

## Effects of Islamic Credit Cards on Customer Spending

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### Key Words

Credit card, customer, behavior, spending, effect.

### Abstract

*This perhaps better disseminate the attitude of Malaysian credit card holder towards spending and settlement behavior. In wake of this excessive burden of debt accumulating the Malaysian economy, it is an attempt to provide the effect of Islamic credit card to the spending behavior of consumers. While Islamic banking practice peak to grow in Malaysia as to diversify their products to cater the needs of the consumer, Islamic credit is also seen as an alternative catering the same purpose like conventional credit card with the due consideration of avoiding riba in the transaction. So, a hypothesize the assumption that Islamic credit card holders seems to behave Islamically (not extravagant spending). Hence, with the use of Islamic card, ideally, it should reflect the psychological and moral aspect of Islamic teaching towards spending pattern of consumers. Thus, to achieve this aim, we conducted a survey by using a structured questionnaires' in the range of 100:100 sample of conventional and Islamic credit card holders in the Klang valley of Kuala Lumpur. Statistically, we found that there is no as such effect of religion into the usage of credit holders whether Islamic or conventional. But in terms of perception, benefits and quality service of Islamic and conventional credit card, they directs same advantage, with the fact that Islamic credit card is new to the system and placing to grasp the market. The Risk factor for availing either of the service shows that conventional banks outweighs with the Islamic due to the fact that they are in operation for the long period and hence gain the trust of the public.*

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### Background of the Study

The credit card exists since early 1950s and today it is widely used especially in developed countries as payment system in order to transfer funds. It has been become a norm because everyone could purchase an item without carrying large money paper, pay good and services through internet which acceptance worldwide. Mobile Oil In 2004 the average consumers in United States of America held 5.5 million of credit cards while and average consumer in South Korea held 3.6 million credit cards (Yahoo, 2005). Mobil Oil, USA card issued in 1914 is the first credit card used to eliminate the need to carry cash meanwhile Diners Card in 1950s was first company implemented service for businessmen to purchase meal on an expense account. Although credit has many advantages and renders a lot of benefits to its users but there are several problem occurred especially during early 2000. For example default, fraud, overspending and lack of awareness. Therefore, as to overcome and help needy Islamic bank created Islamic credit card to avoid *riba*. It is different compared to Conventional Credit card which operates on loan basis and charges interest rates whereby burden the holders. It's also not secured by asset due to could be seized if any consumer faces default. Hence, Islamic Credit Card provides same benefits and fully compliant with Islamic Shariah principles. It would encourage Muslim and non-Muslim to shift to it and at the same time boost economic growth and preventing jeopardize among them.

### Problem Statement

With the significant growth of Debit cards used as an easy paying instrument, the secure mechanism of credit card payment has gain momentum, trust and popularity worldwide. Even though, it has become a normal practice to own credit cards for the variety of reasons and are increasing progressively, its impacts are still questionable both in developed and developing countries.

The detonation of credit cardholders has taken an undiscerning expenditure by customers with numerous impacts. Arguably, one of the major culprits for the ongoing financial crises is the extensive grant of credit to the people. It was reported that next financial crises could be caused only because of the compulsive buying nature of credit card. (Business Week, 2011) The early signal of the impact is excessive buying behavior which compels to purchase out of their common needs. Relaxed source of obtaining credit and obsessive purchasing without any control has directed to various hostile concerns such as infatuation to excessive shopping and thus over leveraged debt. BNM Report (2010). Many Malaysian consumers have shown such a change in behavioral pattern according to a study. Since, credit card encourages the reliable and independent usage of credit to the cardholders to meet their future consumption in advance; this spectacle has also gives rise to debt default to indiscipline users. Hence, Debt alone could be seen to trigger the excessive default rates and writing off capital which finally will results into invulnerability of the financial system and the stability of an economy Zafar U et al: (2010). One of the significant strides in this regards is that Malaysian consumers has displayed a positive move towards the credit card facility. It is mainly because they able to grant loans for themselves. Meaning, they can obtain funds as easily than personal loans via credit card with many documents formalities being relaxed. As a result, credit cards issued till February 2012 rose to 10.1 million (BNM Report, 2010).

