

Examining Factors Influencing Customer Intention to Use Islamic Home Financing: A Study in UTM

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Abstract

Islamic home financing is a kind of product offered by Islamic banks, which is based on the principle of Sharia. Using the Theory of Reasoned Action (TRA) as basis, this study examine factors that influence customers intention in using Islamic home financing. 342 usable surveys are obtained from Islamic bank customers which are the staff in UTM. There are six determinant factors which are attitudes, subjective norms, religious obligation, price and product knowledge were tested. The outcomes show that attitude, religious obligation and product knowledge significantly influenced customers' intention to use Islamic home financing while price and subjective norms are not significant. The results would help bankers to improving the strategies about the factors that they need the effective market Islamic home financing products in order to be more competitive and known to customers.

Keywords: Examining factors; Influencing customer intention; Islamic home financing.



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1. Introduction

For banks, home financing is an important line of business as houses are essential as a consumer basic need to live comfortably. Islamic home financing is one of the facility provided by Islamic banks, which is based on the principle of Sharia. As Malaysia operates a dualbanking system in which Islamic banks and conventional banks operate in parallel, the competitiveness of Islamic home financing to households are of concerns. Having established the first Islamic bank since 1983, Malaysia's Islamic banking industry is one of the fastest growing segment of the financial industry and also expected to be among the significant financing provider to Malaysian households. In Malaysia, according to [BNM \(2017\)](#), as shown in Figure 1, the highest percentage of household loans is purchase of residential property (41%) as at year 2016. Thus, there are higher needs for home financing as compared to other type of financing such as car loans, personal and credit card loans. And, for some bank customers, they hold the view that investing or purchasing properties is a main targeted financial project and goal ([BNM, 2017](#)).

Figure-0. Total Household Loans Applied (July 2016)

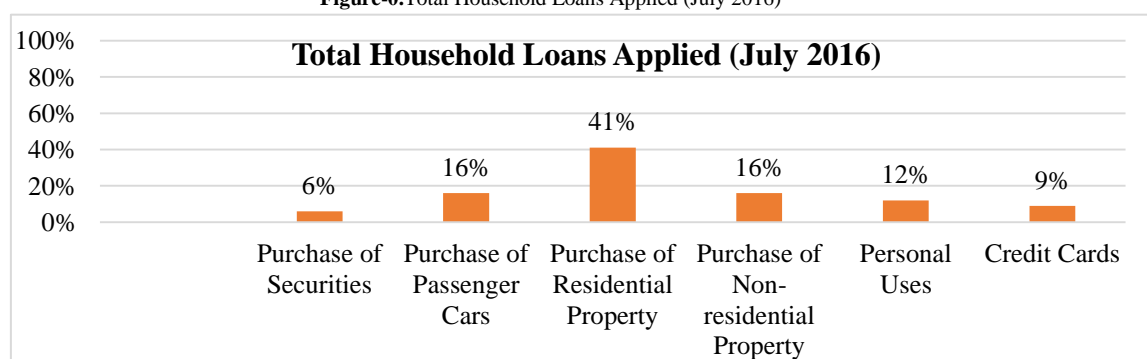
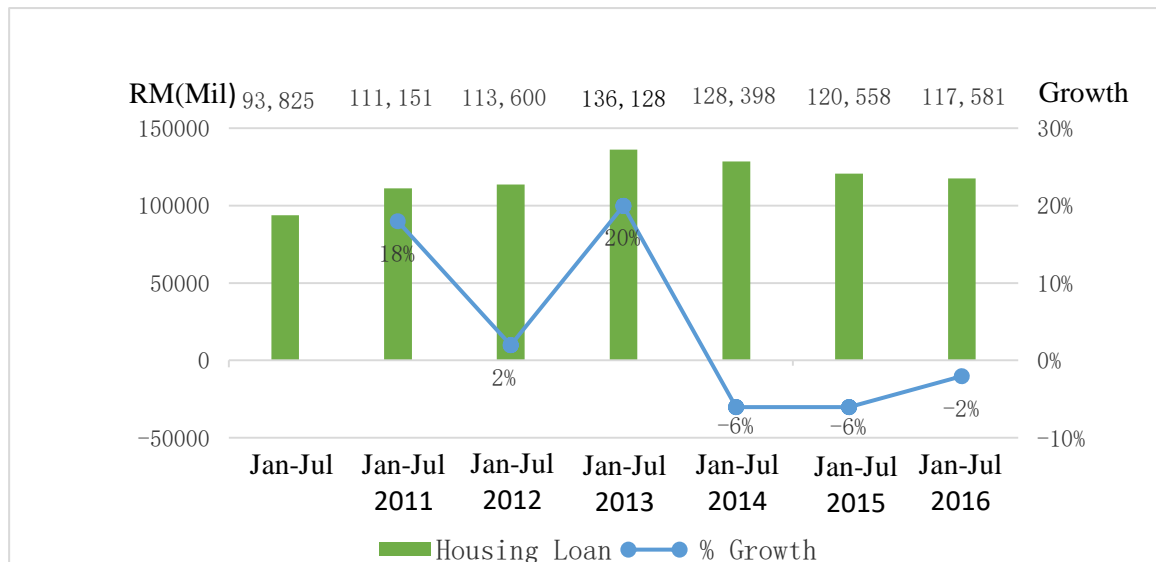


