

EXPLAINING THE DECISION TO CHOOSE ISLAMIC MORTGAGE FINANCING: THE CASE OF EAST MALAYSIA

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ABSTRACT

This study investigates the effects of some patronage factors on the decision to choose Islamic mortgage financing. Drawing upon a theory of reasoned action (TRA), this study proposes a model to examine the effects of attitude, subjective norm, service quality and perceived financial cost on the decision to choose Islamic mortgage financing. Results indicate that attitude and subjective norm significantly influence the decision to choose Islamic mortgage financing. On the same note, the added constructs, service quality and perceived financial cost are also instrumental in predicting the decision to choose Islamic mortgage financing amongst bank customers. The findings of this study shed some lights on the bank customers' acceptance level of Islamic mortgage financing facilities in East Malaysia. This study suggests that the TRA is valid and appropriate in examining one's choice of Islamic mortgage. The inclusion of new constructs to the TRA provides an enhancement to the theory to reflect special features of Islamic mortgage.

Keywords: Islamic Mortgage; Theory of Reasoned Action (TRA); Service Quality; Financial Cost; East Malaysia.

1. INTRODUCTION

Back in 1983, Islamic mortgage financing is brought to the Malaysian mortgage market and Bank Islam Malaysia Berhad (BIMB) was the first Islamic mortgage financing provider in the nation. The *muslim* and non-*muslim* populations in Malaysia have shown a strong desire for Islamic home financing, but it is not a trouble-free matter to deduce from that an effective demand for any Islamic home financing facilities (Dar, 2002). In essence, there are no clear arguments expressed by well-known scholars concerning the significance of effective demand for Islamic home financing facilities (Mydin-Meera & Abdul-Razak, 2005; Abu-Backer, 2002). The only scholar who introduces effective demand concept into an Islamic perspective is Dr Humayoun A Dar. He wrote an article titled "Islamic house financing in the United Kingdom: Problems, Challenges and Prospects" in 2002, which extends the effective demand concept to Islamic financial products.

Given this fact, mortgage consumers are capturing both *muslim* and non-*muslim* who have an interest on Islamic banking products. These consumer segments are largely tapped by Islamic banks in Malaysia for an enhanced profit and customer base. At the end, the consumers are able to own a house using such an Islamic home financing facility whilst

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they are young. Yet, we identify a group of *muslim* consumers who do not like Islamic financial products including Islamic mortgage financing. By the same token, we also recognize a group of non-*muslim* consumers who also do not like Islamic financial products and argued the products are generally similar to that of conventional banking products in terms of features and prices. Similarly, they share a common view in that Islamic and conventional banking systems are identical, however but are only varied on the terminologies used. It is anticipate, however, that these groups may not make up an effective demand for Islamic home financing. Changing the attitudes of those bad-*muslim* and bad non-*muslims* in order to accept Islamic mortgage financing is a difficult test to handle by Islamic banks. Identifying attributes that enables to coax them to choose Islamic home financing is, therefore, a very vital consideration, which also warrants further investigations.

Today, however both *muslim* and non-*muslim* consumers are becoming increasingly demanding and financially sophisticated. Concerned with their acceptance for Islamic home financing, Islamic banks have to expect and rapidly respond to a growing new demand and expectation. To them, investing in house financing is a lifetime investment, which eats up a large fraction of their monthly income. For this reason, the study is eager to examine a potential homeowner's acceptance of Islamic mortgage financing. It is, therefore, of utmost importance to identify some but significant factors leading to the decision of selection Islamic mortgage.

Furthermore, predicting demand from both *muslim* and non-*muslim* consumers is sometimes challenging to the management of Islamic banks. The demand of Islamic mortgage financing is particularly uncertain, an elevation of the demand is depending on the consumer's acceptability whilst a decreased of Islamic mortgage financing demand is on the other angle based on the (*un*)willingness to take up the facility. In order to improve the decision to choose Islamic mortgage financing in the most effective and profitable manner, Islamic banks need to ascertain factors which consider to be the most important by potential homeowners. This study explicates attitude, subjective norm, service quality and perceived financial cost as the contributing factors for the decision to choose Islamic mortgage financing.

