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Selection Factors of Customer towards Islamic and Conventional Home Financing: A Case Study in Johor, Malaysia

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Malaysia is one of the world financial centres for Islamic finance outside the Middle East. The purpose of the study was to find out the choice criteria for home financing among Malayan Banking Berhad customers which is the biggest bank in Malaysia. 350 of Malayan Banking Berhad home financing products customer among public servants, private sector workers, and self employment were chosen as respondent. By using the Principal Component Analysis with Varimax Rotation, fourteen independent variables (selection factors) used had been reduced to only 3 main factors for both Islamic and conventional financing. The Research had found that the “*advantage and goodness of products*”, the “*income and advice from third party*”, and the “*lifestyle*” were the factors that motivate customer in choosing Islamic home financing. In contrast, the customers choose conventional home financing because of “*products advantage and lifestyle*”, “*advice from third party*”, and “*market performance*” as the factors that motivate them to choose conventional home financing.

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1. INTRODUCTION

Nowadays, banking plays a great role in home financing. In 1830, Malaysia has started a conventional banking and since from that home financing at Malaysia had been monopolized by conventional bank. Despite the establishment of Tabung Haji in the early history of Islamic Banking in Malaysia started in 1963, the main function only focused on money saving for Hajj. In 1983, the establishment of Bank Islam Malaysia Berhad (BIMB) brought up Islamic banking as an alternative for conventional banking. Parallel with BIMB establishment, Malaysia was the pioneer of dual banking concept which means the product of Islamic and conventional banking offered by a single institution. The Malayan Banking Berhad (Maybank) started their operation in 1960 by Khoo Teck Puat and which is the biggest banking institution in Malaysia nowadays. Currently, Maybank has 450 branches around the world and 361 of them in Malaysia. The Headquarter of Maybank located at Kuala Lumpur and has over 2000 automatic transaction machine (ATM) around Malaysia. Maybank Financial Group, owned asset amounting USD 64 billion which makes this group short listed as a second place on Bursa Malaysia. The image and reputation of Maybank as the biggest bank in Malaysia trigger the possibilities of holder to make transaction. (Erol & El Bdour; 1989, Haron *et al*; 1994, Gerrard & Cunningham; 1997, Othman & Owen; 2002, Ahmad & Haron; 2002, Abbas *et al*; 2003, Naser *et al*; 2003, Anderson *et al*; 1976, Javalgi *et al*; 1989, Kaynak; 1980, Azurah & Remali; 2006) founded that banking reputation is one of the main factor in banking selection criteria.

By definition, mortgage loans or home loans are secured by real property and provide a schedule of payments of interest and repayments of the principal to a bank (Tse, 1997). Home financing is the largest financing service in Malaysia (Laporan Ekonomi Malaysia 07/08). They are generally considered amongst the simplest products available in the financial services arena (Devlin, 2002). On the contrary, Islamic home financing or Islamic mortgage financings is a Shariah-based home financing, where elements of interest rate and uncertainty are prohibited (Haron, 2005; Hanudin, 2008). Unlike conventional mortgage loans, Islamic mortgage financing have the emphasis on flat rate or profit rate instead of interest rate (Hanudin, 2008). As such, the monthly payment will be unchanged from the beginning of the settlement. Furthermore, an earlier investigation into mortgage or home loan financing was found in Devlin (2002). As far as Islamic home financing is concerned, none of these studies explored choice criteria from Islamic Perspective. Indeed, the choice criteria proposed by these studies largely are for a conventional mortgage provider rather than an Islamic mortgage provider.

Previous studies have focused on choice criteria for banking selection in general (Kaynak & Whitley, 1999; Erol, *et al*, 1990; Omer, 1992; Metwally, 1996; Hegazy, 1995; Hamid and Nordin, 2001; Zainuddin, *et al*, 2004; Metawa and Almosawi, 1998; Naser, *et al*, 1999; Al-Sultan, 1999; Gerard and Cunningham, 1997; Metwally, 2002; Bley and Kuehn, 2004; Okumkus, 2005; Azura and Remali, 2006; Jalaluddin and Metwally, 1999; Asyraf and Humayon, 2005; Mokhlis, *et al*, 2008; Awang, 1999); Khan, *et al*, 1997; Haque A, *et al*, 2009. Furthermore, an earlier investigation into mortgage or home loan financing was found in (Nichols, *et al*, 2005; Devlin, 2002; Constantine, *et al*, 2006; Mylonakis, 2007; Hanudin Amin, 2008). Generally, this study tends to provide an insight that is useful to better reflect the choice criteria for Islamic home financing in Malaysian Islamic banking. Investigating Islamic home financing enables practitioner and academics to gain a deeper insight into the various choice criteria that accurately reflects an Islamic point of view. Thus, this research comprises two objectives; to investigate choice criteria for Islamic and conventional home financing offered by Malayan Banking Berhad. Subsequently, the last studies shown are about the options and choosing home financing products.

