

**EXAMINING THE FACTORS THAT INFLUENCE CUSTOMERS' DECISION  
TO CHOOSE ISLAMIC HIRE PURCHASE FACILITY: A STUDY OF MUSLIM  
CUSTOMERS IN KEDAH**

By

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## **ABSTRACT**

### **EXAMINING THE FACTORS THAT INFLUENCE CUSTOMERS' DECISION TO CHOOSE ISLAMIC HIRE PURCHASE FACILITY: A STUDY OF MUSLIM CUSTOMERS IN KEDAH**

Islamic hire purchase (IHP) facility is widely used by Islamic banks for car financing in Malaysia. Thus, this research was carried out to determine the factors that influence the customers' decision to choose Islamic hire purchase facility in Kedah. A total of 105 customers on Islamic hire purchase in Kedah was selected as respondents of the survey questionnaire which was randomly distributed. The obtained data were analyzed using T-test, ANOVA, Pearson Correlation and Multiple Regressions. The finding shows that religious obligation, awareness, tenure and age significantly influence the customers' choice for Islamic hire purchase. Since choosing Islamic hire purchase rests largely on these factors, Islamic banks must emphasis on religious values such as ethics and manners which are friendlier towards the customers. Islamic banks should expand their target market and increase the quality of performance through Islamic values in Islamic banking. Last but not least, Islamic banks need to transparent and disclose all information to their customers to avoid misconception about Islamic hire purchase.

**Keywords:** Islamic hire purchase, religious obligation, awareness, tenure, Islamic bank, Factor of Choosing Product.

## **ABSTRAK**

### **MENILAI FAKTOR YANG MEMPENGARUHI PELANGGAN MEMILIH PRODUK SEWA BELI KENDERAAN SECARA ISLAM: KAJIAN TERHADAP PELANGGAN MUSLIM DI KEDAH**

Produk sewa beli kenderaan secara Islam atau Islamic hire purchase (IHP) digunakan secara meluas oleh bank-bank Islam bagi pembiayaan kenderaan di Malaysia. Oleh yang demikian, kajian ini telah dijalankan untuk menilai faktor-faktor yang mempengaruhi pelanggan dalam memilih produk IHP di Kedah. Seramai 105 pelanggan di Kedah telah dipilih sebagai responden melalui soal selidik yang telah diedarkan secara rawak kepada pelanggan yang menggunakan produk pembiayaan ini. Data dikumpul dan dianalisis dengan menggunakan Ujian T, ANOVA, Korelasi Pearson dan regresi berbilang. Dapatan kajian menunjukkan bahawa kewajipan memenuhi tuntutan agama, kesedaran, tempoh pembiayaan dan umur memberi pengaruh yang paling kuat dalam pemilihan produk sewa beli kenderaan secara Islam. Disebabkan oleh faktor memilih sewa beli kenderaan secara Islam banyak bergantung kepada faktor-faktor yang telah dinyatakan, bank-bank Islam perlu memberi penekanan kepada nilai-nilai agama seperti etika dan adab yang mesra terhadap pelanggan. Di samping itu, institusi-institusi perbankan Islam perlu memperluaskan pasaran mereka dan meningkatkan kualiti prestasi berdasarkan nilai-nilai perbankan Islam. Selain itu, bank-bank Islam juga perlu telus dan mendedahkan semua maklumat berkaitan kepada pelanggan untuk mengelakkan salah faham tentang pembiayaan ini.

**Kata Kunci:** Sewa beli kenderaan secara Islam, kewajipan memenuhi tuntutan agama, kesedaran, tempoh pembiayaan, institusi perbankan Islam, faktor pemilihan produk.

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*In the name of Allah, the Most Gracious and Most Merciful. Praise to Allah S.W.T. The Creator and Guardian of the universe. Praise and peace be upon Prophet Muhammad S.A.W, the last messenger of Allah, his family and his companions, from whom we gain the enlightenment.*

“Alhamdulillah!!”

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## LIST OF ABBREVIATIONS

AITAB	<i>al-Ijarah Thumma al-Bay</i>
ANOVA	Analysis of Variance
APA	Asset Purchase Agreement
Ag	Age
AW	Awareness
AWYD	<i>al Wadi'ah Yad Dhamanah</i>
BBA	<i>Bay Bithamani Ajil</i>
BNM	Bank Negara Malaysia
CHIP	Choosing Islamic hire purchase
DV	Dependent Variable
DF	Demographic Factors
IBBM	Institusi Bank-Bank Malaysia
Ind	Individual Income
IHP	Islamic Hire Purchase
IMB	<i>Ijarah Muntahia Bitamleek</i>
IRB	Islamic Retail Banking
IV	Independent Variable
ISRA	International Sharia Research Academy
KMO	Kaiser-Meyer-Olkin
MHP	<i>Muamalat</i> Hire Purchase
MHPB	<i>Muamalat</i> Hire Purchase Bill
PFK	PETRONAS Fertilizer Kedah
PP	Pricing of Product

RM	Ringgit Malaysia
RO	Religious Obligation
SAC	Sharia Advisory Council
SI	Social Influence
SPA	Sale Purchase Agreement
SPM	Sijil Pelajaran Malaysia
SPSS	Statistical Package for Social Science
STPM	Sijil Tinggi Pelajaran Malaysia
TAIB	Tabung Amanah Islam Brunei
Ten	Tenure
TRA	Theory Reasoned Action
UUM	Universiti Utara Malaysia

## CHAPTER 1 INTRODUCTION

### 1.1 Background of the Study

Islamic Banking is a financial concept which complies fully with Islamic “*Sharia*” Law and has creative and progressive financial that offers efficient product and services (Owen, 2001). The main principle that lies behind Islamic banking is the principle of profit and loss sharing. Islamic banks are financial institutions that avoid the element of *gharar*, *maisir* and *riba*. As stated in surah al-Baqarah verse 275:

و احل الله البيع و حرم الربا

*“And Allah has permitted trading, and prohibited riba”*

In contrast with Islamic banks, conventional banks are based on debt-creditor relationship and interest reflecting the opportunity cost of money. In Malaysia, Islamic banks are competing in the same market segment with conventional and foreign banks in terms of offering complementary products and services (Nasser and Montinho, 1997). The most common product which has been designed to meet consumer demand is *al-Ijarah* (leasing), *al- Musharakah* (partnership), *al-Bay Bithamanil Ajil* (BBA), *Al- Ijarah Thumma al-Bay’* (AITAB). *Al- Ijarah Thumma al-Bay’* or Islamic Hire-Purchase (IHP) is the earliest product that has been initiated by Islamic banks in Malaysia.

According to Jalil (2008) IHP concept was developed only a few decades ago as compared to the conventional hire purchase contract which has been practiced for the last two centuries in Europe and other countries. However, IHP is become one of the most popular product used by Islamic banks in Malaysia for car financing in increasing the sales of Islamic financing products in addition to their efforts to evaluate the customers base (Yusoff et al., 2013). The aim of using IHP is to meet demand for Muslim customers as well as minimizing the risk in financing motor vehicle. It creates a dedicated demand by clients and the product popularity is increasingly spreading throughout Malaysia (Abdullah and Dusuki, 2006).

In Islamic perspective, al-Zuhayli (2007) explained IHP as paying an agreed sum of rental after owning the benefit of certain assets for a specific period of time, with an agreement that the owner will transfer the rented asset to the hirer at the end of the agreed period or during the period, provided all rental payments or instalments that have been made in entirety. Like any other contract, IHP also has to fulfil all conditions of a valid contract stipulated by *Sharia*. The contract should be executed by mutual agreement. Responsibilities and benefits of both parties should be clearly mentioned in order to avoid *gharar*.