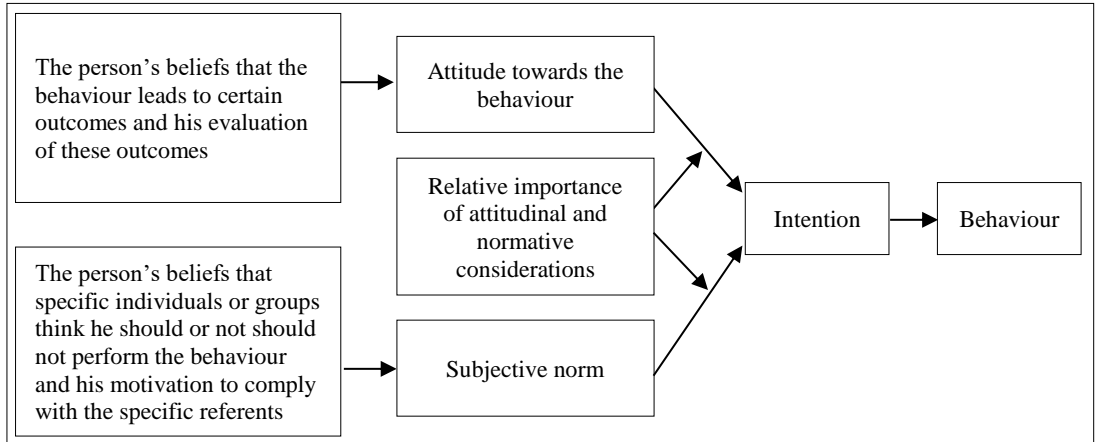
2. THEORY OF REASONED ACTION (TRA)

According to the TRA, a person's intention is a function of two basic determinants, one personal in nature and the other reflecting social influence. Thus, the TRA gives emphasis to intrinsic and extrinsic factors in explaining one's behavioural intention. Figure 1 presents the TRA model.

Further, the personal factor is the individual's positive or negative evaluation of performing the behaviour. This factor is termed attitude towards the behaviour (Ajzen and Fishbein, 1980). The second determinant of intention is the person's perception of the social pressure put on him/her to perform or not to perform the behaviour in question. Since it deals with perceived prescriptions, this factor is termed subjective norm (Ajzen and Fishbein, 1980). The theory also states that attitudes are a function of beliefs where a person who believes that performing a given behaviour will lead to mostly positive

outcomes, and will therefore hold a favourable attitude towards performing the behaviour, while a person who believes that performing the behaviour will lead to mostly negative outcomes will hold an unfavourable attitude.

Figure 1: Theory of reasoned action



The beliefs that underlie a person's attitude towards behaviour are termed behavioural beliefs (Ajzen & Fishbein, 1980). Subjective norms are also a function of beliefs specific individuals or groups have about whether they should or should not perform certain behaviour. These beliefs underlying a person's subjective norm are termed normative beliefs. A person who believes that most referents with whom she/he is motivated to comply think they should perform the behaviour will perceive social pressure to do so (Ajzen & Fishbein, 1980).

The TRA has been viewed as a useful model in understanding the formation of a favourable or unfavourable attitude towards the intended behaviour. In the Islamic home financing literature, Md-Taib *et al.* (2008) apply the TRA to predict the acceptance of Islamic home financing. The basis for using the TRA at the time was because Islamic home financing was in an embryonic stage of commercial deployment, and most consumers had not yet had the chance to adopt and use it as an innovation, thus making it impossible to empirically measure adoption and use acceptance. The study proves the validity of the TRA for research in the area of Islamic home financing and both the determinants of the TRA have a slight direct influence on behavioural intention.

Although the TRA was developed in the West, however, Islamic business philosophy does not reject its application to Islamic home financing. The reasons are two-fold. Firstly, the TRA is a psychology theory that put an emphasis on attitude and subjective norm to predict behaviour. The variables introduced are acceptable in Islamic banking as far as *muslim* consumers behaviours are dealt with those issues. For instance, a *muslim* scholar named Mamdani (2002) expounds that attitude is strongly related to consumer behaviour. This study explains that some *muslims* tend to behave positively towards a particular phenomenon, while, some *muslims* tend to behave negatively on certain occasions. This separation of *muslims* in terms of attitude has an impact on the segmentation of Islamic

banking products, which, in turn, impacts the level of demand for Islamic mortgages. Secondly, there exists a growing literature that support the application of the theory to the context of Islamic mortgage (e.g. Md-Taib *et al.*, 2008), Islamic personal financing (e.g. Amin *et al.*, 2011) and Islamic credit cards (e.g. Amin, 2012; 2013). Thus, the current use of the TRA to our context does not violate its assumptions. The theory has been validated in various disciplines including Islamic mortgage.

3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

3.1. Attitude

Attitude is defined as the evaluative effect of positive or negative feeling of individuals in performing a particular behaviour (Fishbein & Ajzen, 1975). Until today, there are many studies have been documented in which they examine the relationship between attitude and behavioural intention. An interesting and a research done by Ramayah, *et al.* (2009) examines the intention to use Internet stock trading among Malaysian investors. The study finds that attitude has a direct positive relationship towards behavioural intention to use Internet stock trading. The research lends support to Ramayah and Mohd-Suki (2006) and Gopi and Ramayah (2007). Ramayah and Mohd-Suki (2006) examine MBA students' intention to use mobile personal computer. They find that attitude is significantly related to behavioural intention. Further, a study by Gopi and Ramayah (2007) finds that attitude has a direct positive impact on intention to use an online trading system.