Importantly, In Malaysia the credit card lending is growing at a compound annual growth rate (CAGR) of 50.4% per annum in the past 7 years since 2005 which is the major concern of regulatory authorities to lower down the debt ratio. In the year 2009, it was reported to have 11.41% of the total consumer credit which accounts for 1.35% of the total loans outstanding. Out of total 1.35%, nearly 6.43% of the amount outstanding has been written off as non-performing loans. Again in the next year year, the amount of credit card debt showed increase reporting RM24.8 billion. Bank Negara Malaysia (2010) A shocking trend of credit card holders finally going through the bankruptcy stage was also stated. Bank Negara Malaysia, (2011)

A handful of studies have examined the consumer attitude and spending behavior using credit card. Most of the studies studied the consumer behavior of conventional credit card holders. Due to the wider acceptance of Islamic banking practice in the Malaysian region, the Islamic credit card is popularized and become commonly used by the public as an alternative for conventional credit card. This study seeks to investigate whether the excessive buying behavior or compulsive purchasing trend via credit has also penetrating into the Islamic credit card holder and if its affirmative, then what extend they tend to deviate with the conventional credit card holders Zafar U et al (2010). Since finding the basic reasons of a problem delivers a good prospect of solving the problem and make further policy recommendation. In the wake of this discussion, this study would seek to investigate the credit card spending behavior of two categories of banking, conventional and Islamic. With this in attention, it is the purpose of this study to offer empirical results that could assist financial institution decision makers and regulators in firming up their capabilities for supervision of credit card management.

### **Objectives of the Study**

- 1) This study aims to find out whether there is a relationship between Islamic Credit Card and spending of its holders vis visa conventional card holders to embark the comparative differences.
- 2) The study also aims to provide an insight study to the effect of Islamic Credit Card on spending.

### **Significance of the Study**

The findings are expected to be significant to financial institutions catering the service of credit cards, as they pave a reference to senior management to have a considerate level of knowledge about the credit cardholders in Malaysia and thus can be deduced to make policy recommendation as to the spending behavior of both conventional and Islamic credit holder. This study should be considered the first of its kind to be conducted in the banking sectors which offer comparative empirical result of both conventional and Islamic card credit card holders of Malaysia. Thus, the area of such comparison would propagate concern not only to Policy makers i.e., Regulators, but also to various stake holders like shareholders, Bank managers, existing literature and Muslim Ummah in general. The shariah compliance

aspect is relevant or not relevant to both type of consumers can be assessed whereby the shariah scholar could draw sharia compliance consciousness among them. It is of prime interest to the regulators as well as to quantify the quantitative and qualitative aspects of credit card spending behavior to gauge the future financial indebtedness of the public.

## Literature review

### Importance of credit cards in the economy

Credit card is seems to replace cash as a medium of exchange. According to APACS's annual report (2004), approximately two thirds of adults have a credit card and multiple card has been as phenomenon in the UK. Credit does raise standard of living, manage emergency case, ease customers and increase expand market for business, (Mishler and Cole, 1998). There are eight reasons why people hold credit card: superior point's scheme, superior pricing, designation of credit card, promotions and offer, loyalty towards bank, prestige, credit limit enhancement and facilitates debt management, (P. Gerrard, S. Worthington and James F. Devlin, 2006). According to HESSA (2009), credit card encourages people to borrow more but given some problems in the future as well. If an individual are not able to pay promptly, it would give an impact for he or she to get a job, takes other loan or automobile insurance because creditor tend to check customer's financial history. Consumers way of life has been affected because of the philosophy buy now and pay later. The behavior towards credit card use different from one customer to another depends on their level of responsibility, (R.A. Feinberg, 1986). According to Galanoy (1980); Merchants of Debt (1977), credit card has a correlation with spending. Customers will spend more if they have credit cards, (Burman 1974; Mathews and Slocum 1968). There are some factors influencing the credit card industry; as a main medium instead depending on low profitability from operational costs and credit card markets in developing countries are not saturated yet, (Sook Yee Choo 2005).

