

PATRONAGE FACTORS OF *TAWARRUQ* HOME FINANCING IN MALAYSIA

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ABSTRACT

Recently, Islamic banking sector has undergone rapid changes in the development of new financial innovations for *Shariah* compliance and competitiveness purposes. *Tawarruq* home financing is one of the innovations added to the existing list of Islamic home financing products, which provides a source of competitive advantage to gain a greater customers' acceptance. In many cases, bank customers can determine the success of the product through acceptance and thus improving its growth through an improved demand, enabling the banks to sustain in the mortgage market. Hence, understanding customers' need is now becoming more important for Islamic banks than ever before, not only due to the changing landscape of Islamic home financing products but also because of the changing preference of prospective customers. In response to this concern, this study is aimed at explaining the patronage factors of *tawarruq* home financing in Malaysia. Evidently, product attractiveness, quality of *maqasid* compliance, financial recommendation, attitude and perceived behavioural control are jointly related to the willingness to choose *tawarruq* home financing. Attitude is also a significant mediating variable. The findings provide Islamic bankers with a better understanding of what attributes customers look into when choosing *tawarruq* home financing. Limitations and future research are provided.

Keywords: *Tawarruq*; *Maqasid al-Shariah*; Consumer behaviour; Product attractiveness; Malaysia.

1. INTRODUCTION

In recent years, Islamic banking sector has experienced major changes. New financial innovations in Islamic home financing products, overtly, have a remarkable influence for an improved customers' confidence and demand for the industry. When the financial landscape is undergoing a rapid change with a special reference to Islamic home financing, understanding the customers and their willingness to opt are not just important but critical. The introduction of *tawarruq* home financing has given customers with more financial menus for their enhanced mortgage selection. This product is said to be more transparent and less problematic compared with an early version of *Shariah* principle used to govern Islamic home financing product. As of 13rd January 2018, a total of 6 Islamic banks are offering their mortgages on the basis of *tawarruq* home financing. There exist at least 16 Islamic banks in Malaysia that provide Islamic home financing products.

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Previously, *bay bithaman ajil* (BBA) home financing is the first Islamic home financing product offered by Islamic banks. The product has a *Shariah* non-compliance risk that leads to the introduction of *tawarruq* home financing to maintain the position of Islamic home financing in the mortgage industry. *Tawarruq* is a series of sales where a bank sells a good to a customer on credit basis and the latter sells the good on cash to a third party who is not the former. *Tawarruq* involves three parties, the customer (*mutawarriq/mustawriq*), the bank (*muwarriq*) and the third party (i.e. brokers). While BBA is a series of sales where the customer sells a house to the bank at cost and subsequently the bank sell to the customer at profit. In practice, BBA is a sell and buy back arrangement, which is known as *bay al-inah*. BBA involves two parties, the customer and the bank. In this case, the customer sells the house to the bank at cost, and later the former will buy back the house from the latter at premium.

Earlier studies have reported that Islamic home financing has a long-term repercussion to customers' monthly pay check of which a large fraction of a monthly instalment is allocated, which, in turn, can affect their family happiness (See Mydin-Meera and Abdul Razak, 2005; Amin, 2008; Md-Taib *et al.*, 2008; Abdul Razak and Abduh, 2012; Amin *et al.*, 2014; Amin, 2017). On the other hand, Islamic banks also deal with an opportunity cost when extending funds to finance customers' home purchase by rebuffing other lucrative investments, which, promise a greater source of income for persistence. Besides, this portfolio also has an aptitude to generate risks covering credit and non-performing financing risks should the customers default. Combined all, the performance of *tawarruq* home financing is much more dependant on customers' acceptance. Better attributes introduced by Islamic banks can shape a positive behavioural belief among customers that helps to improve the development of acceptance. Today, however, bank customers are more knowledgeable and grown rationally, evaluating every opportunity available not only based on facts but also based on their emotion. This symbolises the significance of customers' involvement to generate a value-added planning for the facility to improve its visibility and yield cogently.

Bearing in mind the research context and paradigm of inquiry, this study examines customers' willingness in Malaysia to take up *tawarruq* home financing. The effects of product attractiveness, quality of *maqasid* compliance, financial recommendation, attitude and perceived behavioural control on the willingness to choose *tawarruq* home financing are examined. These attributes are identified in the extant literature. Though *tawarruq* home financing is a latest financial innovation and recently a popular principle for Islamic home financing, the market share for this facility is, somewhat, lagging compared with other alternatives available. The significance of product attractiveness and quality of *maqasid* compliance to the facility is also found missing, where the knowledge about the product is not clearly understood by public at large. As of today, Islamic banks, like Hong Leong Islamic and Maybank Islamic have taken a serious measure to promote the product via social media, which allows the virtual interaction between the customers and the banks. The empirical findings pertinent to the customers' willingness, however, are scanty. Customers' willingness has been found to be a missing dimension in the banks' projection of demand for the product. The present study is at its best intended to close the gap.