A study by Zainuddin, *et al.* (2004) is deliberated the pioneer in extending the applicability of the theory of reasoned action (TRA) to general topic of Islamic banking. They noted that attitude is essential in building individual perceptions of acceptance for Islamic banking products and services. In late 2000s, there is a growing trend by a researcher to extend attitude into a more specific matter. Amin, *et al.* (2010), Lada, *et al.* (2009) and Md-Taib, *et al.* (2008) are considered the pioneers in extending the applicability of the TRA to *qardhul hassan* financing, *halal* food and *musharakah mutanaqisah*, respectively. They find that attitude is the antecedent in determining the usage intentions. These studies have demonstrated the importance of attitude in shaping adoption, thus impacting the actual behaviour. In latest work in the area of Islamic mortgage, Amin *et al.* (2017) discover the significant effect of attitude on consumers' preference, implying attitude shapes one's behaviour for better acceptance of the facility. Unlike Md-Taib *et al.* (2008), this study suggests additional factors, viz., service quality, perceived cost and Islamic debt policy. Yet, the findings of the work are confined to one public university in West Malaysia. This study thus makes the following inference:

H₁: Attitude will positively influence the decision to choose Islamic mortgage financing.

3.2. Subjective Norm

Subjective norm is defined as the individual's perception of the likelihood that the potential referent group or individuals approve or disapprove of performing the given behaviour (Fishbein & Ajzen, 1975). A recent research by Ramayah, *et al.* (2010)

provides a detailed clarification with regard to the relationship between subjective norm and behavioural intention. Using discriminant analysis, the study finds that subjective norm is significantly associated with the intention to share knowledge. In a similar vein, a research done by Yan, *et al.* (2009) provides the evidence with regard the association between subjective norm and behavioural intention. The study finds that subjective norm is the predictor for mobile payment solutions usage. In a different setting, Nysveen, *et al.* (2005) examine mobile chatting usage in Norway, and find that subjective norm or subjective norm is an important driver for mobile chatting usage amongst Norwegian.

In supporting this, Nysveen, *et al.* (2005) argue that users employ mobile chatting is owing to the usage demonstrated their personal value as well as the influence of others on them. Similarly, in a study by Kleijnen, *et al.* (2004) on wireless finance in Netherlands, subjective norm is essential in the development of peoples' intention to use wireless finance. This means that other people perception might or might not affecting one's behavioural intention. On the same note, a study by Amin, *et al.* (2010) proves the significant effect of subject norm in predicting one's decision to opt *qardhul Hassan* financing. These studies however have not adequately captured the impact of subjective norm on the decision to choose Islamic mortgage financing. A recent work by Amin *et al.* (2016) extends the applicability of social factor to determine consumers' willingness to choose Islamic mortgage products. The study finds that social factor is instrumental in determining consumers' willingness. This study, however, uses university staff as respondents instead of actual bank customer. On the basis of this argument, the current work extends the factor to determine bank customers' decision to choose Islamic mortgage financing, thus:

H₂: Subjective norm will positively influence the decision to choose Islamic mortgage financing.

3.3. Service Quality

Previous studies have documented the importance of service quality in behavioural intention to use (Lai & Chen, 2011; Haque, *et al.*, 2009; Amin & Isa, 2008). Captivatingly, Lai and Chen (2011) extend service quality to predicting behavioural intention to use amongst passengers of Kaohsiung Mass Rapid Transit System (KMRT). Using self-administered questionnaire involving a sample of 763 passengers of KMRT, the study findings indicate that service quality plays a significant role in passenger evaluations of public transit services, involvement and behavioural intentions. In a different context, however Haque, *et al.* (2009) examine factor influences selection of Islamic banking. Using 485 bank customers and logit analysis, the study finds that service quality, confidence in bank, social and religious perspective and availability of services are found to be statistically significant. Of these, service quality possessed positive coefficient which indicates that the greater the service quality and the greater also the selection of products and services of Islamic banking. In a similar fashion, a study by Amin and Isa (2008) supplies important findings concerning to service quality in Islamic banks. Employing structural equation model, the majority of the Islamic bank customers are satisfied with the overall service quality provided by their banks. The findings also suggest that the standard model of Islamic banking service quality dimensions should consist of the six dimensions and good determinants of satisfaction. The association

between service quality and satisfaction is significant. Although these studies come with merits, nevertheless, there exists a limited empirical work that examines the effect of service quality on the decision to choose Islamic mortgage financing. The nearest one is a study done by Amin *et al.* (2017) who find a significant relationship between service quality and consumers' preference of Islamic home financing products. The current study intends to extend the work to East Malaysia to examine the application of service quality to a different context to determine its explanatory power of consumers' acceptance of Islamic home financing. Therefore, we postulate:

H₃: Service quality will positively influence the decision to choose Islamic mortgage financing.