In practice, IHP involves both a sale contract and a lease contract in one transaction alongside with mark-up price sale (*Murabahah*) and deferred payment sale (BBA), IHP can be used to finance a wide range of assets.

Even though, it is estimated to be controversial from customers' perception towards IHP facility in Malaysia. This is being widely practiced by Islamic banks in Malaysia due to the requirement enacted by Hire-Purchase Act 1967. Most *Sharia* scholars allow this transaction with the condition that the parties understand the nature of the IHP contract, which is a sale and lease contract and signed under AITAB agreement (El-Din and Abdullah, 2007).

Generally, there are several comparative features between Islamic hire purchase and conventional hire purchase from *Sharia* as well as from a practical perspective. According to El-Din and Abdullah (2007), the main difference between Islamic hire purchase transaction and conventional hire purchase is the contract. In terms of the contractual relationship, IHP is perceived as a financing instrument wherein a relationship of seller and purchaser is executed between the bank as the seller and the customer as the buyer. On the other hand, conventional hire purchase is regarded as an ordinary type of loan wherein there is a debtor-creditor relationship between the customer and the bank.

The documents used for IHP and conventional hire purchase contracts also differ. The customers under Islamic hire purchase are required to sign two types of agreements: a sale purchase agreement (*'aqad bai'*) and a hiring agreement (*aqad al- ijarah*). The purchase price is calculated by adding to the cost price and agreed upon "mark-up" price base on *Murabahah* principle. Thus, profit was determined based on market value at the time of agreement. In contrast, the conventional hire purchase requires the customers to

sign a standard agreement as specified by Hire-Purchase Act 1967 and the purchase price of goods is determined by adjusting its cost price with the prevailing interest rate which is floating based on the annual rate (El-Din and Abdullah, 2007).

In terms of contractual responsibility, the owner is responsible in bearing the basic and structural maintenance of the commodity in Islamic hire purchase transaction while the hirer is in charge to operationalize and maintain the goods since he constantly uses it. In conventional hire purchase, the hirer bears all the costs and responsibility of maintenance.

Regarding the imposition of penalty fee for late payment, Islamic hire purchase scheme generally impose a penalty (*ta'widh*) charge of only 1%. Some Islamic banks do not even impose this penalty to attract potential customers. In conventional hire purchase, however, the penalty charged is normally 8% per annum if the customers fail to pay on time or default. Lastly, in terms of insurance coverage, Islamic hire purchase requires customers to use Islamic Takaful as an insurance exposure. Meanwhile, the conventional customers need to choose the conventional insurance policy (El-Din and Abdullah, 2007).

## **1.2 Problem Statement**

Generally, Islamic hire-purchase is a unique contract that involves a combination of leasing (*ijarah*) and sale at different stages of the transaction. The main reason behind *ijarah* contract becoming one of the famous modes of financing is the fact that only few people can afford to buy a house or land on a cash basis. According to Abdullah and



Dusuki (2006), product innovation is a main key in sustaining the competitive advantage in the development of Islamic finance and banking. In fact, securing competitiveness has increased the demands for more resilient and robust Islamic banking product as the pace of liberalization and globalization accelerates. Thus, IHP is the modern innovative product which is designed to meet customers' need and at the same time secure long-term competitiveness in the financial marketplace (Abdullah and Dusuki, 2006). However, there are several issues with regard to customers' perception towards Islamic hire purchase facility.

First and foremost, in pricing of product, the customers are unsatisfied with IHP because they perceived that the products are more expensive as compared to conventional hire purchase (Abdullah and Dusuki, 2006). However, Amin (2009) proved otherwise when most of the respondents in Labuan are satisfied with Islamic hire purchase's price and perceived it to be affordable. Furthermore, Yusoff et al. (2013) also support the above statement where the customers are gratified with the Islamic hire purchase facility in Shah Alam.

This issue can be explained when the price increase, the demand for facility would decrease, as customers purchasing power will fall. In addition, these circumstances would also affect the Islamic banking industry. The bank would face losses due to fall in demand and would not be able to retain the customer in the long-run. It would due to the first impression of the customers take a look at the issue of price.

The second issue is that previous studies on customers' perception on IHP were mostly done in high income states in Malaysia such as Selangor and Labuan. Based on the 2012 report on the annual growth rate of monthly household income and household per capita income by state, Selangor ranks first by having the highest household income of RM7,023 per month while its amount for household per capita income RM1,986. On the other hand, Labuan is the fourth recording household income of RM6,317 per month and household per capita income of RM1,702.

No research on customers' perception towards pricing issue of IHP has been done yet in the poor states such as Kedah. In fact, Kedah ranks second to the bottom in terms of household income per month. It records household income of only RM3,425 per month while the amount for household per capita income is RM945 (Department of Statistic Malaysia, 2012). Thus, we would like to investigate whether Muslim customers in Kedah consider price in choosing Islamic hire purchase facility.

The third issue is regarding the lack of religious awareness among Muslim customers. According to Haron et al. (1994), 63% of the Muslim can understand the differences of Islamic Bank and conventional Bank, while only 39% of Muslims believe that religious obligation is the only reason why people support Islamic banks. This means that the remaining 61% of Muslims select Islamic banks not because of the religious obligation. The result also showed that more than half of respondents would establish a relationship with Islamic banks if they have a complete understanding of the Islamic banking operation.

The fourth issue is about the customer's attitude towards Islamic hire purchase facility. Abdullah and Dusuki (2006) found that many customers do not really understand the basic differences between IHP and conventional hire purchase product in terms of the operations, documentation and legal prescriptions. This study indicated that customers assume that IHP is used merely as a means of avoiding the prohibition of *riba* and criticize IHP to be just another way of imposing interest through a back door, although its Arabic name sounds more 'Islamic'. Therefore, it showed that the customers do not seem to appreciate the distinction of Islamic hire purchase as a *Sharia* compliant product and in what way it would be provide them with a better scheme and prospect (Abdullah and Dusuki, 2006).

This survey was carried out in small towns with predominantly Muslim populations in Kedah and Perlis in 1994 (Haron et al., 1994). Having said that the previous was conducted nine years ago, we intended to observe again the religious awareness of customers in Kedah for this study. From this point of view, we are concerned on how Islamic hire purchase product can be developed to be more outstanding and acceptable for customers. Therefore, this study attempts to examine the factors that influence the customers' decision to choose IHP. These factors include demographic, religious obligation, social influence, pricing and customers' awareness about IHP.

### **1.3 Research Question**

Based on the discussion above, research has been conducted with the aim to address and analyze the following questions:

- i. Are there differences between gender, marital status, races, age, education, occupation, individual income and Muslims customers' decision to choose IHP Kedah?
- ii. Are there correlations between the customers' decision to choose IHP and factors such as religious obligation, pricing of product, social influence, and awareness?
- iii. What are the most significant factors that influence the customers' decision to choose IHP in Kedah?

### **1.4 Research Objective**

The general objective of this study is to investigate the factors that influence the customers in choosing Islamic hire purchase facility. Specifically, it aims to:

- i. To investigate the effect of demographic factors such as gender, marital status, races, age, education, occupation, and individual income on customers' decision to choose IHP in Kedah.

- ii. To examine the correlation between choosing IHP among Muslim customers with religious obligation, pricing of product, social influence and awareness.
- iii. To determine the most significant factors that influence the customers' decision in choosing Islamic hire purchase facility.

### **1.5 Scope of the Study**

The study aims to investigate the factors that influence the customers' decision to choose IHP facility. It involves the Muslim respondents who have an experience towards IHP facility in the purchase of motor vehicle. The reason of choosing Muslims as respondents in this study is due to the previous research conducted by Yusoff et al. (2013) where it was found that most of the respondents were Muslims. Due to this, we choosed Muslims' customers since majority of residents in Kedah are Muslim. In addition, as a Muslim, it is compulsory to engage in Islamic product rather than conventional product. This research was conducted in Kedah. We used a quantitative research method using questionnaires which were distributed among IHP customers.