### Perception of society towards Islamic banking

Islamic Banking function is same like conventional banks, however the different between them is conventional banking products are interest based. The demand for Islamic banking in Malaysia is started on 1969 limited as non-bank financial institution. .Therefore, in July 1983 first Islamic bank with the name of Bank Islam Malaysia Berhad was established and the Malaysian authorities have introduced an Interest free banking scheme. Some banks market share have been increasing tremendously starting past few years after offering Islamic credit cards using combination of contracts such as Bai al Inah and Qard Hassan, (Nuradli Ridzwan, 2006). Islamic bankers and *shari'ah* experts need to rethink of their current approach when developing new Islamic banking products and able to offer more authentic and Islamic financial products since the decision to legalise the *bay' al-Inah* demonstrates the pragmatic orientation, (Amir Shaharudin n.d). According to R. Subramaniam and M. Marimuthu, (2010), a consumer's annual personal income is a factor in a bank's selection criteria. Besides there is high perception towards special discounts, credit card road show, reward's program and gender reputation differ among marital status, age and annual income of the respondents and no significant on the demographic groups although card holders showed concern on the availability of more ATMs and internet to provide more flexible and quality services. Islamic scholars did not mention the term credit or *I'timan* has not differed meaning from Qard, while others see there is a difference between them. Thus, Islamic Fiqh Academy was later agreed on the precise definition of the credit card until the year 2000, when it issued the final definition of a credit card but that interest is prohibited under Islamic law which is distinguish under conventional law. Therefore, Islamic Fiqh Academy has defined it as a document and is called it as "*Al-I'timan*" as referring to the credit card transaction in Islam instead of *Al-Qard*, (Ruzian Markom2011).

### Conventional and Islamic Credit Card

The rising income and the increased in the purchasing power of the household are among the most significant factors increasing demand for credit card facilities in 1980 to 1999 (Kara et al, 1994). There has been a push towards the supply of consumer finance that includes personal loan, house mortgage, credit cards and auto loans due to increased liquidity of banks. In Pakistan, it has stated consumer-financing forms more than 25% of the total private sector credit (Economic survey, 2006-2007). According to H.Kazmi, (2007) the mortgage loans and credit card debts have the highest growth during the last

couple of years. Consumers have different incentives searching for lower interest rate terms and different motives for holding cards, (Kim, F. Dunn, and E. Mumy 2005). Some Pakistani consumers, need for proper segmentation since there are different explanations for the use of credit card. The highest default within the consumer portfolio has been increased from 1.4 percent in December 2006 to 3.7 percent in March 2007 as the gap between the consumption and saving is increasing at the expense of financially insecure customers, who are unable to make the payments and have to pay penalties, (Ghani 2007). Islamic credit card offers more value of money, offer low penalty rate, free bonus point, more looks fancier and gives annual fee waiver. Charge card, is one of types of Islamic card where its convenience to the buyer, security wise and cost effective are considered to benefits to the user and customer has to pay all the debt in one shot, (Mohd. Ma'sum Billah, 2001). This situation represent unprofitable for the bank because only charging membership fee for the service provided, (Middle East Banker, 2005). According to Alhassan G. Abdul-Muhmin (2007), credit card ownership in Saudi Arabia is found higher among women even though been positively related to income, education, age, and attitude toward debt.

