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Factors affecting intention to use Islamic personal financing in Pakistan: Evidence from the modified TRA model.

Abstract

The present study is the first attempt in Pakistan to examine the determinants of Islamic personal financing by using a modified theory of reasoned action (TRA) model. This study uses the two major construct of TRA model, namely, subjective norm and attitude. Additionally, we modified this model by introducing three relevant factors: pricing of Islamic personal financing, a religious obligation and government support to predict the intention of Islamic bank customers about Islamic personal financing. Sample data were conveniently drawn from the Islamic bank customers with the help of self administered survey based questionnaire. The study sample comprised on 484 responses of full-fledge Islamic bank customers located in the biggest city of Pakistan. Out of 484 responses, we considered 471 responses and ignored 13 responses due to incomplete information provided by the customers. This data was statistically analyzed by employing Structural equation modeling (SEM). Overall, the results of the study suggest that pricing of Islamic personal financing and religious obligation have a negative and significant impact on the intention to use Islamic personal financing. Attitude and social influence were found to be positive, but insignificant predictors. In addition, government support is positive and significantly associated with the intention to use Islamic personal financing. This study has some practical implications for Islamic bank managers and the government of Pakistan. Furthermore, Islamic banks should capture the need of Islamic personal financing while government support may help in promoting this service for Islamic banks in Pakistan. This paper makes a unique contribution in the existing body of Islamic banking literature. The empirical findings of this study provide some future directions and is considered to be a pioneer study, which has laid a foundation in the context of Islamic personal financing in Pakistan.

Key words: Personal financing, Islamic banks, customer's intention, Pakistan

1. Introduction

A broader concept about Islamic banking industry is that, it is growing significantly worldwide. Its ethical banking practice and theory has associated with its broader appeal. Islamic banking strictly follows Sharia compliance and prohibits interest (riba). Its involvement is not only restricted to giving and take interest, but also forbids other activities such as liquor, speculation and gambling which are considered as unethical under Islamic laws. Globally, Malaysia is a country which is considered as an international Islamic financial hub where government support is fully strengthening the dual banking system (Amin et.al, 2011). Malaysian Islamic banks provide various types of Islamic products in order to fulfil the financial needs of their customers. In Malaysia, the most popular Islamic product is Islamic personal financing, which provides financial assistance to their customers so that they can purchase durable and non-durable goods.

In the context of Pakistan, the prohibition of interest (riba) started in 1970, which is further practically followed in 1980. The Islamic banking sector is growing with the fast pace in Pakistan. Facts and figures suggest that the total assets of the Islamic bank industry grew by 1.3 % in the third quarter of 2014. In the same vein, the deposits of Islamic banks were recorded Rs 934 billion, while its market share increased by 9.8% in the overall banking industry of Pakistan. The profitability of Islamic banks was reported Rs 9.4 billion, with the addition of 88 Islamic bank branches in the country (State bank of Pakistan, 2014).

Islamic banks of Pakistan also provide a wide range of Islamic products and services under the guidelines of Sharia principles. Murabaha financing is the most dominating Islamic products in the Islamic bank financing portfolio followed by Musharaka, Ijara and Diminishing Musharaka. However, Istisna and Salam portfolios required some efforts to be triggered. It is a due fact that Pakistan is an agricultural country, so the Salam and Istisna products may get their share increase by the government support on agriculture side. Currently these two products are smaller in total share of Islamic product portfolio compared to other products. The Islamic banking institutions are providing Sharia compliant products in the following regions;

- Investment banking
- General banking

- Trade finance
- Consumer banking
- Corporate/ SME banking

Previously, many studies have been conducted on Islamic banking products (Amin et.al., 2011; Lada et.al., 2009; Abduh et.al., 2012). Some of the studies have found subjective norm and the attitude to be a valid construct in order to explain an individual's acceptance towards Islamic banking products (Yusserrie et.al, 2004; Taibet.al., 2008). Few of the studies have established government support, religious obligations and pricing of Islamic products significant effect on individual's intentions to use Islamic banking products (Amin et.al., 2011; Rehman and Koe, 2014). Past investigations also suggest that an individual's intention towards Islamic bank selection is associated with religious obligation as well as the pricing of Islamic banking products (Haron et.al., 1992; Haron et.al., 1994). Similarly, previous literature also supports the fact that the pricing of Islamic products significantly affects one's decision to give their patronage on Islamic banking products and services (Haron et.al., 1992; Rosly, 1999; Amin, 2008).

To the best of authors' knowledge, no such study has been conducted in the context of Islamic personal financing in Pakistan. To bridge the research gap, the present study is an attempt to contribute in the existing Islamic finance literature by adopting a framework of theory of reasoned action (TRA) introduced by Fishben and Ajzen (1975). In this study, we have modified the TRA model by introducing three new variables, namely, "government support", "pricing of Islamic personal financing" and "religious obligation". Therefore, present study investigates the effect of social influence, attitude, government support, pricing of Islamic personal financing and religious obligations on the intention to use Islamic personal financing in Pakistan. Furthermore, the modified model of this study is then tested on fully fledged Islamic bank customers of Karachi, Pakistan.

