

A conceptual framework for adoption of Islamic Credit Card in Malaysia

Dariyoush Jamshidi

Ph.D student, International Business School (IBS), Universiti Teknologi Malaysia

Dr. Nazimah Hussin

International Business School (IBS), Universiti Teknologi Malaysia

Abstract:

Islamic banking scheme refers to a banking system which effort to achieve social and economic advancement by taking into consideration right, wrong and ethics in daily financial and transactional operations. The provided potential benefits by Islamic banking system have extended its application around the globe. Moreover, Islamic banking system has emerged as a crucial component of financial and banking system in context of Malaysia which has been able to donate to economic progress of this country. Presently, it is necessary that Islamic banks in context of Malaysia provide as many number as facilities possible so as to remain competitive and profitable in competitive banking industry. Islamic credit card introduction as that expand operations portfolio of banks and lead more benefits seems to be one of these varied services offering by Islamic institutions. However, despite issuance of Islamic credit card by different banks in Malaysia, there is high probability that this Islamic banking service remains unused or unnoticed by bank customers. Consequently, this paper proposes a conceptual framework to explore factors that affect Islamic credit card adoption and usage by bank customers in Malaysia. The presented theoretical framework of this study would modify trust and attitude as two important construct in numerous banking as well as adoption studies in the area of Islamic banking services adoption and particularly Islamic credit card. Compelling information and insight in regards with Islamic credit card usage and adoption in context of Malaysia would be provided by finding of this study. Besides, the information provided by this study would serve as a basis for more future studies in area of Islamic credit card. Therefore, the theory that has been offered as framework of current research could be generalized in other Islamic banking and services studies context such as Islamic home financing or Islamic personal financing. Likewise, Islamic banks decision makers and other Islamic credit card issuers could of prime importance in extending finding of the study in order to have better future regarding offering their Islamic credit card.

Key words: Islamic credit card, adoption, conceptual framework, Attitude, Trust, Malaysia, Islamic banking

Introduction

Islamic banking system has been introduced as a new financial and banking system in the last years of twentieth century, although its concept seems to be old. Indeed, the one of the most important financial as well economic phenomena of current century is known Islamic banking system emergence in the Muslim globe (Daud et al., 2011). Reaching to social as well as economic enhancement in different communities by conducting varied financial service which are in accordance with Islamic principle is key Islamic banking system mission (Metawa and Almosawi, 1998). Likewise, Islamic banking scheme is system that right, wrong and ethics of operations in overall financing process is considerably important (Hamid and Masood, 2011). Consequently, all banking actions including transaction deposit, products and services which have been presented by Islamic banks must be on the basis of Shariah values (Abdullah et al., 2012). Consistently, Mirakhor, (2000) indicated that monopoly prohibition, paying zakat, prohibition of interest or usury (riba) in all banking process, undertaking business operation on legitimate and profit basis and attempt for expanding all halal aspects of business are the key ideology of Islamic banking activities.

What is more, (Gait and Worthington, 2008) have pointed that Islamic financial agreements between different parties has specific principles such as: Prohibition of riba (usury), consideration of justice in different financial and banking process, the prohibition of gharar, keeping away from financing activities that are known sinful as well as socially irresponsible activities, highlighting the importance of risk sharing activities

The Islamic banking advocates argued that Islamic method of banking as well as financing unlike conventional ones is fundamentally secure in its nature and therefore do not provide economic crash (Shayegani and Arani, 2012). Similarly, according to (Ahmad et al., 2011) Islamic banking system has the ability to enhance risk sharing in varied financial activities, , promote productive activities that influence economic growth, economic stability of nations, provide positive influence on monetary system of countries, fair distribution of income. As a result, these potential profits have extended this economic phenomenon in different Muslim as well as non-Muslim nations. Constantly, over the past years this scheme has acquired high popularity level and accordingly expanding this Islamic method in different countries, namely United Kingdom Singapore, Australia and United States (Amin, 2007).

The history of Islamic banking establishment in context of Malaysia refers to creation of Tabung Haji (the Pilgrimage Management and Fund Board) in 1963. Actually this organization in provide mobilization of funds from different Muslim people to help them for pilgrimage performance of Makkah (Mokhtar et al., 2008). Alongside, this organization encouraged the voluntary people to participate in profitable economic activities. After wards, numerous financial institutions and different parties which were active in this country requested for foundation of Islamic bank (Ecchabi and Olaniyi, 2012). Yet, the official Islamic banking system in context of Malaysia was introduced in 1983. In fact, Islamic banking system in Malaysia has introduced itself as a competitive element connected to overall financial system, which has been organized to complete conventional banking system in order to better fulfill customers' banking desires. After three decades, Malaysia is known as the first Islamic country which provide support for Islamic banking and financial system (Khattak and Rehman, 2010).

