

Awareness towards Selection of Islamic Credit Card Among Malaysian Consumers

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Abstract

This study aimed to explore the level of awareness and understanding of Malaysian bank consumers on Islamic credit cards. The majority of bank consumers still lack awareness and knowledge in understanding about Islamic contracts in the bank. Still, only a few consumers are aware and choose Islamic credit cards facilities to avoid the prohibited element and get more benefits from Islamic credit cards. This study has used the quantitative method research. This study uses questionnaires to achieve the objectives of the research. A questionnaire has been designed and data was collected from 100 respondents of bank consumers in Malaysia. According to the findings, religious beliefs and attitudes were the most influential factors among Malaysian bank consumers' decisions to use Islamic credit cards. All of the hypotheses have been accepted. The limitation of this study was that only the employed respondents could answer this survey for the scope of this research. Furthermore, consumers who use Islamic credit cards are still the lowest compared to Conventional credit cards, thus the difficulty in collecting the data. The outcomes of this study will be used as a framework for future research in Islamic card usage and design. The Islamic credit card concept may also be applied to other Islamic products and services. These findings contribute to the level of knowledge of bank consumers in deciding to use Islamic credit cards.

Keywords: Islamic Credit Cards, Knowledge, Religious Belief, Profit Rate, Attitude

Introduction

Background of the Study

Malaysia has contributed significantly to the development of the Islamic finance industry. It is considered one of the most important centers of Islamic finance in the world. Malaysia's financial industry is characterized by a dual banking system that includes both Islamic and regular banking. Islamic banking is a goal of the Muslim community, which is obligated to follow Shariah law in its business dealings. On the other hand, Islamic banking

differs from regular banking operations and processes in many ways, such as the prohibition of *riba* (interest), *maysir* (gambling), and *gharar* (uncertainty).

An Islamic credit card is "plastic money" that operates on the same "buy first, pay later" concept as a traditional credit card (Amin, 2013). It can only perform halal transactions, and its operations are guided by Shariah values, principles, and objectives. Because of their Sharia-compliant nature, Islamic credit cards are now considered a legitimate option for Muslims and non-Muslims alike. An increase in investments by Islamic financial institutions from RM 549 million in 2006 to RM 1,888 million in 2013, indicates that the demand for Islamic credit cards is increasing.

The current Islamic contracts used in Islamic credit cards are *Tawarruq* and *Qard Al-hasan*. *Tawarruq* is described as a three-party transaction based on a delayed amount, in which the buyer purchases items and then sells them to a third party for cash and early settlement. As a result, the consumer receives a cash payment and a delayed amount from the financial institution due to the process.

Compared to their conventional counterparts, the number of users of Islamic credit cards is very small. The problem is a lack of awareness and knowledge about Islamic contracts among consumers. The Islamic credit card has been misunderstood as comparable to the credit card in terms of contracts, functions, and structures because of a poor impression and lack of awareness and information about Islamic banking products. For example, a dual banking system with a conventional credit card that later introduces the Islamic credit card may lead to misunderstanding due to the Islamic principles of profit rate, *riba* (interest), *gharar* (uncertainty), and *hibah* (gift) in the Islamic credit card.

The main objective of this study is to gain an understanding of the concept of Islamic credit cards and the level of awareness of Islamic credit cards among bank consumers in Malaysia. The study focused on bank consumers who choose Islamic credit in their lives. It was hoped this research could give people the awareness to choose Islamic credit cards in the future and give people extra knowledge about applying Islamic contracts.

Literature Review

The Islamic credit card is a Shariah-compliant financial product and a crucial component of Islamic banking. First, the card must comply with Shariah regulations for credit transactions by avoiding the three most important prohibitions in Islamic finance: *riba* (interest payments), *gharar* (uncertainty excluding monthly payments or service fees, which vary according to banks' policies and regulations), and *maysir* (preventing cardholders from accessing online gambling sites) (Johan & Putit, 2016). The acceptance of Muslims and non-Muslims has aided the growth of the Islamic credit card industry, demonstrating commercial acceptance and confidence in the Islamic perspective of economics and financing, among many other things. While it is a religious necessity for Muslims to use Islamic financial goods, non-Muslims prefer Islamic financial products because of their competition, financial benefits, and economic benefits over conventional financial products.