The following section considers previous studies relevant to banking selection and home financing selection. Section three considers the details for the methodology and study instrument necessary to attain the study objectives. Analyses and findings are highlighted at section four, while section five, a further discussion of results is explained, follow by a conclusion.

2. LITERATURE REVIEW

Choice criteria for home loans

There has been little attention given to studying choice criteria for home financing. Nichols *et al* (2005) investigated 48,105 house hold that used home financing offered by IndyMac Bank at 39 cities around over Netherlands. Writer used secondary data and applied binary logistic analysis and logistic multinomial for research methodology. They found that interest rate, financing rate, home price, finance cost, and customer income are significantly choice criteria for home loans. Further, Devlin (2002) found that the most important choice criteria for home loans to customer are professional advice. The findings also found that twelve independent variable (professional advice, interest rate, lend amount, other account, previous mortgage, branch location, discounts, recommendation, specific type, cash back, product range, image/reputation, and service quality) play significant role relationship with choice criteria for home loans. Writer used descriptive analysis, T-test, and ANOVA as their research methodology. This paper involves 4,200 respondents who used home financing at UK. Constantine *et al* (2006) used questionnaire and face to face interview with 1,092 respondents from Athens bank customers in order to get home loans choice criteria. They examined seventeen independent variable as choice criteria for home loans which is; individual efficiency, service agility, consistent in fulfill promise, understanding, patient and helpful, interest rate, payment and commission, pleasure period, lend amount, advance, branches, less queue, past relationship, and advice. By using factor analysis, seventeen independent variables used had been reduced to only 4 main factors which is services quality, products characteristics, enter passage, and communications.

Descriptive analysis had been used by Mylonakis (2007) in investigating home loans choice criteria among Greece Bank home loans customers. A number of 200 respondents had given self-built questionnaire for collecting data. He concluded that only four criteria from twenty-five independent variable used shows significant relationship that's is interest rate, flexibility, lend amount percent, influence from media commercial, and advice from bank. The result also shows that interest rate and low repayment penalty are the main factor that effect mortgage loan selection criteria. In newest research concerning choice criteria for home loans, Hanudin (2008) suggest that *Shariah* principle, lower monthly payment, transparency practice, interest-free practice, and 100 percent financing are the first five decision criteria considered 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.

Choice criteria for banking

Different from home loans choice criteria literature, there has been numerous attentions given to studying choice criteria for banking. Kaynak and Whitley (1999) suggest that simplicity of bank, service quality, and location is the main factor which motivated customer chose banking [look, Wel and Nor (2003); Lee and Marlowe (2003)]. In comparison, Kennington *et al.* (1996) and Almosawi (2001) concluded that bank reputations is utmost significantly from banking choice criteria perspective, whereas Owusu-Frimpong (1999), Ta dan Har (2000) and Kaynak and Harcar (2005) found that profit factor such as lower service payment and high rate returns are most important choice criteria for banking. Kaynak and Harcar (2005) again in their paper concluded that agility and service efficiency factor have to take intention in influenced potential customers. Whereas Gerard and Cunningham (2001) looked that most customers consider safety is most important bank selection criteria. In the same time, increasing competitive situation for bankers focusing on customer's satisfaction became focus of intention. In general, there is accord among numerous paper which is quality is the main selection criteria that customer satisfied the most (Taylor and Baker, 1994; Levesque and McDougal, 1996; Jamal and Naser, 2002). Moutinho and Smith (2002) in their research show that the customer satisfaction, the agility of

staff service and automatic banking are the most appreciated factor. Al-Hawari and Ward (2006) also found that automatic banking is the important factor in the service quality bank selection criteria.