Islamic banking scheme needs to develop and offer suitable products that satisfy customers needs in order to remain competitive in profitable banking industry (Thambiah et al., 2011a). Actually, there is a concealed competition for Islamic banks to offer different type of products in order to remain beneficial as well as competitive in competitive banking industry. Even though, there is high uncertainties and risk regarding reception and demand by potential clientele, realizing these objectives seem to be difficult by these banks, however Islamic credit card as a new innovation in Islamic banking services has been managed noting to its merits. These merits have enhanced banks to increase their operations portfolio and receive more benefits. However, it is an important fact that although Islamic credit card has been issued by different banks and financial institutions in context of Malaysia, there is high likelihood that this Islamic banking innovation remains unnoticed or unused by different type of bank customers (Amin, 2012). For that reason, it is significantly crucial to recognize and identify the potential factors and personal items that affect adoption and usage of this Islamic banking innovation. Therefore, this conceptual paper would attempt to identify the nature of Islamic credit card usage and adoption intention among Malaysian bank clientele. Accordingly, this paper aim will be examining the potential factors which may have potentially an impact on adoption and usage of Islamic credit card in context of Malaysia as a hub country for usage of Islamic products and innovation.

Trust

depending on various researches' context such as economics (Williamson, 1975), sociology (Lewis and Weigert, 1985) and marketing (Sirdeshmukh et al., 2002) different definitions have been given for trust. Nevertheless, noting to its significance role and multidimensional meaning, it seems that there is lack of general agreement concerning trust description (Rousseau et al., 1998). Generally, trust refers to willingness of persons to be susceptible related to another people, person, or part actions (Mayer et al., 1995). This highly depends on the other part or individual responsible manner activities (Pavlou, 2003). Importantly, consumer trust in self service technology indicate to competent and reliable expectation of performance (Johnson, 2007).

Even though, trust of clients to innovation and technology services is dissimilar from clients trust to overall performance and additionally unlike to trust to employee behaviors (Johnson et al., 2008) but, privacy invasion and hackers fears has raised uncertainty of some banking facilities (Yap et al., 2010; Yoon, 2002,). Trust is introduced as a extensively accepted aspect regarding adoption studies in numerous context and previous scholars in different area have pointed to the fact that trust is one of the most significant indicator of adoption (Suh and Han, 2003, Gholami et al., 2010, George, 2002, Sohail and Shanmugham, 2003, Liu and Wu, 2007, Gefen, 2000). This paper intend to examine trust to Islamic credit card from different consumers' belief about performance and ability of Islamic credit card because trust to Islamic credit card facilitate this Shariah based product to be known as a reliable as well as predictable financial facility. This will lead to introduction of Islamic credit card as a service with provide no harmful penalty for its holders and in addition enhance bank clients to use it in their daily purchase transaction. Consequently, this paper would propose that:

H6: There is a positive relationship between trust and Islamic credit card adoption in Malaysia.

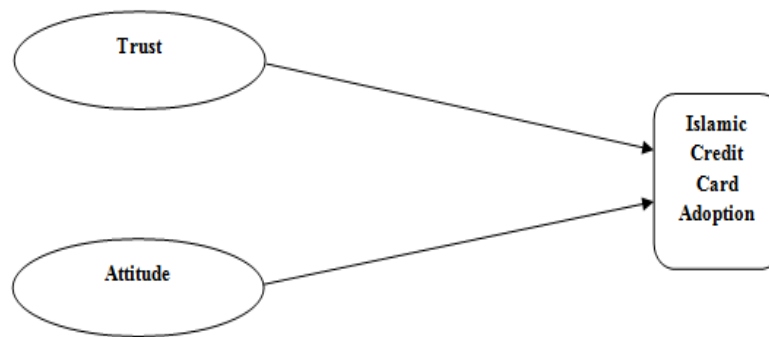


Fig. 1: Conceptual Model of Islamic Credit Card (ICC) Adoption.

Attitude

According to (Fishbein and Ajzen, 1975) attitude has been defined as evaluative effect of individuals' positive or negative feelings in a particular behavior performing. Actually, attitude is linked to behavioral intention of people because they form their intentions to execute a particular behavior in the direction of which they have positive upshot (Tan and Teo, 2000). The degree of favorableness as well as un-favorableness of feelings of persons concerning a psychological issue is the more recent description of attitude (Ajzen and Fishbein, 2000). It is recognized as important indicator that shape adoption intention of the system by different people. In different researches the significant power of attitude toward usage and adoption of different products, services and innovation has been pointed (Hung et al., 2003, Kim et al., 2009, Ramayah et al., 2005, Taylor and Todd, 1995, Davis et al., 1989, Lu et al., 2003, Eri, 2004, Al-Somali et al., 2009, Teo and Pok, 2003). Additionally, Akurtan and Tezacan (2012) demonstrated that attitude is the most notable predictor of adoption intention of mobile banking.