Instead of the customer filling the card with his own money, the bank fills it with an interest-free loan (*Qard Al-hasan*). The cardholder spends the money and then returns it before the expiration date. In return, the cardholder pays fees for belonging to a certain card class and for using the network function of digital payment services on an agency basis. Fees should be consistent regardless of the amount of money used by the cardholder. They may differ only from one card type to the next. The cardholder can be penalized for late payments, and the penalty money should be donated to charity instead of adding to the bank's profits

(Sillah, 2017). However, presenting Qard Al-hasan to customers to engage them and gain from them in the long run through agency fees may go against the aim of Qard Al-hasan. There was also the temptation to adjust the agency fees to the amount of money used, which would be tantamount to charging interest.

Next, profit rates are imposed instead of interest rates on Islamic credit cards to generate fee-based income for Islamic banks. The profit rate denotes that Islamic credit cards permit commerce rather than interest-based transactions. Bank Islam Malaysia Berhad initially introduced the Bank Islam Card in 2002 based on Bai Inah. The profit rate varies between 13.5 per cent and 17.5 per cent, based on how many times a consumer makes the minimum payment required in a year. It has a profit charge of 13.5 per cent per year if the minimum payment due for the previous 12 months is paid promptly. Has a profit charge of 16 per cent per year if the cardholder can make prompt settlement on the minimum payment due 10 times in the previous 12 months, and has a profit charge of 17.5 per cent per year if the cardholder makes payment less than 10 times in the previous 12 months (Hussin, 2011).

Besides that, Islamic customer behavior is essentially a cultural construct, necessitating marketers' understanding of Islam via the many lenses of Muslim customers, flaws and all. As a result, when it comes to product expertise, Muslims will be separated into smaller, dominating groups. Despite efforts by Islamic credit card issuers to implement safeguards to prevent non-Shariah-compliant transactions, education and retraining to promote understanding of halal and Shariah principles are critical to ensure the growth and progress of Islamic products available in the marketplace.

However, there seems to be little focus on identifying users of Islamic credit in terms of product features or contrasting traditional and Islamic credit cards, which this research aims to remedy. After a literature search through June 2012, there was only one addition to the published studies on Islamic credit cards. Nevertheless, Malaysia emphasizes the acceptance of Islamic credit cards. Religion, followed by financial advice and awareness of Islamic credit cards, was found to be the strongest predictor of a willingness to use an Islamic credit card (Amin, 2013).

Although it is clear that non-Muslims still have no religious need to follow halal components and Sharia principles in credit card spending and purchases, it can be argued that by registering for Islamic credit cards, credit cardholders agree to the terms and conditions of credit card usage (Dali, 2014). As a result, it appears that all Islamic credit cardholders religion, have a legal and moral obligation to adhere to halal standards and shariah principles while conducting credit card transactions. Furthermore, shariah compliance varies depending on Islamic credit card users' religiosity, as well as shariah beliefs, schools of study, cultures, and personal histories.

Marketers may try to enhance the availability of Islamic credit card services that can assist people in altering their attitudes (Amin, 2013). However, Islamic credit cards have a poor image among retailers both domestically and globally. To overcome this limitation, marketers need to build appropriate networks with halal companies and Shariah-compliant hotels to expand the range of Islamic credit card facilities, thereby improving the image and, in turn, the attitude of current and new customers. It is important to change the mindset of potential consumers before acceptance.