Motivation of the study

Globally, many empirical studies have been conducted on Islamic banking products but there is typically lacking in Islamic personal finance literature. Research on Islamic banking product in Pakistan is relatively limited compared to other developing Islamic finance countries. The

present study is considered to be a pioneer one in Islamic personal financing in the context of Pakistan. Our study has contributed to the existing Islamic finance literature and have modified the TRA model by including three unique determinants of intention to use Islamic personal finance, namely, “government support”, “pricing of Islamic personal financing” and “religious obligation”. This study also gives the direction for future studies.

The present study is organized in five main sections, namely, chapter 1 introduction followed by section 2 as literature review, section 3 discuss methodology while section 4 represents the results and estimations. The last section 5 of this study shows conclusion and managerial implications.

2. Literature review

Debt and financing in Islam

Generally, Islamic financing is associated with two main intentions. First, Islamic financing deals with the purpose of rotating resources from wealth persons with poor people (Amin et.al., 2011). Second, Islamic financing is developed to fulfill the Muslims financing need in order to grow their wealth (Khiret.al.,2008). Thus, Islamic banks play vital role as financial intermediaries and accept deposits from their customers, which is further accumulated to provide financial assistance according to human need. Furthermore, Islam discourages Muslims to carry debts while debts are allowed only for real needs. On the other side, Muslims are advised to deal with justice and fair with the debtors. If a debtor is unable to repay his debt, then Sharia guidelines provide two alternatives, either to convert the debt into charity or to prolong the repayment date. Haron and Shanmugam, (2001) study suggests that converting debt into charity is a better option against the prolong repayment duration. Their argument based on two reasons. First, this option allows a debtor to discharge from debt liability and bankruptcy under the fair and transparent procedure. Second, Islamic banks can make a better structure of Islamic policies and they can promote a true spirit of Islamic financing. They further argued that Islamic banking products can be customer support in this manner.

Amin et.al (2011) suggests that Islamic banks must provide those policies which support bank customers in order to cut down their debt burden. They further argued that Islamic banks should use converting loans to charity policy and comply this by adding adjustable rebates and

payment holidays for genuine customers. In this sense, customer can be ease of to repay monthly payments by using a payment holiday facility. These steps can help Islamic bank customers when they are facing real financial hardships.

Islamic personal financing and some empirical studies

Islamic personal financing is generally working on two Sharia principles, namely “bay al inah” and “qardulhasana”. Islamic banks mainly focused qardulhasana rules. It is categorized as a benevolent fund or beneficial loan and is given for a fixed time period without considering the profit (Khiret.al., 2008). This method gives two major advantages. First, this financing method is based on good will basis while the customer is only bound to repay the actual principal amount. Second, qardulhasana financing is deeply consistent with Sharia principles. Additionally, qardulhasana is the only Islamic financing type that does not consider the time value of money, neither it violates the prohibition of riba (interest) concept (Khiret.al., 2008). Despite of this, there are some disadvantages are associated with this type of Islamic financing. Mainly, Islamic scholars reserved their serious concerns over the charges imposed on qardulhasana financing. They argued that indirect costs such as office rental costs, employment expenditures and other costs associated with qardulhasana financing should be separate from the financing cost of this type.

Not only this, qardulhasana financing still under questioning by academics (Amin et.al., 2011). Theoretically, bank customers are bound to pay only principal amount which has borrowed whereas the payment of the additional amount is left on their willingness. But in practice, Islamic banks have added additional charges in this type of facility which further violates the true spirit of Islamic financing.

In the same vein, Haniffa and Hudaib (2007) investigated the ethical identity of Islamic banks. Their study suggests that the Islamic bank debtor should be given intensive care and proper treatment according to the Sharia principles. Islamic banks should be more flexible than conventional banks with their debtors. In specific conditions, Islamic bank customer should be entitled for zakat through which they can be free from debt liability. Haniffa and Hudaib (2007) study further argued that they should declare their debt policy in the annual reports.

Dusuki (2008) investigated the objectives of Islamic banking in the perspectives of stakeholders. Their findings revealed that Islamic banks should provide a social welfare fund in order to fulfill the objective of Muslims. This measure of Islamic banks can gain more customers, promoting development projects and decrease poverty. They further suggested that Islamic banks are responsible to promote Islamic values and norms and are not solely profit oriented. These measures are associated with the social values of Islamic society which includes, debt rebates, zakat assistance and the extension of the debt financing period.

Sulaiman (2003) study suggests that long-term loans provided by the Islamic banks should be mudarabah based financing in which bank can take a share from company's profit. However, the bank loses the profit in terms of losses. In addition, Islamic banks are based on mutual cooperation and sacrifice among the lender and the borrower. Hamid et.al. (1993) suggests that debt financing discourages by Islam because of prohibition of riba (interest) in Sharia rules. Their investigation also argued that debt financing on real needs are allowed instead of material desires. Excessive amount of debt liability puts more financial burden on an individual which creates insolvency. Therefore, bank liquidity also disrupts when increases the number of defaulters.