Likewise, Bank Negara Malaysia (2016) reported that *tawarruq* financing grew over 34 percent that has been largely spurred by the commodity trading operation of *Bursa Suq Al-Sila*, which has

reduced costs and risks associated with *tawarruq*-based transactions including Islamic home financing. To date, conventional home loans are still the primacy in comparison with *tawarruq* home financing because of the cost-effectiveness and simplicity of many mechanism measures. The former comes with a propensity to align the state of being freedom of individuals with their investment purpose of refinancing. Besides, customers' fallacy that is built based on erroneous cognitive issues shared by people around them and the inability of bank personnel to demonstrate the distinctiveness of the product can also explain the poor formation of acceptance, in turn, can weaken the performance. Without proper measures, it is generally indicated that the product tends to be considered as the last alternative available and perhaps it is not selected at the expense of the potential profit drawn from the product.

Until recently, *tawarruq* home financing is a growing segment of Islamic home financing by many banks in Malaysia. For instance, an annual report by Bank Islam Malaysia Berhad (BIMB) indicates that its *tawarruq* home financing is well-performed. Evidently, on 31st December 2014, the bank managed to reap a financing value of RM3.9 billion and increased to RM9.5 billion on 31st December 2016 (Bank Islam, 2014; 2016). An increase of 143.59 percent. It was reported that *tawarruq* home financing was an important segment that contributes to the bank's profit and an increased customer base. Though it is now a growing segment of Islamic home financing, there exists a fallacy among laymen who believe that *tawarruq* home financing is another dimension of BBA that carries out the different terminology but brings the same implications. Poor literacy drawn from inability to process the gaps between the two products is driven by a malaise of bankers to share the veracious knowledge, peer influence and the tainted Islamic mortgage information available on social media that cause the fallacy. Without an effective measure, the fate of the product will also end similar like BBA and ability to gain a greater public acceptance of *tawarruq* home financing tends to be weaken. The present study helps to address this issue by providing specific indicators to market the product profoundly.

Besides, there is also a dearth of studies that have satisfactorily considered on the effects of product attractiveness and quality of *maqasid* compliance in Islamic home financing receptivity context. Drawing upon Theory of Planned Behaviour (TPB), this study postulates that product attractiveness, quality of *maqasid* compliance, financial recommendation, attitude and perceived behavioural control can determine customers' willingness to opt *tawarruq* home financing.

2. THEORETICAL DEVELOPMENT

This study considers the TPB as a baseline theory to explain customers' willingness to choose *tawarruq* home financing. The TPB is chosen because it meets the law of parsimony, which explains that theory is good when it provides a simple explanation to a phenomenon to gain new insights. Yet, the TPB has received good empirical supports by various literature including Islamic home financing studies. The TPB framework formulated based on the Theory of Reasoned Action (TRA). The TPB defines human action as a combination of three dimensions covering behavioural beliefs, normative beliefs and control beliefs. Behavioural beliefs are beliefs about the outcome of the action that may produce either a positive or a negative attitude towards the behaviour. Normative beliefs refer to subjective norms or perceived social forces. Control beliefs lead to perceived behavioural control. Following Ajzen (1991), all these variables can produce intentions to perform or willingness to accept – be it an object, a process, a service, a product, or whatever.

Moreover, Ajzen (1991) asserts that a person's action is determined by behavioural intentions, which, in turn, are influenced by an attitude towards the behaviour and subjective norm. Besides attitude and subjective norm, perceived behavioural control can also determine the formation of behavioural intentions. Perceived behavioural control influences the individual's decision through behavioural intention. Behavioral intentions are factors that capture how hard people are willing to try to perform a behaviour (Ramayah *et al.*, 2009). Concerned with the TPB model, it is enlightened that behavioural intentions are the essential cause of behaviour. Indeed, a study by Gopi and Ramayah (2007) proves that there is a significant relationship between behavioural intentions and actual behavioural within the online trading acceptance context in Malaysia.

Various academic works have modified the TPB to tailor the research settings to produce compatibility and better results. The TPB is not designed to capture a specific context of research but instead to provide a broader application to social science research in many areas that consider a questionnaire survey to meet their goals. For instance, Ramayah *et al.* (2009) and Gopi and Ramayah (2007) have extended the TPB to internet tax filing and online trading, respectively and managed to report the significant findings for the three predictors of the TPB. Similarly, the present study is aimed at testing these predictors of the TPB involving attitude, subjective norm and perceived behavioural control and thus so extends its generalisability to *tawarruq* home financing.