### **Customer Perception towards Islamic Credit Card**

The Islamic credit card added value, and encourage customer not only for the Muslim but also for the non-Muslim due to its features and the beneficial services to the customer because of the concept, application and cheaper compared to conventional one. There is a significant different between Islamic credit card in term of buying goods and rendered service. Gradually, the demand for the Islamic Credit Card is increasing because of the interest free elements and adhering to Syariah rules and regulations. People start shifting their credit card preferences towards Islamic Credit Card and its force conventional improve their product that will satisfy the customer's needs and preferences, (Nuradli Ridzwan, 2006). According to Phoon (1993), the Islamic banking product is still new and mixture of curiosity and skepticism. Getting more people to use Islamic Credit Cards could be a strong challenge as conventional competing them by offering attractive benefits and incentives (Kaynak et al, 1995). Islamic banking should review its strategic planning in order to achieve its missions and objectives through focusing their target market, study the external opportunities, threats, increase their promotion strategy to enhance the customer' awareness as well as internal strengths and weaknesses to get more customers (Norudin & Zull Nikli, 2005). According to Adil Manzoor Bakhshi (2006), there is bank in UK offered credit card within Shariah Compliance even though Muslim population is two million. In fact, Muslims need to look forward to such products that are in line with their beliefs. It is argued that credit card transaction is not the best way to generate profit and Malaysian IFIs should oversee business operations and the models should be reviewed from time to time towards more Shariah inspection and audit,(Azman Mohd Noor and Rafidah, 2010). Islamic Credit card holders have a correlation with religion and their interest to go into debt seems to be tamed compared to conventional credit card holders, ( Nazimah Hussin 2011).

### **Hypothesis Statement**

In the aftermath of the above discussion, this study constructed would hypothesize the factors which are cognizant with the previous findings reported in the literature. The General business level hypothesis is that wherever the benefits and values gathered at the lower expense for the consumer, higher the prospect of its marketability and turn over. On the other hand, In an traditional Islamic economics perspective per se, higher the *shariah* compliancy would force the customer to select for the same even at the high cost. Thus, in view of this ideal situation, it is easy to construct the hypothesis that Possible Hypotheses Construction:

- H1. There is a significant association between conventional credit card holders and Islamic credit holders spending behavior across Malaysia.*
- H2. There is affirmative relationship between the psychographic variables and the spending behavior attitude of conventional and Islamic credit card holders in Malaysia.*
- H3. The Islamic credit card holders enjoy better benefits than the conventional credit card holders.*
- H4. The Islamic credit card holders are in better place in terms of the conceived risk involved in the operation than conventional one.*

## **Research Methodology**

### **Introduction**

The sample for this study was selected from among a population at Klang Valley representing people age 19 years old and above. According to Senator Datuk Raja Nong Chik Raja Zainal Abidin, Klang Valley has 6 million of people representing 20 percent of Malaysia's total population. The sample size is 200 respondents representing approximately 0.003 percent of the population which is around 6 million. Those who have career were represented as the respondents because they meet the required criteria, using credit card either Conventional or Islamic. Based on the convenience selection criteria for each credit card were consisting of 64 percent female and 36 percent male for conventional and 40 percent male and percent 60 female for Islamic credit card.

### **Population and Sampling Design**

This research purposely chosen Klang Valley area because researcher believes that most of credit card holders living at this area as it represent the high-income area, business centre and some of society survive by using credit card as their income not affordable for them to fulfill their desire. According to Household Income (2012), average monthly household income in Klang Valley has increased and stood at RM 5488. Besides that, researcher believes they have faced some issues or experiences while using credit card in Klang Valley as in the city provided many benefits and value to consumers compared to those living in other state.

### **Research Instrument**

A survey was conducted in order to get data from customers of credit card as researcher understand that it is not easy to take their time as they are busy with their daily business activity. The structured questionnaires were developed based on literature review and objective of the study which contained likert scale and open ended questions. The open ended questions represent respondent's demographic profile; gender, marital status, sex, income, age, better educated, career, race and reason holding and which credit card they hold to distinguish which group using conventional and Islamic credit card. For the next section, all questions used a five-point likert scale as "1 = Strongly Agree, 2= Agree, 3 =Slightly Agree, 4= Disagree and 5= Strongly Disagree". These questions representative on how their spending behavior from the questions given such as monthly spend , benefits and quality service provided , risk and faith. Researcher believes it can measure card holder's perception and action while using credit card.

### **Data Collection Procedure**

In answering the questions, respondents were assured that researcher will not reveal the answers and their names and other responses would not be solicited. All information is comes from primary data, the researcher designed and collected data from questionnaire and secondary sources such as journals, internet and so forth. It has been searched in theoretical framework and hypothesis. Respondents had been given almost 5 minutes to fill up the questions accordance to their perception. Some respondent were approached face to face and some are from Google document online. The questionnaire has been developed through online and total respondents were 50 and the rest were face to face. As it is not convenience for researcher to finding respondents researched used Facebook and email by created link to the Google document to ease respondents and researchers.