What is the TRA model?

In 1975, Fishben and Ajzen introduced a model, namely the theory of reasoned action (TRA). The study established a relationship between attitude, beliefs, behaviors and intentions (Taib et.al., 2008). This theory has been used by past studies in different context. Taib et.al. (2008) study used a TRA model to investigate the intentions of Malaysian Islamic bank customers for MusharakahMutanaqisah home financing. Amin et.al. (2009) used this model to find out the intentions of undergraduate students in order to accept Islamic accounting in Malaysia. In short, the TRA model is used widely in past empirical researches due to its flexibility in any context of behavioral intentions (Md-Taib et.al, 2008; Lada et.al., 2009; Amin et.al. 2009; Mathieson et.al., 2001; Luran and Lin, 2005; Ramayah et.al., 2005; Amin, 2011; Yu. 2012).

This study extends the TRA model in Islamic personal financing literature in the context of Pakistan Islamic bank customers. The two main constructs of the TRA model are used in this study, namely attitude and subjective norm, whereas the TRA model is further modified by

introducing “government support”, “pricing of Islamic personal financing” and “religious obligation” variables. Past empirical studies suggested that TRA model better explain an Islamic finance concept (Amin et.al., 2011; Amin et.al., 2009; Taib et.al., 2008, Ramayah et.al., 2009; Gopi and Ramayah, 2007).

Development of research hypotheses

Attitude: Attitude constructs of the TRA model refers an individual evaluation of positive and negative emotions to perform a certain behavior (Fishben and Ajzen, 1975). If the attitude of an individual is positive, then the chances are high that a person performs a particular behavior. Taib et.al. (2008) presented evidence of the positive attitude of postgraduate students towards Islamic home financing. Gopi and Ramayah (2007) suggested that the online trading system is mainly associated with the attitude. Similarly, Ramayah and Suki (2006) examined a significant positive relationship between attitude and MBA student’s intention to adopt mobile personal computers. Furthermore, Amin et.al., (2011) investigation suggests that attitude has a positive and significant impact on Islamic financing. Therefore, on the basis of past studies, following hypotheses is suggested:

H1: Attitude will influence the intentions to use Islamic personal financing.

Social influence: The subjective norm is referred to as social influence in this study. The social influence can be explained as an individual’s perception about his important referents. This perception allows him to perform or not to perform a certain behavior (Fishben and Ajzen, 1975). Social influence is generally positively associated with one’s intention. Taib et.al., (2008) found a positive and significant relationship between subjective norm and the level of one’s acceptance for diminishing partnership. Most of the studies have found a positive and significant association between subjective norm and behavioral intentions (Amin et.al., 2001; Teo and Pok, 2003; Venkatish and Davis, 2000); However, Chau & Hu (2001) and Lewis et.al. (2003) found an insignificant relationship between subjective norm and the intention to use information technology. This mixed results are obtained from past literature related to subjective norm and one’s intention. So the proposed hypothesis for this study is as follows:

H2: Social influence will impact the intentions to use Islamic personal financing.

Pricing of Islamic personal financing: According to Ebert and Griffin (1998), the pricing of Islamic personal financing refers the price on which the Islamic banks sell their products. The profit and loss sharing method is used by Islamic banks for the financial transaction services (Olson and Zoubi, 2008). However, the concept of riba (interest) is strictly prohibited in Islam whereas the concept of profit and loss sharing is permissible. In addition, the Islamic banking model allows delayed payment charges on trade financing under the guidelines of Sharia principles. In the same vein, one study of Amin (2008) suggests that pricing is the most influential factor to motivate the Islamic bank customers. Therefore, lower the pricing on Islamic personal financing, greater the chances to use Islamic personal financing products by customer (Amin et.al., 2011). This outcome is in line with past studies (Amin et.al, 2008; Rahman, 2005; Abdullah and Dusuki, 2006). Based on past literatures, following hypotheses is proposed:

H3: Pricing of Islamic financing will influence the intentions to use Islamic personal financing.

Religious obligation: In general, religious obligation is the role of religion in affecting and individual's intentions and choices. Islamic society is significantly affected by Sharia guidelines (Sulaiman, 2003). Islamic banks are liable to adhere Sharia principles, goal and its values when providing Islamic personal financing. This adherence of Islamic banks can change one's behavioral intention to use Islamic personal financing. Therefore, if the Islamic banks adhere greater Sharia principles, then there exist greater possibilities that an individual will use Islamic personal financing. This statement is supported by past empirical studies in the context of Islamic banking products (Omer, 1992; Metawally, 1996; Almosawi, 2001). Based upon the past literature, following hypotheses is proposed for religious obligation:

H4: Religious obligation will influence the intentions to use Islamic personal financing.

