

DETERMINANTS OF *QARDHUL HASSAN* FINANCING ACCEPTANCE AMONG MALAYSIAN BANK CUSTOMERS: AN EMPIRICAL ANALYSIS

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ABSTRACT

The purpose of this study is to examine the factors that determine *Qardhul Hassan* financing acceptance among Malaysian bank customers. Explained in more detail, the main objectives of the study are twofold. First is to test the applicability of conventional theory, notably theory of reasoned action (TRA) to the *Qardhul Hassan* financing acceptance. Second is to examine the effect of pricing to *Qardhul Hassan* financing acceptance. TRA was employed in order to examine its applicability to the context of *Qardhul Hassan* financing. Besides the original constructs of the model, the pricing construct is added in order to justify further the determinants of the *Qardhul Hassan* financing. As such, this study used survey approach in order to investigate the objectives of the study. The study found that "attitude", "subjective norm" were important determinants to influence bank customers' perception of accepting *Qardhul Hassan* financing. These results, on the other hand, proved the suitability of the determinants to the context of *Qardhul Hassan* financing. Besides "attitude" and "subjective norm" constructs, this study, on the other viewpoint, contributes to the existing body of knowledge by proving that the pricing factor was also an important as a key determinant of *Qardhul Hassan* financing acceptance. Although this study proved the importance of "attitude", "subjective norm" and "price of *Qardhul Hassan* financing" factors, there still exists an opportunity for the future research relevant in this area in which it is due to limitations embedded in the current study. This study, however, is useful for Islamic banks in order to beautify *Qardhul Hassan* financing facility.

Keywords: Banking, Islam, *Qardhul Hassan*, Survey, Bank Customers, Personal Finance, Bank Management.

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I. INTRODUCTION

The financing facility is one of the primary functions of Islamic banks. This activity, on the other hand, contributes to Islamic banks profit generation. Islamically speaking, Islamic banks are prohibited from making loans with interest, which in turn, lead to the concentration of wealth in the hand of few. Alternatively Islamic banks financing is interest free, in addition to the *Shariah* principles. One of the *Shariah* principles that is of interest, is *Qardhul Hassan* financing also considers as a scope of the current study. By definition, *Qardhul Hassan* financing is defined as interest free financing or also known as a benevolent financing, in which it is provided by Islamic banks (Haron and Shanmugam, 2001). This financing facility allows a customer to finance his need at the varying amount of financing, which can be obtained from Islamic banks. Generally speaking, the minimum financing amount of *Qardhul Hassan* is approximately at RM1,000, while the maximum financing amount is estimated at RM100,000. These amounts, on the other hand, vary on Islamic banks' policy (Khair, *et al.*, 2008; Haron, 2005; Bank Islam Malaysia Berhad, 1994). Further, the need of *Qardhul Hassan* financing is purely on cooperation and mutual help, for instance, to help a customer to release himself from a financial hardship like for durable good payments. The financing scheme also concerns of the customer welfare by condemning interest payments on the loan and by providing rebates to reduce the customer payback burden (Maali, *et al.*, 2006; Rosly, 1999).

Islamic societies have become affected since Islamic banking system inception in Malaysia in 1983, by the introduction of Bank Islam Malaysia Berhad (BIMB). Since then, the bank considered as a *national heritage* to cater the Islamic financial needs of Malaysians like for *Qardhul Hassan* financing. Despite the availability of *Qardhul Hassan* financing in Malaysian banking environment, there exists scarce study conducted to explain what factors cause bank customers acceptance of the financing facility. Prior studies have overlooked the importance of this topic as their scope of research (Taib, *et al.*, 2008; Abdullah and Dusuki, 2006; Rosly, 1999). Further, Taib, *et al.* (2008) investigated bank customers' perception for *Musharakah Mutanaqisah* by the use of survey method. In a similar vein, Abdullah and Dusuki (2006) investigated bank customers' perception of *Al-Ijarah Thumma Al Bay* financing (AITAB), while Rosly (1999) examined *Bay Bithaman Ajil* (BBA) financing impacts on Islamic banking performance. None of these studies draws an attention to explore *Qardhul Hassan* financing. Owing to these arguments, the research on *Qardhul Hassan* financing remains inconclusive and needs further investigation.

