

# Consumers' Acceptance of 'Halal' Credit Card Services: An Empirical Analysis

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## Abstract

Many past researches have been carried out in an attempt to continuously understand individuals' consumption behaviour. This study was conducted to investigate key factors influencing consumers' potential acceptance of halal (or permissible) financial credit card services. Specifically, it anticipated the influence of attitude, social influences and perceived control on consumers' behavioural intention to accept such services. In addition, factors such as religiosity and product knowledge were also postulated to affect consumers' attitude towards the act of using halal credit cards for any retail or business transactions. Using non-probability sampling approach, a total of 500 survey questionnaires was distributed to targeted respondents in a developing nation but only 220 usable feedbacks were received for subsequent data analysis. Regression results revealed that religiosity and product knowledge significantly influence consumers' attitude toward using halal credit card services. Attitude in turn, subsequently has a significant impact on consumers' intention to accept halal financial credit card services. Several theoretical and managerial contributions were observed in this study.

**Keywords:** Attitude, halal, credit card services, intention, religiosity, product knowledge.

## 1. Introduction

Studies in human behaviour have been widely researched over the past years. This includes an understanding of individuals' consumption behaviour to which consumable products are perceived to be complying with assured standards of certification processes and/ or in accordance to one's religious beliefs of what is considered Halal (or permissible). Wilson (2010) highlighted the importance of basic acceptance and understanding of what Halal is, to which is deemed central to every Muslim's belief. From a business perspective, organizations generally perceive Halal as a brand component, or recognize that it has the potential to become a brand, to which both can be seen to assist towards increasing market share. From a religion-cultural perspective, Halal goes beyond a brand element for Muslim consumers because it constitutes part of a belief system and moral code of conduct that is integral in day-to-day living of that community (Wilson, 2011). In Malaysia, the issues

of halal-based products/services have long been debated and observed by both marketers and consumers alike. In the recent years, the government's policies of ensuring that products are halal compliant, have been continuously looked into and improvised for the benefit of all parties involved, in particular, the Muslim end-consumers which form the bulk of Malaysia's population. Such Halal consumers are aplenty and can be categorized accordingly based on the level of awareness and consumption decision-making (Mohd. Daud et al, 2012).

Following the above concerns, this paper was proposed to examine key influential factors affecting consumers' acceptance of a halal financial services. Specifically, it embarked on a previously unexplored discipline of financial consumer behaviour, and may provide insightful contributions towards understanding consumers' needs of engaging in a permissible act of financial product and/or service consumption. Psychological factors such as attitude, subjective norms and perceived behavioural control were posited to influence consumers' intention to accept halal financial services. In addition, other constructs such as religiosity and knowledge were further postulated to affect consumers' attitude towards the product. Upon addressing such traits, financial marketers are expected to educate and stimulate targeted consumers in seeking halal compliant financial-related products. Subsequently, this will further elicit future financial product innovation and diffusion amongst marketers within the financial sectors.

## 2. Literature Review and Theoretical Framework

Over the past decades, many theoretical models have been developed and proposed towards understanding human behaviour and these include applications within various multi-disciplines of psychology, marketing, health-sciences, e-commerce and IT adoption as well as Halal (permissible) consumption decision making. These include theories such as Theory of Reasoned Action and Theory of Planned Behaviour, to which several identified constructs are robustly tested in past researched and are further discussed in the next section.

### 2.1 Intention

Behavioural intention is considered a willingness to adopt, use or accept an act of behaviour (Ajzen and Fishbein, 1975). The propensity to act was widely researched in many behavioural disciplines with seminal theories such as Theory of Reasoned Action (TRA) or Theory of Planned Behaviour that have been developed by past researchers (e.g. Fishbein and Ajzen, 1975; Ajzen, 1985). In addition, many studies have concluded that intention also reflects actual behaviour and as such, it is sufficed to look only into either one of the said constructs. Ajzen & Madden (1986) demonstrates that the stronger a person's intention, the more the person is expected to try, and hence the greater the likelihood that the behaviour will actually be performed. In this study, intention demonstrates the consumers' potential acceptance on an Islamic based halal credit card services. Few studies have observed the level of awareness on functions of Islamic credit cards (e.g. Rafidah and Ayyidwati, 2012) but to the researchers' knowledge, none has embarked on engaging consumers' willingness to use halal credit card services. As such it is posited that intention is influenced by many psychological factors as identified in this study.