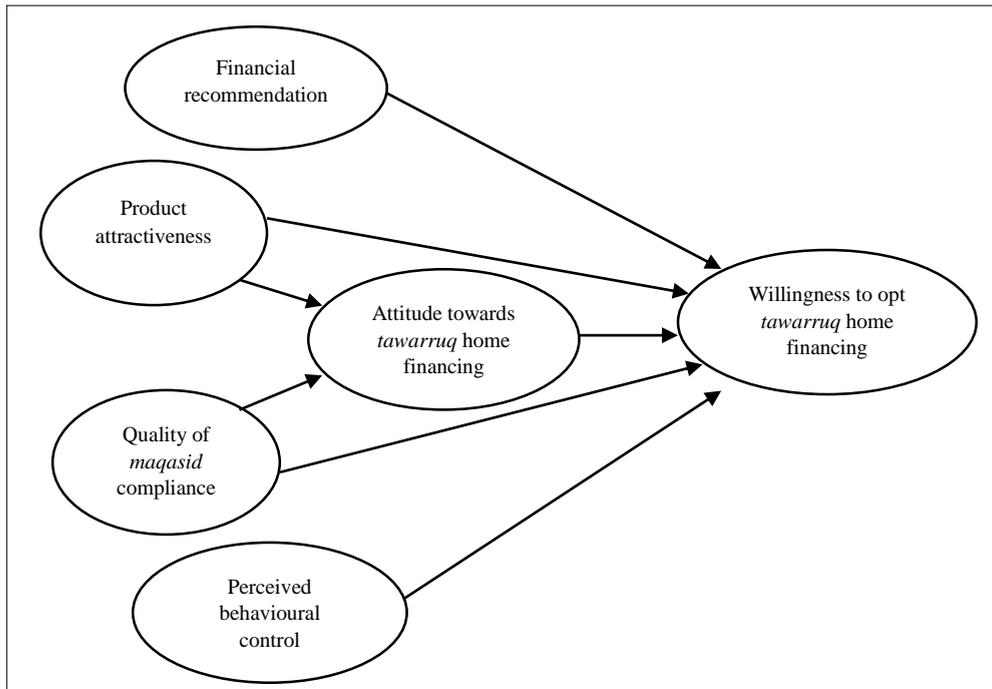
Generally, attitude is termed as an attitude towards use guides behaviour, which is defined as the way individuals respond to and are disposed towards an object. This disposition can be of negative or positive. Following Alam *et al.* (2012) and Amin *et al.* (2014a), attitude is viewed essential to contribute to a successful of Islamic home financing products. In our case, however, attitude whether positive or negative is shaped by how bank customers perceived the usefulness of the facilities including *tawarruq* home financing. Following Ramayah *et al.* (2009), we define attitude from the context of cognitive or knowledge and not feeling or affect. In terms of subjective norm, environment and people are of utmost importance to establish a positive relationship between this factor and intention. Likewise, Gopi and Ramayah (2007) refer subjective norm to the individual's perception of the likelihood that the potential referent group or individuals approve or disapprove of performing the given behaviour. Based on Ajzen's (1991) work, subjective norm is found as a direct determinant of behavioural intention.

Worth to mention, subjective norm is expected to influence prospective users' willingness to opt *tawarruq* home financing. Many studies have recognised the importance of this construct in their studies as the variable provides order in society that allows individuals to behave according to the value of a particular group of culture or environment (e.g. Hansen *et al.*, 2004; Gopi and Ramayah, 2007). One of the studies, by Hansen *et al.* (2004) examines online grocery intention and finds that subjective norm is significantly associated with the online grocery intention. By the same token, Gopi and Ramayah (2007) find that subjective norm is instrumental in determining the trade online intention. The authors prove the assertions by Fishbein and Ajzen (1975) and Ajzen (1991) in which subjective norm is instrumental in determining the willingness.

Furthermore, subjective norm has received an abundant empirical support pertinent to the formation of behavioural intention through subjective norm (Ramayah and Aafaqi, 2004; Gopi and Ramayah, 2007). A study by Md-Taib *et al.* (2008) employs subjective norm in explaining the

behavioural intention of postgraduate students on Islamic home financing. On the same note, subjective norm has also been investigated in the banking selection from an Islamic banking perspective. Evidently, Haron *et al.* (1994) and Gerrard and Cunningham (1997) have used “people influence” or “recommendation” to denote “subjective norm”. They find that people influence is of utmost importance for Islamic banking patronisation. Equally, however, subjective norm includes influences of friends, family members, colleagues, doctors and religious organisations. On the basis of these assertions, the present study defines subjective norm as *financial recommendation* to better reflect the context of research. This modification is in tandem with Amin’s (2012) work on Islamic credit cards. The author changed the term subjective norm to financial recommendation, which has led him to elicit better responses among respondents involved for an improved empirical result.

Figure 1: Research Model



Moreover, perceived behavioural control is the third variable examined in the present study. Ajzen (1991) defines it as being “the perceived ease or difficulty of performing the behaviour and it is assumed to reflect past experience as well as anticipated impediments and obstacles”. It is broadly appropriate to a range of behaviours in diverse setting as a measure of expanding our understanding of the relationship between perceived behavioural control and behavioural intention (Ramayah and Aafaqi, 2004; Gopi and Ramayah, 2007; Ramayah *et al.*, 2017). Therefore, this factor may be relevant to the present study that offers a root for understanding *tawarruq* home financing acceptance. The provision of support for potential clients of Islamic home financing is regarded as a perceived behavioural control that can influence the formation of preference for the product. Islamic banks

that provide consultation services for mortgages with proper handling of clients' queries have a greater likelihood to be selected.

