customers. Finally, this study helps Islamic banks' managers to understand that an enhanced level of perceived Shariah compliance could be turned into higher customer trust in the bank, thus leading to competitive advantage.

5.3 Research limitations and future research

The results of this study have to be considered in the light of some limitations, particularly regarding the generalization of the empirical results, as well as in the data-collection method, which was largely exploratory and conducted in one specific area. It would be interesting to replicate this research in a wide variety of banks in other areas of Sudan to allow better generalization of the results and compare them to countries with similar Islamic financial systems.

Further, this study focused only on bank customers in general; future research could focus on specific customer groups, such as students or those who are out of the banking system due to religious reasons, given that financial inclusion in Sudan was only 15% in 2014 (World Bank, 2015). Other future research could also investigate customer satisfaction and retention.

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