### 2.2 Attitudes, Social influences and Perceived Control

In the earlier studies, TRA and its extension, TPB (Ajzen, 1991), have been robustly tested and were found to be very useful in predicting a wide range of behaviour (Sheppard et al., 1988). Favourable attitudes toward Internet technology for example, are positively related to the adoption of online transactions and e-commerce (Putit, 2009; 2008; Keen et al., 2004). An attitude also reflects the psychological tendency expressed based on evaluating a particular entity with some degree of favour or disfavour (Eagly and Chaiken, 1995). In this context, it reflects a person's attitude towards his/her willingness to accept and use a Halal compliant financial product. Such an adoption would actually be influenced by his beliefs that such an acceptance would be easy, safe, and permissible according to Islamic sharia (or principles).

Subjective norms or social influences assess the social pressure on individuals to perform or not to perform certain behaviour (Ajzen, 1985). The norms of the most immediate peer group or the "local circle of influence"

(Taylor and Todd, 1995a) are posited as having the strongest influence. In this study, if consumers believe that those people important to him think that halal products are acceptable, then they will have higher intentions of accepting such products. On the contrary, if consumers believe that those people important to them think that such products are unacceptable, they will then have lower intentions of accepting such products. Hence, the influence of significant others is posited to have a significant influence on consumers' intention to accept halal based credit card services.

Perceived Behavioural Control (PBC) deals with a consumer's perception of whether a particular behaviour is within their control which is affected by their beliefs regarding access to resources and opportunities (Ajzen, 1991) and to self-confidence (Triandis, 1979). The importance of the role of Control in IT adoption intention has been demonstrated in many behavioural related marketing disciplines (e.g. Venkatesh and Davis, 2000; Putit, 2008). Nevertheless, not many studies have actually studied on the influence of attitude, social influence on consumers' financial behaviour, specifically on halal based credit card services. Hence, it is further posited that PBC has a significant influence on one's intention to accept halal credit card services.

### 2.3 Religiosity

Religiosity has been studied extensively in relation to a variety of issues such as sexual behaviour (Lefkowitz et al., 2004), psychiatric disorders (Rassin, & Koster, 2003), and intelligence (Paek, 2004). Several pertinent factors include transmission of religious values and how religion makes up part of the self-identity (Maclean, Walker, & Matsuba, 2004). It is reasonable to assume that the more an individual incorporates religion into his or her identity, the greater the impact it would have on his or her values and behaviour. Therefore, religion also has impact on the choice and decision an individual makes. Religiosity has been defined as "...the way in which people express their religious beliefs and practices and the importance ascribed to them" (Musgrave, & McFarlane, 2004, p. 1180).

Measuring religiosity has usually been conducted by using a one-item self-report measure. Items that have been used include frequency of attendance for religious services, how important religion is to the individual, and frequency of praying (Lefkowitz et al., 2004). In essence, halal products reflect those that are Sharia compliant, to which no involvement on the use of haram (prohibited) ingredients, exploitation of labor or environment are permitted, and are not harmful or intended for harmful use (Sharina et al, 2012; Alam et al, 2010; Alam & Sayuti, 2011). Hence, religiosity is still considered a deciding factor in influencing individuals' choice of consuming halal products and services (Johan, Putit and Syed Alwi, 2014).

### 2.4 Product Knowledge

Generally, consumers develop product knowledge through information search and use as well as experience. The content of knowledge domain may be described in terms of objects or brands known by the consumer, his or her knowledge about product attributes and usage situations, the ability to discriminate between product alternatives, and product evaluations (Johan, Putit & Syed Alwi, 2014). Several studies found that the consumer's product class experience has been used as a proxy for his or her product knowledge (Bettman and Park 1980). However, several conceptual problems are associated with the use of product experience as a measure of product knowledge.

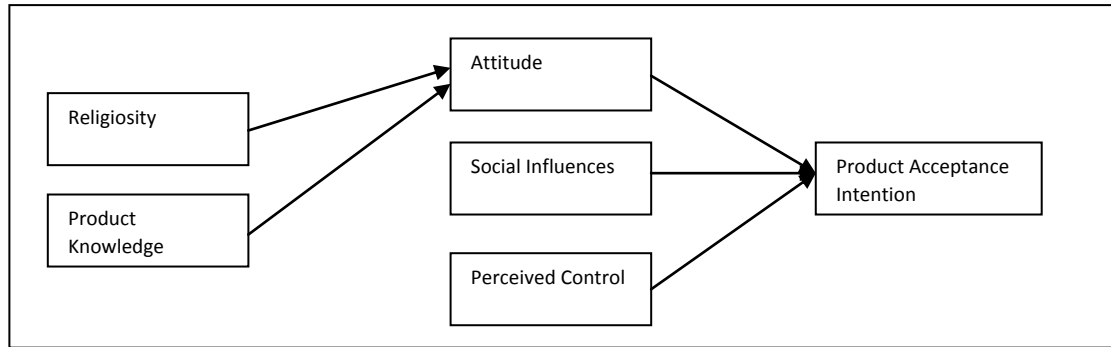
Mohd. Daud et al (2012) stated that halal consumers can be categorized into four different types; the "natural" Halal consumers in Muslim countries, who are barely aware of the existence of non-Halal products/ food; the "conscious" Halal consumer in non-Muslim countries who is more aware of its consumption as he or she knows that most of the products / food in the country is Haram; the "western" Halal consumer who focuses on healthy, high quality or pork free food and therefore chooses Halal and who does not necessarily have to be a Muslim; and lastly, the "ignorant" Halal consumer, who consumes Halal products / food without knowing it as the industry in the west often completely switches to Halal products/ food production to achieve economies of scale.