### **Data Analysis**

The data collected was distributed, compiled and analyzed in the next chapter by using The Statistical Package for Social Science program (SPSS). Descriptive analysis has been used as to compare the outcome from the two types of credit card. Factor analysis was also used in order to enhance the quality as it will reduce the large to smaller number of variables because it will differentiate the variables belong together and indicate the same thing, (Dusuki and Abdullah,2006). In addition, it would help to explain the correlations among set of variables. The dependent and independent variables involves in this analysis included perception, benefits, perceived risk, quality and service and faith to spending behavior.

Other analysis have been used are descriptive analysis, reliability, frequency distribution and Friedman test. The descriptive analysis gives a result of frequency distribution for all the personal data or classification variables. The descriptive statistics clarifies mean and standard deviations were obtained for the interval scaled independent and dependent variables depending on the likert scale given. From the result it may be seen that the mean for each variables whether high or low and researcher could analyze the descriptive statistic of the customers on their perception for each item measured. Reliability analysis is important for researcher to measure the stability and consistency of each variable. The better the reliable when it's closer the reliability to the coefficient of 1. Lastly is Friedman test where determine the dimension with high and low mean for reach variable. It's the test of non-parametric alternative to the one-way repeated measure analysis (Sekaran, 2010).

## **Finding and analysis**

### **Demographic Profile**

The respondents are sample from Klang Valley area holding credit card either Islamic Credit Card or Conventional Credit Card. A total of 200 respondents were collected whereby 100: 100 for each type of credit card. The questionnaire's section of respondent's profile gathered information in relation to gender, marital status, sex, income, age, better educated, career, race and reason holding and which credit card they hold to distinguish which group using conventional and Islamic credit card. From the data outcome the respondent were predominantly female for both type of credit card 64 female and 36 male for conventional and 60 female and 40 male for Islamic credit card. It is perhaps because of the because of the majority of women's population in the Malaysia.

Most of the respondent are married approximately accounts 63% for Islamic credit card, 58% for conventional. One of the noteworthy factor is that most of the respondent are Malay constituting 87 Islamic and 71 conventional. It is also established that more than half of them are gentlemen holding above the undergraduate degree. The age profile varies with half of the total respondents fall in range of 30-39 accounts for 43% for Islamic and 48% for conventional. It is followed by the range 20-29 which nearly accounts for 42% Islamic and 32% of conventional. Same goes to income the highest type of holders are the one who receive income around RM3001 to 5000 and next highest is less than 3000 for both types of credit card. This may be reasonable as the holders are searching for best financial sources that offer great benefit and help them to buy luxury goods or to survive as they just get a job, not promoted to high level and having children.

The result reported that the private company servants represented the highest percentage of the respondents, which consisted 63% for Islamic and 78% for conventional. It must be because of promotion from bank from time to time around city or from the organization itself for example for those working in a bank; they have been offered to have a credit card as one of benefits since the interest for staff is low. Majority of respondents were well educated with 39 respondents from Islamic and 48 respondent from Conventional. This is a positive tendency that they understand the questionnaire given as the higher education level holders possessed the higher awareness and better understanding of the difference from both cards. There are 99% respondents holding Islamic credit card but 93 percent of them really use it. It means they really eager to use Islamic credit card because believe on the significance and the sharia compliant aspect of it. But for conventional only 64% holding credit card but 60% of them willingly to use conventional credit card and the rest thinking about Islamic credit card.

Some of them still stick with conventional because of the long time period been using it approximately more than 5 years without facing any problem, easy to purchase and convenience to buy goods. One of the possible arguments in this regards can be the inability to understand the conceived risk involved in the operation of Islamic credit card which may obstruct the respondents to transfer it into Islamic mode of credit card. Some researchers even shared with respondents that Islamic bank has poor promotion and rumors says that some places such as hotel will cancel the transaction if the customers using Islamic credit card instead of conventional as they have bind each other. We will look at the reason from the outcome of likert scale. Most of respondent 66 percent wanted to use credit card because its ease

them to purchase good. It is same goes to conventional whereby 64 percent answered to purchase goods and services. The summary of both credit cards analysis generated in the Table 4.1.