Knowledge

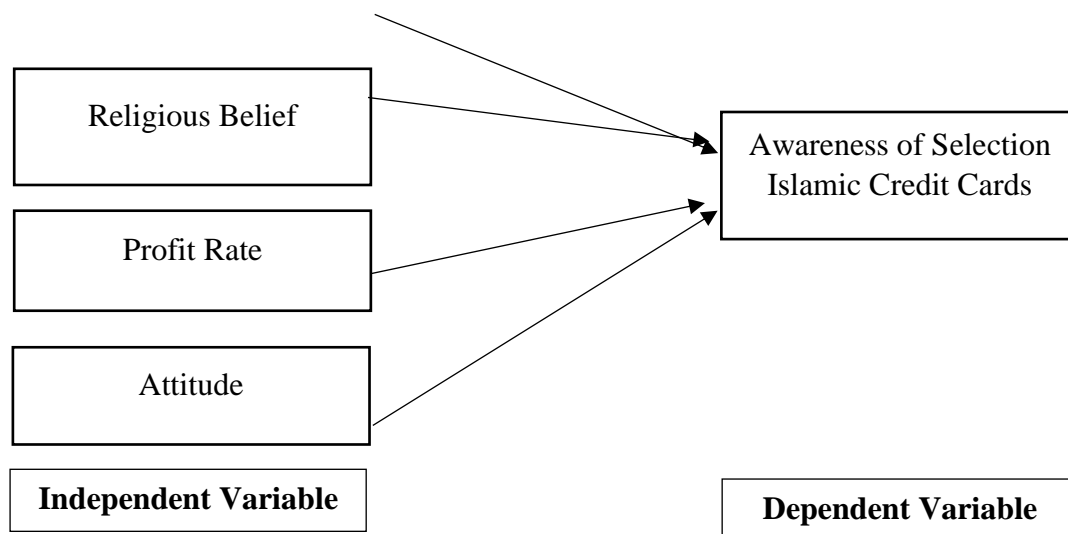


Figure 1: Theoretical Framework

Knowledge

Previous studies have always examined and highlighted bankers' knowledge of Islamic banking goods and services. Knowledge exams are used to examine people's knowledge on a particular topic. Respondents essentially convey their opinions about the issue in question when they agree or disagree with knowledge items (Fishbein & Ajzen, 2011). At the 1 percent in terms of significance level, understanding of Islamic credit cards as Shariah principles, interest-free Islamic financing products, and general knowledge of Islamic credit cards was reported as one of five significant. Knowledge displays one's capacity to choose for a particular purpose; the more a client knows about Shariah-compliant finance, the more likely it is that they will apply for it (Amin, 2012). According to Wilson (2011), Islamic customer behavior is essentially a cultural construct, necessitating marketers' understanding of Islam via the many lenses of Muslim customers, flaws and all.

H₀1: No significant relationship existed between knowledge and awareness of the selection of Islamic credit cards

H_a1: Knowledge proficiency significantly predicted awareness of the selection of Islamic credit cards

Religious belief

Religion and religious history are two important aspects of religion that have been studied in-depth in relation to consumer behaviour. Religious connection relates to people's association with a particular religious institution, whereas religion refers to people's responsibility to the faith (Sun et al., 2012). However, there appears to be little attention to identifying Islamic credit users based on product attributes or comparing standard and Islamic credit cards, which is a gap that this study would cover. According to a search of the literature, there has only been one addition to the published research on Islamic credit cards up until June 2012. Malaysia has made an effort to promote the use of Islamic credit cards. The best predictor of a readiness to use an Islamic credit card was found to be religion, followed by

financial guidance and awareness of Islamic credit cards (Amin, 2012). Religion is a crucial factor. This explains because Islamic credit cardholders regard religious elements more than normal credit cardholders.

H₀2: No significant relationship existed between religious belief and awareness of the selection of Islamic credit cards

H_A2: Religious belief proficiency significantly predicted awareness of the selection of Islamic credit cards

Profit Rate

It is also important to distinguish between regular and Islamic credit cards in terms of profit rates. When seen in this way, there are two major discrepancies. To begin with, Islamic credit cards do not have a compounding interest component, but regular credit cards do. Second, while the profit margin on Islamic credit cards is fixed for the contract duration, it is not for conventional credit cards (Amin, 2012). Customers' opinions toward variations in profit and interest rates between Islamic and conventional banking are influenced by cost and benefits (Abduh & Omar, 2012).

H₀3: No significant relationship existed between profit rate and awareness of the selection of Islamic credit cards

H_A3: Profit rate proficiency significantly predicted awareness of the selection of Islamic credit cards

Attitude

The intention to use Islamic credit cards has a significant association with attitude (Amin, 2012). The significance of attitude on behavioural intention was investigated in this study. Customers are more inclined to choose Islamic credit cards when they have a good mindset. This also explains why altering a potential user's mind about Islamic credit cards may lead to a desire to use them.

H₀4: No significant relationship existed between attitude and awareness of the selection of Islamic credit cards

H_A4: Attitude proficiency significantly predicted awareness of the selection of Islamic credit cards

Methodology

A quantitative research method was used to analyze the data through questionnaire distribution in this study. The questionnaire was created using Google forms and delivered online *via* a WhatsApp application, social media platforms, and email platforms. The sample of this study refers to individual employees in Malaysia. This study aims to raise awareness towards a selection of Islamic credit cards. Therefore, this study from which the data would be obtained is thought up of public and private workers in Malaysia who have or do not have an Islamic credit card. According to the findings, the Malaysian population can provide a more diverse and fascinating data set and perspective on our investigations. This study uses random sampling methods, and a total of 100 respondents were involved.

