



# BUILDING THE CONCEPT OF HALAL BRAND IMAGE ON ISLAMIC BANKING

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## ABSTRACT

The asset growth of Islamic banks in Indonesia is relatively higher than their conventional counterparts. It is essential to explain the image of Islamic banks perceived by Muslim consumers. Brand image plays a significant role in affecting purchase intention. Customers may decide to purchase or avoid a product not because of the inability of that product to run its functions. This papers aims to explain the concept of halal brand image. The concept of halal brand image according to various scholars is still very varied, so it is necessary to obtain a holistic explanation regarding the concept of halal brand image, especially in Islamic financial institution. Literature review is used to explain the concept the halal brand image, especially in Islamic financial industri. Halal brand image can be defined as the rational and emotional perception of a brand that is followed, accepted, and permitted in Islam. This brand must certainly be free from usury (interest rate), gharar, gambling, and unfair as well as exploiting risk-sharing practices. Every practicing Muslim will consider Islamic principles when consuming any products, including financial service products

**Keywords:** Halal, Brand Image, Islamic Banking

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## 1. Introduction

The asset growth of Islamic banks in Indonesia is relatively higher than their conventional counterparts. Within 2000 – 2020, however, the growth is only around five percent. The authority of Islamic religious affairs already stipulated the unlawfulness (*haram*) of interest in 2008. Besides, the government of the Republic of Indonesia provides full supports to Islamic banks by allowing the establishment of the Islamic Business Unit (UUS) in its government banks (BNI, Bank Mandiri, BRI, and BTN) in 2000. The Muslim populations in Indonesia reached 235 million people. The asset growth of Islamic banks is supposed to be high if the Muslims are aware of the importance of switching to Islamic banks. However, several factors affect the Muslims in Indonesia to switch to Islamic banks. They are as follows.

It is essential to explain the image of Islamic banks perceived by Muslim consumers. Brand image plays a significant role in affecting purchase intention. Customers may decide to purchase or avoid a product not because of the inability of that product to run its functions. Nevertheless, the symbol or logo of that brand is not appropriate or in line with the social status or self (Levy 1959). Muslim consumers expect that every product they consume is halal (lawful), including foods, beverages, financial services, transportation, and tourism. Halal label or logo has been a symbol of quality and compliance with Islamic values or sharia (Al-Haran and Low, 2008). The halal industry is growing, reaching many kinds of products consumed by societies. They include toiletries, pharmaceuticals, cosmetics, and other services (Hanzaee and Ramezani, 2011). In their research, Minkus-McKenna (2007) estimates that 70% of Muslims worldwide follow the halal standard. This condition shows that the halal industry will keep

progressing rapidly, along with the increasing number of world Muslim populations. Hence, it has been a prerequisite for every marketer to ensure the halal standard of each product offered to the market, especially the Muslim consumers.

Mathewa, Raudah, and Nurazizah (2012) explain that the target market of the halal industry is not only Muslims but also non-Muslims. Thus, the studies exploring the perception of the halal brand image among both Muslims and non-Muslims are important to be conducted. Even though there may be similarities, the factors affecting the purchase intention of halal products between these two groups may not be precisely the same. The purchase intention can be seen from their perception of halal brand image. If the perception among Muslim and non-Muslims consumers is different, it is clear that the purchase intention of the halal product is affected by the factors other than halal brand image. Thus, marketing researchers need to pay attention to the difference in perception between Muslims and non-Muslims in buying Islamic bank services.

The research studying the difference in perception between Muslim and non-Muslims towards the halal brand image in financial services in Indonesia is relatively scarce. Hence, this present study is trying to investigate the difference in perception among Muslim and non-Muslim consumers regarding the halal brand image. The respondents of this research are Muslim and non-Muslim college students in Purwokerto, Indonesia.