3.4. Perceived Financial Cost

Costs in banking can be linked to service charges, legal costs, ATM withdrawal costs, hidden costs and the price to possess a service or a banking product. It is thus a barrier for acceptance of Islamic banking product particularly for Islamic mortgage financing. Luarn and Lin (2005) using self-administered questionnaire examine 180 Taiwanese bank customers pertaining to their acceptance of mobile banking. They discover that perceived self-efficacy, perceived financial cost, perceived credibility, perceived ease of use and perceived usefulness have the significant effects on the behavioural intention. Of these, financial cost is negatively associated with the acceptance which indicates that the greater the cost the lower the acceptability. Shortly, perceived financial cost and behavioural intention to use are inversely correlated. Similarly, the importance of perceived financial cost has been also extended to customer relationship management (CRM). A study by Tung, *et al.* (2009) examines the influence of financial cost in a newly context of CRM information system. The study proposes the following hypothesis "H₉: Perceived financial cost will have a negative effect on the behavioural intention to use the CRM information system". Using 288 responses, the study validates the research model. The study reports that perceived financial cost has a negative effect on behavioural intention to use. As such, the hypothesis of the relationship is confirmed.

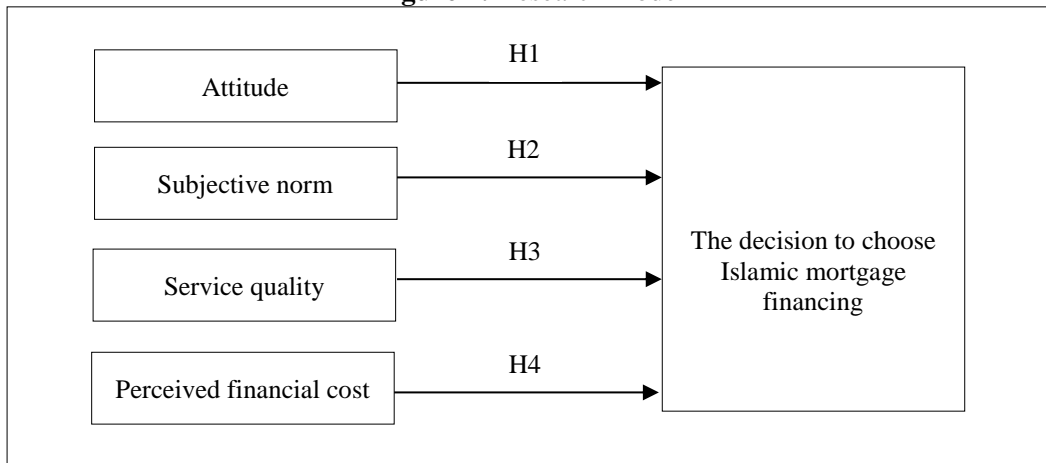
On the other hand, the importance of perceived financial cost has been studied extensively in Islamic banking studies (e.g. Rosly, 1999; Abdullah & Dusuki, 2006; Maali, *et al.*, 2006; Dusuki, 2008; Md-Taib, *et al.*, 2008). Unlike conventional mortgage providers, Islamic mortgage providers practice profit rate instead of interest rate (Rosly, 1999). This pricing policy considers as fixed and higher at the beginning of a contract between a customer and an Islamic bank. Nevertheless, the rate will not be fluctuated although during inflation. Thus, it remains stable and constant that leaves a peace of mind to the customer. A study by Abdullah and Dusuki (2006) argues that majority of respondents seemed to be unsure about the issue of "AITAB is too costly" for Islamic hire purchase. Explained in more detail, some of the respondents argued, AITAB is expensive whereas others seemed confusing. This is stemmed from the fact that the respondents were not well-versed with respect to AITAB. This perception if it is not corrected will be marring the corporate image of Islamic banking products. According to Maali, *et al.* (2006), the majority of Islamic scholars consider it permissible to charge higher prices for goods if payment is deferred. Charging higher prices can be seen in BBA, *murabahah* product and *ijarah* (Maali, *et al.*, 2006). In the case of Islamic mortgage, normally a customer specifies

a house and then approaching an Islamic bank to finance the purchase of the house. Practically, the bank will sell the house at a higher price which seems to be “double”. This includes the bank buying price and the bank selling price in which the gap is defined as the bank’s profit.