Furthermore, attitude has been modified in studies regarding Islamic banking context too (Taib et al., 2008; Amin et al., 2009; Amin et al., 2011). Specifically, Taib et al., (2008) showed a significant positive link between attitude and Islamic partnership home financing between postgraduate students in context of Malaysia. Besides, Amin et al., (2011) identified attitude as a significant determinant of Islamic personal financing usage among Malaysian bank customers. Yet, there is lack of evidence regarding Islamic credit card as to whether attitude could be a possible important predictor of Islamic credit card adoption. Therefore, the study would consider the following hypothesis:

H7: There is a positive relationship between attitude and Islamic credit card adoption in Malaysia.

Research Methodology

This paper will employ quantitative method of research that is based on questionnaire distribution to collect the necessary data. Accordingly, a structured modified questionnaire would be designed based conceptual framework of this study (figure 1). For that reason, several related items of applied survey would be adapted based on prior works in related and close adoption researches of innovation in numerous contexts (Brown et al., 2003, Tan and Teo, 2000, Zhou et al., 2010). Consistently, five point Likert Scale would be applied for measuring the data from different respondents ranging from 1) strongly disagree, 2) disagree, 3) neither disagree or agree, 4) agree, 5) strongly agree. Besides, different participants of study are required answer to the question regarding whether currently they Islamic credit card holders in their daily banking activities and purchasing transactions or not. What's more, demographic items of participants (gender, religion, monthly income, education level, age, ethnicity, occupation) will be another part of in the questionnaire due to providing more comprehensive results.

A sample frame of 450 bank clienteles in dissimilar area of Kuala Lumpur, Malaysia will be selected by conducting convenience sampling method. Convenience technique is preferred for this study because there is no population frame for this study that enable the researcher to conduct other methods. On the other hand, the target population for this research will be different individuals who have at least one banking account in one of Malaysian active banks due to their familiarity with banking affairs. Kuala Lumpur is selected as the main place for distributing the data collection noting the fact that this city is known as center of banking institutions actions in context of Malaysia (Hamid and Azmin, 2001). Both Muslim as well non Muslim bank consumers in Kuala Lumpur will be part of our sample because 60 % of population is Muslim in Malaysia. Additionally, noting that non Muslim users also receive the reimbursement from Islamic banking scheme this system has attracted them as well and is not only of interest by Muslim bank clientele which create high competition for attracting Muslim as well as non Muslim bank clients (Hoq and Amin, 2010). In general, it is required to bring both Muslim as well as non Muslim bank clients as future Islamic credit card holders in context of Malaysia.

Conclusion

This conceptual research has tried to create a framework on the subject of Islamic credit card as an Islamic banking facility and innovation because the usage and adoption of this Islamic product in context of Malaysia and among different type of bank customers needs to be improved in order to present higher market share for Islamic banking services and mainly Islamic credit card. According to assessment of suitability of trust and attitude in different banking as well as different literature of adoption and usage researches, in combination with with widespread literature review related to Islamic banking area, this study represent a conceptual framework for examining adoption and usage of Islamic credit card as an innovation in banking area by Malaysian bank customers.

Providing a view in regards with the important advantage and benefit that Islamic credit card as an Islamic banking innovation could provide for bank customers as well as recognizing the perception of clientele concerning Islamic credit card usage and adoption is the main motivation for conducting this study. This paper would offer persuasive information relating to

the items which are potential to affect Islamic credit card adoption and usage intention among different groups of Malaysian bank consumers. Importantly, these consequences would be significantly efficient for decision maker and managers of banks to form suitable marketing strategy in competitive banking industry of Malaysia in order to attract more number of consumers. This will enhance the increasing in market share of Islamic banking services which is one of the most important goals of government in this Islamic country.

Future Research

Although this study provide a conceptual framework regarding the adoption of Islamic credit card, but it seems that more number of construct is needed to provide more comprehensive theoretical view about adoption of Islamic banking services and more specifically Islamic credit card. In view of that other constructs or theoretical model such as Rogers (2003) Innovation Diffusion Theory, Technology Acceptance Model as well as other adoption models could be modified and test in regards with Islamic banking services and particularly Islamic credit card to offer a more theoretical base to such studies.

