opción

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Do customers use and recommend Islamic credit cards?

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Abstract

The study aims to investigate whether customers use and recommend Islamic credit cards or not. Partial Least Squares-Structural Equation Modeling (PLS-SEM) was used to analyze the collected data from respondents. The results indicated that relative advantage, compatibility, observability, and customer awareness have a significant direct effect on the intention to use ICC. In conclusion, the issuer banks are expected that by publishing cogent information regarding ICC which leads to better market of this Islamic service to end-users, increase adoption and usage of ICC.

Keywords: Adoption, Compatibility, Observability, Customer awareness.

¿Los clientes usan y recomiendan tarjetas de crédito islámicas?

Resumen

El estudio tiene como objetivo investigar si los clientes usan y recomiendan tarjetas de crédito islámicas o no. Se utilizó el modelado de ecuaciones estructurales de mínimos cuadrados parciales (PLS-SEM) para analizar los datos recopilados de los encuestados. Los resultados indicaron que la ventaja relativa, la compatibilidad, la

observabilidad y la conciencia del cliente tienen un efecto directo significativo en la intención de usar ICC. En conclusión, se espera que los bancos emisores publiquen información convincente sobre ICC que conduzca a un mejor mercado de este servicio islámico para los usuarios finales, aumente la adopción y el uso de ICC.

Palabras clave: Adopción, Compatibilidad, Observabilidad, Conciencia del cliente.

1. INTRODUCTION

The past decade experienced an unprecedented spreading out in Islamic finance with a notable expansion of Islamic banks' operations. Although the concept of the Islamic banking system is old, the Islamic banking scheme is introduced in the last years of the twentieth century which its main reason referred to the need of a financial foundation for Muslim bank customers to satisfy their needs on the basis of Islamic principles. More specifically, the offering of Shariah compliant products and services have become more widespread and substantial in the last 30 years while Islamic finance and banking has been practiced for many years. In view of that, in the Muslim world, the emergence of the Islamic banking scheme is known as the most inspirational and terrific of 20th century financial and economic phenomena and still its market is annually expanding between 10 to 15.

Due to risk sharing operations, interest-free products and services and strong linkage with religion, Islamic banks are gaining popularity. At first, the Muslims were only targeted by Islamic banks, however, currently, this has changed and non-Muslim customers are

welcome as well. In view of the fact that Shariah finance is a blend of modern lending principles and Islamic economics, both Muslim and non-Muslim could be customers of its products. Moreover, the popularity of Islamic banking among non-Muslim customers around the world has increased and interestingly many non-Muslims are eager to understand and recognize attractive aspects of Islamic banking schemes.

After observing the increase in demand, various multidimensional conventional banks have opened Islamic banking windows and provided interest-free products and services to large groups of the population. In order to protect Muslim and non-Muslim customers from interest, Islamic banks have been required to set up financial instruments that are based on Islamic principles and as well in line with Islamic banks' objectives (AMIN, RAHMAN & RAMAYAH, 2009). One of these controversies Shariah-based products structured, offered by Islamic banking, in the focus of this study is the Islamic credit card (ICC).

Besides, maysir or gambling has as well been prohibited. Therefore, preventing the cardholder to access sites like online gambling, ICC also need some other insurance cover form (ALAM, MUSA & HASSAN, 2009). Before ICC introduction, several issues including the credit card permissibility, its legal impacts and high debts among graduates at a young age were identified. In order to respond to these flaws, Islamic banks were recommended to develop

suitable measures to tackle these issues efficiently. Therefore, the Islamic banks were of prime importance to offer ICC facilities that meet their policies as well as maqasid al-Shariah. It is expected that ICC strength the threatened Islamic identity for Muslims customers. Besides, ICC is viewed as a pivotal payment form amongst young generations (AMIN, 2010). Indeed, a person has this type of money for reasons including cash advance, attain credit facility, charge card, easy payment and prestige. ICC has appeared as people's wealth and status as well (AMIN & ISA, 2008).