An interesting study by Dusuki (2008) mentions that Islamic bank must not be solely profit oriented rather it must be aimed at promoting Islamic norms and values as well as protecting the needs of Islamic society as a whole. In this regard, Islamic banks must achieve the Islamic economic objective including social justice, equitable distribution of income and wealth and promoting economic development (Dusuki, 2008). As far as Islamic home financing is concerned, the banks should be able to promote a more equitable pricing to their customers that is able to ease the customers choose the mortgage at a reasonable cost. Besides a reasonable pricing strategy, the banks should also provide a rebate in order to reduce the payment liability by the customers. A practice of “payment holiday” should also be provided in the case of financial hardship among the customers. Performing these pricing strategies is good to promote a good Islamic image of Islamic banks as the banks with an Islamic identity. As it is, Islamic banks should be able to eradicate unjust dealing with their customers and promote a more fair transaction as relevant in the case of Islamic home financing (Md-Taib, *et al.*, 2008). Although these studies present the effect of pricing on the Islamic banking product adoption, research items however are not developed specifically for the measurement for Islamic mortgage preference. Further, an interesting study by Amin, *et al.* (2010) however provides departure. The authors suggest two items measuring *qardhul hassan* financing acceptance. They discover that perceived financial cost is a determinant for *qardhul hassan* financing acceptance. Yet, those items of “perceived financial cost for Islamic mortgage financing” are adapted from Amin, *et al.* (2010), Luarn and Lin (2005) and Tung, *et al.* (2009). The items of the studies are further validated in the current research. Thus, we make the following hypothesis:

H₄: Perceived financial cost will negatively influence the decision to choose Islamic mortgage financing.

Figure 2: Research model



4. RESEARCH METHODOLOGY

4.1. Subjects

The study employs a non-probability sampling. This is to comply with the Islamic Financial Services Act 2013 (IFSA), which prohibits the acquisition of lists of bank customers and their contact numbers and addresses from banking institutions. This study is conducted in Kota Kinabalu. Kota Kinabalu is the capital city of Sabah, which has a large number of housing projects in East Malaysia (Mulok & Kogid, 2008). Kota Kinabalu is also subject to “Malaysia My Second Home Programme”, explaining why Kota Kinabalu is the heart of domestic and foreign potential home buyers (The Borneo Post, 2012).

Further, the unit analysis for this study is the individual consumer. The unit of analysis refers to the level of aggregation of the data collected during the subsequent data analysis stage (Sekaran & Bougie, 2010). This study uses judgmental sampling in order to identify respondents based on the following criteria:

1. First, a respondent must be an existing customer of an Islamic bank in Malaysia, who uses Islamic banking products and possesses experience in Islamic banking transactions.
2. Second, a respondent must have a desire or intention to buy a house in the future.
3. Third, a respondent must be 25 years of age as this indicates that he/she has the capacity to purchase a house using a mortgage facility. The capacity means that the potential home buyer has the legal status to enter into an agreement with a bank for a mortgage and that he/she has the capacity to service his/her mortgage adequately.

Explained in more detail, a respondent is selected when he meets the abovementioned conditions, in which he appropriately represents a potential home buyer. This is done since respondents of the study are not easy to locate, and can only be recognised based on the three criteria mentioned. Concerning the sample size, this study considers Hair *et al.*'s (2010) rule who suggest that the minimum requirement for sample size is to have at least five participants per item. This indicates that the minimum sample size needed for the current study is $25 \text{ items} \times 5 = 125$ respondents. Our usable sample of 141 is deemed meeting the minimum requirement.

The data collection method is based on personally administered questionnaires to bank customers of banks in May-June 2015. The data are collected during working hours for six weeks of 5-working days. The respondents are randomly selected from bank customers in the banking halls and are invited to complete the questionnaires. A total of 178 customers have responded to the questionnaire survey and 37 are invalid due to incomplete data. The rest (141) usable ones are analyzed using SPSS 17.0. The demographic features of the subjects are depicted in Table 1.

The demographic distribution shows that 31.9 percent of the respondents are male and the remaining 68.1 percent of the respondents are female. Concerned with age, most of the respondents are between 21 to 30 years with 91.5 percent. Moreover, the result indicates that those individuals at this age group have potential to become the potential homeowners

and using mortgage financing facilities. In terms of marital status, 78.0 percent of the respondents are single and 22.0 percent of the respondents are married respondents. Concerned with ethnics, 61.0 percent are Malay, followed by Bajau with 14.2 percent, Kadazan-Dusun (7.1 percent) and the remaining of 17.7 percent representing other ethnics in Malaysia.