### **1.6 Significance of the Study**

The study is important for several reasons. It provided a guideline to the bank itself in order to know what are the factors that influence the customers' decision to choose IHP. This study will benefit several people who are involved in IHP whether direct or indirectly.

The study is also significant for the bank itself by identifying the level of customers' acceptance towards Islamic Hire Purchase product based on the accurate information provided. It is important to the bank to give a better explanation regarding the IHP products and services being offered so that it can create a sense of trustworthiness between customer and bank. This study can also help in restructuring their Islamic automobile financing scheme by adjusting types of payment, regulate the mark-up price, and gifts to reflect individual differences.

It also suggests a new study related to Islamic automobile financing, which is not the subject of the previous studies. Besides, it also helps the academic institution such as university by providing more literature and giving adequate information to students so that they can implement further research regarding the above issue in order to come out with better solutions. From this research, it can create an awareness and understanding towards the customers regarding the Islamic hire purchase products so that they can obtain much knowledge from it. Therefore, customers can also distinguish the differences between the Islamic and conventional hire purchase product and create an option for themselves to choose the best financing from these banking institutions.

## **1.7 Organization of the Study**

This study consists of five chapters. Chapter 1 provides an introduction to the topic to be studied, problem statement, research questions, objective of the study, scope of the study and significance of the study. Chapter 2 offers a review of the previous research which is related to this study. The review includes the discussion of the overview Islamic hire

purchase and Theory of Reasoned Action (TRA). Besides, this chapter also deliberates all of the factors that might influence the customers' choice towards Islamic hire purchase product such as demographic factors, religious obligation, pricing of the product, social influence and awareness.

Chapter 3 discusses the research methodology that was applied in this study. It includes the research framework, hypothesis development, research design, questionnaire design, and data collection method. Further, this chapter also presents the sampling design, data administrative and analysis technique. Chapter 4 is devoted to the research findings of the study. This chapter explains in detail the pilot study, reliability test, normality test demographic characteristic of the respondents and information on Islamic hire purchase financing. The data in this chapter have been tested using T-test, one way ANOVA, Pearson correlation, multiple regressions and the results were discussed accordingly. Chapter 5 recapitulates the findings of the study followed by the discussion. This chapter also mentions the implication and limitations of the present study. It then recommends areas for future research as well as the conclusion.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter includes a review of the relevant article related to the application of Theory of Reasoned Action, Islamic hire purchase facility, demographic factors, and religious obligation, pricing of product, social influence, and awareness. This section also summarizes the article review in a table. This chapter has three sections which are an overview of Islamic and conventional hire purchase, Theory Reasoned Action and review of factors in choosing IHP. In the review of choosing factors, this section discusses the past research which is related to the independent variables. Lastly, we came up the conclusion which is correlated to this chapter.

#### **2.2 Conventional Hire Purchase**

Conventional hire purchase agreement which is based on the English hire purchase law. Section 2(1) of Hire-Purchase Act 1967 provides a definition of the hire purchase agreement which consists of two parts. The first part of the definition states, “Hire purchase agreement is a letting of goods with an option to purchase” and the second part states, “Hire purchase is an agreement for the purchase of goods by instalments (Hire Purchase Act, 1968).



In Malaysia, The legislation governing hire purchase transactions is the Hire Purchase Act 1967, which came into force on 11 April 1968 after conventional hire purchase became popular in the acquisition of expensive consumer goods such as cars, business equipment and industrial machinery. Purchasing cars is the most common type of hire purchase agreement in Malaysia and the repayment could serve up to 9 years from the date of agreement been executed (Jalil, 2013).

There are two types of car loans currently offered in Malaysia: variable rate and fixed rate car loans. Fixed rate car loans are the most common type in the market, where there are no fluctuations in interest during the loan tenure. The variable rate car loan is linked to a current account, whereby the funds deposited in your current account will reduce your payment of interest (IBBM, 2008).

In cases where a buyer cannot afford to pay, the asked price for an item of property as a lump sum but can afford to pay a percentage as a deposit, a hire-purchase contract allows the buyer to hire the goods for a monthly rent. When a sum equal to the original full price plus interest has been paid in equal instalments, the buyer may then exercise an option to buy the goods at a predetermined price (usually a nominal sum) or return the goods to the owner. If the buyer defaults in paying the instalments, the owner may repossess the goods, a vendor protection not available with unsecured-consumer-credit systems. These contracts are most commonly used for items such as cars and high value electrical goods where the purchasers are unable to pay for the goods directly especially in conventional banks (Jalil, 2013).

However, the application of conventional hire purchase is clearly non *Sharia* compliant due to the hiring charge and late payment interest which is involved the element of *riba* and *gharar* (Jalil, 2013). Therefore, IHP facility has been come up as one of the outstanding product to protect and prevent from those element which were violated *Sharia* principle.

### **2.3 Islamic Hire Purchase (IHP)**

Literally, Islamic hire purchase or *Al-Ijarah Thumma Al-Bai'* (AITAB) or *Ijarah Muntahia Bittamleek* (IMB) means to lease, hire, or rent ending with purchase (Khir et al., 2011). Jalil (2013) has given simplest explanation about AITAB which is 'hire goods and then purchase'. ISRA (2011) have defined AITAB or Islamic Hire Purchase is an Islamic vehicle financing feature, which is based on two combination of Shari'ah concepts, *Ijarah* (leasing) and *bay'* (sale). IHP included two transactions in one *aqd'*. *Ijarah* (leasing contract) and *al-Bai'* (sale contract) are combined into one contract which is an alternative to conventional hire purchase.

Al-Zuhaily (2007) clarified if the transaction comprised of two contracts at the same time on the same subject matter like leasing and selling is not allowed by the *Sharia*. However, al-Zuhaily (2007) mentioned some other types of hire-purchase which are allowed. He also did not elaborate on the positions of the parties in the case of dispute. Therefore, SAC was referred to on the issue as to whether the application of IHP in the aforesaid vehicle financing is allowed by the *Sharia* with condition; first, the *modus operandi* of IHP shall consist of two independent contracts namely *ijarah* contract and *al-bai'*

contract. Second, the sale price upon expiry of the lease period may be equivalent to the last rental amount of *ijarah* and third, the agency letter to appoint the customer as an agent for the Islamic financial institution shall be introduced in the modus operandi of IHP.

Followed by the forth condition where the agreement shall include a clause that specifies “will purchase the vehicle” at the end of the lease period as well as a clause on early redemption by the lessee. Fifth, the deposit paid to the vehicle dealer does not form a sale contract since it is deemed as a deposit that has to be paid by the Islamic financial institution. Sixth, the Islamic financial institution as the owner of the asset shall bear all reasonable risks relating to the ownership which is in line with the principles of *ijarah*, and lastly, the lessee shall firstly terminate the existing IHP contract before entering into a new AITAB agreement for cases relating to refinancing with a new financier.

Almost all of the Islamic banks in Malaysia are using IHP for buying motor vehicles. In Maybank, CIMB Bank, Bank Rakyat (Hire Purchase-i), Hong Leong Islamic, and Affin Bank Berhad provides *al-Ijarah Thumma al-Bai'* with margin financing with the maximum of 90% and tenure up to 9 years. However, Bank Muamalat offer *Muamalat Hire Purchase (MHP-i)*, the financing scheme based on *al-Ijarah Thumma al- Bai'* with a margin financing to the maximum of 85% and tenure up to 7 years. Kuwait Finance House also provides the same scheme with 90% of the purchase price for national models and new models and 80% of the purchase price for the unregistered models with tenure for 9 years (Shiyuti et al., 2012).