For the purpose, the study aims to investigate of two main objectives. The first objective is on the applicability of TRA in the context of *Qardhul Hassan* financing by examining the model constructs namely "attitude" and "subjective norm". Considering this model is because of its suitability in the Islamic finance context and also of its ability to understand what leads to an individual acceptance for a particular matter (Lada, *et al.*, 2009; Taib, *et al.*, 2008). The studies of Lada, *et al.* (2009) and Taib, *et al.* (2008), on the other hand, ignored the *Qardhul Hassan* financing acceptance in their research focus. The second objective is to examine the price determinant for *Qardhul Hassan* financing. As such, the current study tends to propose, "price of *Qardhul Hassan* financing" to enhance the understanding of a bank customer's acceptance of *Qardhul Hassan* financing. Previous studies, in Islamic finance, had indirectly suggested price impacts on Islamic banking products such as Rosly (1999) and Abdullah and Dusuki (2006).

These studies, however, did not attempt to come up with a model that can be generalized for the future study. By undertaking this present study, the shortcoming is of course, not only can be minimized but also provides insights into how to effectively present the *Qardhul Hassan* financing facility to bank customers.

II. THE THEORETICAL FRAMEWORK

In order to suggest a model, this study employs the existing conventional model with modifications. Further, the model of this study is stemmed from Ajzen and Fishbein (1980) and Fishbein and Ajzen (1975). The following Figure 1 is the framework of the model.

The model is tailored to better describe *Qardhul Hassan* financing acceptance. The need for modification has been practiced by previous studies using TRA (Taib, *et al.*, 2008; Ramayah and Suki, 2006; Tarkiainen and Sundqvist, 2005; Yuserrie, *et al.*, 2004). The modification effort stems from the fact that TRA provides a general justification only of the determinants of non-information system (IS) acceptance. This study, therefore integrates other variable in which it is classified as a new “independent variable” namely “price of *Qardhul Hassan* financing” in addition to “attitude”, “subjective norm” and “behavioral intention”.

The original model of TRA includes “actual behavior” in explaining intention of users of a particular system/matter. Contrarily, the present study omits “actual behavior” and other two original external constructs of TRA. This is essential since the study is interested to highlight the behavioral intention, attitude, subjective norm and “price of *Qardhul Hassan* financing” only. This approach is similar to the procedure adopted by Taib, *et al.* (2008). Further, this study recognizes attitude and subjective as “independent variables” while behavioral intention as “dependent variable”. Previous study such as Yuserrie, *et al.* (2004) revealed the relationship between attitude and behavioral intention. They also found a relationship between subjective norm and behavioral intention. Nevertheless, none of the above explored the concept of “price of *Qardhul Hassan* financing”. Further, it is added in the modified model to further explore its influence on the bank customer’s acceptance of *Qardhul Hassan* financing. Needless to say, behavioral intention of TRA model is changed to “acceptance of *Qardhul Hassan* financing”. This approach is similar to that of Chiu, *et al.* (2005). The following model was developed and modified to better reflect *Qardhul Hassan* financing context:

Figure 1: Theory of Reasoned Action (TRA)