Waarden & Dalen (2010) found that boundaries are unclear and some groups can exist within other groups. In Europe, political and economic climate also determines the extent to which producers cater to the needs of Muslim consumers, and also the extent to which the consumers feel confident to demand the kind of products and services they want. According to Wilson (2011), Muslim consumer behaviour is largely a cultural construct,

which necessitates the marketers to understand Islam through the varied lenses of Muslim consumers, imperfections and all. In doing so, it will inevitably direct towards the grouping of Muslims into smaller homogenous segments in terms of understanding product knowledge.

Following the above contention, several hypotheses are identified and developed to test the theoretical model as illustrated in Figure 1.0.

Figure 1.0– Theoretical framework



Source: Developed for this study

### 3. Research Methodology

A purposive sampling technique was used in collecting data for this study. Out of 500 survey questionnaires distributed to sampled respondents consisting of existing credit card users, only 220 were usable and subsequently generated for data analysis. In terms of questionnaire design, items were developed based on initial exploratory qualitative findings and also those adopted from past research (e.g. Alam. S. And Sayuti, N.M, 2011; Ajzen, 1991).

### 4. Findings and Discussions

#### 4.1 Data Collection

Data were collected through questionnaire consist of 220 respondent form bank customers. Table 1.0 presents the respondents' demographic profile as follows:

Table 1.0: Demographic Profile

Demographic	Frequency (n=220)	Percentage (%)
<b>Gender</b>		
Male	93	42.3
Female	127	57.7
<b>Ethnicity</b>	189	85.9
Malay	20	9.1
Chinese	6	2.7
Indian	5	2.3
Others		
<b>Marital Status</b>		
Single	54	24.5
Married	162	73.6

Separated, divorce	3	1.4
Widow, widower	1	0.5
<b>Religion</b>		
Islam	192	87.3
Christianity	8	3.6
Buddhism	12	5.5
Hinduism	5	2.3
Others	3	1.4
<b>Age</b>		
21-30 years old	39	17.7
31-40 years old	96	43.6
41-50 years old	68	30.9
51-50 years old	14	6.4
61 years old and above	3	1.4
<b>Academic qualification</b>		
Primary school	1	0.5
Lower secondary school	14	6.4
Upper secondary school	29	13.2
College /University	162	73.6
Professional	14	6.4
<b>Employment</b>		
Public sector	80	36.4
Private sector	126	57.3
Self employed	6	2.7
Unemployed	2	0.9
Retiree	2	0.9
Student	4	1.8
<b>Monthly basic income</b>		
RM2,001 - RM4,000	75	34.1
RM4,001 – RM6,000	55	25.0
RM6,001 – RM8,000	54	24.5
RM8,001 – RM9,000	14	6.4
RM9,001 – RM10,000	6	2.7
RM10,001 and above	16	7.3

#### 4.2 Reliability and Validity

The study adopted a 7-point Likert scale for the measurement of religiosity, product knowledge, attitude, social influences, perceived control and product acceptance. Item measurements were developed based on preliminary focus group interview findings as well as adapted from past research. Results of internal consistency analysis showed that Cronbach's Alpha value for each items is greater than 0.7 indicating high scale of reliability. The Exploratory Factor Analysis (EFA) was subsequently performed to assess and validate factor structure on 46 attributes that represent items in this study. However, this initial purification exercise resulted in the deletion of 19 items because of failing to fulfill the above-mentioned criteria. Subsequently, EFA with the remaining 19 items was performed, which resulted in a five structure solution. However, perceived behavioural control (PBC) construct failed to fulfil validity criteria resulting in its overall deletion from the subsequent multivariate analysis. Table 2.0 shows the result of both reliability and validity analyses. Meanwhile, the items of each construct or factor structure are presented in the EFA summary in Table 3.0