Consequently, due to the huge advantages of ICC for both banks as well as customers ASKARANY & YAZDIFAR (2012) examining the main factors that influence consumers to use an ICC is the main purpose of this study. Meanwhile, as said by AMIN (2013), only a few researchers have investigated usage intention of the ICC and further studies are required in order to fill the gap of inconclusive studies on the usage intention and adoption of the ICC. On the other hand, the previous studies mixed findings pertaining to choose ICC, have proven that studies in this field are significantly lacking which in turn warrant further investigation. Therefore, the main purpose of this study refers to examining the factors that influence bank customers to adopt and usage of the ICC as an Islamic banking product. In other words, this study attempts to add to the body of knowledge in the Islamic banking field and extend the knowledge and literature regarding the factors that affect ICC adoption, usage, and recommendation to others.

2. METHODOLOGY

In this study, the instrument validation is achieving through steps including content validity, construct validity and reliability measures. In this regard, the procedure taken in this study comprises developing a survey questionnaire on the basis of previously validated instruments with slight modifications to fit for the current study context followed by pretest and pilot test in multiple stages and steps. In more detail, on the basis of the research framework and literate of different variables of the study, items were derived from measurements that were applied in various previous research areas and models. This enhances the validity of the questionnaires. Different items regarding relative advantage (4 items), compatibility (4 items), and observability (4 items) were adapted from BAABDULLAH, ALALWAN, RANA, KIZGIN & PATIL (2019). In addition, for some constructs in this part, the questions from other studies were adapted as well (MARDANI & FALLAH, 2018).

Four items concerning customer awareness were adapted from Sabah AL-SOMALI, GHOLAMI, & CLEGG (2009). Loyalty was measured using four items adapted from AMIN (2010), while four items were adapted from a study by ARMITAGE & CHRISTIAN (2003) to measure recommendation ICC to others. Four items were adapted from ARMITAGE & CHRISTIAN (2003) to be used in measuring usage intention of the ICC by respondents (bank

customers). The items of the survey were measured using a five-point Likert scale ranging from 1 (totally disagree) to 5 (totally agree).

The feedback from field-based experts for the content validity assessment was considered. In this regard, the content validity was evaluated by asking three experts to provide feedback regarding the questionnaire and specifically about the elements of each concept. In addition, it was asked from three Islamic banks' branch managers to check the questionnaire items in order to provide the comments to improve the validity of the instrument. They confirmed that the instrument was valid and effective measure and offered some helpful and useful recommendations to improve the instrument quality. In addition, a pilot study was conducted and the collected questionnaires from 35 bank customers showed the Cronbach alpha and composite reliability of above the required threshold of 0.7 which accordingly confirmed the reliability of the survey.

3. SAMPLING AND DATA COLLECTION

This study is a quantitative research that attempts to examine the important factors influencing the adoption and usage of ICC among Iranian bank customers. Therefore, the target population of this study will be bank customers in Iran. These respondents (bank customers) have been selected due to the fact that they could be potential users of ICC. The existing banks' customers have been

identified as the target population of study because it is expected that existing bank customers have at least some knowledge about Islamic banking principles, the Islamic banking system and also familiar with offered products and services. Although the existing banks' customers are not necessarily the ICC holders, this does not disqualify them from being part of the target population of the study, because they are likely to be perspective ICC holders or additional products and services offered by their banks. Therefore, it is expected that the perspective respondents would be able to give responses and opinions on other products that are readily available and offered by Islamic banks (ARMITAGE & CHRISTIAN, 2003).

Although on the basis of information provided by the Central Bank of Iran (CBI), only some of the banks issue the ICC, we focused on the walk-in bank customers of two banks in Shiraz city and three branches of these two banks were selected to conduct the data collection using. This study applied a personally administered method to distribute the structured questionnaire among bank customers in regards to data gathering. This method ensures about a good response rate, a high rate of completed all questions of the questionnaire, saving time, clarifying uncertainties or queries of respondents and providing the ability to collect data from many participants simultaneously. Accordingly, we distributed 600 questionnaires among bank customers from February 2019 to March 2019 in which 463 usable and completed survey was collected. By considering different types of

minimum sample size requirements the collected data survey seems to be sufficient for further analysis (JAFARIGOHAR ET AL, 2015).