Figure-2. Housing Loan Growth (July 2016)

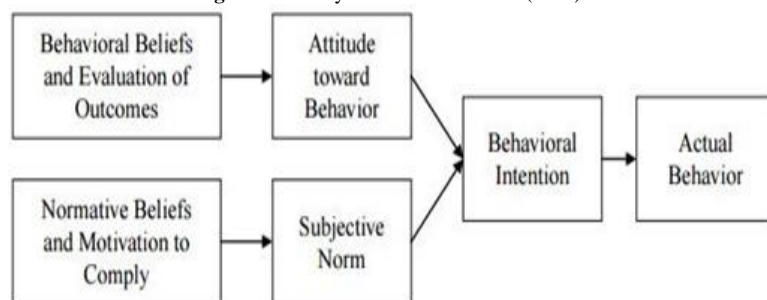
However, the demand for financing of house purchases remained relatively robust recently. Following crude oil prices at the drastic contraction and weakening ringgit in the meantime early 2015 have somehow subsidized to a continuous decrease in housing loan growth (2013 to 2016, see figure 2). Such decreasing rate however does not mean that there is a lack of demand for this type of financing. The dissatisfactions for financing product, high price and low customer's awareness might be another reasons (Amin *et al.*, 2006; Demirguc-Kunt *et al.*, 2014). Similar reason applies to Islamic home financing. And the demand of Islamic home financing product is found to be insufficient compared to conventional home loan (Amin *et al.*, 2006). Unfortunately, as Muslims which are guided by Islamic religion obligation, there should be as strong reason that possibly influence Muslims customers to select Islamic home financing compared to conventional home loan.

The guidance in every aspect of life perfectly and comprehensively were established in Islam as religion. It is clearly specified on what should do, how to relate with others and whether it allow and what should be consumed. Thus, Muslim actions as its social characteristics to particular behavior would determine their intention. The intention to use Islamic home financing or not were also claimed related to the religiosity degree (Wan Ahmad *et al.*, 2008) and attitude. Besides, other social factor is Muslim subjective norms as well as product factors itself related to knowledge of the product and pricing plays a significant role (Amin, 2008; Arshad *et al.*, 2011; Dusuki and Abdullah, 2006).

Thus, the current study aims to know the factors that affects customers' intention to use home financing specifically the Islamic home financing. This study focuses on university staff in UTM since they are the potential customers of Islamic home financing.

2. The Conceptual Framework

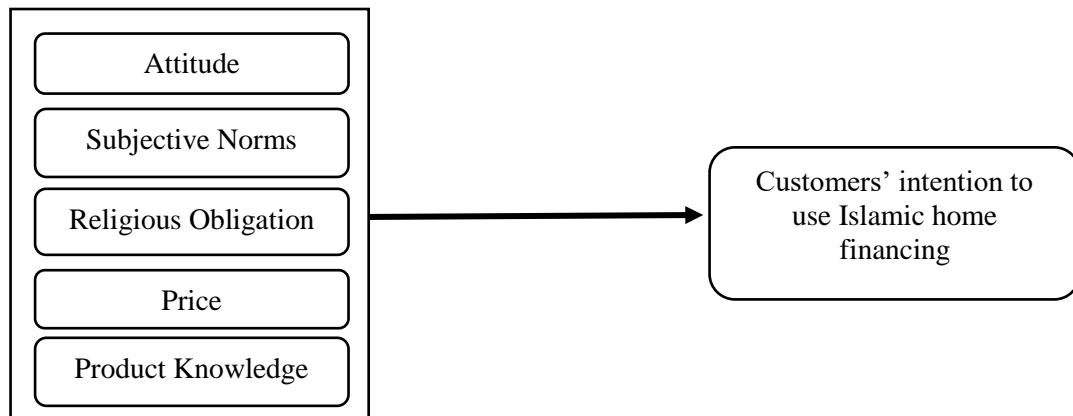
The Theory Reasoned Action (TRA) examines how attitudes and subjective norms effect individual behavior intention. The term intention refers to a person readiness to do or perform a particular behavior as a result of two influential factors namely attitude and subjective norms (Fishbein and Ajzen, 1975). Applying the TRA, person's attitude and subjective norms are determinants of intention, which can be used as indicators of a real behavior such as decision making in the selection of Islamic banking services of product. Individual Intention before behavior is a requisite procedure existing in any type of actual behavior. Mostly, the future intentions are assessed by using attitude factors to construct that lead individual intention to execute an assured behavior (Gopi and Ramayah, 2007). Figure 3 below summarize the construct of framework of this study based on TRA.