Government support: The government actions and objectives that influence

an individual's behavior is referred to as government support. Amin et.al., (2006) findings suggest that Islamic banking products and government support are positive and significantly associated with each other. Government support plays a vital role for Islamic banks to emerge with the new concept of banking due to high market competition (Amin et.al., 2011). In addition, Rosly (2005) and Haron(2005) argued that Islamic banking products are heavily depending on government support. Thus, government support is expected to have significant impact on Islamic

personal financing. The proposed hypotheses between government support and Islamic personal financing is as follows:

H5: Government support will influence the intentions to use Islamic personal financing.

Conceptual framework

The demonstration of the conceptual model of our study is shown in figure-1. This framework shows the measurement of Islamic bank's customers' intention to use Islamic personal financing. Therefore, on the basis of past studies, fig-1 illustrate the relationship between Islamic bank customer's intention and its determinants to use Islamic personal financing in Pakistan.

<Insert figure- 1 here>

3. Methodology

Instrumentation

The questionnaire used in this study was adapted from past studies in order to examine the intentions of Islamic bank customers about Islamic personal financing in Pakistan. Social influence items were gathered from Taib et.al., (2008) and Ramayah and Suki, (2006) while attitude items were adapted from Taib et.al., (2008) study. Religious obligation items were collected from Naser et.al., (1999); Metwally, (1996) and Metawa and Al-Mossawi, (1998) research. In addition, Amin et.al., (2011) study was used to collect government support and Islamic personal financing items. The perception of respondents' is measured through 5-point Likert scaling ranging from 1 as "strongly disagree" to 5 as "strongly agree". The total no. Of items in our questionnaire was 28 which satisfy the minimum criteria of questionnaire items proposed by Hair et.al (2006). Before conducting the actual survey, this study employed a pilot testing on 50 Islamic bank customers with the help of designing the questionnaire. All the items in the questionnaire were stated in English while the content validity was endorsed by market and academic expert. Furthermore, the respondents' profile was also included in the questionnaire which represents their demographic background. Pilot testing was conducted to identify the relevant problems that are associated with the questionnaire. All respondents were agreed about the usefulness and easy to understand the items of the instrument. In the last, the

questionnaire consisted of one dependent variable i.e. Intention to use Islamic personal finance with five independent variables, namely, the attitude (ATT), social influence (SI), pricing of Islamic products (P), religious obligation (RO) and government support (GS). We have examined the intentions of Islamic bank customers to use Islamic personal financing through this instrument.

Sampling and Data collection

Sample data were collected through a survey based questionnaire. This research targeted only full-fledged Islamic bank customers because it is impossible to differentiate between Islamic and window Islamic bank customers. By keeping in view of study purpose, we have excluded window Islamic bank customers. The survey of this study was conducted in April – 2015 by using non-probability sampling technique (convenience sampling). Data collected through this method is preferable due to restrictions imposed by Banking and financial institution Act 1989 (BAFIA), which stated that, the customers' information can not disclose and financial institutions are responsible for its compliance. A total of 484 respondents were participated in the survey in which 13 responses were excluded due to incomplete responses, lack of customer interest in filling out the questionnaire and missing data. The sample size of this study fulfills the minimum criteria of Comrey and Lee (1992), suggest that, a sample of 50 as inappropriate, 300 as acceptable, 500 as very good and 100 as outstanding for factor analysis.

Model specification

In 1975, Fishben and Ajzen proposed a model to measure the one's intention, namely the TRA model. This study has adapted this model due to its flexibility to measure the behavioral intentions of a person in any research context. Ramayah et.al (2009); Ryu et.al (2003); Gopi and Ramayah (2007) study are the examples of this fact. Past researchers argued that the TRA model is a very generic nature and can be modified in the context of Islamic banking studies (Amin et.al, 2011). Therefore, this study has adapted the TRA model and further modified it by introducing three new but relevant variables, namely, "pricing of Islamic personal financing product", "government support" and "religious obligation" to measure the one's intention to use Islamic personal financing in the context of Pakistan. In this study, we have excluded the "actual behavior" from the TRA model and examined behavioral intention, subjective norms and attitude. Taib et.al (2008) and Amin et.al (2011) also used this approach. In addition, subjective

norm is renamed by social influence while the attitude construct of the TRA model remain same. This modification is done due to reflect the study context of Amin et.al (2011) and Kleijnen et.al. (2004).