Table 1: Demographic Statistics

Demographics	Items	Frequency	Percentage (100%)
Gender	Male	268	57.9
	Female	195	42.1
Age	18-28	121	26.1
	29-38	75	16.2
	39-48	69	14.9
	49-58	63	13.6
	Above 58	135	29.2
Education	Below Diploma	85	18.4
	Diploma	119	25.7
	Bachelor	145	31.3
	Master	85	18.4
	Ph.D.	29	6.3
Monthly Income	Below 500$	126	27.2
	501-1000$	139	30
	1001-1500$	83	17.9
	1501-2000$	53	11.4
	Above 2000$	62	13.4
Employment	Private sector	149	32.2
	Government sector	159	34.3
	Self-Employment	103	22.2
	Unemployed	52	11.2

As Table 1 shows, the majority of respondents are male (57.9%), while most of the participants are above 58 years old. Most of the bank customers were well educated with about more than 54% of

them having bachelor's degrees and above that. Besides, 34.3 of respondents worked for the government and most of them (30%) were paid 501-1000$ per month.

This study utilized a Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach in order to analyze the data and test the proposed hypotheses of the study. The main PLS aspects and merits which are summarized by ANUAR, ADAM & MOHAMAD (2012) is as follows: (a): PLS has become popular in the last 10 years provide a situation that the additive and linear interrelationships among the network of many variables can be visualized in a path diagram. The model could be specified by a complex series of simultaneous equations that define predictive associations between multiple indicators and latent variables. (b): using principal component factor analysis, PLS automatically operationalize latent variables by projecting groups of manifest indicator variables into vector space.

(c): PLS has minimal assumptions regarding the measurement levels as well as the distribution characteristics of variables. (d): PLS take up that latent variables have been reliably measured. (e): PLS assumes that the entire variance is valuable and can be explained and there is no concern for the distributional characteristics of the residual error. (f): A PLS path model is able to tolerate multicollinearity. (g): the relative importance of the association between latent variables has been inferred by the magnitude of the path coefficients that are equivalent to weighted regression coefficients. Consequently, on the

basis of the above merits, this study utilized PLS-SEM, using smart PLS 2.0 V 3 as a statistical method.

4. RESULTS

The measurement model explains the association between the latent variables and their indicators (their measures). Satisfactory results of measurement model are considered as prerequisites regarding the assessment of associations in the structural model. The first criterion that is checked regarding measurement model assessment is internal consistency reliability. Accordingly, both Cronbach's alpha, as well as composite reliability of constructs, are assessed in order to show the internal consistency reliability of the measures.

In detail, the Cronbach's alpha values of 0.91 (COM), 0.91 (CUA), 0.80 (INTU), 0.91 (OB), 0.94 (RA), 091 (RO) and 0.90 (LO) demonstrated all the measures meet the required internal consistency level considering Cronbach's alpha (Table 2). Moreover, the results indicated that composite reliability values of COM (0.93), CUA (0.94), INTU (0.87), OB (0.93), RA (0.95), RO (0.93) and LO (0.93) had acceptable internal consistency reliability level regarding composite reliability. This points to the fact that measurement errors have been relatively small.

Table 2: Convergent and Discriminant validity

Constructs	Items	Loading	AVE	Composite reliability	Cronbach Alpha
Relative Advantage	RA1	0.907	0.85	0.95	0.94
	RA2	0.973			
	RA3	0.921			
	RA4	0.886			
Compatibility	CO1	0.840	0.79	0.93	0.91
	CO2	0.865			
	CO3	0.968			
	CO4	0.886			
Observability	OB1	0.850	0.79	0.93	0.91
	OB2	0.859			
	OB3	0.964			
	OB4	0.888			
Customer Awareness	CA1	0.888	0.80	0.94	0.91
	CA2	0.876			
	CA3	0.979			
	CA4	0.844			
Intention to use	INU1	0.700	0.64	0.87	0.80
	INU2	0.895			
	INU3	0.803			
	INU4	0.793			
Recommendation ICC to others	RO1	0.856	0.79	0.93	0.91
	RO2	0.846			
	RO3	0.960			
	RO4	0.889			
Loyalty to ICC	LO1	0.834	0.78	0.93	0.90
	LO2	0.884			
	LO3	0.962			
	LO4	0.851			