Besides, Abdullah & Dusuki (2012) have explained the mechanism of AITAB financing in Malaysia. First, the client for AITAB financing usually identifies a car dealer and selects the car that he needs. Second, the customer approach the bank for the car financing and make an agreement to purchase the car after the bank has purchased the car from the car dealer.

Third, the bank purchases the car from the dealer, and hence retains ownership of the car while the car is leased to the client for a specified period of time and the bank and the customers will enter the *ijarah* or lease agreement upon having the ownership of the vehicle. Lastly, in the end of leasing tenure, both will enter a second contract in which the car will be sold to the same client at agreed price (ISRA, 2011; El-Din & Abdullah, 2007). AITAB has no specific law and its application is based on the conventional Hire Purchase Act 1967. As Abdullah and Dusuki (2006) noted that conventional and Islamic hire purchase are not significantly different. However, Ayub (2007) has documented that Islamic finance experts believe *Ijarah* has endless potential as an alternative to interest based financing in respect of evolving a *Sharia* complaint financial system.

However, IHP facility is unfortunately lacking in an explicit *Sharia* regulatory framework. Any dispute arising from the transaction of Islamic hire purchase will be referred to the conventional regulations as there is no written *Sharia* law that specifically regulates the operation of Islamic hire purchase (Jalil, 2013). Therefore, *Muamalah* (Islamic) Hire Purchase Bill (MHPB) was prepared since 1991 by some prominent Islamic scholars who were members of the *Sharia* supervisory council of Bank Islam

Malaysia Berhad (BIMB). The Bill was submitted to the Ministry of Domestic Trade and Consumer Affairs in 1991 and then to the Central Bank of Malaysia for review. The Bill was also submitted to the Attorney General's Chamber in 2000 and it was examined by the *sharia* experts in the Islamic Division of the Prime Minister's Department. The Malaysian government was in favour of the Bill but it could not be passed as a law for some reasons, for example, the government was not sure whether to come up with a separate and new *Muamalah* (Islamic) Hire Purchase Law or to incorporate Islamic hire purchase law principles into the existing Hire Purchase Act 1967 (Jalil, 2013).

Even the MHPB are still in proceeding, this initiative will provide the solutions to disclose the *gharar* element in the contract in accordance with the arrangements and preference of the customers. As a result, the MHPB will create an outstanding opportunities for customers to choose IHP as their main selection criterion. MHPB is important for the Muslims to conduct their business transactions with a peace of mind as these transactions do not impose interest (*riba*) on the hirer, in which case, the Muslims can comply with the *sharia* principles by renting the required goods under the Islamic hire purchase facility (Jalil, 2013). Furthermore, IHP will gain the popularity and continuously expanded partly due to the high demand of customers because only few people can afford to buy a house, land or vehicle on a cash basis (Seif and Irwani, 2007). Therefore, those mentioned factors would bring a very strong influence the customers' decision to choose IHP facility among customers.

## **2.4 Theory of Reasoned Action in Choosing IHP**

The theory of reasoned action was introduced by Fishbein and Ajzen (1975) in an attempt to find a relationship between behaviour, belief, intentions and attitudes. This theory has been applied to a wide variety of research fields including management, marketing, and banking such as the research conducted by Taib et al. (2008) and Amin et al. (2011) and others.

There are two factors that are needed to determine the contribution of the behavioural intention. These are the attitude towards the behaviour and subjective norm. It is necessary to look into the belief that individual holds about themselves and their environment in order to gain deeper understanding of the factors influencing behaviour. Thus, beliefs are observing as underlying a person's attitude and subjective norm and eventually verify the intention and behaviour.

Originally, the attitude has been defined as an index of the degree to which a person likes or dislikes an object and person's attitude towards behaviour. It is determined by the set of salient beliefs he holds about performing the behaviour (Fishbein and Ajzen, 1975). There are four steps that have been suggested by Fishbein and Ajzen (1975) in order to predict the attitude from beliefs Firstly, it is needed to elicit a subject's salient belief. Secondly, it is needed to measure how a subject evaluates the outcome of each salient belief.

Thirdly, the belief strength is required to be measured by asking a subject to indicate the likelihood that performing a behaviour will result in a given an outcome. Finally, to get the outcome, the product of each outcome evaluation is multiplied by the corresponding beliefs strength to predict a subject's attitude. Meanwhile, subjective norm is defined as a person's perception that most people who are important to him/her should or should not perform the behaviour and his/her motivation to comply with the specific reference. Besides, subjective norm is a function of normative beliefs (Fishbein and Ajzen, 1980).

The previous study by Taib et al. (2008) used TRA and applied this relationship in different context to determine the customer's perception towards *Musharakah Mutanaqisah* home financing in Malaysia. After a year, Amin (2009) proposed the determinants of intention to be used to measure intention for Islamic personal financing. This study excludes "actual behaviour" and the other two original external constructs of TRA as this study is more interested in examining the behavioural intention. The researchers added two additional moderating variables relevant to Malaysian setting namely, "religious obligation", "government support", and "pricing of Islamic personal financing". Regarding the awareness, there is a relationship between this factor and TRA theory. It can be found in a previous research that was conducted by Tlou (2009) on TRA and planned behaviour where the awareness values would give effect towards a behaviour of a person.

As a conclusion, we use Theory of Reasoned Action and modified version of TRA in our study. The study analysed five main variables such as demographic factors, religious

obligation, pricing of products, social influence and awareness which are paralleled to the TRA.

## **2.5 Factors Influencing Customers' decision on IHP**

This section review literature on factors that influence customers' decision to choose IHP. These factors are includes demographic factors, the religious obligation, pricing of product, social influence and awareness among customers. According to previous studies, those variables showed positive and negative relationship in choosing Islamic banks as well as the Islamic hire purchase product among the customers. In this section, we explain the importance of those independent variables towards Islamic hire purchase product.

### **2.5.1 Demographic Factors**

According to Siegal (2002), a demographic factor is a relatively mechanical production of demographic data on current basis that are used to serve the marketing needs of business and the resulting data. The type of basic data usually included in the packages of called demographic factors are total population, age, household income and such on. There are several studies which are related with selected customers' demographic factors (age, education level, occupation and monthly level) regarding the customers' perception towards Islamic banking product.



Khattak and Rehman (2010) argued that the awareness of the Islamic banking product in Pakistan varied among different age group people. Most of the customers are between the ages 21 to 40 years old. On the other hand, in a study conducted in Bangladesh, Khan et al. (2008) found that the majority of the customers who used Islamic banking services are between 25 to 35 years old. The researchers assumed the high concentration to these group ages because of the relatively short history of Islamic banking in Bangladesh which started in 1983. However in Borneo, a study was conducted by Amin (2009) proved that age and awareness factors are not significant among customers towards Islamic automobile financing.

In another research, Loo (2010) showed that as compared to non-Muslim X Generation, *Baby Boomers* perceived the Islamic banking has significant disadvantage in terms of their perception towards Islamic banks product. In contrast, the study conducted by Haque et al. (2009) proved that age does not have significant relationship among Malaysian customers. Furthermore, X Generation is significantly more willing to do business with Islamic banks than Baby Boomers. However, other researchers showed the negative relationship where there is no significant relationship with awareness and age (Haque et al., 2009).

In term of education level, Khattak and Rehman (2010) found that there is significant relationship between the academic qualification and the awareness of the Islamic product. Their study showed that most of the respondents have high education background in Pakistan. Instead of that, Khan et al. (2001) clarified that the respondent in their study

possessed high level education. Only 17% of the respondents are below high school level. Thus, the finding shows that Islamic bank customers in Pakistan have high formal education.