Erol and El-Bdour (1989) found that fast and efficient service, bank reputation, and secrecy are the most important choice criteria for banking either for Islamic or conventional bank. They also found that religion is less important factor for banking selection criteria. This research used factor analysis and univariate statistic method towards 434 respondents in order to get better results. Again, Erol, Kayak, and El-Bdour (1990) used the same data with Erol and El-Bdour (1989) to examine the banking selection criteria among Jordan's bank customer but in one year difference. In general, there have many similarity findings among these two papers from customer awareness about Islamic banking perspectives and again, fast and efficient services, bank reputation, and secrecy are significantly choice criteria for banking selection. They also found that as just as past paper, religion is not significant for banking selection criteria.

Omer (1992) found that Muslim at United Kingdom didn't take any notice about Islamic banking that time. Although they not have enough information about Islamic banking, but the main selection factor for them to chose the Islamic banking is religion. Just as Omer (1992), Metwally (1996) and Hegazy (1995) suggest that religion is not a choice criterion for banking. Thus, same as Erol and El-Bdour (1989); Erol et al (1990); and Haron and et al. (1994), Hegazy (1995) found that bank customer still put agility and service efficiency and rate returns as important choice criteria for banking. Haron, Ahmad, and Planisek (1994) examined difference choice criteria for Islamic banking and conventional among Muslim and non-Muslim. Identical with Erol and El-Bdour (1989) dan Erol *et al* (1990), factor analysis showed religion is not the major in banking selection. There has no important difference in choice criteria for banking among Muslim and non-Muslim with both of them put quality and fast services as significantly selection factor for banking. Hamid and Nordin (2001) found that majority Malaysian citizen did not differentiate inter Islamic banking and conventional banking product and service although many of respondents have score of knowledge about Islamic banking. Zainuddin, Jahya and Ramayah (2004) concluded that majority of conventional banking customer are single, aged less than thirty years old, and have stable income. One vital findings in this research is decision in banking selection are because influence from spouse, acquaintances, and relatives and respondents religion.

At Bahrain, Metawa and Almosawi (1998) concluded that religion and profit are significantly choice criteria for banking. Again, at Jordan, Naser, Jamal, and Al-Khatib (1999) continuation from Erol and El-bdour (1989) and Erol *et al* (1990) concluded that bank reputations and religion are the choice criteria for Islamic banking. At Kuwait, similar with Metwally (1996), Al-Sultan (1999) found that strong hold to Islam is the major choice criteria for Islamic banking. At Singapore, Gerard and Cunningham (1997) found that fast and service efficiency and secrecy is the bank selection factor similar with Haron, Ahmad, and Planisek (1994) who studied choice criteria for banking at Malaysia. Both paper used factor analysis method similar with Erol and El-Bdour (1989). They also suggested Muslim customer choose Islamic banking because of religion factor, profit motivation, new branches, and interest-free financing. At Terengganu, Mokhlis, Mat and Salleh (2008) found that feel secure, ATM service, profit rate, bank approach, product offered, branches location, media influence, special attraction, and advice from others are choice criteria for banking.

Moreover, Metwally (2002) suggest that female, older respondents, low income, moderate education and public servants much more favored choose Islamic banking rather than conventional banking. Bley and Kuehn (2004) concluded that Muslim students choose Islamic banking because they are Muslim. Thus, in general, majority of them have low knowledge about banking and finance. Okumkus (2005) found that the main choice criteria for banking is religion factor (look Omer, 1992; Metwally, 1996; Metawa and Almosawi, 1998; Al-Sultan, 1999; Bley and Kuehn, 2004) and the second major factor for banking selection factor is dual-banking

product. Azura and Remali (2006) used factor analysis suggest that image and bank reputation and bank reputation are choice criteria for banking similar to Taylor and Baker (1994), Levesque and McDougal (1996), Asyraf dan Humayon (2005), Awang (1997), Haque *et al* (2009), Asyraf dan Nurdianawati (2007), Jamal and Naser (2002), and Moutinho and Smith (2002).

Edris (1997) found that the major choice criteria for banking among business firm choose Islamic banking is because *Shariah* base banking product offered. Jalaluddin and Metwally (1999) suggested religion is not the only selection criteria for small business firm choose profit/loss sharing financing. The probability of firm use profit/loss sharing financing will increase when interest rate increase. This result supported by Fase (1995) who suggested that the elasticity of money demanded is significantly with interest rate. Khan , Hassan and Syahid (1997) concluded that income factor, respondents education level, and religion are the banking selection factor.