In addition, convergence validity is evaluated, using Average Variance Extracted (AVE) and also outer loadings of the indicators. Since the latent variables of the study are able to elucidate more than 50% of the indicators variance, the convergence validity in this step (AVE above 0.5) is achieved. The next criterion which is assessed to ensure convergent validity in this study is the outer loading of the items. Accordingly, the results indicated that the outer loading of different items is all above the acceptance level of 0.7 which in turn approved the convergent validity of the constructs.

Table 3: Fornell-Larcker details

	Compatibility	Customer Awareness	Intention to use ICC	Loyalty to ICC	Observability	Recommend ICC to others	Relative Advantage
Compatibility	0.88						
Customer Awareness	0.15	0.89					
Intention to use ICC	0.24	0.68	0.80				
Loyalty to ICC	0.17	0.09	0.11	0.88			
Observability	0.13	0.18	0.23	0.18	0		
Recommend ICC to others	0.40	0.30	0.59	0.12	0.16	0.88	
Relative Advantage	0.20	-0.03	0.08	0.11	-0.03	0.15	0.92

The next step was to evaluate the discriminant validity of measures in this study. Examining the cross-loading of the indicators, as well as the Fornell-Larcker criterion, are two measures of discriminant validity. The examination of cross factor loading revealed that each item of measurement had a low correlation with other variables of the research model, except for its related variable (Table 4). In other words, the variance shared by construct and its indicators in the study is more than that shared with another construct of research. The Fornell-Larker criterion is the second and more conservative perspective in regards to discriminant validity assessing. All AVE square roots exceeded the off-diagonal values in the corresponding column and row (Table 3). In fact, the bolded value in this table indicates to AVE square root while non-bolded elements point to intercorrelation value between concepts. Based on these results, all off-diagonal values are less that AVE square roots (bolded on the diagonal). Therefore, all two conditions for discriminant validity in this study were met.

Table 4: Cross loading of the items

	Compatibility	Customer Awareness	Intention to use ICC	Loyalty to ICC	Observability	Recommend ICC to others	Relative Advantage
CA1	0.19	0.88	0.64	0.07	0.19	0.38	-0.02
CA2	0.11	0.87	0.51	0.07	0.14	0.24	-0.03

CA3	0.14	0.97	0.65	0.09	0.17	0.31	-0.02
CA4	0.08	0.84	0.62	0.08	0.15	0.14	-0.04
CO1	0.83	0.12	0.21	0.18	0.19	0.30	0.16
CO2	0.86	0.12	0.20	0.11	0.11	0.34	0.17
CO3	0.96	0.14	0.24	0.13	0.10	0.40	0.20
CO4	0.88	0.14	0.21	0.17	0.06	0.37	0.18
INU1	0.07	0.83	0.70	0.05	0.18	0.14	-0.03
INU2	0.19	0.66	0.89	0.09	0.20	0.46	0.01

INU3	0.25	0.33	0.80	0.07	0.23	0.67	0.14
INU4	0.25	0.35	0.79	0.13	0.14	0.62	0.12
LO1	0.17	0.06	0.09	0.83	0.20	0.19	0.06
LO2	0.16	0.09	0.11	0.88	0.119	0.08	0.12
LO3	0.14	0.09	0.11	0.96	0.17	0.08	0.11
LO4	0.10	0.06	0.07	0.85	0.14	0.06	0.07
OB1	0.13	0.20	0.22	0.15	0.84	0.22	-0.02
OB2	0.11	0.12	0.18	0.18	0.85	0.08	-0.05

OB3	0.10	0.16	0.22	0.16	0.96	0.11	-0.03
OB4	0.12	0.16	0.20	0.14	0.88	0.16	-0.01
RA1	0.16	-0.01	0.08	0.09	-0.04	0.13	0.90
RA2	0.20	-0.03	0.08	0.11	-0.03	0.16	0.97
RA3	0.19	-0.06	0.04	0.09	-0.03	0.13	0.92
RA4	0.19	-0.02	0.05	0.10	-0.02	0.12	0.88
RO1	0.34	0.29	0.61	0.12	0.21	0.85	0.14
RO2	0.35	0.18	0.42	0.09	0.08	0.84	0.13