In Malaysia, customers with higher education have a significant different level of understanding of Islamic banks (Run and Yeo, n.d). The study showed that there is no significant relationship between levels of education and an overall customer's perception towards Islamic bank. Thier findings has been supported by Haque et al. (2009) where the customers which are in different education level in Malaysia did not have too many differences perception towards Islamic bank.

Furthermore, the study conducted by Khattak and Rehman (2010) indicated that occupation and reasons of dealing with Islamic banking showed positive significant relationship. Besides, Khan et al. (2008) proved that most of the Islamic banks' users are executive and professional in the private and public sector. Meanwhile in Malaysia, the researchers revealed that there is no significant relationship between customers' occupation with the perception towards Islamic bank (Haque et al., 2009). It explained that customers' occupation influence the awareness and usage of Islamic banking products and services but it does not changed the customers' view towards Islamic banks. According to the result, customers from the government sector have a significant different level of understanding of Islamic financing. In contrast, Amin (2007) argued that occupation has no significant relationship with awareness and usage.

Regarding monthly income, Khan et al. (2008) concluded that most of the Islamic banks' customers fall in high income category consist of mid-level executive and the professionals both in private and government sectors. Khattak and Rehman (2010) explained that most of the Islamic bank customers possessed middle income level. Besides, the perception or reason behind dealing with Islamic banking varied among the different income group people as there is significant difference in almost all reasons accepted services charges and confidentiality.

According to Run and Yeo (n.d), the customers who earned the monthly income between RM3,000 to RM3,999 have a significantly different level of understanding of Islamic Finance. However, the customers' perception towards the Islamic banks is not affected by the monthly income (Haque et al., 2009). On the other hand, Amin (2007) argued that income are affected the awareness and usage of Islamic financing in Borneo.

It can be summarized that the previous study in Malaysia showed most of the selected demographic factors are not significant and showed negative relationship in age, education level and occupation respectively. On the other hand, the studies from other countries showed a positive result and significantly proved those selected demographic influence the customers perception towards Islamic banks. Therefore, Islamic banks in Malaysia are suppose to create the marketing strategy in attracting the potential customers by providing outstanding schemes and best service quality according to the customers' demographic profile. Such a technique ensures attracting people to use

products and services offered by Islamic banks and retains people who are likely to remain long term loyal customers.

### **2.5.2 Religious Obligation**

Amin et al. (2011) defined religious obligation as the role of religion in affecting one's activities. The obligation is originated from the role of *Sharia* which guides the human action that includes every aspect of human life and hence, blesses and gives religious significance to activities that may ordinarily appear (Iqbal and Mirakhor, 2007). One of the factors in complying with the *Sharia* rules for the preservation of the community is the behaviour of the individual being constrained by the duty of adherence to the binding norms of the socioeconomic order (Iqbal and Mirakhor, 2007).

It shows that religious factor is the main reason of why customers choose Islamic banks. Metawa and Almosawi (1998) found that religious obligation is the important factor in determining the attitudes of Muslim towards Islamic banking services followed by traditional service and convenience factor. According to Gait (2008), religious factor is becoming the main determinant of the use of Islamic financial services rather than bank reputation, service quality and pricing.

Loo (2010) explored the difference in attitude and perception towards Islamic Banking between Muslim and non-Muslim in Malaysia. This research indicated that 85% of Muslim believed that the preferences of Islamic banks in Malaysia is based on the religious obligation. Meanwhile, only 2% of non-Muslim had disagreed about the

mentioned issue. The research had suggested that profitable products and services are the main marketing strategy in attracting non-Muslim customers to choose Islamic bank as their main selection.

The result of the survey conducted among AITAB customers by Yusoff et al. (2013) showed that majority of the respondents choose “Religious Obligation” as the factor that influenced them to choose AITAB in Shah Alam. It is because Shah Alam is a modern city with a unique identity of “Malay City” and it also showed that 92.1% of the respondents who fill the questionnaire were Muslim. The researcher also compared the previous studies by Amin et al. (2011) when the sample of the study were customers in the city of Labuan, East Malaysia which has many non-Muslims.

However, there are several research which showed that religious obligation is not the main factor in influencing the customers to choose Islamic Bank service. Haron et al. (1994) carried out the survey in a small town with a Muslim dominant population in Kedah and Perlis. The result shows that 63% of the Muslim can understand the differences of Islamic bank and conventional bank, while only 39% of Muslims believe that religious obligation is the only reason why people choose the Islamic bank. This means that the remaining 61% of Muslim who preferred Islamic banks not because of religious obligation. Besides, this result also had been supported by Amin (2011) whereby he found out that religious obligation and government support do not encourage customers to use Islamic banks. It is because the intention of the community to use Islamic financial services is influenced by attitude, social influence, and pricing of

Islamic banks. In another research, Selamat and Kadir (2012) showed that religious motivation is not the main criteria in bank selection decision but the customers more favour the confidentiality of the bank, bank reputation, image, and efficient service as their main selection criteria. Therefore, Amin et al. (2011), Abdullah and Dusuki (2006) and Selamat and Kadir (2012) had suggested that Islamic Banks should focus more on the provision of quality and not to rely too much on the religious factor as a main strategy in attracting the customers.

In conclusion, religious factors became as important factors in selection of the bank or a product. This is because, the religious factors could also make the community more aware of the surrounding circumstances and can make a better decision making whether to continue the previous transaction which is accordance with *Sharia* law or shift to the transaction which is parallel with the Islamic principle. At the same time, the Islamic bank also should emphasize the element of product and service quality as well as the transparency of the transaction so that it can have competitive advantage over conventional banks. This will give a good assumption particularly among the non-Muslim customers where Islam is a religious that is modest and perfect.

### **2.5.3 Pricing of Product**

Price is defined as “the value that one has to put on the utility that one receives for goods and services” (Diamantopoulos, 2006). Besides, according to Ebert and Griffin (1998) under research had conducted by Amin et al. (2011) indicated that the pricing of an Islamic product refers to the act of an Islamic bank in selecting the most appropriate price

to sell the financing product and striking a balance between the bank and the customers' profit.

There is still a limited study regarding the issue whether Islamic Banking products are more expensive or cheaper (Amin, 2010). Initially, pricing purchase factors are related to the cost of the service and products offered by the bank that are perceived by the customers (Abdullah and Dusuki, 2006). According to Abdullah and Dusuki (2006) and Abdullah et al. (2012), one of the common factors used to measure the customers' selection criteria is the cost and benefit that are offered to the customer whether by Islamic banks or conventional banks. It is also proved that the intention of the Malaysian community to use the Islamic financial services is influenced by social influence, attitude and pricing of Islamic banks.

According to Haron et al. (1992) through Amin (2010) that pricing or cost was ranked as the third significant factor among Muslim customers. On the other hand, non-Muslim customers considered pricing as a fourth factor in determining the bank selection. Furthermore, Idris et al.(2011) stated the result of the research conducted by Reeves and Bedner (1996) which concluded the same result whereby the cost and benefit become the third most important factors that considered in bank selection decision among customers.

There are several studies regarding the price of IHP in Islamic banks, which are related to topic of the current study. Abdullah and Dusuki (2006) stated that some of the respondents view Islamic Hire Purchase to be expensive if compared to the conventional

hire purchase counterpart. Most of the respondents seemed to be unsure with the pricing issue of IHP facility. The uncertainty of price purchase in the Islamic Hire Purchase Contract would bring in the elements.

The main problem is when many the IHP customers still assume IHP facility not to be different from conventional product especially in pricing except for the use of religious or Arabic terms to disguise the current established practice (Abdullah and Dusuki, 2006). Some customers believed that Islamic Hire Purchase and Conventional Hire Purchase are same in terms of mechanism and transaction. Therefore, it also has a possibility to affect the pricing of product. Thus, the expensive cost might probably influence low income customers to choose Conventional Hire Purchase rather than Islamic Hire Purchase.