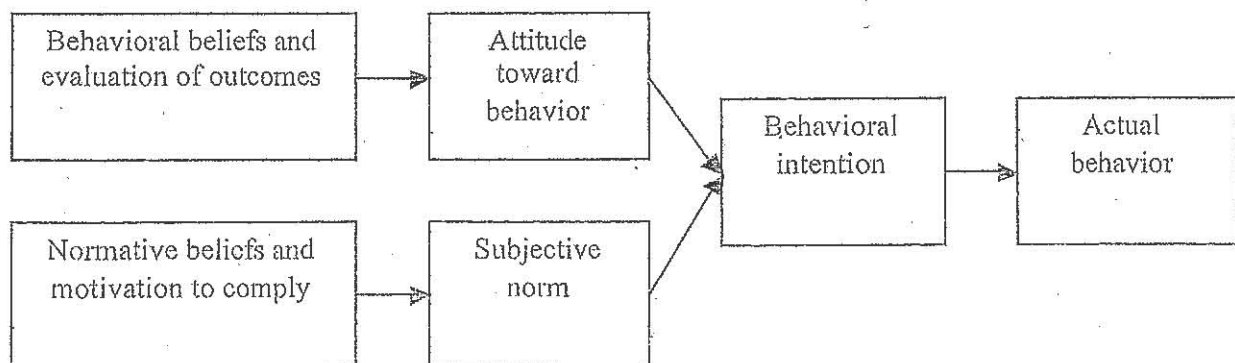
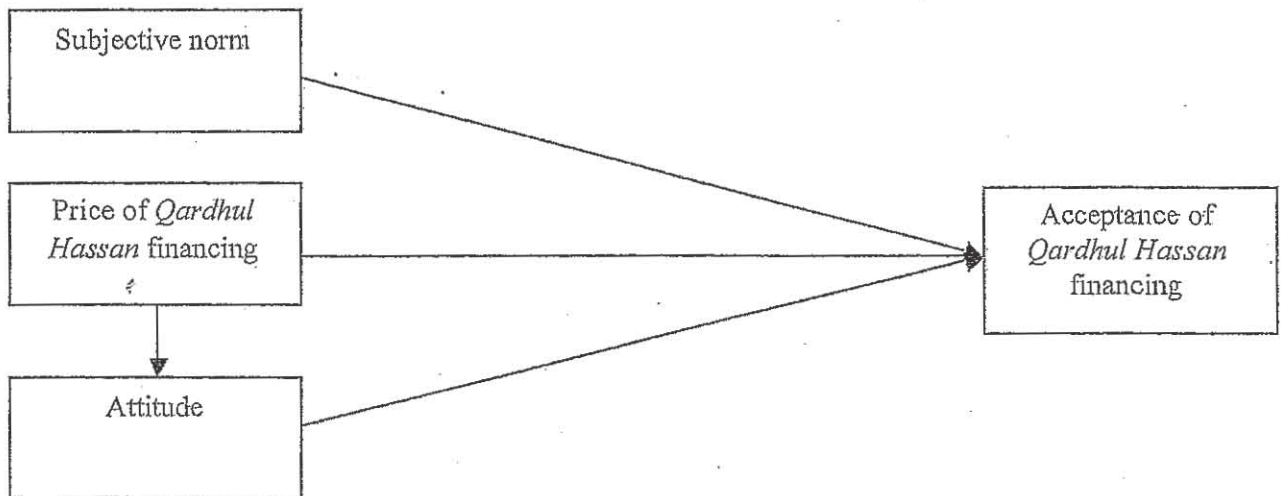


Figure 2: Research Model

III. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Theory of Reasoned Action (TRA)

This theory was introduced by Fishbein and Ajzen (1975) in order to establish a relationship among beliefs, attitudes, intentions and behaviors (Taib, *et al.*, 2008). The theory has been applied in different contexts. For instance, the study by Taib, *et al.* (2008) examined bank customers' perception over *Musharakah Mutanaqisah* home financing in the Malaysia context. The study employed TRA in explaining *Musharakah Mutanaqisah* acceptance among bank customers. Yuserrie, *et al.* (2004) examined users and non-users' perception of Islamic banking. Similarly, the theoretical framework for the model is based on TRA. In view of the above studies, there are two unique determinants derived from TRA applied to the studies. The first determinant is 'attitude' while the second determinant is 'subjective norm'. These two unique determinants are potentially can explain behavioral intention of bank customer's of *Qardhul Hassan* financing acceptance. Furthermore, the following reviews the said determinants:

Attitude

By definition, attitude is referred to as the evaluative effect of positive or negative feeling of individuals in performing a particular behavior (Fishbein and Ajzen, 1975). In the present study context, the Fishbein and Ajzen (1975) theory may suggest that acceptance of *Qardhul Hassan* financing is influenced by attitude toward the financing facility. There exist many studies have documented the significant relationship between attitude and intention to use (Lada, *et al.*, 2009; Taib, *et al.*, 2008; Gopi and Ramayah, 2007; Amin, 2007; Ramayah and Suki, 2006; Tarkiainen and Sundqvist, 2005).

Explained in more detail, the study by Lada, *et al.* (2009) examined what factors lead to a consumer choice of halal products in the Labuan business setting. Lada, *et al.* (2009) found that "attitude" was significantly related to *halal* products consumption. In a similar vein, Taib, *et al.* (2008) examined *Musharakah Mutanaqisah* home financing acceptance among 300

postgraduate students peninsula of Malaysia. Taib, *et al.* (2008) found that there was a significant relationship between “attitude” and “*Musharakah Mutanaqisah*” use. Another interesting paper, Gopi and Ramayah (2007), in a Malaysia setting, found that attitude was significantly associated with online trading system use. Also, Amin (2007) examined the influence of attitude towards students’ acceptance of SMS banking, found that there was a significant relationship between attitude and SMS banking acceptance. This means, attitude is a good driver to explain SMS banking acceptance. While Ramayah and Suki (2006) who examined Master of Business Administration (MBA) students’ intention to use mobile personal computer (PC) by the use of convenience sampling, found that attitude was significantly related to behavioral intention. Tarkiainen and Sundqvist (2005), on the other hand, asserted that consumers’ intentions to buy organic food can be predicted with their attitude. These studies results are also in line with the previous research (Ramayah, *et al.*, 2003; 2004; Teo and Pok, 2003; Ramayah and Suki, 2006).