Figure-3. Theory of Reasoned Action (TRA) Model

Sources: (Ajzen and Fishbein, 1980; Fishbein and Ajzen, 1975)

The theoretical framework of intention to determine the actual behavior of customer based on figure 4 are as follows:

Figure-4. Theoretical Framework



3. Constructions of Model and Methodology

Previous findings proved that several construct from social and behavioural studies that are associated with individual intentions. Among others are the individual attitudes and subjective norms. They indicate there is positive and important effect resulted by attitude, which influence and decide the an individual intentions, in this case intention to use the product (Ajzen and Fishbein, 1980; Ajzen, 1985; Amin *et al.*, 2011; Fishbein and Ajzen, 1975; Shahverdi *et al.*, 2018; Sulaiman, 2003; Taib *et al.*, 2008) (Tan and Chua, 1989). Therefore, in general attitude is a vital aspect to be used to predict the consumers' behavior towards a specific action. The factor of subjective norm is very vital and original, which can deal social pressure or social influence in excess of individual perception and individual intentions towards a particular thing (Fishbein and Ajzen, 1975). This means that an individual or any potential group of people could influence an individual whether to accept or reject in doing a specific interest behavior (Ajzen, 1985; Fishbein and Ajzen, 1975). Studies have found that there is a significant relationship between subjective norm and customer intention (Ali and Chin-Hong, 2015; Amin *et al.*, 2011; Gopi and Ramayah, 2007). According to Taib *et al.* (2008), it studied that the most influential predictor of intention is subjective norm to use Islamic financing than the factor of attitude to influence intention.

In relation to religious obligation, Wan Ahmad *et al.* (2008) found the problem of the religiosity degree which shows that the religious customers prefer to select Islamic banks for their finance and investment. For prices, it is a significant factor where the degree to which the Islamic banks provided or afford Islamic home financing products (Amin *et al.*, 2011). Brucks (1985) identifies that product knowledge is an essential way to define the effectiveness of institution in meeting customers. It assert that product knowledge has significant impact on consumer's consciousness or realizing about the product, and confidence from them.

Thus, the following measurement and construct (refer Table 1 and 2) are used in this study based on previous literatures as discussed in developing the operational definition of the dependent and independent.

Table-1. Operationalized definition of each variables

Variable [#]	Operational Definition	Author
Intention (Dependent Variable)	The probability that an individual may or may not perform a particular behavior and accepted as an important determinant in considering whether individual is agreeable or not before the real behavior happened.	(Ajzen and Fishbein, 1980) Fishbein and Ajzen (1975)
Attitude	A person's negative or positive feelings about performing a target behavior. Used to be sources of future intentions (or behavioral intention) towards a particular object or behavioral intentions.	(Ajzen and Fishbein, 1980)
Subjective norms	Factors which influence individual opinions, views, perspectives, or his/her behaviors interacting with other groups and person.	Fishbein and Ajzen (1975)
Religiosity	Factor that can affect individual' beliefs in his/her life. It reflects a person' daily behaviors and obligations.	Johnson et al.(2001)
Price	Affective factor that leads to a rise on the customers intentions of Islamic banking product.	Amin (2008)
Product knowledge	A way to define the effectiveness of institution in meeting customers.	Brucks (1985)

[#]Cronbach's coefficient alpha with values range from 0.73 to 0.89 for each variables of the construct

Table-2. Construct measurement

Variables	No. of Items	Source
Customers' intention	5 items (Q1, Q2, Q3, Q4, Q5)	(Amin <i>et al.</i> , 2011)
Attitude	6 items (Q6, Q7, Q8, Q9, Q10, Q11)	(Amin <i>et al.</i> , 2011)
Subjective norm	5 items (Q12, Q13, Q14, Q15, Q16)	(Amin <i>et al.</i> , 2011)
Religious obligation	5 items (Q17, Q18, Q19, Q20, Q21)	(Amin <i>et al.</i> , 2011)
Price	5 items (Q22, Q23, Q24, Q25, Q26)	(Amin <i>et al.</i> , 2011)
Product knowledge	5 items (Q27, Q28, Q29, Q30, Q31)	Wan Ahmad <i>et al.</i> (2008)

#Adopted questionnaires refer to appendix

From the construct in Table 1 and 2, this study hypothesis that:

H1: There is a significant influences of the determinant factors attitudes, subjective norms religious obligation, price and product knowledge on customers' intention on Islamic home financing.