3. RESEARCH METHODOLOGY

The purpose of the study was to find out the choice criteria for home financing among Malayan Banking Berhad at Johor;

Research Hypothesis

Islamic home financing and conventional home financing offered by Malayan Banking Berhad already well practiced. It is very important to test customer reaction regarding both Islamic and conventional home financing offered. Current paper wish to test several hypothesis that is;

- Ha₁ : There is relationship (**Advantage and Goodness of Product**) factor with Islamic home financing offered by Malayan Banking Berhad
- Ha₂ : There is relationship (**Income and Advice from Third Party**) factor with Islamic home financing offered by Malayan Banking Berhad
- Ha₃ : There is relationship (**Lifestyle**) factor with Islamic home financing offered by Malayan Banking Berhad
- Ha₄ : There is relationship (**Product Advantage and Lifestyle**) factor with conventional home financing offered by Malayan Banking Berhad
- Ha₅ : There is relationship (**Advice from Third Party**) factor with conventional home financing offered by Malayan Banking Berhad
- Ha₆ : There is relationship (**Market Performance**) factor with conventional home financing offered by Malayan Banking Berhad

Sampling

Sample for this paper are from 350 respondents which are from home financing customer offered by Malayan Banking Berhad. With 350 samples, this paper still can contribute to knowledge body and information in related field at least at explanation level. Purposive Sample Random Technique has been used for this paper sampling technique. For more detail, the term of “customer” in current paper refer to person who using Islamic or conventional home financing product offered by Malayan Banking Berhad. There are two reasons Maybank has been chosen as research sample; firstly, Maybank offer dual banking product (Islamic and conventional). Secondly, this bank has the biggest asset in Malaysia in related field. Image and Maybank reputation as the biggest bank in Malaysia enable customer chose this bank for banking services. (look Erol and El Bdour, 1989; Haron, Ahmad *et al*, 1994; Gerrard and Cunningham, 1997; Othman and Owen, 2002; Ahmad and Haron, 2002; Hamid *et al*, 2003; Naser *et al*, 2003; Anderson *et al*, 1976; Javalgi *et al*, 1989; Kaynak, 1980; Azurah and Remali, 2006) found that bank reputation are one of the choice criteria for banking. This case study was at Johor, Malaysia.

Johor is one of most developed states in Malaysia. Johor also is writer birth places which make this research easier to feasible.

Measurement

The questionnaire for this study was constructed into two sections. The first section consisted of demographic elements namely gender, religion, age range, and respondent’s occupation. The second section consisted of the selection criteria. The measured employed in this study are extracted from the previous studies. However, some selection criteria are self-created from pilot study in order to better reflect home financing product. The following are the selection criteria employed;

- Profit rate (Hanudin, 2008);
- Interest rate (Nichols *et al*, 2005; Devlin,2002; Constantine *et al*, 2006; Mylonakis, 2007);
- Price (Nichols *et al*, 2005);
- Term and condition product flexibility (Constantine *et al*, 2006; Mylonakis, 2007);
- Lend amount (Nichols *et al*, 2005; Devlin,2002; Constantine *et al*, 2006; Mylonakis, 2007; Hanudin, 2008);
- Religion (Omer,1992; Metawa & Almosawi, 1998);
- Income (Nichols *et al*, 2005);
- Knowledge (Gerard & Cunningham, 1997);
- Advice from bank (Devlin,2002; Constantine *et al*, 2006; Mylonakis, 2007; Hanudin, 2008);

Table I:
Respondents Profile

No.	Item	Frequency	Percentile %
1.	Gender	Male	51.1
		Female	48.9
2.	Religion	Islam	45.1
		Buddha	24.0
		Hindu	18.0
		Christian	12.0
3.	Age range	Under 20	0
		21-25	4.9
		26-30	13.7
		31-35	25.7
		36-40	30.6
		41-45	22.9
		45-50	2.0
4.	Occupation	50 above	0.3
		Public servant	26.0
		Private sector	43.1
		Self employment	30.9

- Influence from relative/friend (Hanudin, 2008);
- Advertisement promotion (Mylonakis, 2007);

- Advice or arrangement from housing developer (self-created);
- Future expectation (self-created);
- Current trend (self-created);
- Lifestyle (self-created).