Correspondingly, the present study infers that attitude is considered as the key determinant of *Qardhul Hassan* financing acceptance. It is therefore hypothesized that attitude influences *Qardhul Hassan* financing acceptance. Hence the following hypothesis was proposed:

H1. Bank customer’s attitude will influence Qardhul Hassan financing acceptance.

Subjective Norm

Subjective norm refers to the individual’s perception of the likelihood that the potential referent group or individuals approve or disapprove of performing the given behavior (Fishbein and Ajzen, 1975). This construct has been applied in different contexts ranging from technology-adoption to non-technology adoption researches. The importance of this construct has been documented by many scholars such as Ramayah, *et al.* (2002), Tarkiainen and Sundqvist (2005) and Gopi and Ramayah (2007). Explained in more detail, the study by Ramayah, *et al.* (2002) found that the subjective norm was the most significant factor that influenced intention to accept Internet banking. In other words, the greater the subjective norm pressures the higher the intention to accept Internet banking. Conclusively, a lot of Malaysian consumers seek to conform to expectations of others or seek advice from those who are close to them prior to using Internet banking. The study by Tarkiainen and Sundqvist (2005) on Finnish consumers in an organic food buying behavior tested the applicability of the theory of planned behavior (TPB). Tarkiainen and Sundqvist (2005) asserted that consumers’ intentions to buy organic food can be predicted with their subjective norm. These two studies results are further supported by the study of Gopi and Ramayah (2007) who found that subjective norm had a direct positive relationship towards behavioural intention to use internet stock trading.

The interesting paper by Lada, *et al.* (2009) found that subjective norm was significantly related to halal products use among consumers in Labuan. For the similar purpose, the study by Taib, *et al.* (2008) also found a significant relationship between subjective norm and *Musharakah Mutanaqisah* acceptance. Further, the study by Amin, *et al.* (2008) on mobile banking, found that subjective norm was significantly associated with acceptance of mobile banking. These studies, on the other hand, are in line with Venkatesh and Davis (2000) and Teo and Pok (2003) who reported a significant relationship between subjective norm and behavioral intention. By

way of contrast, Chau and Hu (2001) and Lewis, *et al.* (2003) found that subjective norm had no a direct impact on intention to use. On the basis of these studies, it is hoped that the significant result of "subjective norm" can be generalized in the context of *Qardhul Hassan* financing. As such, the following hypothesis was proposed.

H2. Bank customer's subjective norm will influence Qardhul Hassan financing acceptance.

Price of Qardhul Hassan Financing

Generally, pricing refers to an act of an individual of selecting the most appropriate price to sell the financing products – balancing the business and customers' interest (Ebert and Griffin, 1998). As such, price of *Qardhul Hassan* refers to a process of selecting the best practice of pricing to sell the financing product by taking into consideration an Islamic bank's profit generation as well as a customer's welfare. A very interesting paper to read, by Rosly (1999) provides a further discussion on fixed rate Islamic financing for BBA and its relationship to the economy circumstances. Rosly (1999) argued that, Islamic financing that using fixed rate is not influenced by the economy performance. The price for financing products is locked from the beginning of the contract until the completion of payments.

The latest study, and interesting to read and in line with the current study viewpoint, is the study by Abdullah and Dusuki (2006). They argued that majority of respondents seemed to be unsure about the issue of "*Al-Ijarah Thumma Al-Bay* (AITAB) is too costly" for Islamic hire purchase. Explained in more detail, some of the respondents argued, AITAB was expensive whereas others seemed confusing. Similarly, Amin (2008) surveyed 150 bank customers found that lower monthly payment was ranked second behind "transparency practice" which implied that the lower pricing was one of the motivations for customers dealing with Islamic banks. Another study which streamlines the importance of pricing is by Amin, *et al.* (2007) who examined the factors influencing *Ar-Rahnu* acceptance among conventional pawnshop customers. Further, Amin, *et al.* (2007) found that the pricing system was not the key determinant influencing *Ar-Rahnu* acceptance among respondents. It is due to the fact that the respondents stressed on necessity instead of pricing when approaching the *Ar-Rahnu* facility. Contrarily, the pricing is important for the current study is due to the fact that it is processed without collateral (i.e. gold, jewelry) instead of surety (i.e guarantor). It is also for purposes beyond one's necessity.

It is therefore hypothesized that price influences *Qardhul Hassan* financing acceptance. Hence the following hypothesis was proposed:

H3. Price of Qardhul Hassan financing will influence Qardhul Hassan financing acceptance.