REFERENCES

- Abdullah, A. A., Sidek, R. and Adnan, A. A. 2012. Perception of Non-Muslims Customers towards Islamic Banks in Malaysia. *International Journal of Business and Social Science*, 3(11), 151-163
- Ahmad, A., Rehman, K. U. and Safwan, N. 2011. Comparative study of Islamic and conventional banking in Pakistan based on customer satisfaction *African Journal of Business Management*, 5, 1768-1773.
- Ajzen, I. and Fishbein, M. 2000. Attitudes and the attitude-behavior relation: Reasoned and automatic processes. *European review of social psychology*, 11, 1-33.
- Akturan, U. and Tezcan, N. 2012. Mobile banking adoption of the youth market: Perceptions and intentions. *Marketing Intelligence & Planning*, 30, 444-459.
- Al-somali, S. A., Gholami, R., Clegg, B. 2009. An investigation into the acceptance of online banking in Saudi Arabia. *Technovation*, 29, 130-141.
- Amin, H. 2007. An empirical investigation on consumer acceptance of internet banking in an Islamic Bank. *Labuan Bulletin of International Business and Finance*, 5, 41-65.
- Amin, H. 2012. Patronage factors of Malaysian local customers toward Islamic credit cards. *Management Research Review*, 35, 512-530.
- Amin, H., Rahman, A. R. A. and Ramayah, T. 2009. What makes undergraduate students enroll into an elective course?: The case of Islamic accounting. *International Journal of Islamic and Middle Eastern Finance and Management*, 2, 289-304.
- Amin, H., Rahman, A. R. A., Sondoh JR, S. L. and Hwa, A. M. C. 2011. Determinants of customers' intention to use Islamic personal financing: The case of Malaysian Islamic banks. *Journal of Islamic Accounting and Business Research*, 2, 22-42.
- Brown, I., Cajee, Z., Davies, D. & Stroebel, S. 2003. Cell phone banking: predictors of adoption in South Africa—an exploratory study. *International Journal of Information Management*, 23, 381-394.
- Daud, M., Yussof, I. M. and Abideen, A. 2011. The establishment and operation of Islamic Banks in Nigeria: Perception study on the role of the Central Bank of Nigeria. *Australian Journal of Business and Management Research* Vol, 1.
- Davis, F. D., Bagozzi, R. P. and Warshaw, P. R. 1989. User acceptance of computer technology: a comparison of two theoretical models. *Management science*, 35, 982-1003.
- Ecchabi, A. and Olaniyi, O. N. 2012. using theory of reasoned action to model the patronisation behaviour of islamic bank customers in Malaysia. *Research Journal of Business Management*, 6, 70-82.
- Eri, Y. 2004. Retailing on Internet the Buying Intention. *MBA Thesis, School of Management, University Sains Malaysia, Penang*.
- Fishbein, M. and Ajzen, I. 1975. *Belief, attitude, intention and behavior: An introduction to theory and research*.
- Gait, A. and Worthington, A. 2008. An empirical survey of individual consumer, business firm and financial institution attitudes towards Islamic methods of finance. *International Journal of Social Economics*, 35, 783-808.
- Gefen, D. 2000. E-commerce: the role of familiarity and trust. *Omega*, 28, 725-737.
- George, J. F. 2002. Influences on the intent to make Internet purchases. *Internet Research*, 12, 165-180.
- Gholami, R., Ogun, A., Koh, E. and Lim, J. 2010. Factors affecting e-payment adoption in Nigeria. *Journal of Electronic Commerce in Organizations (JECO)*, 8, 51-67.