In measuring the above choice criteria, a five-point Likert-type ranking from “1” = strongly disagree to “5” = strongly agree was used. This approach is similar to the one employed Devlin (2002) and Haron *et al* (1994). The questionnaire was written in Malay and English. Prior to actual survey, a pilot study was conducted as long as two month to identify any problems associated with the study instrument as well other issues

Data Analysis

SPSS version 16.0 was employed to analyze the raw data in this study. A number of statistical analyses were performed, notably descriptive analysis which uses to identify respondents characteristics and then followed by mean analysis, used to rank the choice criteria. For the investigation to examine choice criteria for home financing, Factor Analysis and Principal Component Analysis with Varimax Rotation have been used. This method supported by Erol & El-Bdour (1989), Erol *et al* (1990), Haron *et al* (1994), Hegazy (1995), Metwally (1996), Gerrard & Cunningham (1997), Jalaluddin (1999a;b), Al-Sultan (1999), Bley & Kuehn (2004), Asyraf dan Humayon (2005), Azura & Remali (2006), Asyraf & Nurdianawati (2007), Mokhlis *et al* (2008), dan Constantine *et al* (2006). The hypothesis in this research tested with Multiple Regression Linear.

4. FINDINGS AND ANALYSIS

Mean Analysis

Mean test shows that “price” is the major choice criteria for Islamic home financing offered by Maybank with value 4.62 from 5 whereas the lowest mean value for the choice criteria for Islamic home financing is “current trend” with value 3.37 from 5. The “interest rate” is the main selection factor for conventional home financing offered by Maybank with mean value 4.65 from 5. The “advice from bank” is the least choice criteria for conventional home financing with mean value 3.49 from 5.

Factor Analysis Test

In testing whether factor analysis was appropriate for the home financing selection criteria, KMO and Bartlett’s Test of Sphericity were conducted. Kaiser-Meyer-Olkin Measure of Sampling Adequacy reading is the data analysis which aims to test sample efficiency in this research. The value from “0” to “1” will be shown. The value which approach “1” is better and 0.6 is assumed as minimum value for sufficiency sample. Whereas Bartlett’s Test of Sphericity aims to test question significant and null hypothesis in this research. The maximum significant value is assumed at 0.05. Test for Islamic home financing selection criteria data show 0.886 sufficiency sample value that is sufficient sample for research. Whereas test for conventional home financing selection criteria data show 0.850 sufficiency sample value that is also sufficient sample for research. By that, sample and Islamic and conventional home financing choice criteria variable in this research can be used in Factor Analysis method.

Based on this encourage result, Factor Analysis method has been used with Principal Component Analysis together with Varimax Rotation. Varimax Rotated Factors result shown at

Table II (Islamic financing and **Table III** (conventional financing) together with communality value at every variables, eigenvalues and variation percent explained.

(1) Factor Analysis: Choice Criteria for Islamic Home Financing

The result in **Table II** reveal the presence of three factors with all fourteen (14) items of the Islamic home financing selection criteria exhibit large factor loadings. The eigenvalues for the three factors are above 1 (6.503, 1.564, and 1.224 respectively). These three factors explain a total of 66.366 per cent of the variance. Specially, Factor 1 has six (6) significant loadings; factor 2 has six (6) significant loadings, while Factor 3 has three (3) significant loadings respectively.

There are six choice criteria in factor 1 that is “*profit rate (X1)*”, “*price (X2)*”, “*term and condition product flexibility (X3)*”, “*religion (X5)*”, “*lend amount (X4)*”, and “*advice or arrangement from housing developer (X11)*”. The nature of the highly loaded variable on this factor suggests that it can be named “*Advantage and Goodness of Product*”. This “*Advantage and Goodness of Product*” factor contributes around 46 per cent of the reason for selecting Islamic home financing. Since Factor 1 has the highest eigenvalues and variance, (eigenvalue = 6.503, variance = 46.452%) it necessary the most important factor that has influenced customers to patronize Islamic home financing.