The inclusion of *maqasid al-Shariah* indicator particularly from a *tawarruq* home financing perspective makes this study idiosyncratic. The purpose of the *Shariah* is to protect the benefit of mankind including the mortgage (Kamali, 2008). The inclusion of *maqasid* compliance is driven by its capability to promote home ownership that can improve breadwinners' well-being and religious satisfaction. *Tawarruq* home financing is thus expected to uphold *maqasid al-Shariah* to make it distinct and *Shariah* compliance. *Maqasid* factor plays an important role not only as a new competitive weapon but also as a source of growth and survival. Without it, a negative perception may develop that could deter the formation of acceptance on the product.

One may also learn that *tawarruq* home financing comes with some attractive terms, better cost saving and bonus benefits that define what is product attractiveness. The distinctiveness of the product becomes more appealing when the attributes brought bring a positive impact on the development of willingness to choose *tawarruq* home financing. Engku Ali (2010) and Amin *et al.* (2017) have asserted that cogent features of a product can meet the different expectations of different types of customers to choose the product. This may also help to improve the formation of customers' belief to encourage a demand of *tawarruq* home financing. Several works in this area have examined BBA and *musharakah mutanaqisah* home financing but poor attention is directed on how product attractiveness can play a significant role to affect customers' willingness (Mydin Meera and Abdul Razak, 2005; Md Taib *et al.*, 2008).

What makes the TRA model to the TPB model? The TRA model is based on two imperative predictors namely attitude and subjective norm. The TRA model is known as the TPB model when perceived behavioural control is added in the TRA model. Ramayah *et al.* (2009), Ramayah *et al.* (2017) and Gopi and Ramayah (2007) have proven that perceived behavioural control determines better the formation of belief of acceptance. Clearly, perceived behavioural control has improved the predictive power of the TRA model and thus actual use of a particular behaviour or application. In this study, perceived behavioural control is relevant since one has a capacity to manage his decision to choose the best mortgage product.

3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

3.1. Financial Recommendation

Following Fishbein and Ajzen (1975), subjective norm is defined as a person's perception that most people who are important to her or him should or should not perform the behaviour in question. The importance of this construct has been validated by many scholars such as Lada *et al.*'s (2009), Md-Taib *et al.* (2008) and Gopi and Ramayah (2007). In more detail, Lada *et al.*'s (2009) propose a positive relationship between subjective norm and attitude. The study finds that subjective norm is significantly related to attitude for *halal* product consumption. In contrast, however, a study by Md-Taib *et al.* (2008) hypothesises that there exists a significant effect of subjective norm on behavioural intention, and discover that subjective norm is an influential factor

in explaining the behavioural intention of postgraduate students on Islamic home financing. Gopi and Ramayah (2007) propose a positive relationship between subjective norm and behavioural intention to use internet stock trading. They report that subjective norm has a direct impact on behavioural intention to use internet stock trading. Following Amin (2012), this study defines subjective norm from the context of financial recommendation. Financial recommendation is described as a customer's belief that most financial savvy individuals and bankers who are important to him encourage himself to consider *tawarruq* home financing.

There exists a limited work directed to examine the effect of financial recommendation on the willingness to opt Islamic home financing with exceptions to two studies by Alam *et al.* (2012) and Amin *et al.* (2014a). Prior works by Almossawi (2001) and Amin (2008) also suggest that there exists a relationship between financial recommendation and selection of bank, implying the significance of this variable in the formation of individual's belief to opt better mortgages. Such a relationship, however, is not directed to capture *tawarruq* home financing. Of course, financial recommendation is the key factor that may build a better perspective of individuals' belief to patronise Islamic banking products (Haron *et al.*, 1994). Hence, H1 is hypothesised as:

H₁: Financial recommendation will significantly influence the willingness to opt tawarruq home financing.

3.2. Product Attractiveness

The current study defines product attractiveness as the customer's assessment that *tawarruq* home financing has competitive attractive terms than other alternatives available. Product attractiveness serves two important roles in determining the formation of the willingness, firstly, product attractiveness can change one's query on *tawarruq* home financing to actual behaviour, and secondly, product attractiveness plays an important role to increase our understanding pertinent to the likelihood of success or failure of the product emanated from better or poor acceptance, respectively. A recent work by Amin *et al.* (2017) finds a significant effect of product choice on the receptiveness of Islamic home financing. It is, however, does not explicate the point of attractiveness in their scale, rather it views the term availability of product line that determines the choice. Evidently, the term availability of choice or product line only deals with the notion of how many products are offered instead of how attractive the product is. Although rarely studied, product attractiveness can influence consumers' view of the attractiveness of *tawarruq* as an ideal innovation to get into. In other settings, however, product attractiveness has been viewed imperative by earlier works by Mason (1990) and Boyd and Mason (1999). These two works have reached a consensus in that consumers' evaluation of product category attractiveness affects the adoption decision for new products, so extends its generalisability to *tawarruq* home financing.