However, the study conducted by Amin (2010) showed otherwise when the price of IHP facility is certainly cheaper. Even though IHP is cheaper as compared to the conventional product, this still product need to face several challenges such as competing with the lower price of the conventional one (Abdullah and Dusuki, 2006). Thus, the researcher suggested that Islamic banks need to maintain the price of the product and consistently offer it to the customers (Amin, 2010).

The other suggestion and solution by Amin et al. (2011) is to require Islamic bank to render a “fair pricing policy practice” and a lower rate for the fixed Islamic financing scheme. This could help promote an equity pricing practice of the financing facility in Islamic banks in which the issue of the pricing of products is needed to be addressed by



Islamic banks by providing relevant price of products in order to make it affordable among the customers. However, it should not be above the ceiling rate which is provided by the central bank.

In summary, the price of product must be in accordance with the customers' background in term of level of income, types of employment and other financial commitments. Moreover, when the price is decreased, the demand for facility would increase. This will increase purchasing power as well. In addition, these circumstances would also give a positive impact to the Islamic banking industry wherein the Islamic banks would gain the profit at the same time. Thus, this shows that Islamic banks are always attentive and concerned with the customers' issue as well as promote Islamic banks as the institution which do not give burden to the consumer in term of dealing with financial transaction specifically in hire purchase financing.

#### **2.5.4 Social Influence**

Social influence can be defined as one of the perception that those who are significant to the person whether in performing or not the behaviour in question. The term social influence refers to subjective norm or normative pressure (Feshbein and Ajzen, 1975). Abdullah and Dusuki (2006) explained that the provision of *Sharia* compliant products and services were greatly considered by the majority of customers in Bahrain to choose the Islamic banks as a main criterion.

The previous study was conducted by Taib et al. (2008) have initiated the social influence to be valid constructs in clarified an individual's acceptance of Islamic products. The main key in determining an individual's behaviour is the social environment by focusing on the customers' attention circumstances (Yusoff et al., 2013). Amin examined that the most important factor in influencing the intention to use Islamic personal financing is an attitude, pricing of Islamic personal financing, and social influence (Amin et al., 2011).

According to Metawa and Almosawi (1998) explained the common factor that usually used in measuring the customers' selection criteria are service delivery (fast and efficient), convenience (location and simple parking space), family's influences, friends, friendliness of personnel Islamic banks. The research was conducted by Evans (1979) through Haron et al. (1994) examined the influence of situation on an individual choice of a bank and classified it into two factors. First are situational factors which are considered as near and waiting line, convenient location, pressure owing to them, withdrawing money, loan transaction and others.

Meanwhile, second is a service factor which is considered such as free cheque service, adequate drive-in service, and accurate bank statement service. The result shows that the factor had not explained the same degree of importance in influencing an individual behaviour in customers' selection of a bank. These researchers Metawa and Almosawi (1998) and Naser et al. (1999) also assure that friend, family influences and the provision of quality services are important in selecting criteria in making the decision.

According to Tan and Chua (1986) through a research conducted by Selamat and Kadir, (2012) explained the most important factor in social influence is “the recommendation by friends and relatives”. In fact, the influences by third parties such as relatives, friends and media advertising have greater impact for them as compared to the non-Muslims. The research was conducted by Tan and Chua (1986) found that Singaporean customers did not select a convenient location as a critical factor in their banking selection. For Singapore customers, the social factor such as family and friends had a powerful influence on customers’ decision in opting for financial institutions. Tan and Chua (1986) deduced that, a more intimate and close interaction with bank personnel is deemed more important by Singaporean customers. This result is parallel with the philosophy of oriental culture which emphasizes social and family ties.

It's also been proved by Bashir (2013) which almost 45% of Islamic bank’s customers in Brunei were influenced to open account with an Islamic bank and 14% because of an advertisement by the Islamic Bank. Meanwhile, the influence of friends, relatives, and work colleagues was 6%, 3% and 4% respectively. The researcher suggested the Islamic banks should do more promotion in attracting the Islamic bank customers. Furthermore, he recommended that the Islamic banking has to offer the quality services and product base on *Sharia* compliance in order to expand its market share and to compete with those of conventional banks. However, the research was conducted by Gerrad and Cunningham (1997) found that the third party influences such as family, friends, and teacher are not significant anymore while the most important factor is confidentiality and security. It is

because of the individuals are now having their own perception and more independent in making their decision.

As a conclusion, the social influence will affect to the society because of the increasing awareness and religious values in the environment surrounding. Which means the influence from third party such as family, friends, Islamic institutions, social media and others will positive impact the society. Therefore, Islamic banks must play an important role in attracting the customers to deal with Islamic banking product especially in IHP facility. The consequence from the Islamic banks' promotion and advertising will indirectly affect the role of the third party in influencing the customers to choose Islamic bank product. Besides, the suggestion made by Bashir (2003) is relevant where the Islamic banking need to emphasize on product and service quality as well as made an aggressive advertising or promotion through mass media and etc.

#### **2.5.5 Awareness**

According to Prigatano and Schacter (1991) through Yusoff et al. (2013) defined self-awareness as “a capacity to perceive once self in relatively objective terms whilst maintain a sense of subjectivity”. Naser et al. (1999) found that customer satisfaction is often related to the service quality and service features. Their focus has given an impact towards the significant of awareness and usage in fulfilling the customer needs by creating and maintaining the customer relationship, providing the excellent service, and produce the innovative products in attracting the clients (Colgate et al., 1996). The research under Abdullah and Dusuki (2006) found that the awareness among non-Muslim

customers in choosing the Islamic finance products as their selection was amazingly increased. Thus, several studies have emphasized the significance of customer awareness in Islamic banking towards IHP.

Bashir (2013) indicated that the product and service quality are really important because it is related to the customer's awareness. It shows the customers' perception towards the product and service quality also enhanced the customer's awareness which is finally it increased the customers' satisfaction. It has been investigated in different countries in regards to the quality service and customers' awareness in receiving the customer satisfaction level (Bashir, 2013).

This study also explained the role of Tabung Amanah Islam Brunei (TAIB) in creating an awareness of financial planning among the Muslim community through providing the BBA scheme, *al-Wadi'ah Yad Dhamanah* (AWYD) and also Islamic Hire Purchase facility. These contracts are absolute for the purchasing of housing, personal loans, education scheme, land as well as car financing (Bashir, 2013).

Another research was conducted by Hamid and Nordin (2001) focused on the awareness of Malaysian customers towards Islamic banking within the context of the wider promotion of Islamic education. They found that most Malaysians did not differentiate between Islamic and conventional bank products and services, though the majority had sufficient knowledge of the existence and services offered by Islamic banks in Malaysia.

Moreover, even though half of the respondents of this study dealt with Islamic banks, they were in need of extra understanding of Islamic banks' products. Even though the customers have a high awareness, but they are still lack of knowledge in Islamic banking products and also less in understanding the differences between conventional banks and Islamic banks (Hamid and Nordin, 2001).

There is also a study by Thambiah et al. (2011) that was implemented among the urban and rural Islamic banks' customer towards the awareness of the Islamic Retail Banking (IRB). Therefore, the result from the previous study had showed that the Islamic banking customer who came from the urban area had aware and have a knowledge towards the IRB as compared to the rural banking customers who still uncertain and unaware of these products. Thus, the most significant in this previous study towards the current research is the scope of the current research is implemented in Kedah which was considered as a rural area.

Due to this, we are observed the awareness of the banking customer towards the IHP facility. Regarding the IHP facility, the product had a potential prospect since there was an increase in Islamic awareness among Malaysian citizen and this product had given an attractive characteristic and provide competitive services as compared to the conventional product (Irwani and Asyraf, 2006).