The second factor delineates a cluster of relationship attributes are “*income (X6)*”, “*knowledge (X7)*”, “*advice from bank (X8)*”, “*influence from relative/friend (X9)*”, “*advertisement promotion (X10)*”, “*future expectation (X12)*”. The nature of the second higher loaded variable on this factor suggests that it can be named “*Income and Advice from Third Party*” factor contributes around 11 per cent of the reason for selecting Islamic home financing. Since Factor 2 has the second higher eigenvalue and variance, (eigenvalues = 1.564, variances = 11.171%) it necessary the most important factor that has influenced customers to patronize Islamic home financing.

There are two choice criteria in factor 3 that is “*current trend (X13)*” and “*lifestyle (X14)*”. The nature of the highly loaded variable on this factor suggests that it can be named “*Lifestyle*”. This “*Lifestyle*” factor contributes around 9 per cent of the reason for selecting Islamic home financing. Since Factor 1 has the highest eigenvalues and variance, (eigenvalue = 1.224, variance = 8.743%) it necessary the most important factor that has influenced customers to patronize Islamic home financing.

(2) Factor Analysis: Choice Criteria for Conventional Home Financing

The result in **Table III** reveal the presence of three factors with all fourteen (14) items of the conventional home financing selection criteria exhibit large factor loadings. The eigenvalues for the three factors are above 1 (6.276, 1.520, and 1.153 respectively). These three factors explain a total of 63.925 per cent of the variance. Specially, Factor 1 has seven (7) significant loadings; factor 2 has four (4) significant loadings, while Factor 3 has three (3) significant loadings respectively.

There are seven choice criteria in factor 1 that is “*price*” (X2), “*lend amount*” (X4), “*interest rate*” (X1), “*religion*” (X5), “*lifestyle*” (X14), “*term and condition product flexibility*” (X3), and “*knowledge*” (X7). The nature of the highly loaded variable on this factor suggests that it can be named “*Product Advantage and Lifestyle*”. This “*Product Advantage and Lifestyle*” factor contributes around 45 per cent of the reason for selecting Islamic home financing. Since Factor 1 has the highest eigenvalues and variance, (eigenvalues = 6.276, variance = 44.829%) it necessary the most important factor that has influenced customers to patronize Islamic home financing.

Table II:
Rotated Component Matrix^a Choice Criteria for Islamic Home Financing

Variable	Factor			Communality of each variable
	1 Advantage and Goodness of Product	2 Income and Advice from Third Party	3 Lifestyle	
X1	0.826			0.738
X2	0.788			0.685
X3	0.766			0.628
X5	0.742			0.717
X4	0.718			0.546
X11	0.576			0.538
X6		0.787		0.774
X7		0.787		0.705
X8		0.727		0.586
X9		0.597		0.557
X10		0.547		0.666
X12		0.520		0.509
X13			0.901	0.837
X14			0.861	0.805
Eigen value	6.503	1.564	1.224	
% variance	46.452	11.171	8.743	
Cumulative %	46.452	57.623	66.366	
KMO value	0.881	0.847	0.500	
Bartlett Chi-Square test	537.700	450.816	134.612	
Significant	.000	.000	.000	

Extraction Method: Principal Component Analysis. Rotated Method: Varimax with Kaiser Normalization

Variable:

- X1** Profit rate
- X2** Price
- X3** Term and condition product flexibility
- X4** Lend amount
- X5** Religion
- X6** Income
- X7** Knowledge
- X8** Advice from bank
- X9** Influence from relative/friend
- X10** Advertisement promotion
- X11** Advice or arrangement from housing developer
- X12** Future expectation
- X13** Current trend
- X14** Lifestyle

Jadual III:

Rotated Component Matrix ^a Choice Criteria for Conventional Home Financing

Variable	Factor			Communality of each variable
	1 Product Advantage and Lifestyle	2 Advice from Third Party	3 Market Performance	
X2	0.784			0.679
X4	0.770			0.682
X1	0.755			0.629
X5	0.685			0.667
X14	0.685			0.603
X3	0.604			0.532
X7	0.508			0.547
X8		0.786		0.638
X6		0.680		0.602
X11		0.659		0.592
X9		0.655		0.615
X13			0.920	0.889
X10			0.833	0.768
X12			0.475	0.507
Eigen value	6.276	1.520	1.153	
% variance	44.829	10.858	8.238	
Cumulative %	44.829	55.687	63.925	
KMO value	0.902	0.751	0.595	
Bartlett Chi-Square test	453.534	165.996	176.878	
Significant	.000	.000	.000	