**Table 4.1: Section A**

N= 200 100 100

	Frequency Islamic	Frequency conventional
<b>Gender</b>		
Male	40	36
Female	60	64
<b>Status</b>		
Married	63	58
Single	37	41
Widow/Widower	0	1
<b>Race</b>		
Malay	87	71
Chinese	4	11
Indian	0	12
Others	9	6
<b>Age</b>		
20-29	42	32
30-39	43	48
40-49	11	15
50-59	4	3
60 above	0	2
<b>Education</b>		
SPM	13	7
Diploma	24	22
Degree	39	48
Master/Phd	24	23
<b>Income (RM)</b>		
Less than 3000	30	33
3001-5000	43	43
5001-10000	17	12
10000 and above	10	12
<b>Career</b>		
Government	18	6
Semi-Government	8	3
Private	63	78
Self-Employed	4	8
Student	7	

Preference type of Credit Card	Islamic	Conventional
Islamic	99	36
Conventional	1	64
<b>Hold willingly</b>		
Yes	93	60
No	7	40

### Reliability Analysis

According to Malhotra (2004), reliability is refers to a sale produces consistent result. The closer the value to 1, the stronger the value of internal consistency, (Sekaran, 2010). Table 4.1 illustrated the strength association and alpha range.

**Table 4.2: Rule of Thumb of Cronbach’s Alpha Coefficient Size**

Alpha Coefficient Range	Strength for Association
< 0.6	Poor
0.6-0.7	Moderate
0.7- 0.8	Good
0.8-0.9	Very Good
>0.9	Excellent

Source: Sekaran (2003)

**Table 4.3: Result of reliability test**

Section	Islamic Alpha	Conventional Alpha
Perception	0.6826	0.5809
Benefits	0.7454	0.7627
Perceive risk	0.5019	0.4531
Quality and Service	0.6130	0.7018
Faith	0.6078	0.7209

**Table 4.4: Reliability Statistic**

	Based on standardized item Islamic	Based on standardized item Conventional
Alpha	0.7666	0.7393

Based on the reliability analysis in table 4.3, it can be concluded that the strength of Alpha is the benefits whereby respondents consistently agreed with the statements related to what have been offered by both parties’ conventional and Islamic. In demographic question most of people love to have credit card because want to purchase good and services. As conclusion, there is relation between the answer and reliability. Meaning most of credit card holders agreed they hold it because of the benefits given not because of status, paying bills or others (convenient and online shopping).

It indicates a poor result of perceive risk whereby both showed types of card less than 0.6. It perhaps caused of their bad or good experience while holding the card. In addition the holders maybe faced a fraud or learnt from others bad experience and assumed that credit card is risky or not really risky. Even to the certain extend, this might be because of the inability to understand the inherent risk involved in the due process of its issuance to the settlement. For the Islamic credit cards, the contract used and mechanism applied is bit complicated to understand the coherent risk nature involved by the card holder. This could justify the data generated by the present sample study.



Overall result from table 4.4 showed that, both of parties has good reliability. The reliability of the measure illustrated to which extent error free and consistency of measurement among items, (Sekaran, 2003).

### Factor Analysis

#### Islamic

##### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure Adequacy.	.568
Bartlett's Test Approx. Chi-Sphericity df	1.997 465
Sig.	.000

#### Conventional

##### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure Adequacy.	.638
Bartlett's Test Approx. Chi-Sphericity df	77.127 465
Sig.	.000

The KMO observes that the factor analysis is possible to explore as it exceeds the parameter of more than half. Therefore exclusion of variables is not possible. Hence, the Bartlett's test of sphericity is significant to make further factor analysis.