In view of the importance of pricing, this study is of interest to explore the following hypothesis. This hypothesis, on the other hand, was overlooked by previous studies (Lada, *et al.*, 2009; Taib, *et al.*, 2008). Because of these studies negligence, the following hypothesis is of considerable interest to contribute to the body of knowledge related to *Qardhul Hassan* financing:

H4. Price of Qardhul Hassan financing will influence attitude, which in turn determines Qardhul Hassan financing acceptance.



IV. RESEARCH METHODS

Subjects

The survey used a convenience sampling. The respondents were customers of Islamic banks in Labuan who were interested and willing to participate in the survey. To qualify as respondents, the customers should have any Islamic banking products at the bank. The bank customers were selected because of their familiarity to Islamic banking products in addition to their position as experienced customers. The data collection method was based on personally administered questionnaires to bank customers of banks in March 2009. At each Islamic bank's branch, they were approached politely, and the purpose of the study was explained and they were asked if they would be prepared to fill in the questionnaire (Dusuki, 2008). Once the questionnaire completed, the researchers thank the respondents and render souvenirs to the respective respondents as an appreciation of their willingness to be a respondent of the study. A total of 250 customers responded to the questionnaire survey. After all, there is no attempt to escalate the respondents' number due to time and financial constraints. Of these, only 214 were usable and qualify for the further analysis of the data using Statistical Package of Social Science (SPSS) 16 (Amin, 2008; Abdullah and Dusuki, 2006; de Run and Ting, 2006; Haron, *et al.*, 1994; Gerrard and Cunningham, 1997; Metawa and Almosawi, 1998). The statistical package is widely used not only in social science research but also in banking research due to its flexibility to apply in a different context of research. The demographic features of the subjects are depicted in Table 1.

Table 1: Demographic Results

Attributes	Demographic distribution	
	Frequency	Percentile
<i>Gender</i>		
Male	142	66.4
Female	72	33.6
<i>Marital status</i>		
Single	114	53.3
Married	100	46.7
<i>Education attained</i>		
Primary and secondary	47	22.0
Diploma	60	28.0
Bachelor	83	38.8
Master	24	11.2
<i>Religion</i>		
Muslim	185	86.4
Non-Muslim	29	13.6



The demographic distribution shows that 66.4 percent of the respondents were male and the remaining 33.6 percent of the respondents were female. In terms of marital status, 53.3 percent of the respondents were married and 46.7 percent of the respondents were single respondents. With regard to educational 22.0 percent had primary and secondary education, 28.0 percent had diploma, 38.8 percent had bachelor degree and 11.2 percent had master. On the religion side, most of the respondents were Muslim respondents with 86.4 percent, followed by non-Muslim with 13.6 percent.

Measures

The research questionnaire comprised of two sections. The first part elicited demographic information from the respondents that was deemed necessary to achieve the objectives of the study. The second part of the questionnaire asked respondents to rate the relative importance of 8 variables using a five-point Likert type importance scale ranging from “5=Strongly agree” to “1=Strongly disagree”. The questionnaire items were extracted from prior studies (Lada, *et al.*, 2009; Amin, 2008; Taib, *et al.*, 2008; Abdullah and Dusuki, 2006; Yuserrie, *et al.*, 2004; Haron, *et al.*, 1994). Explained in more detail, the measures of “attitude” were adapted from the study of Lada, *et al.* (2009) and Taib, *et al.* (2008). The measures of “price of Qardhul Hassan financing” were adapted from the two studies (Amin, 2008; Abdullah and Dusuki, 2006; Haron, *et al.*, 1994). “Subjective norm” with two items was adapted from Yuserrie, *et al.* (2004). The measures of “Qardhul Hassan financing acceptance” were adapted from Taib, *et al.* (2008).

On balance, the questionnaire was developed seriously by taking into consideration the relevancy of the employed items in the present study context. The questionnaire was written in English and Malay. Back translation was used for the translation of the language in the questionnaire (de Run and Ting, 2006). Furthermore, prior to the actual survey, a pilot study was conducted in which it is aimed to identify any problems associated with the study instrument as well as other issues. Consequently, all respondents to the test commented that the questions were easily understood with an average completion time of five minutes, being similar to what practiced by de Run and Ting (2006). The questionnaire, however, was restructured into a proper design and format as part of the researchers’ effort to beautify the appearance of the questionnaire.