According to Boyd and Mason (1999), product attractiveness becomes an important influence on consumer attitudes and intentions and, through them, the decision whether to adopt or not. They also assert that beliefs about the attractiveness of a product category help us form expectations for objects, acts related to objects and consequences of object-related behaviours. Mason (1990) concurs this stance by elucidating that attractiveness reflects the individual's assessment of the attributes and characteristics of all of the alternatives in the product category. There is also evidence that product attractiveness beyond price can affect willingness to patronise, in turn, can affect demand. Mason (1990) for example uses product attractiveness of the product category as

the explanation for customer purchase by showing how a new product entry can affect total consumption of a category. Mason (1990) provides evidence that consumer beliefs about a category – if we assume consumption reflects beliefs – can be influenced by category attributes. Mason (1990) discovers that increasing the product attractiveness can increase consumption for an improved consumers' demand. Thus:

H₂: Product attractiveness will significantly influence the willingness to opt tawarruq home financing.

3.3. Attitude towards Tawarruq Home Financing

Fishbein and Ajzen (1975) view attitude as the evaluative effect of positive or negative feelings of individuals in performing a particular behaviour. A number of studies have confirmed a significant positive relationship between attitude and behavioural intention. For instance, Gopi and Ramayah (2007) identify attitude as a key factor influencing online trading adoption. It is observed that the effect of attitude on the receptivity of Islamic home financing is generally scanty – though it is growing (see Md-Taib *et al.*, 2008; Lada *et al.*, 2009; Amin *et al.*, 2010). Relatively, Md-Taib *et al.* (2008) discover a significant relationship between attitude and intention to choose *musharakah mutanaqisah* home financing. The study explains that attitude is an important area that needs a focus when offering Islamic home financing products to consumers. Adjusting consumer's attitude prior adoption is viewed essential for an improved formation of receptivity. Similarly, Lada *et al.* (2009) conceptualise attitude similar to that of Md-Taib *et al.* (2008). In light with Md-Taib *et al.* (2008), Lada *et al.* (2009) discover that attitude influences one's choice of *halal* food – the battery items for both studies are highly reliable and valid to represent their contexts that lead to the result. Similarly, studies by Amin *et al.* (2010), Alam *et al.* (2012) and Amin *et al.* (2014c) are closer to the present research's context. Attitude is appeared as focal in determining one's receptivity on Islamic personal financing (Amin *et al.*, 2010) and on Islamic home financing (Alam *et al.*, 2012; Amin *et al.*, 2014c). In this study, it is speculated that one's attitude has a significant effect on the willingness to opt *tawarruq* home financing. Therefore:

H₃: Attitude towards tawarruq home financing will significantly influence the willingness to opt tawarruq home financing.

Furthermore, attitude is also appeared in many published works as a mediator. For example, a study by Ismail *et al.* (2007) examines the factors influencing auditors' acceptance of the practice review system. The study finds that attitude mediates the relationship between perceived usefulness, rule observant and behavioural intention. Similarly, Lee (2009) discovers that attitude partially mediates the relationship between perceived benefit and online trading adoption in Taiwan. Similarly, M Yasin *et al.* (2009) consider attitude as a mediator in various relationships between patronage factors and behavioural intention. On the basis of these studies, we aim to close the gap by also considering attitude as a mediating variable in the context of *tawarruq* home financing. Hence, we propose the following hypotheses:

H₄: Attitude towards tawarruq home financing will mediate the relationship between product attractiveness and the willingness to opt tawarruq home financing.

H₅: Attitude towards tawarruq home financing will mediate the relationship between maqasid compliance and the willingness to opt tawarruq home financing.

3.4. Quality of Maqasid Compliance

In this study, quality of *maqasid* compliance defines as customers' belief that the operation of *tawarruq* home financing is nothing but in agreement with *maqasid al-Shariah*. This means that *tawarruq* home financing is not only about the product *per se* but also about the well-being of homebuyers where *maqasid al-Shariah* comes along. This factor prioritises three elements of *maqasid al-Shariah* namely *dharuriyyat*, *hajjiyyat* and *tahsiniyyat*. *Tawarruq* home financing is fallen under the *dharuriyyat* category because the preservation of property is the basic priority of the *maqasid*. Prior works have supported the significance role of *maqasid* in consumers' behaviour (Kamali, 2008), Islamic finance (Dusuki and Bouheraoua, 2011) and bank performance Mohammed *et al.* (2015). In more detail, Kamali (2008) claims that *maqasid al-Shariah* is yet somewhat neglected the theme of the *Shariah*. In view of three objectives of *Shariah*, Kamali (2008) asserts that justice, elimination of prejudice and alleviating hardship are essential elements to uphold the *maqasid* to improve commercial transactions at large. In other's context, however, Dusuki and Bouheraoua (2011) assert that Islamic finance is failing to fulfil its *Shariah* objectives. This happens since Islamic banks have treated their customers in a similar fashion like their conventional peers including harassing customers who are not able to pay back on time or failure to pay monthly instalment. Following Dusuki and Bouheraoua (2011), four characteristics of *maqasid al-Shariah* include the basis of *legislation*, *universality*, *inclusive* and *definitive*. These features are fallen short in previous works (Chapra, 2000; Kamali, 2008). Despite the disparity exists, we define *tawarruq* home financing under the category of wealth's preservation that is in line with Dusuki and Bouheraoua's (2011) recommendation in which the product is employed for homeownership.