In addition, the contracting parties such as the bankers and the customers can deal with IHP smoothly since it had legal protection that already lay down through Hire Purchase

Act 1967. In this circumstance, the previous researchers had revealed that the customer who engage and understands the operation of IHP will deal with the banks since the customer had acknowledged the advantages or benefits that they will get through the transaction such as full margin of financing and lower rate of penalty for the late payment. Abdullah and Dusuki (2006) found the reason why the customers lack of the information regarding the IHP scheme due to the unawareness and uncooperative among the car dealer. It shows that not every car dealers are equipped with in-depth understanding of IHP facility.

However, Amin (2007) had clarified in his research that there was a positive response towards the awareness and usage of the IHP and also BBA financing facility. It was found that 79.3% of the respondents had aware about the BBA while 74.5% of them had acknowledged about the IHP facility. Instead of that, in terms of usage of these facilities, IHP had contributed 67.6% and 70.7% respectively for BBA. Therefore, during that time, the customers already realize the existence of the IHP facility in Malaysia.

Besides that, Yusoff et al. (2013) clarified that awareness become one of the factors that the Islamic bank customers choose AITAB as their selection. The evidence came from the point of view of educational level where most of the respondents in the study were from bachelor where it contributes 36.3% from the total respondents whereas 30% of them were possessed diploma certificate. Hence, the respondents were treated as well-educated in this study.

From the above previous research, it is verified that the awareness among the customers towards the IHP facility become a significant factors in choosing the IHP as their mode of financing. The awareness among the customers is affected by the educational background of the customers themselves. This is because the different education level background would lead to a different perception and their level of knowledge also being affected.

In addition, in terms of the location or respondents' area, it seem to see that most of the customers who live in the city are more aware about IHP facility as compared to the consumers, the third party such as the car dealer need to play a vital role in spreading out the information regarding to the IHP facility through having a good cooperation and communication with the Islamic bank. Therefore, the greater awareness of customers towards IHP facility can help this product to obtain growth as well as enable the product become more outstanding in order to compete with the conventional hire purchase.

Table 2.1 shows the patronage studies on factors that influence customers to choose IHP. It can be concluded in demographic factors, Tlou (2006) and Khattak and Rehman (2010) showed that there is positive relationship between demographic factors and choosing Islamic banks product and services. While, Haque et al. (2009) found there was a negative relationship in choosing Islamic banks and product. At the same time, Amin (2007) and Run and Yeo (n.d) proved there was positive and negative relationship between demographics factors in choosing Islamic banks product.



Table 2.1

*The Patronage Studies on Factor Influenced Customers to Choose IHP*

<b>Factors Influenced to Choose IHP</b>					
<b>Literature</b>	<b>DF</b>	<b>RO</b>	<b>PP</b>	<b>SI</b>	<b>AW</b>
Fish Bein and Ajzen (1975)	n/a	n/a	n/a	+	-
Abdullah and Dusuki (2007)	n/a	n/a	-	n/a	n/a
Gait and Worthington (2008)	n/a	+	+	n/a	n/a
Jalil (2013)	n/a	n/a	n/a	n/a	n/a
Shiyuti et al. (2012)	n/a	n/a	n/a	n/a	n/a
Taib and Ramayah (2008)	n/a	-	+	+	n/a
Amin (2007)	+/-	-	+	+	-
Amin (2010)	n/a	+	+	n/a	n/a
Amin et al. (2011)	n/a	-	+	+	n/a
Selamat and Kadir (2012)	n/a	-	+	n/a	n/a
Loo (2010)	+	+	n/a	n/a	n/a
Tlou (2009)	n/a	n/a	n/a	n/a	+
Yusoff et al. (2013)	n/a	+	n/a	+	+
Haron et al. (1992)	n/a	-	n/a	n/a	n/a
Hamid and Nrodin (2001)	n/z	n/a	n/a	n/a	-
Idris et al. (2011)	n/a	+	+	n/a	n/a
Abdullah and Dusuki (2006)	n/a	n/a	-	n/a	+/-
Metawa and Almossaswi (1998)	n/a	+	n/a	n/a	n/a
Nasser et. al, (1999)	n/a	n/a	n/a	+	+
Irwani and Dusuki (2004)	n/a	-	-	n/a	-
Bashir (2013)	n/a	n/a	n/a	-	+
Gerard and Cunningham (1996)	n/a	n/a	n/a	+	n/a
Colgate et al. (1996)	n/a	n/a	n/a	n/a	+/-
Hamid and Nordin (2001)	n/a	n/a	n/a	n/a	+/-
Thambiah et al.(2011)	n/a	n/a	n/a	n/a	+
Khattak and Rehman (2010)	+	n/a	n/a	n/a	n/a
Khan et al. (2008)	+	n/a	n/a	n/a	n/a
Haque et al. (2009)	-	n/a	n/a	n/a	n/a
Run and Yeo (n.d)	+/-	n/a	n/a	n/a	n/a

Noted: + point out the positive and important result +/- indicate equivocal results- indicate negative and no significant result, and n/a indicates variable was not investigated/ examine in the studied **DF**: Demographic Factors **RO**: Religious Obligation, **PP**: Pricing of Product, **SI**: Social Influence, **AW**: Awareness.

In terms of religious obligation, most of the researchers claimed there was a negative relationship between religious obligation and choosing Islamic banks product and services while the rest, Gait and Worthington (2008), Loo (2010), Amin (2010), and

Yusuf et al. (2013) showed otherwise when the customers choose Islamic bank product and services because of the religious factor.

Besides, most of the researchers concluded that pricing of product showed significant relationship in choosing Islamic banks product and services while other researchers proved there was a positive and negative relationship result between pricing of product and choosing the Islamic banks product. However, only Abdullah and Dusuki (2007) showed that the customer were unsatisfied with Islamic hire purchase's product which was too costly.

For social influence, most of the researcher found that there was a positive relationship between social influence and choosing Islamic banks product and services while only Bashir (2013) proved there was no relationship or negative influence in choosing Islamic banks product and services.

In terms of awareness, those researchers argued that awareness factor positively influence customers to choose Islamic banks product and service. However, most of them proved that there was a positive and negative relationship except for Irwani and Abdullah (2004) who found out that there is negative relationship between awareness and choosing Islamic banks product and services.

## **2.6 Conclusion**

The patronage studies largely focus on choosing Islamic hire purchase, demographic factors, and religious obligation, pricing of product, social influence and awareness. Hence, the study contributed further knowledge about factors that influence customer to choose Islamic hire purchase by choosing those variables whether it is significant or else which is has been stated by other previous researchers. In conclusion, we found there is no past research regarding the factors of choosing IHP among Muslim customers in Kedah. Thus, we envisioned to investigate the application of the product towards on the Muslim respondents in Kedah as the sample of the study. Next, the research methodology will be explained in Chapter 3.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