The Kaiser- Meyer Olkin (KMO) measure the spending behavior from 5 variables shows a value of 0.568 for Islamic and 0.638 for Conventional ad the Barlett's Test reach statistical significance (0.000), indicating the analysis is meritorious for both. The Rotated Component Matrix Table at the (Appendix 3) shows the presence of 11 factors for Islamic and 9 factors for Conventional with all 21 items.

### Descriptive Statistic

#### Islamic

#### Conventional

	SD	D	N	A	SA	SD	D	N	A	SA
Perception A	19	18	26	28	9	17	11	24	32	16
Perception B	24	32	19	20	5	21	25	17	23	14
Perception D	15	22	20	28	15	8	21	26	36	9
Perception F	9	8	51	24	8	7	12	51	23	7
Benefit A	2	9	23	28	28	5	5	22	50	18
Benefit B	0	3	11	38	48	2	5	13	56	24
Benefit C	4	10	14	46	26	4	2	25	49	20
Benefit D	2	0	12	52	34	4	2	24	44	26
Benefit E	2	6	31	39	22	2	9	36	35	18
Perceive A	5	23	25	38	9	2	9	37	40	12
Perceive B	8	21	38	26	7	4	20	42	28	6
Perceive C	4	7	42	35	12	2	5	40	48	5
Perceive D	2	7	22	44	25	4	3	29	49	15
Quality Service A	2	13	44	32	9	1	9	45	42	3
Quality Service B	7	12	43	28	10	3	17	39	36	5
Quality Service C	13	28	25	25	9	5	35	29	28	3
Quality Service D	2	6	42	38	12	1	7	30	53	9
Faith A	8	18	47	16	11	3	8	36	38	15
Faith B	31	21	32	11	5	8	33	25	23	11
Faith C	7	18	47	18	10	3	14	41	35	7
Faith D	2	12	51	20	15	1	9	31	49	10

In descriptive statistic each items measured different outcome in spending behavior by using five-point likert scale by range 1 means strong disagree (sd) to 5 means strongly agree . Result shows that both credit card respondents agreed that credit is common source of money 37% agreed from Islamic and 48% agreed for Conventional. Both of holders disagreed that they spent more than 30 % of credit limit to buy goods every month. While approximately half of both the credit card holders agreed to consume more and save less by using credit card. There is balance result from both holders whereby have chosen the card they hold is the best compare to another type.

Conventional holders enjoy the benefits of paying credit card after due date more than Islamic credit card since the result shows those 68% conventional holders and 56% of Islamic holders agreed with it. Half of each credit cards happy with the benefits of their card and believe it acceptable worldwide since the result is 86% respondents of Islamic and 80% agreed they can use it over the world, 72% Islamic holders and 69% conventional agreed that its useful during festival, 86% Islamic holders and 70% conventional holders believe the transaction done quickly, 61% Islamic holders and 53% conventional holders agreed the bank offer many rewards and discount. From these questions, researcher believe that most of Islamic credit card like the rewards given by Islamic bank but conventional holders like the time of the due date of payment. Hence, Islamic credit card holders just differ in the latter benefit to relaxed the time of payment.

For the perceived risk there are slight higher than Islamic card since for fraud and performance is less compared to Islamic credit card. Meaning some conventional holders had facing those problems while using credit card. For example 42% conventional holders agreed that the fraud cases threaten them to use credit card compared to Islamic credit card which is 38% agreed. But conventional believe that the bank can handle the problem since 52% agreed that the card is secured compared to Islamic 47% only. And 69% Islamic credit card agreed that they cannot pay the debt compared to Conventional holder is 45% agreed.

For quality and service conventional holders happier than Islamic credit holders since each item of question the rank conventional is higher than Islamic. For example; 62% agreed that they have been treated well by Conventional staff while facing problem compared to Islamic credit card just 50 respondents agreed.

In term of faith, it’s quite surprise due to the result shows that Islamic holders and conventional holders not holding the credit card of because of they thinking about religion since the result is only 27% agreed for Islamic and 53% agreed for Conventional. If look back at races, most of the respondents are Malay which respondents assume that they are Muslim. They believe riba is not incurred in Islamic credit card since 31% agreed and for conventional holders half of them known that it has interest since 5 respondent agreed with it. Researcher believes that this is the competitive advantage of Islamic credit card to compete with Conventional. But most of Islamic credit holders don’t believe that Islamic credit card has good reputation and best interest in their heart since only 28% and 35% agreed with those questions and 42% and 59% conventional respondents agreed with the statement.