Unlike Kamali (2008) and Dusuki and Bouheraoua (2011), Mohammed *et al.* (2015) provide an advance thinking of *maqasid*. They discover that *maqasid al-Shariah* is proven appropriate to explain the bank's performance, which concurs with earlier studies related to the performance of Islamic banks. In spite of some deficiencies, the Mohammed *et al.*'s (2015) work considers as an eye-opener with regard to the importance of *maqasid al-Shariah* to Islamic banking performance.

There exist two works that provide empirical supports regarding the importance role that the *maqasid* can offer in this context (e.g. Amin *et al.*, 2014b; Amin, 2017). For instance, Amin *et al.* (2014b) examine theory of Islamic consumer behaviour by considering *maqasid al-Shariah* as a point of departure. They find that *maqasid al-Shariah*'s three tested elements, viz., education, justice and welfare are significantly related to the consumer behaviour. The theory proposed is linked with consumers' faith and Islamic worldview, which later may expound the degree of receptiveness. Unlike Amin *et al.* (2014), Amin (2017) develops a specific variable that represent the trustworthiness of Islamic mortgage from *maqasid al-Shariah*'s standpoint. Together, these studies conclude that *maqasid al-Shariah* and Islamic home financing are closely related. The application of *maqasid* to *tawarruq* home financing, however, is relatively unexplored, which warrants further investigations. Then:

H₆: Quality of maqasid compliance will significantly influence the willingness to opt tawarruq home financing.

3.5. *Perceived Behavioural Control*

Ajzen (1991) defines it as being “the perceived ease or difficulty of performing the behaviour and it is assumed to reflect past experience as well as anticipated impediments and obstacles”. In our context, perceived behavioural control is related to consumer’s self-efficacy, financial resources and times that are related to the product. This variable has been applied in various settings whilst its importance to the current context is relatively fallen short (Ramayah *et al.*, 2017; Alleyne and Broome, 2011; Ramayah *et al.*, 2009). Ramayah *et al.* (2009) discover that perceived behavioural control is helpful in determining taxpayers’ intentions to pay income tax online. The significance of this variable in the context of Malaysia is further confirmed by Ramayah *et al.* (2017) who find that perceived behavioural control is significantly related to behavioural intention of mobile money. In a similar vein, a work by Alleyne and Broome (2011) on investment intentions among future investors discovers that perceived behavioural control has a significant influence on one’s intention to invest.

Erstwhile studies have documented little supports pertinent to the impact of this predictor on Islamic home financing preference (e.g. Amin, 2008; Md-Taib *et al.*, 2008; Abdul-Razak and Abduh, 2012). By chance, however, there exist three works related notably Alam *et al.* (2012), Amin *et al.* (2014a, b) in the area that have discovered a significant effect of perceived behavioural control on the receptiveness of Islamic home financing. Of these, Alam *et al.* (2012) and Amin *et al.*, (2014a) modify the TPB through the inclusion of religiosity and Islamicity of product, respectively. Although the inclusion took place, perceived behavioural control still plays a significant role in shaping a better behavioural intention – implying also its generalisability. Instead, Amin *et al.* (2014c) test the TPB in a newly context of *musharakah mutanaqisah* and discover its relevance. These works, however, have not focused their studies on *tawarruq* home financing owing to different objectives and scopes, specifically. This may also explain that the effect of this variable on a specific *tawarruq* home financing has received little attention, which warrants further empirical investigations. It is expected that perceived behavioural control will influence the development of one’s willingness to choose *tawarruq* home financing. Consequently:

H₇: Perceived behavioural control will significantly influence the willingness to opt tawarruq home financing.

4. RESEARCH METHODOLOGY

4.1. *Subjects*

Subjects obtained are drawn from three geographical areas in Malaysia. These include KL/Selangor, Negeri Sembilan and Sabah, which are chosen based on their economic development. These states experience a strong development for the housing industry in Malaysia. For this purpose, data are collected at Universiti Islam Antarabangsa Malaysia (UIAM) situated in KL/Selangor, Universiti Sains Islam Malaysia (USIM) situated in Negeri Sembilan and Universiti Malaysia Sabah (UMS) situated in Sabah. In brief, UIAM and USIM represent West Malaysia whilst UMS represents East Malaysia. The staff are full-time employees who have several years

of experience in patronising Islamic banking products. Three enumerators are appointed to distribute personally administered questionnaires to the staff somewhere in May-June 2017. The data are collected during working hours for six weeks of 5 working days. University staff employed are proxy who symbolise the actual customers of Islamic banks. A total of 650 questionnaires are distributed during working hours. The staff are informed in which their participation is voluntary and their responses would be kept confidential and would be analysed only at the aggregate level. Of these, 629 questionnaire distributed are usable. SPSS v.21 is used to analyse the questionnaires. The demographic features of the subjects are presented in Table 1.

The demographic distribution shows that 43.7 percent of the respondents are male and the remaining 56.3 percent of the respondents are female. Concerned with income level, most of the respondents' income are between the range of MYR2,501-MYR3,500 with 23.7 percent. In terms of marital status, 32.4 percent of the respondents are single and 67.6 percent of the respondents are married respondents. As for job, 41.8 percent are academic staff, followed by management staff with 24.5 percent and the remaining of 33.7 percent representing supporting staff.