Extraction Method: Principal Component Analysis. Rotated Method: Varimax with Kaiser Normalization

Variable:

- X1** Interest rate
- X2** Price
- X3** Term and condition product flexibility
- X4** Lend amount
- X5** Religion
- X6** Income
- X7** Knowledge
- X8** Advice from bank
- X9** Influence from relative/friend
- X10** Advertisement promotion
- X11** Advice or arrangement from housing developer
- X12** Future expectation
- X13** Current trend
- X14** Lifestyle

The second factor delineates a cluster of relationship attributes are “*advice from bank*” (X8), “*income*” (X6), “*advice or arrangement from housing developer*” (X11), and “*Influence from relative/friend*” (X9). The nature of the second higher loaded variable on this factor suggests that it can be named “*Advice from Third Party*” factor contributes around 11 per cent of the reason for selecting Islamic home financing. Since Factor 2 has the second higher eigenvalue and variance, (eigenvalues = 1.520, variances = 10.858%) it necessary the most important factor that has influenced customers to patronize Islamic home financing.

There are three choice criteria in factor 3 that is “*current trend*” (X13), “*advertisement promotion*” (X10), and “*future expectation*” (X12). The nature of the highly loaded variable on this factor suggests that it can be named “*Market Performance*”. This “*Market Performance*” factor contributes around 8 per cent of the reason for selecting Islamic home financing. Since Factor 1 has the highest eigenvalues and variance, (eigenvalue = 1.153, variance = 8.238%) it necessary the most important factor that has influenced customers to patronize Islamic home financing.

Multiple Regressions Linear

In order to examine connection among independent variable (“*advantage and goodness of product*”, “*income and advice from third party*”, and “*lifestyle*”) with dependent variable (choice criteria for Islamic home financing) and connection among independent variable (product advantage and lifestyle, advice from third party, and market performance) with dependent variable (choice criteria for conventional home financing), multiple regressions linear method have been used.

Regression Test for Islamic Home Financing Selection Factor

Based on table IV, results of statistical analysis for multiple linear regression models can be seen. At 5% significant level, with F = 519.429; Sig. = .000, the F value shows that the model is fit. R value at 0.947 shows that there is relationship among Ha₁, Ha₂, and Ha₃ with choice criteria for Islamic home financing offered by Malayan Banking Berhad. Where in the model the R square is at 0.896 which is higher than 0.05 and approach 1, meaning this model 90% suited with this research data. This result also supported by ANOVA analysis which .000 significant lower than the standard significant value of 0.025.

Table IV:
Model Summary of Multiple Linear Regression Analysis (Islamic)

Model	R	R Square	Adjusted R Square	F	Sig.
1	.947	.896	.894	519.429	.000

a Predictors: (Constant), FI1(advantage and goodness of product), FI2(income and advice from third party),FI3(lifestyle)

b Dependent Variable: mean_selection

Based on table V, at 5% significant level, “*advantage and goodness of product*” (t = 13.387; Sig. = .000); “*income and advice from third party*” (t = 10.532; Sig. = .000); and “*lifestyle*” (t = 12.862; Sig. = .000) have significant relationship with choice criteria for Islamic home financing. According to the Unstandardized Coefficients, all three independent variables are positively related to the model. The “*advantage and goodness of product*” is the highest (0.434), followed by “*income and advice from third party*” (0.318), and “*lifestyle*” at 0.179. From table V;

$$\beta_0 = 0.473 \text{ when } \beta_1 = 0.434, \beta_2 = 0.318, \beta_3 = 0.179$$

The regression equation that fit used to foretell Y value (choice criteria for Islamic home financing) is;

$$Y = 0.473 + 0.434 + 0.318 + 0.179 + \text{random error}$$

Jadual V:
Multiple Linear Regression Analysis Result (Islamic)

Model	Unstandardized Coefficients		Standardized	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.473	.106		4.442	.000		
FS1	.434	.032	.438	13.387	.000	.536	1.866
FS2	.318	.030	.365	10.532	.000	.479	2.086
FS3	.179	.014	.350	12.862	.000	.776	1.289

a Dependent Variable: mean_selection

Regression Test for Conventional Home Financing Selection Factor

Based on table VI, results of statistical analysis for multiple linear regression models can be seen. At 5% significant level, with $F = 412.808$; $\text{Sig.} = .000$, the F value shows that the model is fit. R value at 0.945 shows that there is relationship among H_{a4} , H_{a5} , and H_{a6} with choice criteria for conventional home financing offered by Malayan Banking Berhad. Where in the model the R square is at 0.893 which is higher than 0.05 and approach 1, meaning this model 89% suited with this research data. This result also supported by ANOVA analysis which .000 significant lower than the standard significant value of 0.025.

