

Consumer acceptance of Islamic home financing

Abstract

Purpose

– This study aims to examine the factors influencing the consumer acceptance on Islamic home financing products amongst clients of Islamic banks. For the purpose, the study extends the theory of planned behaviour (TPB) in explaining the Islamic home financing adoption along. Further, the study also intends to analyze the effects of “Islamicity of product” and seven demographic factors on the consumer acceptance of Islamic home financing products.

Design/methodology/approach

– Using the TPB model as a baseline theory, data are collected from bank customers in East Malaysia involving two cities, namely, Kota Kinabalu and Labuan, using self-administered questionnaires. A total of 300 questionnaires are distributed; however, only 278 are found usable. We use ordered probit model to analyze the effects of attitude, subjective norm, perceived behavioural control, Islamicity of product and demographic factors.

Findings

– Using the ordered probit model, this study finds that attitude, subjective norm, perceived control and Islamicity of product are instrumental in determining the consumer acceptance of Islamic home financing products. Concerned with demographic items, the study finds that marital status, ethnic, occupation and religion are influential. It is also discovered, however, that gender, academic qualification and monthly income have little effects on the consumer acceptance.

Research limitations/implications

– Three limitations are available for future studies. First, the current work does not include the experienced users who patronize Islamic home financing products. Second, the contribution of the present study is confined to the analyzed explanatory variables.

Third, this study also has geographical constraint in which it is conducted in East Malaysia whilst samples from West-Malaysia are overlooked. These limitations, however, provide directions for further future research.

Practical implications

– Essentially, this study is a pioneering effort in applying the TPB model to the new context of Islamic home financing products in Malaysia. The study integrates the effects of Islamicity of product and demographic factors on the consumer acceptance on Islamic home financing products. The TPB model is proven valid and is reliable in predicting the consumer acceptance on Islamic home financing products.

Originality/value

– This study introduces Islamicity of product and demographic factors in explaining the consumer acceptance on Islamic home financing products. Most fundamentally, this study proposes a modified theoretical framework that is of paramount importance to predict the demand of Islamic home financing products in the future.