## 2. Literature Review

### 2.1 Halal

The halal concept has been widely discussed in previous studies. An integrated and holistic understanding of the halal concept is paramount in determining the real expectations among Muslim and non-Muslim consumers, especially in financial service industries. The followings are the explanation of halal concepts in several previous studies:

Table 1. Halal Concepts

Author(s)	Definition	Indicators
Drury (2007)	Halal is natural, safer, healthier, cleaner and greener	<ol style="list-style-type: none"> <li>1. Natural</li> <li>2. Safe</li> <li>3. Clean</li> <li>4. Environmentally sustainable</li> </ol>
Cheng (2008)	Halal taps into concerns about purity, health and wellness which are universal and it says something about the quality of things that are produced	<ol style="list-style-type: none"> <li>1. Pure</li> <li>2. Healthy</li> <li>3. Good and useful</li> </ol>
Kamali (2003)	Anything permissible in Islam	<ol style="list-style-type: none"> <li>1. Permissible under Islamic teachings</li> </ol>
Khan and Haleem (2016)	Halal-ness is a need of every Muslim in owning and consuming any product.	<ol style="list-style-type: none"> <li>1. Allowed in Islam</li> <li>2. Acceptable in Islam</li> <li>3. Permissible in Islam</li> </ol>

Drury (2007) and Cheng (2008) define halal in the context of goods products. Meanwhile, Kamali (2003); Khan and Haleem (2016) explain a general definition of the halal concept. Hence, this present study utilizes the concept of Kamali (2003) and Khan and Hallem (2016), stating that halal is anything permissible in Islam (Kamali, 2003; Khan and Haleem, 2016), accepted and advised in Islam teachings (Khan and Haleem, 2016). Furthermore, the halal concept in financial service industries stipulates that any financial product or transaction must be accepted and permissible by sharia or Islamic rules. According to Gaith and Worthington (2007), Islamic financial principles encompass the teachings to ignore usury or *riba* (interest rate), *gharar*, gambling, unfair, and exploiting risk-sharing activities. Therefore, the halal-ness of Islamic financial service lies in the ability to avoid anything which is forbidden in Islam.

## 2.2 Brand Image

According to Bekowitz (1997), a brand can contain a name, phrase, design, symbol, or combination of those elements for identifying that brand from competitors'. Kotler and Armstrong (2006) define a brand as a combination of the entire or partial aspect of the name, terminology, symbol, and design for identifying a producer, company or seller of certain goods or services. Koubaa (2008:141) puts forward that brand image is a reason or emotional perception owned by consumers on a certain brand. Kotler and Keller (2012) propose that brand image is a perception and faith hold by consumers, reflected by the association in the memory of those consumers. First and Tomic (2012:47) argue that brand image is awareness of a brand and its embedded characteristics. The concepts of the brand image of the previous studies can be summarized in Table 2 as follows:

Table 2. Brand Image Concepts

Author(s)	Definition
Newman (1957)	Brand image is defined as anything associated with by a person on a brand
Roy and Banerjee (2007)	Brand image can also be said as consumer's judgments and feelings about a brand
Aaker and Biel (2009)	Brand image is the concept frequently used to convey consumer's interpretation (cognitions, feelings) of the real intrinsic and extrinsic attributes of a product
Kotler and Keller (2012)	Brand image is a perception and faith hold by consumers towards a brand

Brand image refers to perceptual and emotional aspects (Kouba, 2008), which can be a thought or feeling (Roy and Banerjee, 2007). Brand image is utilized to interpret (cognitive and feeling) the intrinsic and extrinsic characteristics (Aaker and Biel, 2009) of anything associated with a person (Newman, 1957).

Brand image is based on the perception attached to a consumer regarding that brand. The brand image also portrays the thought and feeling of a consumer to a brand. Besides, it describes all aspects associated with a consumer regarding the characteristics of a brand. Hence, brand image is essential in affecting brand trust. A bad brand image indicates that this brand does not have a good reputation and integrity, and it is not reliable in fulfilling consumer's needs. The formed perception needs to adapt to the characteristics of consumers. In the context of Islamic financial services, marketers need to ensure and avoid the things which can make

consumers hesitate about a product or brand. Furthermore, Cheng (2008) asserts that it is unacceptable to attach the non-permissible aspect (*haram*) on food and beverage products, such as chicken ham, halal beef bacon, and non-alcohol beer. In the Islamic financial environment, the term of the bond is replaced by the term *sukuk*, and insurance is replaced by the term *takaful*.