Data coding and analysis were done using the Statistical Package for the Social Science (SPSS) tool to assess and offer better output. This tool identifies the best-fitting model and

simplifies data exploration and assessment. The SPSS application can manage a large amount of data.

Results and Discussion

Frequencies distribution of respondents

Table 1

Frequencies distribution of respondents

Characteristics	Demographic	Frequency	Percentage (%)	
Gender	Male	48	48%	
	Female	52	52%	
Age	18-25	26	26%	
	26-30	19	19%	
	31-40	23	23%	
	41-50	21	21%	
	> 50 years old	11	11%	
Race	Chinese	19	19%	
	Indian	14	14%	
	Malay	67	67%	
	Others	0	0%	
Religion	Buddhism	11	11%	
	Christian	10	10%	
	Hinduism	12	12%	
	Islam	67	67%	
	Others	0	0%	
Marital Status	Married	63	63%	
	Single	37	37%	
Highest Education Level	High School	2	2%	
	Diploma	41	41%	
	Bachelor's Degree	46	46%	
	Master Degree	9	9%	
	PhD	2	2%	
	Others	0	0%	
Occupation	Business	3	3%	
	Government Employee	41	41%	
	Private Sector Employee	51	51%	
	Retired	0	0%	
	Others	5	5%	
	Monthly Income	RM0 - RM 4,000	52	52%
		RM 4,001 - RM 6,000	26	26%
RM 6,001 - RM 11,000		20	20%	
RM 11,001 - RM 20,000		2	2%	
More than RM 20,000		0	0%	
Total		100	100%	

As shown in Table 1, the sample respondents comprised 48 percent male and 52 percent female. Based on the age of respondents, the majority of the respondents were from the age group of 18 until 25 years (27 percent). In addition, the majority of the respondent

from Malay was 67 percent, Chinese was 19 percent and Indian was 14 percent. In terms of marital status, most respondents were married, which is 63 percent. Table 1 shows that most of the respondents have a Bachelor's Degree (46 percent) and those with a diploma (41 percent). Based on the occupation level, the majority of respondents were Private sector employees (51 percent), whereas the Government sector employees consist of 41 percent of the respondents.

Reliability Analysis

Table 2

Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.723	.723	5

The reliability test has measured the consistency and stability with which a test measures what it is supposed to assess. A test is dependable if it is constant throughout time and then within it. Cronbach's alpha is a measurement of internal consistency, or even how strongly a group of items was connected and whether or not had positively associated with another variable. Cronbach's alpha test was applied in this study to determine the reliability of multiple-question Likert scale questionnaires. According to Pallant (2020), any value of Cronbach's alpha greater than 0.6 is deemed excellent dependability and a good index. The test results are displayed in Table 2, with a Cronbach's alpha of 0.723 for the whole scale of 15 questions. This means that 72 percent of consumers answered agreed to 15 questions on variables influencing their decision to use an Islamic credit card, indicating that the study's measurement is acceptable and good.

Correlation Analysis

Table 3

Correlation Table

		knowledge	Religious Belief	Profit rate	Attitude	Awareness of selection Islamic Credit Cards
Knowledge	Pearson	1				
	Correlation		.000	.000	.002	.000
	Sig. (2-tailed)	100	100	100	100	100
	N					
Religious Belief	Pearson	.396**	1			
	Correlation	.000		.037	.000	.009
	Sig. (2-tailed)	100	100	100	100	100
	N					

Profit rate	Pearson	.499**	.180	1		
	Correlation	.000	.037		.041	.001
	Sig. (1-tailed)	100	100	100	100	100
	N					
Attitude	Pearson	.293**	.716**	.175	1	
	Correlation	.002	.000	.041		.104
	Sig. (2-tailed)	100	100	100	100	100
	N					
Awareness of Selection Islamic credit Cards	Pearson	.513**	.235*	.298**	.127	1
	Correlation	.000	.009	.001	.104	
	Sig. (2-tailed)	100	100	100	100	100
	N					

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Correlation Analysis was a statistical approach for calculating the connection between two variables and measuring the strength of their linear relationship. The bivariate Pearson Correlation generates a sample correlation coefficient, *r*, indicating the strength and extent of linear correlations between two or more variables. The correlation for all variable relationships was highly significant because the value was less than 0.05. Furthermore, the Pearson correlation showed that *r* was 0.51, indicating a moderate positive correlation between the two variables.