Table VI:
Model Summary of Multiple Linear Regression Analysis (Conventional)

Model	R	R Square	Adjusted R Square	F	Sig.
1	.945	.893	.890	412.808	.000

a Predictors: (Constant), FK1(product advantage and lifestyle FK2(advice from third party),FK3(market performance)

b Dependent Variable: mean_selection

Based on table VII, at 5% significant level, “product advantage and lifestyle” ($t = 10.425$; $\text{Sig.} = .000$); “advice from third party” ($t = 8.045$; $\text{Sig.} = .000$); and “market performance” ($t = 13.953$; $\text{Sig.} = .000$) have significant relationship with choice criteria for conventional home financing. According to the Unstandardized Coefficients, all three independent variables are positively related to the model. The “product advantage and lifestyle” is the highest (0.368), followed by “market performance” (0.326), and “advice from third party” at 0.204. From table VII;

$$\beta_0 = 0.501 \text{ when } \beta_1 = 0.368, \beta_2 = 0.204, \beta_3 = 0.326$$

The regression equation that fit used to foretell Y value (choice criteria for conventional home financing) is;

$$Y = 0.501 + 0.368 + 0.204 + 0.326 + \text{random error}$$

Jadual VII:
Multiple Linear Regression Analysis Result (Conventional)

Model	Unstandardized Coefficients		Standardized	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.501	.118		4.236	.000		
FK1	.368	.035	.374	10.425	.000	.561	1.783
FK2	.204	.025	.295	8.045	.000	.537	1.863
FK3	.326	.023	.458	13.953	.000	.669	1.495

a Dependent Variable: mean_selection

5. CONCLUSIONS

This paper has examined the issue of selection criteria in the field of Islamic and conventional home financing offered by Malayan Banking Berhad; case study at Johor. This paper is based on collected data from 350 respondents among Islamic and conventional home financing customers offered by Malayan Banking Berhad which covered public servants, private worker, and business person. Fourteen independent variable have been used that is; interest rate, profit rate, price, product flexibility, lend amount, religion, income, knowledge, advice from bank, influence from relatives/friend, advertisement promotion, advice or arrangement from housing developer, future expectation, current trend, and lifestyle. It was not little papers have been done in demined choice criteria for banking but not much in the matter of home financing selection criteria. This paper takes several variables and also rejects some variables from past literature [see; Devlin (2002), Constantine *et al* (2006), Wijayanti *et al* (2004), Mokhlis *et al* (2008), Asyraf and Nurdianawati (2007), Hanudin Amin (2008), Azura and Remali (2006), Asyraf and Humayon (2005), Fase (1995), Bley and Kuehn (2004), Al-Sultan (1999), Gerrard and Cunningham (1997), Metwally (1996), Hegazy (1995)] for making this model more fit.

Overall, the findings revealed that customers of Islamic and conventional home financing offered by Malayan Banking Berhad at Johor have generally positive views of selection factors. One of the most important reflections of their positive attitude is advice from third party. This factor implies on both Islamic and conventional home financing selection criteria which means many home financing customers influenced by other people advice. The product advantage of Islamic home financing like interest free and flat rate have attract customers to choose Islamic home financing product. This is because, these advantages are not offered by conventional home financing. Furthermore, the result show Islam and conventional banking have their own followers. This has been proved by one of the choice criteria for Islamic and conventional home financing is “lifestyle”. The customers also choose Islamic home financing because of their income level. With flat rate base financing, the customers who has low income not need to worry about interest jump up. On the other hand, conventional home financing customers chose this product because of market performance. The steady of Malaysian Base Lending Rate (BLR) at Malaysia lead the customers to choose conventional home financing.

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