Table 1: Demographic results

Attributes	Demographic distribution	
	Frequency	Percentile
<i>Gender</i>		
Male	45	31.9
Female	96	68.1
<i>Age</i>		
<20	0	0.0
21-30	129	91.5
31-40	12	8.5
41-50	0	0.0
>51	0	0.0
<i>Marital status</i>		
Single	110	78.0
Married	31	22.0
<i>Ethnic</i>		
Malay	86	61.0
Kadazan-Dusun	10	7.1
Bajau	20	14.2
Other	25	17.7

4.2. Measures

The questionnaire items are adapted from prior studies. Five items of attitude are adapted from Zainuddin, *et al.* (2004), Md-Taib, *et al.* (2008) and Ramayah, *et al.* (2009). Five items of subjective norm are adapted from Ramayah, *et al.* (2010), Yan, *et al.* (2009), Nysveen, *et al.* (2005) and Kleijnen, *et al.* (2004). Five items of service quality are adapted from Lai and Chen (2011), Haque, *et al.*, (2009) and Amin and Isa (2008). Finally, five items of perceived financial cost are adapted from Luarn and Lin (2005) and Tung, *et al.* (2009).

Prior to the actual survey, we conduct a pilot test of 35 bank customers in Kota Kinabalu to ensure the items of the research are easily understood by respondents. Based on the pilot test, we improve the questionnaire in terms of its wording, format and sequence of the questions based on the intricacy level. All items are converted into a series of statements to enable responses. A five-point Likert-type scale, ranking from 1=*Strongly disagree* to 5=*Strongly agree* are used for all questions.

5. EMPIRICAL ANALYSIS AND DISCUSSION

5.1. Measurement Model

We test the validity of the constructs using factor analysis. Following Hair, *et al.*'s (2010) recommendation, a cut off value for factor loadings at .5 is used. As reported in Table 2, all items have a value exceeding the recommended value of .5, thus confirming construct validity. On the same note, reliability test is also conducted using Cronbach's alpha coefficient (α). As provided in Table 2, all alpha values are above a cut off value of .6 (Nunnally & Berstein, 1994). As such, all items identified are reliable. Based on outcomes obtained, we further retain all items for hypotheses testing.

Table 2: Results of measurement model

Measurement item	Loadings	α	Mean	SD
ATT1	.881	.944	4.253	.665
ATT2	.922			
ATT3	.922			
ATT4	.781			
ATT5	.901			
SN1	.826	.874	3.692	.664
SN2	.868			
SN3	.748			
SN4	.734			
SN5	.662			
SQ1	.860	.894	2.562	.501
SQ2	.881			
SQ3	.802			
SQ4	.746			
SQ5	.612			
PFC1	.690	.777	2.895	.909
PFC2	.725			
PFC3	.770			
PFC4	.624			
PFC5	.781			
DTCIHF1	.930	.943	4.322	.723
DTCIHF2	.934			
DTCIHF3	.852			
DTCIHF4	.894			
DTCIHF5	.924			

Notes: ATT=Attitude; SN=Subjective norm; SQ=Service quality; PFC=Perceived financial cost; DTCIHF=Decision to choose Islamic home financing; SD=Standard deviation.

5.2. Hypotheses Testing, Discussion and Socio-Economic Transformation

Regression analysis is conducted to reveal how different factors affect the decision to choose Islamic mortgage financing. The results of this analysis are set out in Table 3. Theoretically, this study confirms the appropriateness of the TRA in predicting Islamic

mortgage financing acceptance levels amongst bank customers in Malaysia. Evidently, attitude is significantly associated with the decision to choose Islamic mortgage financing ($t = 7.468$, $p = 0.000$). This result is consistent with the previous studies (e.g. Zainuddin, *et al.*, 2004; Md-Taib, *et al.*, 2008; Ramayah, *et al.*, 2009). This suggests that attitude is found to be influential in a newly context of Islamic mortgage financing. Since the relationship is positive, therefore an increase in attitude leads to an increase in the decision to choose Islamic mortgage financing. This explains that prior to encourage potential home buyers accepting Islamic mortgage financing, there is a need strongly for Islamic banks to improve one's attitude before adoption. We believe that an Islamic bank will be benefited from a television program, which displays Islamic banking products including Islamic mortgage products. This is thus of importance to be conducted.