RO3	0.39	0.30	0.56	0.08	0.13	0.96	0.13
RO4	0.34	0.28	0.48	0.13	0.13	0.88	0.13

The overall model explained 50.7% of the variance regarding the intention to use ICC. In more detail, relative advantage, compatibility, observability and customer awareness explain 50.7% variance in attitude toward the use of ICC. It also explains 35.9% of the variance for ICC recommendation to others by bank customers. These outcomes proved that independent variables of the study explain their related dependent constructs at a high level which in turn indicated that these constructs provide an adequate predictive power concerning different endogenous constructs of study including the intention to use of ICC, recommendation ICC to other and loyalty to ICC. Besides, the different hypothesis of the study was evaluated, focusing on path coefficients, t-values as well as p-values.

Accordingly, as it is shown in figure 1, for the first hypothesis of study we have the path coefficient (0.084), t-statistics (2.395) and p-value < 0.01. Therefore, the bootstrap critical ratios are of the acceptable threshold (greater than $2.57 < 0.01$) and$\beta= 0.084$., pointed to the positive and direct connection between relative advantage and

intention to use of ICC which in turn indicated that H1 is supported. This result is consistent with past studies which demonstrated that relative advantage has a significant positive impact on intention to use. The standardized coefficient between compatibility and intention to use of ICC was statistically significant (t-statistic = 3.244, p < 0.01) with a positive association (β= 0.118). This resulted in proved that H2 is as well supported. This outcome is consistent with previous studies where incompatibility was positively related to intention to use.
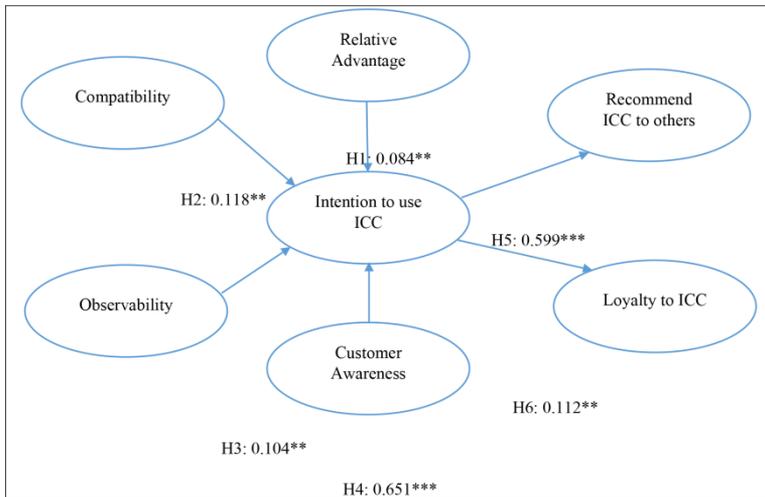
Figure 1: Conceptual model paths and results
Note: *p < 0.05, **p < 0.01, and ***p < 0.001

In addition, the standardized path coefficient between observability and intention to use was statistically significant (t-statistic = 2.986, p < 0.01) with a positive connection between them (β= 0.104). This outcome was an indication that H3 of study is as well

approved. This result in consistent with most of previous studies, in which researchers reported observability is a salient belief that influence intention to use. The standardized path coefficient between customer awareness and intention to use of ICC was statistically significant (t-statistic = 21.671, p < 0.001).

Besides, their connection was positive (β= 0.651) as it has been assumed in the hypothesis of the study. Thus, the H4 was supported. The result is in line with previous empirical studies and in more detail in the field of ICC studies, that reported a significant positive association between customer awareness and intention to use ICC. Further, figure 1 explains the standardized path coefficient between intention to use of ICC and Recommendation ICC to others (t-statistic = 21.441, p < 0.001) as well as loyalty to ICC was statistically significant (t-statistic = 2.423, p < 0.01) separately. Consequently, H5 and H6 of the study are supported as well.

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