**Table 2.0: Reliability analysis and Exploratory factor analysis summary**

Variables	Mean	Std Deviation	Cronbach Alpha
Religiosity	3.7991	0.84907	0.919
Knowledge	3.2011	1.08606	0.961
Attitude	3.8477	0.95240	0.921
Social Influences	2.9500	1.05459	0.856
Product Acceptance	3.5164	1.16333	0.961
<b>Exploratory Factor Analysis</b>			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.910	
Bartlett's Test of Sphericity	Approx. Chi-Square	3395.842	
	df	378	
	Sig.	0.000	

**Table 3.0: Exploratory factor analysis summary**

	Component				
	1	2	3	4	5
KNOWLEDGE	.837				
UNDERSTAND					
CONTRACT	.864				
PRDT FEATURES	.815				
AWARE LIMIT	.805				
NON COMPOUND					
FACTOR	.811				
DIFFERENCE	.845				
RETAILER LIST	.717				
TRANSACTION	.786				
RIBA FREE				.502	
NO MAISIR				.756	
SAC ASSURED				.869	
MORAL VALUE				.715	
ETHICAL PRACTICES				.744	
LIKE IDEA		.783			
GOOD IDEA		.840			
OWNING		.750			
BENEFIT RELIGION		.692			
SOCIAL MEDIA					.807

N/PAPER ADS	.924	
TV	.928	
EXPECT	.822	
WILL	.900	
INTEND	.935	
GOING	.921	
CARRY OUT	.843	

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#### Multiple Regression Results

Based on the multiple regression results, product knowledge and religiosity revealed a significant relationship with attitude. Meanwhile, attitude has significant relationship with intention towards product acceptance of halal financial services. However, social influence provided insignificant impact on intention. The total variance ( $R^2$ ) is recorded at 48% indicating product knowledge and religiosity's contributed variances in attitude towards product acceptance of halal credit card service. In terms of relationship between attitude and social influence towards product acceptance intention, the total variance ( $R^2$ ) observed is recorded at 43%. Product knowledge with Beta ( $\beta$ ) value of 0.555 and is significant at less than 0.0001 level proved to be the strongest contributing factor towards attitude as compared to religiosity. Meanwhile, the respondents feel that social influence has no relationship with product acceptance. Attitude proved to be strongest predictor in intention to accept halal credit card financial services. Table 5 below shows summarized results using multiple regressions. Meanwhile Table 6 illustrates the summarized results of hypotheses in this study.

**Table 5: Multiple regression result**

Independent Variables	Standardized coefficients (Beta= $\beta$ )	Sig.	Dependent variables	Model summary	
Product knowledge	0.555	0.000	Attitude	$R^2$	0.481
Religiosity	0.208	0.001		Adjusted $R^2$	0.477
				F value	100.741
Attitude	0.671	0.289	Product Acceptance	$R^2$	0.429
Social Influence	-0.058			Adjusted $R^2$	0.424
				F value	81.558

**Table 6: Summarized result of hypotheses**

Hypothesis Path	Standardized Coefficient	t-value	Results
H1 Religiosity $\rightarrow$ Attitude	0.555	9.404	Supported
H2 Product Knowledge $\rightarrow$ Attitude	0.208	3.531	

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H3	Attitude → Product acceptance intention	0.671	12.390	Supported
H4	Social influences → Product acceptance intention	-0.058	-0.063	Rejected

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## 5. Discussion and Conclusion

From the above findings, it can be summed up that most of the identified factors influencing potential acceptance of Halal credit card services support past research. Product knowledge, for instance, plays a significant part in influencing respondents' attitude to accept and use the Islamic's Halal credit card services. Although consumers are aware of the function of these card services, they never bother to observe the need to acquire simply because they lacked the necessary knowledge and experience to understand the real mechanics of how these card services benefits them in the long term (Bettman and Park 1980). Religiosity was also a significant driving force in influencing consumers' attitude towards usage of a Halal credit card services for their financial transactions. This indicates that consumers with more faithful religious beliefs tend to favour halal credit cards for any transactions that are in tandem with their religious expectations and self identity (Maclean, Walker, & Matsuba, 2004). Social influence was however, an insignificant predictor of consumers' intention to accept and use halal based credit card services. This is perhaps due to the fact that most respondents are existing conventional credit card users and that the need to seek significant others' opinion did not really matter.

Several limitations were observed in this study. There is a need to review several item measurements, in particular with regards to perceived control which has been deleted as a result of failing to comply with validity issues in EFA. A more robust method of identifying and establishing such items and potentially viable constructs are thus recommended via a thorough qualitative research investigation. It is also proposed that a more representative and wider sampling population can be gauged from other ethnic groups as well to ensure generalizability.

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