Table 3: Result of multiple regression model

Construct	Standardized- β	t-value	p-value
Attitude	.553	7.468	.000**
Subjective norm	.184	2.505	.013*
Service quality	.249	3.486	.001**
Perceived financial cost	-.139	-2.057	.042*
F-value		24.723 (.000)	
R square		.654	
Adjusted R square		.428	

Note: *p <0.05; ** p<0.01

Table 3 further shows that subjective norm is significantly related to the decision to choose Islamic mortgage financing ($t = 2.505$, $p = 0.013$). This confirms the opinion that peer influence is of value to affecting one's decision to patronize Islamic mortgage financing. The association is positive which means that the greater the subjective norm, or peer influence, the better our prediction towards the decision to choose Islamic mortgage financing. The outcome lends a better support to the previous studies of (Ramayah, *et al.*, 2010; Yan, *et al.*, 2009; Nysveen, *et al.*, 2005; Kleijnen, *et al.*, 2004). Creating an atmosphere that promotes Islamic mortgage financing is thus of importance. There is a need for Islamic banks to build an Islamic mortgage user base and this consumer base can be used to create good environment for mortgage and thus influencing others to patronize Islamic mortgage financing.

Service quality is significantly associated with the decision to choose Islamic mortgage financing ($t = 3.486$, $p = 0.001$), which indicates that service quality is essential in attracting bank customer to using Islamic mortgage financing. Clearly, bank customers have a tendency to use Islamic mortgage financing if the facility is of opinion to possess greater service quality. This result is consistent with the previous research (Lai & Chen, 2011; Haque, *et al.*, 2009; Amin & Isa, 2008). The finding suggests that current facilities of Islamic mortgage must be offered with adequate amount of quality to retain the existing customers and thus attracting new potential home buyers. This explains that potential home buyers are likely carefully considered quality before it is opted.

The results are also suggesting that perceived financial cost is significantly related to the decision to choose Islamic mortgage financing ($t = -2.057$, $p = 0.042$). The relationship is negative which explains that when perceived financial cost increases, the decision to

choose Islamic mortgage financing will be decreased and *vice versa*. The current outcomes pinpoint that costs relevant to mortgage such as *legal fees*, *deposit fees*, *processing fees* and *insurance* are found to be influential towards the decision to choose Islamic mortgage financing. The outcomes therefore lend support to the findings of Luarn and Lin (2005) and Tung, *et al.*, (2009). It is worth noting that perceived financial cost is valid in a newly context of Islamic mortgage financing. Briefly, a sort of consumer survey to gain consumer's feedback on financial costs of Islamic mortgage products is worthy to be pursued. It is viewed importantly in order to capture consumer's perceptions and thus it is enable Islamic banks to improve the pricing mechanism employed.

In all, the study confirms that all the null hypotheses are rejected at the 5 percent significance level. We find that attitude is the influential key factor followed by service quality, perceived financial cost and subjective norm. In other words, this study has identified all included constructs are empirically significant and thus improved our understanding with regard to the acceptance of Islamic mortgage financing in East Malaysia.

The current study has socio-economic transformation to people in East Malaysia. This study considers in promoting the home-industry's interactive participatory effect on the real economy relationship with money and financing. In Malaysia, *bay bithaman ajil* (BBA) home financing and *murabahah* type are of debt financing facilities, which are encouraging debt taking at the expense of debt reduction. It is worth mentioning that a true spirit of avoiding debt as the unwanted means of home ownership can be upheld by utilising *musharakah* principle that mobilises money into the real economy where both parties – be it bankers or customers are of participants. Specifically, *musharakah mutanaqisah* is a key principle that helps to reduce debts in terms of home ownership but allowing a formalised home ownership through joint venture between the banks and the customers. It promotes a debt equity financing between the bankers and their clients. Home ownership through the doors of *musharakah*, a joint venture will help to replace interest-based financing by profit sharing, which, in turn, brings *ummatic* transformation where everyone is able to own a house without being burden with a huge amount of debt (e.g. Choudhury & Hoque, 2004). In turn, it stimulates well-being and peace of mind for customers who are opting the financing facility.