Regression Analysis

This study utilized the data to examine the significance of the link between the independent and dependent variables. The Model Summary is presented in table 4.

Table 4
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df 1	df 2	Sig. F Change
1	.673 ^a	.454	.431	.75459779	.454	19.715	4	95	.000

a. Predictors: (Constant), Attitude, Profit Rate, Religious Belief, Knowledge

b. Dependent Variable: Selection of Islamic credit cards

Table 4 exhibits the R and R² values. The simple correlation was represented by the R-value of 0.67. The R² value was 0.43, indicating that the independent variable only explains 43 percent of the variance in the data. According to Julie Pallant's for SPSS Survival Manual (2020), the rules of thumb for evaluating Pearson's correlation coefficients were that 0.40-

0.59 was a weak correlation. However, the relationship in the independent variable can still be accepted.

Table 5
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.905	4	11.226	19.715	.000 ^b
	Residual	54.095	95	.569		
Total		99.000	99			

a. Dependent Variable: Selection of Islamic credit card

b. Predictors: (Constant), Attitude, Profit rate, Religious belief, Knowledge

The results of the F – test was reported in Table 5. There are three levels of significant values benchmarks: 0.01 represents 99 percent, 0.05 represents 95 percent, and 0.10 represents 90 percent confidence. The significant value in the table above is 0.000, which is lower than the 0.05 significant level, and the overall model was acceptable.

Table 6
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.323	.075	.240	.000	1.000
	Knowledge	.240	.111	.349	2.163	.033
	Religious Belief	.349	.080	.015	4.346	.000
	Profit Rate	.015	.109	.350	.138	.890
	Attitude	.350	.081		4.309	.000

According to Table 6, the independent variables that showed significant results were religious belief and attitude, whereas knowledge and profit rate were insignificant. This is due to the lowest strong significant relationship between knowledge and profit rate and the choosing of Islamic credit cards. Based on the rules of thumb for correlation coefficients by Pallant (2020), +0.00-0.019 was considered as a very weak relationship correlation. The standardized coefficients result for the independent variables of knowledge (0.240), religious belief (0.349), profit rate (0.015), and attitude (0.350) reflect a positive significant relationship between the dependent variable and the hypotheses.

Conclusion

Credit cards were used as payment throughout the country. They were the kings of e-commerce and Internet purchases. Customers could use lines of credit from banks to make purchases and pay bills. People used credit cards anywhere and everywhere without having

to carry cash. It is obligatory in Islam to avoid any banned aspects such as interest rates, uncertainty, alcohol, entertainment, and gambling. In an Islamic bank, customers cannot be charged interest on credit sales or cash withdrawals. Some academics disagree with the use of credit cards. They believe they lead to impulsive spending, luxury, and debt growth, which Shariah forbids. Therefore, Islamic banks cannot ignore the growing importance of credit cards as a modern means of payment and must adhere to Shariah regulations for credit cards. Banks allow customers a grace period for repayment of credit and profit rate charges in exchange for interest rates.

Aside from that, traditional credit cards have been used since the beginning of time and are still widely used today. However, in comparison to regular credit cards, the number of persons who use Islamic credit cards remains low. As a result, Islamic credit cards did not compete well with conventional credit cards. Therefore, Islamic banks must run more ads and campaigns to educate the public about the benefits of using Islamic credit cards to compete with regular banks.

Furthermore, as Muslims, we must avoid or eliminate things God forbids and contravention of the shariah principle. Muslims should also use Islamic credit cards in their daily lives, so there is no element of usury in the transaction activities. Not only that, but while applying for Islamic credit cards, the customers are also protected by takaful. This implies that cardholders will be covered in the case of an unexpected incident like death or total permanent incapacity. The outstanding card amount will not affect the cardholder's family members. The overall coverage for outstanding balances that will be paid by takaful coverage may change depending on the bank.

Finally, the summary from this study was that all previous studies related to Islamic credit cards had been reviewed but there are only a few studies on profit rates. Therefore, this study examines the level of awareness of the selection of Islamic credit cards among Malaysian bank users. This study has shown that the factors that most influence Malaysian bank customers to use Islamic credit cards are religious beliefs and attitudes. However, future researchers need to further investigate the factors that influence the selection of Islamic credit cards.

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