Table 1: Demographic Results

Attributes	Demographic distribution	
	Frequency	Percentile
Gender		
Male	275	43.7
Female	354	56.3
Income (MYR)		
<2,500	89	14.1
2,501-3,500	149	23.7
3,501-4,500	128	20.3
4,501-5,500	136	21.6
5,501-6,500	41	6.5
6,501-7,500	47	7.5
>7,500	39	6.2
Marital status		
Single	204	32.4
Married	425	67.6
Job		
Academic staff	263	41.8
Management staff	154	24.5
Supporting staff	212	33.7

4.2. Measures

The questionnaire items are adapted from prior studies. Five items of attitude are adapted from Zainuddin, *et al.* (2004) and Md-Taib, *et al.* (2008). Five items of subjective norm are adapted from Ramayah, *et al.* (2009) and Ramayah, *et al.* (2010). Five items of perceived behavioural control are adapted from Amin *et al.* (2011) and Amin *et al.* (2014). Five items of product attractiveness are self-created by considering these works, viz., Amin *et al.* (2017) and Mason

(1990). Five items of quality of *maqasid* compliance are revised from these works (Kamali, 2008; Dusuki and Bouheraoua, 2011; Mohammed *et al.*, 2015). Prior to the actual survey, we conduct a pilot test among 35 staff at UIAM to ensure the items of the research are easily understood to avoid ambiguities. Based on the result of the 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 RESULTS AND DISCUSSION

5.1. Measurement Model

Following Hair, *et al.*'s (2010) recommendation, we conduct two factor analyses to gauge the constructs' items validity and their appropriateness. The first analysis is conducted for independent variables' items and the second one is for dependent variable's items. All results are presented in Table 2. A cut-off value of 0.6 for factor loadings is used. Table 2 presents all measurement items under examinations are exceeding the threshold value to confirm the constructs' items validity. While, reliability test is also conducted using Cronbach's alpha coefficient (α). Following Nunnally and Berstein (1994), all alpha values are above the threshold value of 0.6, confirming the internal consistency of the constructs' items. Consequently, all items are retained for further analysis.

Table 2: Results of Measurement Model

Measurement item	Loadings	α	Mean	SD
ATT1	0.922	0.939	4.44	0.678
ATT2	0.913			
ATT3	0.721			
QMC1	0.902	0.935	4.38	0.630
QMC2	0.865			
QMC3	0.815			
PA1	0.871	0.890	4.06	0.692
PA2	0.867			
PA3	0.863			
PBC1	0.855	0.879	3.94	0.600
PBC2	0.851			
PBC3	0.843			
SN1	0.853	0.916	4.11	0.733
SN2	0.804			
SN3	0.783			
WTOT1	0.953	0.923	4.30	0.660
WTOT2	0.948			
WTOT3	0.892			

Notes: ATT=Attitude; SN=Subjective norm; QMC=Quality of *maqasid* compliance; PA=Product attractiveness; WTOT=Willingness to opt tawarruq home financing; SD=Standard deviation.

5.2. Structural Analysis

The final results are presented in Table 3. Three constructs from the TPB are causative in determining the willingness. Attitude is considerably related to the willingness to opt *tawarruq* home financing ($t = 8.448, p = 0.000$). This result lends a support to Amin's (2017) finding who discovers a significant positive relationship between the two variables. Similarly, subjective norm is significantly related to the willingness to opt *tawarruq* home financing ($t = 4.590, p = 0.000$). This result is in agreement with those found by Ismail *et al.* (2014) and Amin (2017) who explain that the people's influence has a huge impact on one's decision to accept *tawarruq* home financing. Furthermore, perceived behavioural control is significantly related to the willingness to opt *tawarruq* home financing ($t = 3.954, p = 0.000$). The significance of perceived behavioural control is buttressed by Alam *et al.* (2012) and Amin *et al.* (2014a). Such a result is achieved since the development of the battery items is based on relevant and reliable measures developed by earlier studies (Lada *et al.*, 2009). Hence, the theory examined extends its predictive power to include consumers' willingness to choose newly emerging product of *tawarruq* home financing at potentially important though it is still at its infancy stage of acceptance in Malaysia.

Table 3: Result of Multiple Regression Model

Construct	Standardized- β	<i>t</i> -value	<i>p</i> -value
Attitude	0.272	8.448	0.000**
Quality of <i>maqasid</i> compliance	0.310	10.286	0.000**
Product attractiveness	0.272	9.178	0.000**
Subjective norm	0.122	4.590	0.000**
Perceived behavioural control	0.112	3.954	0.000**
<i>F</i> -value		265.336 (0.000)	
R square		0.680	
Adjusted R square		0.678	

Notes: * $p < 0.05$; ** $p < 0.01$.