- Hamid, A. and Azmin, N. 2001. A Study on Islamic Banking Education and Strategy for the New Millennium: Malaysian Experience. *International Journal of Islamic Financial Services*, 2, 3-11.
- Hamid, A. and Masood, O. 2011. Selection criteria for Islamic home financing: a case study of Pakistan. *Qualitative Research in Financial Markets*, 3, 117-130.
- Hoq, M. Z. and Amin, M. 2010. The role of customer satisfaction to enhance customer loyalty. *Afr*, 4, 2385-2392.
- Hung, S. Y., Ku, C. Y. and Chang, C. M. 2003. Critical factors of WAP services adoption: an empirical study. *Electronic Commerce Research and Applications*, 2, 42-60.
- Johnson, D. S. 2007. Achieving customer value from electronic channels through identity commitment, calculative commitment, and trust in technology. *Journal of interactive marketing*, 21, 2-22.
- Johnson, D. S., Bardhi, F. and Dunn, D. T. 2008. Understanding how technology paradoxes affect customer satisfaction with self-service technology: The role of performance ambiguity and trust in technology. *Psychology and Marketing*, 25, 416-443.
- Khattak, N. and Rehman, K. 2010. Customer satisfaction and awareness of Islamic banking system in Pakistan. *African Journal of Business Management*, 4, 662-671.
- Kim, H., Kim, T. T. and Shin, S. W. 2009. Modeling roles of subjective norms and eTrust in customers' acceptance of airline B2C eCommerce websites. *Tourism Management*, 30, 266-277.
- Lewis, J. D. and Weigert, A. 1985. Trust as a social reality. *Social forces*, 63, 967-985.
- Liu, T. C. and Wu, L. W. 2007. Customer retention and cross-buying in the banking industry: an integration of service attributes, satisfaction and trust. *Journal of Financial Services Marketing*, 12, 132-145.
- Lu, J., Yu, C. S., Liu, C. and Yao, J. E. 2003. Technology acceptance model for wireless internet. *Internet Research*, 13, 206-222.
- Mayer, R. C., Davis, J. H. and Schoorman, F. D. 1995. An integrative model of organizational trust. *Academy of management review*, 709-734.
- Metawa, S. A. and Almossavi, M. 1998. Banking behavior of Islamic bank customers: perspectives and implications. *International Journal of Bank Marketing*, 16, 299-313.
- Mirakhor, A. 2000. General characteristics of an Islamic economic system. *Anthology of Islamic Banking*, Asma Siddiqi (ed.). London: Institute of Islamic Banking and Insurance.
- Mokhtar, H. S. A., Abdullah, N. and Alhabshi, S. M. 2008. Efficiency and competition of Islamic banking in Malaysia. *Humanomics*, 24, 28-48.
- Pavlou, P. A. 2003. Consumer acceptance of electronic commerce: Integrating trust and risk with the technology acceptance model. *International journal of electronic commerce*, 7, 101-134.
- Ramayah, T., Chin, Y. L. and Ibrahim, A. 2005. Determinants of intention to use an online bill payment system among MBA students. *E-Business*, 80-91.
- Rousseau, D. M., Sitkin, S. B., Burt, R. S. and Camerer, C. 1998. Not so different after all: A cross-discipline view of trust. *Academy of management review*, 23, 393-404.
- Shayegani, B. and Arani, M. A. 2012. A Study on the Instability of Banking Sector in Iran Economy *Australian Journal of Basic and Applied Sciences* 6, 213-221.
- Sirdeshmukh, D., Singh, J. and Sabol, B. 2002. Consumer trust, value, and loyalty in relational exchanges. *The Journal of Marketing*, 15-37.

- Sohail, S. and Shanmugham, B. 2003. E-banking and customer preferences in Malaysia: An empirical investigation. *Information Sciences*, 150, 207-217.
- Suh, B. and Han, I. 2003. Effect of trust on customer acceptance of Internet banking. *Electronic Commerce Research and Applications*, 1, 247-263.
- Taib, F. M., Ramayah, T. and Razak, D. A. 2008. Factors influencing intention to use diminishing partnership home financing. *International Journal of Islamic and Middle Eastern Finance and Management*, 1, 235-248.
- Tan, M. and Teo, T. S. H. 2000. Factors influencing the adoption of Internet banking. *Journal of the AIS*, 1, 5.
- Taylor, S. and Todd, P. A. 1995. Understanding information technology usage: A test of competing models. *Information systems research*, 6, 144-176.
- Teo, T. S. H. and Pok, S. H. 2003. Adoption of WAP-enabled mobile phones among Internet users. *Omega*, 31, 483-498.
- Thambiah, S., Ismail, H. and Eze, U. C. 2011a. Customer Awareness and Current Usage of Islamic Retail Banking Products and Services in Malaysia , *Australian Journal of Basic and Applied Sciences*, 5, 667-671.
- Williamson, O. 1975. Markets and hierarchies: Analysis and antitrust implications. New York: Free Press.
- Yap, K. B., Wong, D. H., Loh, C. and Bak, R. 2010. Offline and online banking—where to draw the line when building trust in e-banking? *International Journal of Bank Marketing*, 28, 27-46.
- Yoon, S. J. 2002. The antecedents and consequences of trust in online-purchase decisions. *Journal of interactive marketing*, 16, 47-63.
- Zainol, Z., Shaari, R. and Ali, H. M. 2008. A Comparative Analysis on Bankers' Perceptions on Islamic Banking. *International Journal of Business and Management*, 3, P157.
- Zhou, T., Lu, Y. and Wang, B. 2010. Integrating TTF and UTAUT to explain mobile banking user adoption. *Computers in Human Behavior*, 26, 760-767.