V. EMPIRICAL ANALYSIS

Factor Analysis

The rationale of employing this statistical tool is due to the fact that this technique can help the researchers to reduce a large number of variables to some smaller number by telling us which belong together and which seem to say the same thing (Emory and Cooper, 1991). The analysis is also important to confirm the construct validity of the scales using a principal component analysis.

In a similar vein, for the present study, an exploratory factor analysis is conducted and attempted to reconstruct factors using principal component analysis. The minimum factor loading of 0.6

on its hypothesized constructs is proposed (Nunnally, 1978; Cheong and Park, 2005). An eigenvalue of more than 1.0 was utilized as a determinant criterion for each factor in the factor analysis. Factor loading values were obtained using varimax rotation. Table 3 presents the factor analysis of the independent variables of the study. Among the employed variables to be included in the factor analysis, are “subjective norm”, “price of *Qardhul Hassan* financing” and “attitude”. Not to mention, acceptance variable is not included in the analysis since it is a dependent variable, in which this approach is similar to that of Amin (2007).

Table 2: Factor Loadings

	Factor loadings		
	Factor 1	Factor 2	Factor 3
Subjective norm 2	.897	-.259	.182
Subjective norm 1	.874	-.306	.197
Price of <i>Qardhul Hassan</i> financing 2	-.250	.897	-.184
Price of <i>Qardhul Hassan</i> financing 1	-.287	.866	-.243
Attitude 2	.117	-.250	.902
Attitude 1	.531	-.162	.652
Variance explained	60.942	13.575	12.438
EigenValue	6.657	2.814	1.746
Cronbach Values	.914	.886	.682

As portrayed in Table 2, all items that are listed under Factor 1 gauge subjective norm of the respondents. The subjective norm consists of two variables “subjective norm 1” and “subjective norm 2”. Factor 2 measures price of *Qardhul Hassan* financing in which it is comprised of two variables namely “price of *Qardhul Hassan* financing 1” and “price of *Qardhul Hassan* financing 2. Further, Factor 3 gauges attitude of the respondents in which it is also consisted of two variables notably “attitude 1” and “attitude 2”. See appendix for the details of the employed variables. On the basis of the factor analysis, as presented in Table 2, it can be concluded that the first factor that might lead to bank customers’ acceptance is subjective norm. The subjective norm has the higher eigenvalue and variance (*Eigenvalue*=6.657, *Variance*=60.942). The second factor causes the acceptance is price of *Qardhul Hassan* financing with the second higher eigenvalue and variance (*Eigenvalue*=2.814, *Variance*=13.575). The third factor is attitude. The attitude has the third eigenvalue and variance as compared to the other said factors (*Eigenvalue*=1.746, *Variance*=12.438).

The constructs of different causal hierarchy needs to be treated differently, especially when exploratory factor analysis is used (Moon and Kim, 2001; Choi, *et al.*, 2003). Because exploratory factor analysis may not be able to classify two different constructs that have high correlation. As a result, the factor loading for each instrument exceeded 0.6, meeting the essentially significant level of convergent validity.

The primary criterion for discriminant validity is that each indicator must load more highly on its associated construct than on any other constructs. Hence, the distinctions among all construct were investigated except acceptance. As expected, all factors had more than 0.6 of factor loading, indicating good discriminant validity (Cheong and Park, 2005). As a result, it is satisfying the convergent validity as well as the discriminant validity.

Regression Analysis and Discussion

Prior to regression analysis, the study conducted reliability test to the employed variables. All employed items were reliable; *Qardhul Hassan* financing acceptance ($\alpha = .821$); attitude ($\alpha = .682$); price of *Qardhul Hassan* financing ($\alpha = .886$) and subjective norm ($\alpha = .914$). Thus, the Cronbach's alpha ranges from 0.682-0.914 that exceeding the recommended value of 0.50 (Hair, *et al.*, 1998; Peterson, 1994). These values show good internal consistency among scales employed for the study.

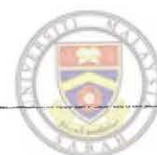
To test hypotheses, the present study employed linear regression. Considering the linear regression is based on its ability in explaining on how independent variables affect the *Qardhul Hassan* financing acceptance. The results of this analysis are set out in Table 3. Theoretically, this study confirms the appropriateness of TRA in determining *Qardhul Hassan* financing acceptance among bank customers in Malaysia. Evidently attitude was significantly related to *Qardhul Hassan* financing acceptance ($t=6.263$, $p\text{-value}=0.000$). This result is somehow consistent to that of the previous studies (Lada, *et al.*, 2009; Taib, *et al.*, 2008). This means, the greater the attitude, the greater the bank customers acceptance for *Qardhul Hassan* financing. In a similar vein, subjective norm was significantly associated with *Qardhul Hassan* financing acceptance ($t=9.503$, $p\text{-value}=0.000$). This result is of interest to support the previous studies (Lada, *et al.*, 2009; Taib, *et al.*, 2008). Thus, this confirms the viewpoint that the greater the subjective norm, the greater the bank customers acceptance for *Qardhul Hassan* financing.