Thus, the independent variable of customers' intention can be influenced by several determinant factors as hypothesized which represented by the following model:

$$IHFI = \alpha + \beta_1 ATT_i + \beta_2 SN_i + \beta_3 RO_i + \beta_4 P_i + \beta_5 PK_i$$

Where,

IHFI =Islamic home financing intention

α = Intercept

ATT = Attitude

SN = Subjective Norm

RO = Religious Obligation

P = Pricing

PK = Product Knowledge

The data were collected from a sample of 342 UTM staff using a structured survey questionnaire with five-point Likert scale. (refer appendix). The measurement items of this study were adopted from previous empirical studies as summarized in Table 2.

3. Discussion on Findings

The findings of multiple regression are illustrated in Table 3. As indicated from the results, the independent variables explained 49% of the variance on the customer intention to choose Islamic home financing ($R^2 = .499$). The results showed out of 5 variables, 3 variables, attitude, religious obligations and product knowledge significantly influenced customer intention to choose Islamic home financing therefore supported the hypothesis. However, the other variables, the subjective norm and price are found to be not significantly influence customer intention Based on the result, the most influential independent variable on customers' intention to use Islamic home financing is attitude whereas other variables have a small impact towards the customers' intention on Islamic home financing. Correspondingly, this research get the result that attitude has a strong effect to customers' intention on Islamic home financing since it has positive and high value strength as compared to other variables.

Thus, there is a greater opportunity for the development Islamic home financing product to spread attitude and product knowledge since the Muslim community are looking forward to it and willing to use the financing as long as in accordance with Shariah. The managers of the bank should play a key role by creating a good atmosphere and increasing product knowledge to attract more customers to use the financing product offered by Islamic banks. The results of this study can give help for bank managers to make better decisions on the factors that it is necessary to have effective market the product especially home financing.

Table-3. Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.141	.224		5.109	.000
attitude	.519	.037	.604	13.792	.000*
subjective	.048	.028	.070	1.652	.099
religious obligation	.094	.030	.129	3.121	.002*
price	-.004	.026	-.007	-.167	.869
product knowledge	.106	.040	.110	2.645	.009*
R Square	.499				
F	66.7448				
Sig.	.000 ^a				

^aPredictors: (Constant), Product Knowledge, price, Religious Obligation, subjective, attitude

*significance level of 0.05.

4. Conclusion

This study suggested that since attitudes is among the important factors, officers of Islamic banks may optimize their service for getting a positive attitude from . Islamic banks should also ensure that all their products and services including home financing must adhere to the principle of Shariah as the result prove that religion obligation has a

significant influence on intention of customers in selecting financial Islamic products. This study only confines to specific user the UTM staff. Thus, it is recommended for future study to overwhelm this limitation by growing the sample scope to contain as a potential customer for Islamic home financing to get more valid and perfect result. Finally, this study achieved its objective in identifying what factors influence customer intention on Islamic home financing.

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Appendix (Questionnaires)

Intention

1	I am interested to use Islamic home financing.
2	I am interested to use Islamic home financing in the future.
3	I will use Islamic home financing someday.
4	I like to use Islamic home financing.
5	I will definitely recommend Islamic home financing to others.

Attitude

6	Choosing Islamic home financing is a good idea.
7	Choosing Islamic home financing is useful.
8	Choosing Islamic home financing is beneficial.
9	I appreciate Islamic home financing.
10	Islamic home financing is one of the best Islamic banking products.
11	Islamic personal financing is positive.

Subjective norms

12	Most people whose opinion I value would approve of my engagement in Islamic home financing.
13	It is expected by others that I should choose Islamic home financing.
14	Most of people who are important to me think that Islamic home financing is beneficial.
15	My friends influence me to choose Islamic home financing.
16	Most people are assume me familiar with the need of <i>Sharia</i> .

Religion obligation

17	Islamic home financing is in line with an Islamic philosophy of doing banking business.
18	Islamic home financing is based on Islamic principle business implementation
19	An introduction of Islamic home financing is based on al-Quran and Hadith
20	Islamic home financing is free from <i>riba</i> .
21	Islamic home financing is free from fraud.

Price

22	Service charge for Islamic home financing are higher.
23	Fees obtained from Islamic home financing are higher.
24	Penalty for Islamic home financing is higher.
25	Monthly payments for Islamic home financing are higher.
26	Islamic home financing offers unfair pricing.

Product knowledge

27	I know and understand the differences between Islamic and conventional banking products.
28	I know the concept applied to Islamic banking.
29	I know that Islamic banking products are offered to both Muslim and non-Muslim.
30	I believe that Islamic banking must be based on <i>Sharia</i>
31	I understand that the system adopted by Islamic banks is really helping in promoting Islamic values among staffs, clients and the general public.