This study also discovers that quality of *maqasid* compliance has a significant positive effect on the willingness to opt *tawarruq* home financing ($t = 10.286, p = 0.000$). This finding, somewhat, lends support to previous studies that assert the customers tend to change their preference when the banks uphold the *maqasid*'s elements of justice and welfare that play an important role to build up a positive perception for a formation of willingness to opt (Amin *et al.*, 2014a; Abdul Razak and Md Taib, 2011). Similarly, product attractiveness is shown to have a significant effect on the willingness to opt *tawarruq* home financing ($t = 9.178, p = 0.000$). This result is in line with Mason (1990) and Boyd and Mason (1999) who affirm a significant influence of product attractiveness on acceptance. Of these, quality of *maqasid* compliance is found to be superior that suggests the formation of belief to accept *tawarruq* home financing is developed when customers believe that the banks have aligned their product with *maqasid al-Shariah*. *Maqasid al-Shariah* acts like a caretaker that enhances customers' trust and confidence on the product, which help to improve the demand and thus an enhanced customer base for this segment of Islamic home financing.

Table 4: Result of Hierarchical Regression Model

Construct	Variable	Std. beta without attitude (Model 1)	Std. beta with attitude (Model 2)
The willingness to opt <i>tawarruq</i> home financing	Quality of <i>maqasid</i> compliance	0.564**	0.354**
	Product attractiveness	0.243**	0.162**
	Attitude		0.422**
R ²		0.494	0.605
Adjusted R ²		0.493	0.605
R ² change		0.494	0.113
F change		305.894	179.051
Sig. F Change		0.000	0.000

Notes: * $p < 0.05$; ** $p < 0.01$.

Following Baron and Kenney's (1986) procedure, we have conducted three tests of multiple regression (not reported in this study) to run the mediation test. After these three steps are met, a final mediation test is conducted and the result is provided in Table 4. Results provided indicate that the beta coefficients of quality of *maqasid* compliance and product attractiveness decrease after the inclusion of the mediator of attitude in the model of step 2. For instance, before the inclusion, the coefficient of quality of *maqasid* compliance is 0.564 but becomes 0.354 when attitude is included (that is reported under Model 2, Table 4). This shows that attitude has a partial mediation effect on the relationship between quality of *maqasid* compliance, product attractiveness and the willingness to opt *tawarruq* home financing. Thus, *H4* and *H5* are supported.

6. CONCLUSION AND IMPLICATION

This study develops a conceptual model that expounds why people accept or reject *tawarruq* home financing, which is one of the most challenging Islamic home financing products. Clearly, researchers have studied the impacts of bank customers' attitude, subjective norm and perceived behavioural control on their acceptance. The results, however, have been mixed and inadequate. The roles of quality of *maqasid* compliance and product attractiveness in the TPB are fallen short. In this line of thought, further examinations of the TPB's constructs, quality of *maqasid* compliance and product attractiveness are essential to provide a common frame of reference where an integrative approach matters. The results demonstrate that all factors examined are significantly related to the willingness to choose *tawarruq* home financing. The results obtained provide insightful theoretical, methodological and managerial contributions that help to better planning of *tawarruq* home financing offering by generating a new customer base drawn from a new segment for an improved profit generation.

Of the factors examined, we aware that the proposed constructs add more predictive power to the baseline theory, which of course to bring a new implication to both prospective researchers and mortgage providers. The results obtained have led to new theoretical implications for prospective researchers and practical implications for bankers. For researchers, this study extends adoption

research by increasing our understanding of customers' willingness to opt and on how customers' willingness changes the demand to a profitable business of Islamic mortgage. The results show that the cognitive factors contributed to a positive customers' belief about *tawarruq* home financing, in turn, can improve our understanding on the factors that affect the formation of acceptance. Eventually, the factors affect the success or failure of *tawarruq* home financing. The new relationships found will become as a point of reference for new researchers to hold with to understand further the impacts of the same factors to other settings.

For Islamic bankers, this study provides a new empirical finding or at least a fresh information on how attitude, subjective norm, perceived behavioural control, quality of *maqasid* compliance and product attractiveness affect their customers' acceptance of *tawarruq* home financing. In particular, it helps Islamic bankers to develop proper policies in notifying customers' input about the facility by helping them to identify on how quality of *maqasid* compliance and attractiveness of the innovation influence their willingness. Bankers may develop a perception by telling the benefits of the product via third party to persuade prospective customers to take up the product. The third party truth telling through improved customer testimonials obtained via social media and quick questionnaire feedback is also effective approach. This approach can confirm the merits of the product that enhances the confidence of the potential homebuyers to take up the product cogently.

We also acknowledge three limitations. First, our findings are derived from a limited geography. Future studies may include new settings to extend the findings. Second, our study proves the significance of the TPB to *tawarruq* home financing whilst empirical results that prove the applicability of Theory of Islamic Consumer Behaviour (TiCB) are relatively unknown. The theory has found valid to explain consumer acceptance of Islamic financing products. *Tawarruq* home financing is one of them. Therefore, attention should be directed to test the applicability TiCB to enrich findings in the context. Third, the study discovers the majority of the respondents have a monthly income below than MYR5,500 that might create bias towards only certain income level of which the respondents obtained are not representative. Future studies need to be conducted with cautious to allow a proper selection of respondents at hand.

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