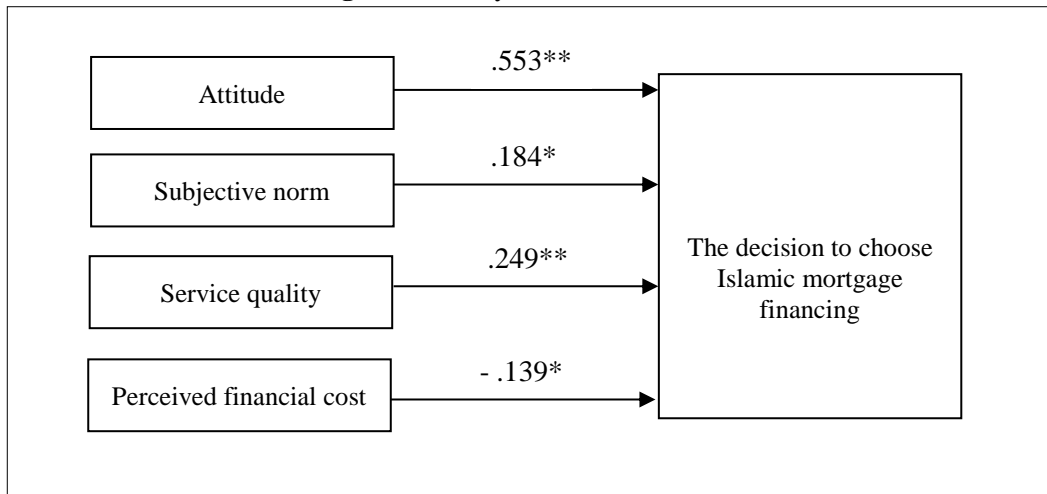
Buying a house with credit as provided by Islamic banks has met the homeownerships' need among homebuyers. In essence, a *muslim* finds an Islamic mortgage facility is an ideal mortgage to opt with. Conventional home loans are clearly forbidden in Islam out of their incongruity to *Shariah* principles. An Islamic bank offers a home financing product that allows a customer to own a house at a young age, allowing the latter to get a full enjoyment from the house whilst he is still young. Islamic banks offer two roles to promote homeownership among young folks. Firstly, the banks provide various packages of Islamic mortgage that capture the needs of their clients. Secondly, the banks provide mortgage facilities that protect the interest of the clients not only the homeownership but also in terms of their faith in which ethical-based mortgage transaction comes into play. Islamic home financing products recover the spirit of homeownership in which justice and welfare are upheld among the transacting parties. In return, the bank earns profit as an indicator of growth, implying the significance of Islamic mortgage financing.

6. CONCLUDING REMARKS

Islamic mortgage financing is relatively a recurring topic in an Islamic finance research as compared to its conventional counterpart. There has been a very scanty consumer research pertaining to the decision to choose Islamic mortgage financing in Malaysia. The present study has managed to address the research gap by providing latest insights into the understanding of patronage factors for Islamic mortgage financing. The current study contributes to the body of literature in the following ways:

1. Extending the applicability of attitude and subjective norm into an Islamic mortgage financing. It also supports the assertions of Md-Taib, *et al.* (2008) who verify that attitude and subjective norm are essential in predicting demand for Islamic home financing. The current research lends a support to the findings of the study.
2. Introducing new developed battery items of service quality for Islamic mortgage financing, which enriches the measurement items to measure service quality in the recurring context of Islamic mortgage financing.
3. Importantly, the research is also demonstrated that perceived financial cost is essential and extends its applicability to an Islamic mortgage financing context.

Figure 3: Analyzed research model



Note: * $p < 0.05$; ** $p < 0.01$; —► Significant;► Not significant

The finding may shed light on how bank managers could better market their Islamic mortgage products. The results indicate that the manager can benefit from attitude influence that could result in enlarging customer base for Islamic banks. Inculcating better attitude amongst bank customers toward Islamic mortgage financing through a “program-based attitude” such as “exhibition of Islamic mortgage financing” is of the opinion to improve perceptions, thus correcting their attitudes to a veracious manner. The influence of subjective norm should be taken seriously. Encouraging the existing customers to influence potential homeowners is worthy to consider. Service quality seems to be pivotal

in the current research. To address this important issue, financing officers must properly be guided and trained to deliver better service where generosity, dedication and their willingness to assist customers effectively are brought into play.

Conducting “a follow up” program after the customers have been choosing an Islamic mortgage financing is viewed of importance to be deliberated. Concerned with financial cost, Islamic banks are suggested to develop a perception, which expounds Islamic home financing products are competitive instead of expensive. This can be done via a developed social media networking with customers to promote accurate pricing information about the products. In all, the products will be considered by customers when attitude, service quality, perceived financial cost and subjective norm are prioritized by the banks.

We acknowledge several limitations in this study. Firstly, it is pertaining to the sample of the study in which it is only confined to a specific user group in a particular geography. It is the contention of the author that additional consumer research about Islamic mortgage financing decision is further required to overcome such limitation. Similar studies conducted in different geographic areas of Malaysia could reveal important differences in attribute ratings. Secondly, the current study uses potential home buyers whilst there is no inclusion of real home buyers in the research framework. To be responsive, future studies may use real home buyers to re-examine the effects of attitude, subjective norm, service quality and perceived financial cost on the decision to choose Islamic mortgage financing. Furthermore, future studies are recommended to test the effects of these factors on the “actual preference” instead of “intention” *per se*. Despite these precincts, the study contributes to the body of knowledge in terms of the enhanced battery items and the effects of the constructs employed on the decision to choose Islamic mortgage financing.

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