Table 3: Regression Results

	Model 1	Model 2
<i>Attitude</i>	$\beta (.309^{***}) T(6.263)$	-
<i>Price of Qardhul Hassan financing</i>	$\beta (-.175^{***}) T(-3.564)$	$\beta (-.532^{***}) T(-9.151)$
<i>Subjective norm</i>	$\beta (.485^{***}) T(9.503)$	-
R	.830	.532
R Square	.689	.283
F-statistic	155.197	83.747
p-value	.000	.000

Note: ***Significant at 1% level

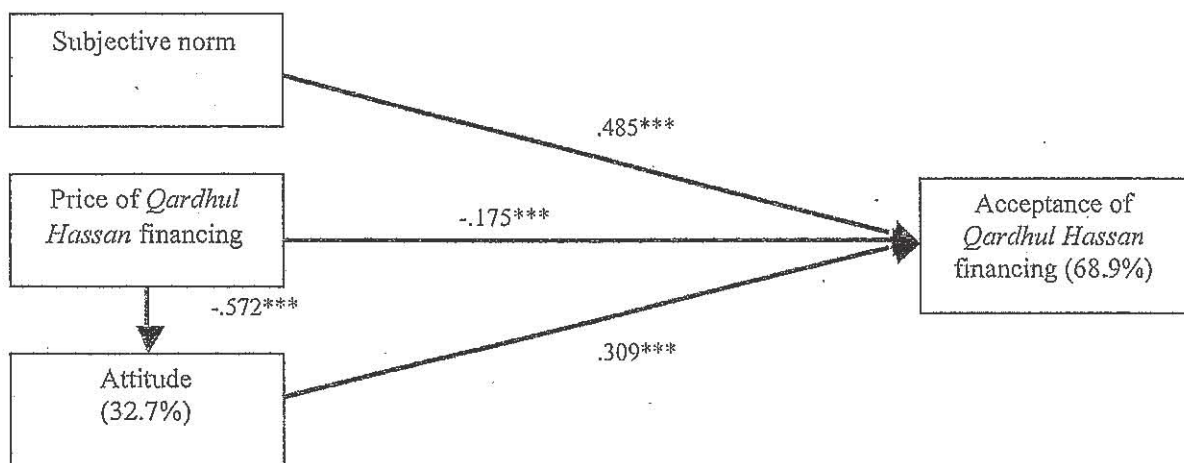
Most fundamentally, the proposed determinant, "price of *Qardhul Hassan* financing" was significantly related to *Qardhul Hassan* financing acceptance ($t=-3.564$, $p\text{-value}=0.000$). The negative relationship indicates that, the higher the price the lower the acceptance, and vice versa. This result is line with the finding of Rosly (1999), who asserted that the negative relationship between Islamic financing price and quantity of the facility. This means, for the present study,



the higher the price of *Qardhul Hassan* financing, resulting bank customers to reduce the demand of *Qardhul Hassan* financing. Thus, it is an advantage to a bank management to strategise its pricing for *Qardhul Hassan* financing according to the present study finding. This corrective measure, in fact, will enhance the product competitiveness of *Qardhul Hassan* financing.

Furthermore, the study also reported the following result. There was a negative relationship between “price of *Qardhul Hassan* financing” and “attitude” ($t=-9.151$, $p\text{-value}=.000$). This suggests that the higher the price is, the quality of the bank customers’ attitude will be lower. Consequently, all in all, this study found that “pricing” is the factor to explain the *Qardhul Hassan* financing acceptance. This determinant, is then of interest to influence a bank customer’s decision to employ *Qardhul Hassan* financing acceptance.