Thus, the regression model to test the relationship between intention to use Islamic personal financing and its determinants is as follows;

$$y_n = \alpha + \beta x_n + \varepsilon_n \quad (1)$$

Where, y is denoted as the dependent variable (intention to use Islamic personal financing) and α denotes intercept term. X represents explanatory variables (social influence, attitude, pricing of Islamic personal financing, religious obligation and government support) while β is regression coefficient. Here we assume the independence of error terms, constant variance, dependent and independent variables has linearity and the additivity relationship with the normality of error term distribution. The basic functional form study model is as follows:

$$\text{Intention to use Islamic personal financing} = f(\text{social influence, attitude, pricing of Islamic personal financing, religious obligation and government support}) \quad (2)$$

From the above discussion, following regression model is used in this study which is as follows:

$$ITU = \alpha + \beta_1 SI_n + \beta_2 ATT_n + \beta_3 P_n + \beta_4 RO_n + \beta_5 GS_n + \varepsilon_n \quad (3)$$

Where,

ITU represents intentions to use Islamic personal financing, SI denotes social influence, ATT represent an attitude, P is a pricing of Islamic personal financing, RO shows religious obligation, GS describe government support and ε is the error term. dependent and independent

4. Results and estimations

Table-I shows the profile respondents participated in our study. This table reveals the overall respondents' profile. Table-I exhibits 52% of the respondents were male, while the female response ratio was 48% among the all respondents. During the survey period, most of the respondents were married i.e. 54%, whereas 46% respondents were single. In our study sample,

the majority of the respondents were found to be between 41 – 50 years of age bracket followed by 50 and above (28%), 31 – 40 (23%), 20 – 30 (14%) and less than 20 (4%). The description of the respondents' profile is reported in table-I.

<Insert table-I here>

Reliability analysis

Table-II shows the test for reliability and cronbach's alpha value is used. This test is used to measure the internal consistency of the data items. Black (1999) suggests that reliability analysis shows the consistency among the measures of the same thing, while it is also necessary for data validation (Nunnally, 1978). In our case, the cronbach's alpha value ranging from 0.63 to 0.84 which satisfy the minimum criteria of 0.60(Hair et.al., 1998). Thus, our construct measures are considered to be reliable and we can proceed with further analysis. The reliability analysis of testing items has shown in Table-II.

<Insert table-II here>

Kaiser–Meyer–Olkin and Bartlett's tests of sampling adequacy

Table-III represents the value of KMO and Bartlett's test of sphericity. The KMO value indicates the sampling adequacy of the data while it is also referred to as a measure of sampling adequacy (MSA). In the data set, KMO statistic shows the variables, correlation which has the ability to explain the other variables. The threshold values for sampling adequacy is; below 0.50 as "Unacceptable", 0.50 – 0.59 as 'Miserable', 0.60 – 0.69 as "Acceptable", 0.70 – 0.79 as Good, 0.80 – 0.89 as "very good" and 0.90 or higher as "Marvelous" (Kaiser, 1974). In addition. Bartlett's test of sphericity statistic is used to confirm the null hypothesis, whether the correlation matrix is a diagonal matrix or not. In this sense, principal components analysis required high correlations whereas a lower prob-value (i.e. less than 5%) with higher test statistic value results the rejection of the null hypothesis.

In our case, the value of KMO is 0.71, which satisfy the minimum criteria for sampling adequacy while it further signifies that each factor contain sufficient items for making groups in factor analysis. Furthermore, the probability value of Bartlett's test of sphericity is 0.000, which

indicate that the correlation between the variables is adequate at 5 percent level of significance and is sufficient for factor analysis.

<Insert table-III here>

Total variance explained

In general, total variance explains the distributions of variance among the potential variables while the Eigenvalues measure the variance explain. For all factors, the Eigenvalues must be greater than 1.0 whereas less than 1.0 Eigenvalues are insufficient for the variance explain. Table-V depicts the test of variance explain which indicate that the considered factors explain good percentage of variance. The results of variance explain and Eigenvalues for each variable is reported in table-IV.

<Insert table-IV here>

Factor analysis (Exploratory factor analysis)

Factor analysis is a statistical technique which is used for data reduction. The reason to apply this test is to reduce a large number of items into smaller numbers. Factor analysis helps researchers to check the variables belongings in the sample data (Emory and Cooper, 1991). In addition, principal component analysis is used to confirm the construct validity of the items which is also an important feature of factor analysis. In our case, a total of 28 items was loaded in factor analysis related to the Islamic personal financing and its determinants. These 28 items are categorized into six factors, namely, intention to use Islamic personal financing, social influence, attitude, pricing of Islamic personal financing, religious obligation and government support. Furthermore, this study uses Hair et.al. (1998) guidelines to assist theoretical significance of factor loadings. They suggest that factor loading value of each factor should be 0.30 or more for a sample of 350 or greater. In our findings, factor loadings ranging from 0.54 – 0.82, which satisfy the minimum criteria and is appropriate for factor analysis. This methodology is inline with past studies (Raza and Hanif, 2013; Ali and Raza, 2015a; Ali and Raza, 2015b; Raza et.al., 2015). Thus, the results of factor analysis are reported in table-V.

<Insert table-V here>

CFA model for Islamic personal financing

Confirmatory factor analysis is considered as the most direct and appropriate technique for structural equation modeling (SEM). In this modeling method, researcher sets a statistical model, while the SEM approach analyzed how well we can predict our hypothesized model. Therefore, if the SEM model indicators signify the proposed model according to the criteria applied, then the proposed model is only confirmed among the several different possible models (Hair et.al.,2006).

