

Choice criteria for Islamic home financing : Empirical investigation among Malaysian bank customers

Abstract

Purpose – The purpose of this paper is to investigate the choice criteria for Islamic home financing in Malaysian Islamic banks. Most importantly, this study considers establishing a specific rank of choice criteria for Islamic home financing. Moreover, these choice criteria will also be ranked according to the selected demographic elements such as gender, marital status and age range. Design/methodology/approach – This study uses a quantitative study similar to what was employed by previous researchers. The study presents primary data collected by self-administered questionnaires involving a sample of 150 Malaysian bank customers in Labuan, Malaysia. Of these, 141 questionnaires were returned with a response rate equivalent to 94 per cent. The Islamic home financing choice criteria as perceived by the Malaysian bank customers are analysed using frequencies, independent samples t-test and ANOVA. Findings – The results suggest that “Shariah principle”, “lower monthly payment”, “transparency practice”, “interest-free practice” and “100 per cent financing” are the first five decision criteria considered as being very important. The least preferred criteria, among others, are “recommendation”, “longer financing period”, “product range” and “branch location”. Results also suggested that a small number of significant differences are apparent in the importance of choice criteria with respect to gender, marital status and age range. Research limitations/implications – The study contains three limitations. The first limitation was based on the sample area for the study which is confined to Labuan, Malaysia. Second, this study restricted the use of factor analysis since the data did not allow for aggregation. Third, this study was also unable to perform ANOVA for religion differences as the sample consisted largely of Muslims. Practical implications – The results are primarily beneficial to academics and practitioners in Malaysia by offering an insight into choice criteria for Islamic home financing. This study provides new results about different kinds of customer types and their preferences with regards to Islamic home financing selection. As such, Islamic bank managers can learn and plan to offer attractive schemes for the Islamic home financing market that meet Malaysian bank customers' needs. For the researcher,

this study contributes to existing body of knowledge by providing an investigation of choice criteria in the Islamic home financing. Indeed, this study is considered an “eye-opener” for Islamic home financing choice criteria which has limited previous studies. Originality/value –This study introduces the choice criteria for Islamic financing among Malaysian bank customers. The study offers an insight into Islamic home financing choice criteria in Malaysia which has limited previously been investigated.