### 3. Discussion

#### 3.1 The Development of the Concept of Halal Brand Image

The concept of brand image has been widely discussed in previous studies (Newman, 1957; Roy and Banerjee, 2007; Koubaa, 2008; Aaker and Biel, 2009; Kotler and Keller, 2012). Meanwhile, the concept of halal has been elaborated by Drury (2007), Cheng (2008), Kamali (2003), and Khan and Haleem (2016). However, the halal concept of those research still focuses on food products and does not specifically explain bank financial products. The research specifically mentioning the concept of halal financial concept is conducted by Gaith and Worthington (2007), stating that financial service is valid and halal according to Islamic teachings if it does not contain the forbidden (*haram*) elements as stipulated in Islamic rules. Hence, the halal brand image is a development from the concept of brand image. Based on the previous works of literature, the halal brand image can be defined as the rational and emotional perception of a brand that is followed, accepted, and permitted in Islamic teachings. Surely, it must not contain the element of *riba* (interest rate), *gharar*, gambling, and unfair and exploiting risk-sharing activities (Gaith and Worthington, 2007). The concept of halal brand image can be synthesized and shown in the following figure.

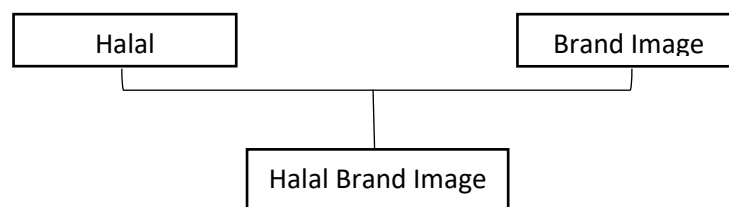


Figure 1. The Development of the Concept of Halal Brand Image

#### 3.2 Characteristics of Muslim Consumers regarding Halal Brand Image

Understanding consumer behavior is essential when formulating brand marketing strategies. Hence, understanding consumers is a must if they are the markets to be targeted (Cheng, 2008). Muslim consumers are like other consumers. When considering to buy a halal product, Muslim consumers also have purchase intention, which is based on their religion (cognitive). Subsequently, this faith will also influence other consumers. If Muslim consumers like a halal brand, they may have the intention to purchase that brand. Every Muslim has a belief that he or she can only consume quality and halal products as permitted by Islam.

The difference in characteristics between Muslim and non-Muslim consumers starts from the cognitive process. The subjective norm of Muslim consumers is the factor determining halal standards as the primary foundation in purchasing a product. Nevertheless, non-Muslim consumers do not follow the halal standard in their purchase intention.

Even though every religion may have rules in terms of the permissibility of products (goods or services), Islam has a more specific approach or regulation, especially when dealing with *muammalah* (the relationship between humans and other humans and the environment). The Islamic economic system regulates the relationship between humans with God as the Creator, as well as a human with other human beings. Therefore, financial transactions are also regulated by Islamic rules or sharia. Every practicing Muslim pays attention to sharia compliance, including when using any financial service. Hence, halal brand image is essential for Muslims, and they will have more confidence if that brand reflects their characters. The perception of Muslim consumers on halal brand certainly affects their behaviors. These behaviors, subsequently, affect purchase intention on the halal product.

#### **4. Conclusion And Implication**

Halal brand image can be defined as the rational and emotional perception of a brand that is followed, accepted, and permitted in Islam. This brand must certainly be free from usury (interest rate), *gharar*, gambling, and unfair as well as exploiting risk-sharing practices. Every practicing Muslim will consider Islamic principles when consuming any products, including financial service products. Halal brand image is essential for every Muslim. He or she will have more confidence if the product reflects his or her characteristics.

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