The validity of Islamic personal financing dimensions is determined using standard factor loadings in AMOS 21. The confirmatory factor analysis (CFA) factor loadings in our analysis ranged from 0.52 to 0.94 for the Islamic personal financing model. Since, the estimations show that on each dimension, the factor loading of each item is more than 0.50, which further established the convergent validity for the dimension of Islamic personal financing dimension and assure the evidence of construct validity as well (Hair et.al., 1998). In addition, the results of the goodness of fit test for our measurement model is satisfactory. In table Table- VI, the GFI = 0.93; AGFI = 0.91; NFI = 0.88; CFI = 0.94; TLI = 0.93 and the RMSEA value is 0.041. All these model fit indicators meets the minimum criteria of the recommended threshold level. Therefore, the 22-items in our CFA model of Islamic personal financing best fitted to the sample data among the observed and un-observed constructs (Byrne, 2010). The results of CFA model fitness is reported in Table- VI.

<Insert table-V here>

Structure equation modeling

The structured model of Islamic personal financing is applied to estimate the parameters. In our study model, there were five constructs namely, attitude, social influence, pricing on Islamic personal financing, religious obligation and government support. The dimensions of attitude is measured by 6 items, social influence is measured by 3 items, pricing on Islamic personal finance product is 4 items, religious obligation is measured by 3 items and government support is measured by 3 items. The purpose of explaining the structure model is to test the influence of selected constructs on the intention of the customer to use Islamic personal financing in Pakistan. In addition, figure- 1 shows the causal model of the study to test the

hypothesis that the intention to use Islamic personal finance product was influenced by the modified TRA model.

Table– VI further indicate that the model fit of our structured model is acceptable and the structured model is parsimonious. This table depicts that the model fit indicators qualify the minimum cut-of level to accept the fitness of our structured model because GFI = 0.92; AGFI = 0.90; NFI = 0.86; CFI = 0.92; TLI = 0.91 and the RMSEA value is 0.047. In addition, if the CFI and NFI value is close to 1, then the hypothesized model is considered as an adequate fitness to the sample data (Bentler, 1990; Hair et.al., 2006).

Hypothesis testing

The hypothesis testing and the significant/ insignificant relationship between Islamic personal financing constructs and customer intention to use is presented in Table-VII. The standardized regression weights along with their corresponding p-values has been reported. The findings suggest that attitude has a positive ($\beta=0.147$) but an insignificant ($p\text{-value}= 0.504$) impact on the intention to use Islamic personal financing. This means, positive attitude of an individual will increase one's intention to use Islamic personal financing but not too much effectively. The findings are also in line with the previous studies by (Amin et.al., 2011; Yuserrie et al., 2004; Taib et al., 2008). Social influence has a positive ($\beta=0.003$), but an insignificant ($p\text{-value}= 0.978$) impact on the intention to use Islamic personal financing. It signifies that, the social influence can increase the intention to use Islamic personal financing but not significantly. This positive finding is in line with past studies (Amin et.al., 2011; Othman and Rahman, 2014; Chau & Hu 2001; Lewis et.al., 2003). As expected, Pricing of Islamic personal financing has a negative ($\beta= -0.705$) and significant ($p\text{-value}= 0.005$) impact on the intention to use Islamic personal financing. This negative effect supports the previous empirical studies by (Amin et.al, 2008; Rahman, 2005; Abdullah and Dusuki, 2006; Amin et.al., 2011). This means, if an Islamic bank lower down their pricing on Islamic personal financing, then there exist more chances to use this service by the customers. In addition, pricing on Islamic personal financing were found to be the most influential factor in order to predict Islamic personal financing. Amin et.al. (2011) also found the pricing construct as the most contributing factor.

The religious obligation and intention to use Islamic personal financing are negatively ($\beta= -0.170$) associated with each other. In addition, this negative relationship is also significant

(p-value= 0.089). This result signifies that the more negative religious obligation, the less likely chances that customers will use Islamic personal financing. The outcome is in line with previous research by (Amin et.al., 2011). As for government support, the relationship with intention to use Islamic personal financing is found to be positive ($\beta=0.497$) and significant (p-value= 0.048) impact. This outcome is in line with past studies by (Rosly, 2008; Haron, 2005; Amin, 2006). Rosly (2005) and Haron (2005), which further highlighted a point that the demands for Islamic banking products are highly influenced by the government support

Overall, our estimations confirm that three hypothesis H3, H4 and H5 are accepted where as H1 and H2 is rejected. The results for hypothesis testing is reported in table-VII.