**Friedman Test**

Islamic		Conventional	
Ranks		Ranks	
	Mean Rank		Mean Rank
MEANOFPE	2.38	MEANOFPE	2.51
MEANBEN	4.04	MEANBEN	3.26
MEANPR	3.07	MEANPR	3.85
MEANQS	2.61	MEANQS	3.02
MEANFAIT	2.90	MEANFAIT	2.38

In the Friedman test, the mean will represents variables that have been chosen highest in dimension. For example both Islamic and conventional credit holders have chosen disagree with perception of it source of money and spend more than 30 %. Especially conventional because the mean is 2.51 compared to Islamic is 2.38. It means Islamic holders spending less than conventional since they noticed that they are using Islamic card as Islam discourage bad debts and loan. Islamic credit holders agreed that the benefits of Islamic credit card are quite good and conventional holders chosen natural as the mean is 3.26. For perceived risk conventional holders believe that the card they are holding is risky since it almost to number 4 as the result is 3.85 compared to Islamic illustrated that less holders have been a victim of fraud. In term of quality conventional holders feel that the service is better than Islamic holders whereby less mean 2.61 has only. Lastly, both disagreed that they are using credit card is because of religion but what as they believe the riba has been incur in the credit card especially Conventional holders. As a conclusion, the reason they spend money by using credit card isn't related with religion but depend on benefits, risk and quality given.

Specifically, due to all the reasons shown, reflects to have lack of understanding and information among the public about Islamic credit card. Hence, there is wider scope of educating the client about the service and product of Islamic banking in general and Islamic credit card facility in particular. This can be achieved only, if the Islamic banking system courses are also included into the primary and secondary school level.

### **Limitations and future directions of research:**

Though this study establishes to provision some of the earlier findings in the literature, but it has got some limitations of its own. First, the data for this study were collected from only one city called Klang Valley that is overwhelmingly led by Malay majority consumers, obstructing to generalize the findings to other geographical areas. Furthermore, the determinants factors explaining the consumer credit spending are also beyond the scope of this research. This constraint might make available a chance for devolving into further research. Forthcoming studies should reflect to encompass the inclusive nature of longitudinal research, as it can be used to measure the change in standards comparison over time. Next, future research ought to scrutinize the role of persuading factors in consumer behavior towards the credit spending.

### **Conclusion**

With the extensive growth of Islamic banking in the Malaysian region as an alternative to the conventional banking, the consumer has wide open option to choose for availing micro credit through credit card. Credit card seen to exhorts the consumer behavior towards excessive purchasing or compulsive buying. Islamic credit cards being recently introduce and marketed seen to gear a competitive advantage over the conventional credit card Nuradli et al: (2010). Hence, this study provided the fresh empirical result to show the effect of Islamic credit card to the consumer spending on both the credit card holder. It was found that most consumers are ready to shift to the Islamic credit card, with exception of few is that they believe in conventional because of their long lasting experience and better equipped to have proper channel of security management and its operation.

The Study further deepen to analyze that perception of both credit card holders seems to favor that credit is common source of money and they spend more than 30% of credit limit per month towards consumption needs. Whereas the exception found is that Islamic credit holders spend less than the conventional credit holders in the short run since they acknowledge the abhor of excessive debt obligation in the Islamic teaching. Hence, users tend to discourage bad debts and over loan obligation towards them. Islamic credit holders agreed that the benefits of Islamic credit card are quite good and conventional holders. The conventional holders assume the perceived risk of fraud through the hacking or any fault through the online payment mechanism far more than Islamic credit card management system. In term of delivering quality services, conventional holders outreach to show preference over Islamic holders. Lastly, Religious factor seems to be significantly absent that could affect the decision of the consumers towards

selecting the credit card. Hence, the reason they spend money by using credit card isn't related with religion but depend on benefits, risk and quality given

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