A conceptual framework for adoption of Islamic Credit Card in Malaysia

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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 Almossawi, 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 of financing activities that are known sinful as well as socially irresponsible activities, highlighting the importance of risk sharing activities.

The Islamic banking advocators 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 Pilgrism 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 Shanhugham, 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 clientele 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