<Insert table-VII here>

Variance inflation factor

The variance inflation factor values suggest that, if two or more than two explanatory variables are highly correlated with each other, then the problem of multi-collinearity arises which give spurious results. The problem of multi-collinearity can be identified by using the variance inflation factor index (VIF). This index explain the amount of variance increase of an estimated regression coefficient due to collinearity. If the magnitude of VIF is greater than 10, the multi-collinearity is high and is inappropriate to be considered for a good regression model (Kutner, 2004). Therefore, table- VII further, reported the VIF values for each independent variable which is less than 10 and confirm the non-existence of multi-collinearity in the model.

5. Conclusion and managerial implications

This study is the first attempt in Pakistan to measure the intention of the Islamic bank customer to use Islamic personal financing. The study uses and modified the TRA model in the context of Islamic banking. Data collection is done by using a survey based questionnaire of 28 items which was adopted and carefully designed to measure the intention of the Islamic bank customer for Islamic personal financing. A total of 471 respondents participated in the study located in the Karachi which is the biggest city of Pakistan. This study applied various statistical test on the sample data. First, the data reliability is analyzed by cronbach's alpha value. Second, factor analysis is used to check the proper form of the items while KMO value suggests the sampling adequacy of our data set. In the last, regression analysis was performed to check the

impact of social influence, attitude, pricing of Islamic personal financing, government support and religious obligation on intention to use Islamic personal financing. Results from regression analysis indicate that pricing and religious obligation have a negative and significant impact on the intention to use Islamic personal financing, whereas government support has a positive and significant impact on the intention to use Islamic personal financing. In addition, attitude and social influence has a positive, but insignificant effect on the intention to use Islamic personal financing.

This study provides some theoretical implications for researchers and managerial implications for Islamic bank managers as well as government policy makers. Our findings report that pricing is the most contributing factor to predict one's intention to adopt an Islamic personal financing. This means, Islamic bank managers should understand the need of pricing element by adopting "fair pricing policy". This can be done through lowering the financial charges and payment holiday facility on Islamic personal financing. Furthermore, policy related to variable rates could also provide a help to attract the intention of Islamic bank customers.

Government support may also play a significant role to increase the intention of the Islamic bank customer towards Islamic personal financing. The government of Pakistan should consider the importance of Islamic personal financial service for Islamic bank customer and facilitate them by providing an environment where Islamic bank can attract customer's intention of promoting this facility.

Overall, this study has contributed to the existing body of knowledge in the context of Islamic banking theory and practice. The study has also identified the determinants of Islamic personal financing in Pakistan. It is expected that more research should be conducted in the aspect of Islamic banking products. In addition, future research can be conducted by introducing more variables such as rewards, risk, Islamic beliefs with Islamic and non-Islamic banking products.

Likewise, every research, this study has two major limitations; first, this study focused only fully-fledged Islamic bank customers located in Karachi and thus one cannot generalize the findings of this study to the other customers of Pakistan. Second, data were collected during bank working hours where the customer was in a rush. So the chance of inaccuracy in data collection may arise.

Contribution to the literature

This study is the first ever study conducted in Pakistan to examine the intention to use Islamic personal financing by using the TRA model. Globally, very few studies have been conducted on Islamic personal financing, which therefore left a research gap for further studies. The present study has also laid a foundation for future researchers to measure the intention of other Islamic bank products. Thus, this study considered as the pioneer one in the Islamic bank literature of Pakistan.

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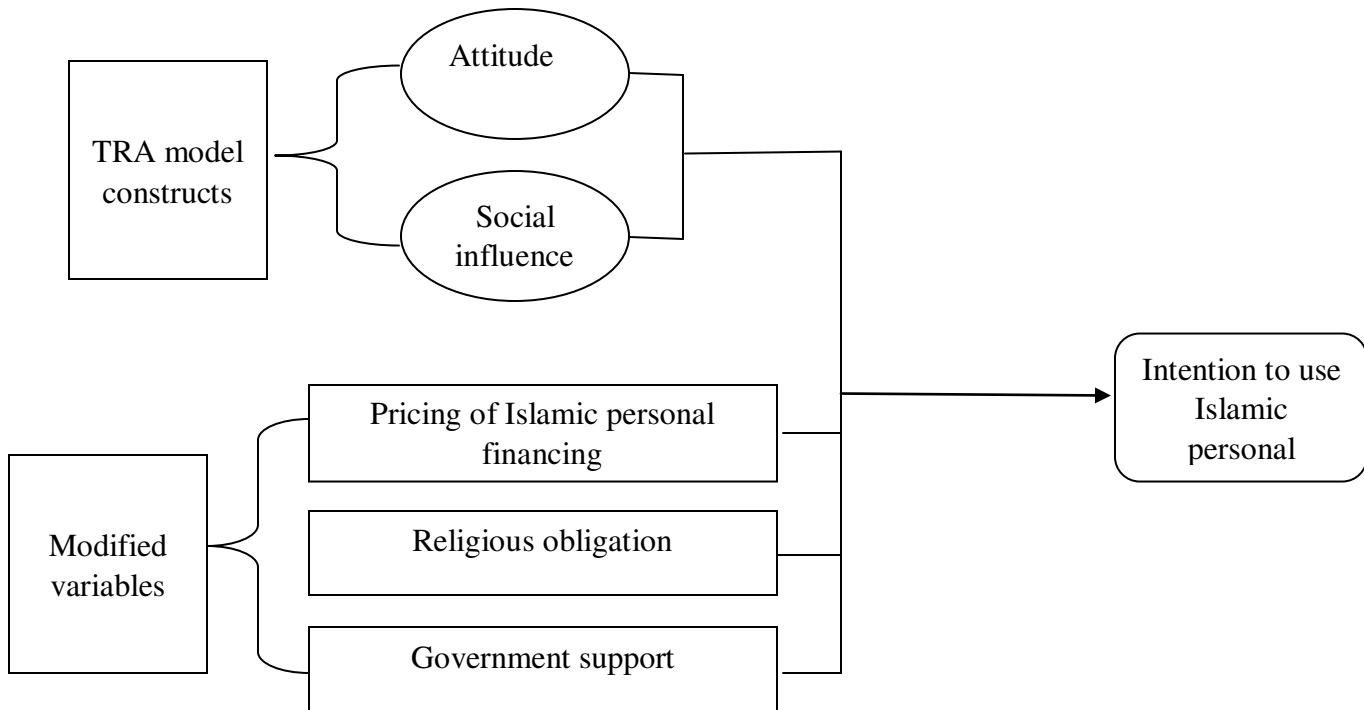
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Appendices