Figure 3: Research Model



Note: ***Significant at 1% level. Significant result \longrightarrow Non Significant result \longrightarrow

VI. CONCLUSION AND PRACTICAL IMPLICATIONS

This research has succeeded to explore the determinants of *Qardhul Hassan* financing acceptance among Malaysian bank customers in Labuan, East-Malaysia. What is more, attitude and subjective norm were the key determinants for *Qardhul Hassan* financing acceptance. These results also indicate the applicability of TRA in the current study context. Besides of these favorable outcomes, price of *Qardhul Hassan* financing was also the key determinant for *Qardhul Hassan* financing acceptance. In terms of research contributions, the present study contributes based on the following:

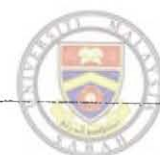
1. Firstly, this study applied conventional theory namely TRA to the *Qardhul Hassan* financing acceptance, which is limited, previously investigated. The theory is acceptable in the context of *Qardhul Hassan* financing acceptance due to the fact that the theory proposed generic measures that of interest to apply in a different context of research including in Islamic finance research.
2. Secondly, this study contributes to add into the very limited knowledge that available for “price” factor for Islamic finance research literature. This factor paves the way for more research in the Islamic finance research context.

Further, the practical implications of the study are twofold:

1. Firstly, on the practical side, banks may work on attitude, subjective norm and price of *Qardhul Hassan* financing specifically. The banks should improve bank customers' attitude by performing a continuous improvement of *Qardhul Hassan* financing facility, which in turn, improves the service quality. This also will affect positive attitude of the customers toward *Qardhul Hassan* financing facility. On the other hand, it is an evidence that subjective norm in particular is also the key determinant of *Qardhul Hassan* financing acceptance. To consider subjective norm in the banks' list of strategies, the banks should provide a specific training to handle the subjective norm issue to their employees, in better handling the customers. Besides of this training, a focus-group approach is also can be extended into the banks' list of strategies in order to communicate the importance of subjective norm as one of the determinants of *Qardhul Hassan* financing acceptance. On the pricing basis, the banks should consider a more favorable pricing approach to improve the acceptability of the customers for *Qardhul Hassan* financing facility. To counter this, special caution should be taken when designing pricing policy for the facility. This means, applying a reasonable charge and profit rate are crucial in determining the acceptance level among bank customers.
2. Secondly, on the academic side, this research contributes to the Islamic finance research literature by examining *Qardhul Hassan* financing facility primarily from bank customers' perspectives in Malaysia. Although previous studies also investigated attitude and subjective norm, our model incorporated pricing mechanism to better understand the context of *Qardhul Hassan* financing facility. These research outcomes, therefore, provide a room for the future research relevant in the area of Islamic finance.

Although this study makes contributions to the literature of Islamic finance research and provides valuable insights, it has also several limitations. In this case, the present study confines the limitations to two only due to their potential impacts for the future research. First limitation is related to the sampling. It is possible that data collected from respondents in a single location may have subjected the research to regional clustering bias, which in turn limits the potential for generalization of the findings. In order to tackle this limitation, the future research could replicate the study in other cities in Malaysia and in other nations as well. Second limitation is related to the employed variables in the present study. Nevertheless, such limitation creates an opportunity for future research. The future research may use a richer set of variables, including not only "attitude", "price of *Qardhul Hassan* financing" and "subjective norm", but also "governmental roles", "personal experiences", "perceived financial hardship", and "corporate image of a bank" as key determinants to provide better understanding of *Qardhul Hassan* financing acceptance.

Despite the above-mentioned limitations, the finding of the present study adds value by providing a fresh result of the current understanding of determinants of *Qardhul Hassan* financing acceptance. Overall, it is hoped that the present study finding will encourage more research in the area of Islamic financing products.



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APPENDIX 1: MEASURES

Attitude (Lada, *et al.*, 2009; Taib, *et al.*, 2008)

1. **Attitude 1:** Choosing *Qardhul Hassan* financing is beneficial
2. **Attitude 2:** I am appreciating the availability of *Qardhul Hassan* financing in an Islamic bank.

Subjective norm (Taib *et al.*, 2008)

1. **Subjective norm 1:** Most of the people who are close to me, believe that I need to choose *Qardhul Hassan* financing
2. **Subjective norm 2:** Most of the people who are important to me will regard *Qardhul Hassan* financing as valuable if I am using it

Price of Qardhul Hassan financing (Amin, 2008; Abdullah and Dusuki, 2006; Haron, *et al.*, 1994)

1. **Price of Qardhul Hassan financing 1:** *Qardhul Hassan* financing penalty is higher
2. **Price of Qardhul Hassan financing 2:** Monthly installment for *Qardhul Hassan* financing is higher

Acceptance (Yuserrie *et al.*, 2004)

1. **Acceptance 1:** I am interested to use *Qardhul Hassan* financing
2. **Acceptance 2:** I am, of course, will be suggesting *Qardhul Hassan* financing to some few others



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NOTES ON CONTRIBUTORS

