



Intention to Use Islamic Banking Products and Its Determinants

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ABSTRACT

As there is an increasing trend of Muslims and non-Muslims accepting Islamic banking, it is crucial to reconnoiter customers' intention to use Islamic banking products. Such rationale is based on theoretical foundation and empirical evidence that customers' perception towards a particular product would lead to their intention to choose that product. The purpose of this study is to examine the determinants of intention to use Islamic banking products in an emerging and vibrant market. 200 copies of questionnaires were distributed, 131 usable copies were subsequently collected. The data were then analyzed using partial least squares-structural equation modeling. The findings show that attitude, government support, and social influence possess explanatory and predictive capacity to envisage customers' intention to use Islamic banking products. As banking service is localized to better serve the customers, this study extends the literature by providing insights into the subject matter in emerging markets.

Keywords: Islamic Bank, Intention, Attitude, Social Influence, Government Support, Product Pricing, Religious Obligation, Partial Least Squares-Structural Equation Modeling

JEL Classifications: G2, Z1

1. INTRODUCTION

Islamic bank has emerged as one of the most rapid growing industries in the last 30 years (Abdullah and Dusuki, 2006). Islamic banking has spread worldwide, and is widely accepted not only by Muslims, but also by non-Muslims (Iqbal and Molyneux, 2005). According to Henry and Wilson (2004), and Iqbal and Mirakhor (2004), Islamic bank performs the same essential functions as the conventional banks, except that the transaction is performed in accordance to the rules and principles of Islam. Therefore, Islamic banking strictly prohibits not only Riba (usury) or the excess interest charge, for example additional charge on loan, but also involvement in other unethical activities, such as speculation, liquor, and gambling (Amin et al., 2011).

Specifically Islamic banks in Malaysia have provided various types of banking products in order to cater financial needs of both Muslim and non-Muslim customers (Amin et al., 2011). Being an emerging and vibrant market, Malaysia is not only mostly

populated by Muslims, it is also recognized as a promising and prospective hub for Islamic banking at the international stage (Lo and Leow, 2014). Given the theoretical foundation and empirical evidence on the relationship between perceptions and behavioral intention, it is necessary to investigate customers' intention to use Islamic banking products in emerging markets like Malaysia. The purpose is to determine whether attitude, government support (GS), religion obligation, product pricing, and social influence have significant and substantial effect on the intention to use of the Islamic banking products.

2. LITERATURE REVIEW

2.1. Intention to Use Islamic Banking Products

Behavioral intention is largely described as willingness to adopt, use or accept an act of behavior (Fishbein and Azjen, 1975). In addition, numerous studies have concluded that intention is a strong predictor of actual behavior (Putit and Johan, 2015). Although past studies have also suggested mediators and moderators between