Fig-1 Conceptual model framework



Source: Author's construction

Table-1 Profile of respondents

Demographic items	Frequency	Percentile
Gender		
Male	293	52%
Female	178	48%
Marital status		
Single	219	46%
Married	252	54%
Age		
Less than 20	19	4%
20 - 30	67	14%
31 - 40	109	23%
41 - 50	145	31%
50 and above	131	28%

Source: Author's estimation

Table- II- Results of reliability analysis

Variables	Items	Cronbach's alpha
ITU	5	0.765
ATT	6	0.840
P	6	0.707
RO	5	0.733
SI	3	0.672
GS	3	0.654
Overall	28	0.633

Source: Author's estimation

Table- III Results of KMO and Bartlett's test

KMO measure of sampling adequacy	0.71
Bartlett's test of sphericity approx chi-square	3574.401
Degree of freedom	378
Probability	0.000

Source: Author's estimation

Table IV: Results of variance explained

Items	(%)ITU	(%)ATT	(%)P	(%)RO	(%)SI	(%)GS
Variance explained by each factor in percentage	11.958	9.478	8.96	8.949	6.985	6.57
Cumulative variance explained in percentage	11.958	21.435	30.395	39.345	46.33	52.899
Eigenvalues	3.382	2.789	2.618	2.388	1.952	1.683

Note: Extraction method: principal components analysis.

Source: Authors' estimation

Table V: Rotated component matrix

Items	Factor loadings					
	Attitude	Intention to use Islamic personal financing	Pricing of Islamic personal financing	Religious obligation	Social influence	Government support
ATT1	0.74					
ATT2	0.70					
ATT3	0.68					
ATT4	0.81					
ATT5	0.82					
ATT6	0.71					
ITU1		0.82				
ITU2		0.79				
ITU3		0.75				
ITU4		0.64				
ITU5		0.56				
P1			0.62			
P2			0.54			
P3			0.65			
P4			0.71			
P5			0.70			
P6			0.60			
RO1				0.80		
RO2				0.75		
RO3				0.71		
RO4				0.61		
RO5				0.60		
SI1					0.80	
SI2					0.74	
SI3					0.75	
GS1						0.71
GS2						0.74
GS3						0.73

Source: Author's estimation

Measure of model fit table- VI
(CFA and SEM models)

Goodness-of-fit measures	GFI	AGFI	NFI	CFI	TLI	RMSEA(PCLOSE)
Threshold values	≥ 0.85	≥ 0.80	Close to 1	≥ 0.90	Close to 1	≤ 0.05 (> 0.05)
Measurement model	0.93	0.91	0.88	0.94	0.93	0.041 (0.98)
Structural model	0.92	0.9	0.86	0.92	0.91	0.047 (0.81)

Notes: Measurement model- 22 items; Structural model- 19 items

Table- VII Standardized regression weights for the hypothesis testing

Hypothesis	Variables	Regression Path	SRW	p-value	Remarks	VIF
H1	Attitude	ATT ---> ITU	0.147	0.504	Not supported	1.111
H2	Social Influence	SI ---> ITU	0.003	0.978	Not supported	1.026
H3	Pricing	P ---> ITU	-0.705	0.005***	supported	1.025
H4	Religious obligations	RO ---> ITU	-0.170	0.089*	supported	1.151
H5	Government support	GS ---> ITU	0.497	0.048**	supported	1.066

Notes: SRW = Standardized regression weights

Dependent variable =Intention to use (ITU)

***P<0.001, **P<0.05, *P<0.10