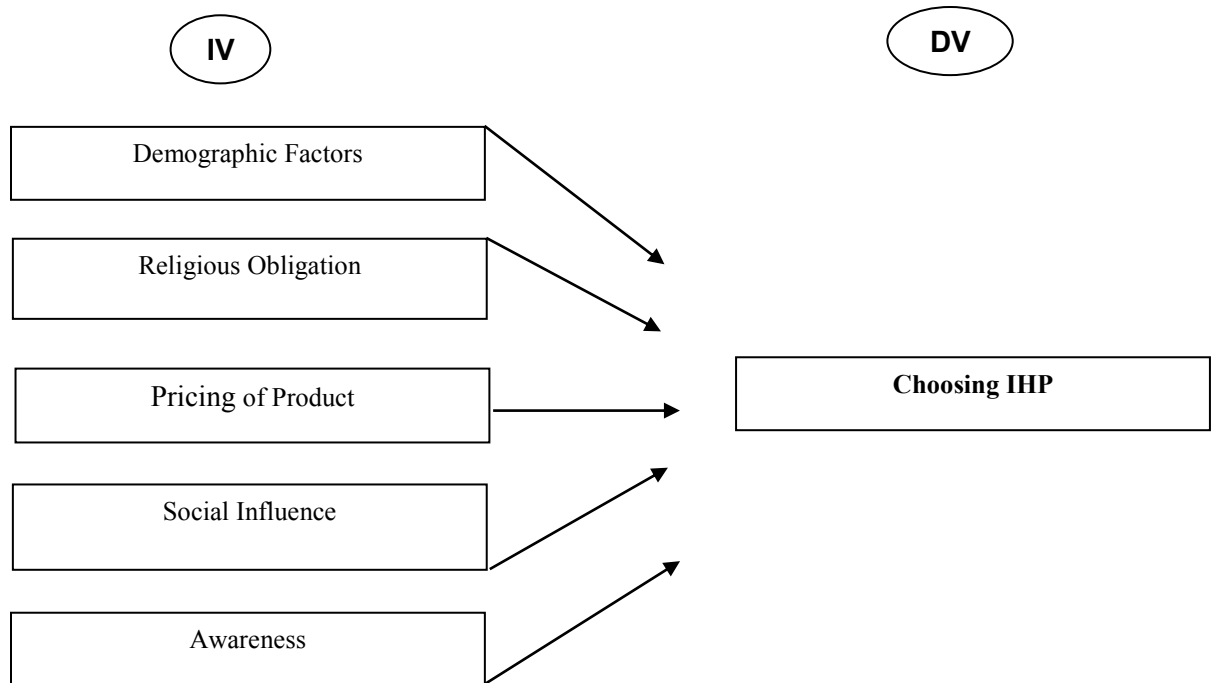
#### **3.1 Introduction**

This chapter covered a discussion on the research framework based on previous study. Then, followed by the development of the hypothesis where the relationships among the variables are related through a theoretical framework. Besides, this chapter also discuss the research and questionnaire design in viewing the selected variables' measurement. It also examines data collection method, sampling technique, questionnaire development, and data administrative analysis technique.

#### **3.2 The Research Framework**

Figure 3.1 shows the theoretical framework which was adopted from previous researches. The framework consist of six variables which are choosing IHP, demographic factors, religious obligation, pricing of product, social influence, and awareness. Choosing IHP would be the dependant variable which becomes the main factor throughout this research. The remaining variables are independent variables.

Figure 3.1  
*The Research Framework*



In this study, the demographic factors were constructed to determine ages, individual income and tenure whether these items can influence the customers' decision to choose IHP facility or otherwise. While, choosing IHP, the religious obligation, social influence, and awareness were adopted from Yusoff et al. (2013). Meanwhile, pricing of product was adopted from Amin et al. (2011) where his previous research concerned about the Islamic personal financing which based on the Theory of Reasoned Action (TRA). Since the previous researches had their own area of concern, therefore, in this research, the theoretical framework was developed based on the mentioned issue which concerning on the Islamic hire purchase facility.

### **3.3 Hypothesis Development**

A hypothesis can be defined as a logically estimated relationship between two or more variable expressed in the form of a testable statement (Sekaran, 2003). In other word, after the important variables had been identified, then the theoretical framework was developed, therefore, the hypothesis can be made in order to identify the relationship between the variables involved. Hence, in this study, there are several hypotheses that need to be tested.

#### **3.3.1 Difference between Demographic Factors towards Choosing IHP**

In this study, the demographic factors that have been selected to be measured are gender, races, marital status, age, education level, occupation and individual income. There are two types of test that will be used to measure these items. T-test is used to test gender, races, marital status and education level while one-way ANOVA is used to test age, individual income and occupations. The aim for implementing this test is to identify the differences between the mentioned demographic factors with the dependent variable. Thus, the hypothesis has been developed in order to answer the first research question and research objective.

**H<sub>01</sub>:** There is no significant difference between gender, races, marital status, age, education level, occupation and individual income with choosing IHP among Muslim customers in Kedah.

**H<sub>a1</sub>**: There is a significant difference between gender, races, marital status, age, education level, occupation and individual income with choosing IHP among Muslim customers in Kedah.

### **3.3.2 The Correlation between Choosing IHP and Independent Variables**

This study involved the independent variables namely religious obligation, pricing of product, social influence and awareness. In order to determine the correlation between those variables, the test that has been used is Pearson correlation. Therefore, to answer the second research question and research objective, the hypothesis has been developed to complete the field of this study.

**H<sub>02</sub>**: There is no significant relationship between religious obligation, pricing of product, social influence, and awareness with choosing IHP among Muslim customers.

**H<sub>a2</sub>**: There is a significant relationship between religious obligation, pricing of product, social influence, and awareness with choosing IHP among Muslim customers.

### **3.3.3 Factors Influence Choosing IHP**

In this study, those selected variables was analysed in identifying how much variance of these IVs can influence the Muslim customers in choosing Islamic hire purchase in Kedah. In order to answer the third research question and research objective, the hypothesis has been developed to complete the field of this study.

**H03:** The factors are not most significantly influence the Muslim customers in choosing Islamic hire purchase facility.

**Ha3:** The factors are most significantly influence Muslim customers in choosing Islamic hire purchase facility.

### **3.4 Research Design**

This research is based on the quantitative research where the questionnaire was developed in order to collect the data. In addition, the research design that has been used in this study is cross-sectional design since we would obtain the information at once at a particular time. The study was carried out specifically among the Muslim customers in northern part of Malaysia which is Kedah.

In developing a questionnaire, several instruments had been used from different previous studies. All the instruments that related to the variables involved were already validated from the previous researchers using factor analysis. For instance, religious obligation, social influence, awareness and choosing Islamic hire purchase were adopted from Yusoff et al. (2013). While, pricing of product was taken from Amin et al. (2009). However, for choosing Islamic hire purchase, we had made some amendment from the original sources where one (1) question had been removed from the list due to unrelated to the current research. Therefore, we need to re-validate the instrument through implementing factor analysis.



Hence, the factor analysis that employed in this study is Kaiser-Meyer-Olkin (KMO), the correlation matrix, and Bartlett's test of sphericity. From this study, the correlation matrix showed the determinant value for this data is 0.048 which is greater than 0.00001. This indicates that there is no multicollinearity exists in this data. In addition, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy provide the value of 0.835 which is considered as good while the Bartlett's test of sphericity was very significant at  $p < 0.001$ . Hence, factor analysis of this data is appropriate (Kim and Mueller, 1994)

Basically, the criterion that has been used in order to identify the factor loading is the eigenvalue which must be greater than 1. From the analysis, the eigenvalue is 3.240 and this factor has explained 81.009% of the variations in the items. In general, the total variance explained of 60% and above is considered as satisfactory in the social science criterion (Hair et al., 2007). This analysis had used cut-off point 0.50 for a sample of 105. Furthermore, all the items consist of high factor loading where the value is 0.78 to 0.83. The items cannot be rotated since only one component is extracted (Kim and Mueller, 1994).

Instead of that, the reliability test needs to be implemented in order to measure the goodness of the data which include the consistency and stability of the items. The most widely used methods to examine the consistency of the data is using Cronbach's Alpha. Once the reliability test was analyzed, the data must undergo another test known as normality test. The normality test need to be perform in order to ensure the normality of

distribution and checking for the outliers. Through the normality test, the outliers were eliminated and the result could be obtained through the graphical analysis and statistical test of normality via mean, Skewness and Kurtosis (Kim and Mueller, 1994).

### **3.5 Questionnaire Design**

The measurements used in this study were adapted from previous established sources. Phrasings of the items were modified to suit with the sample and local context. There are many constructs used in this study such as choosing IHP, religious obligation, pricing of product, social influence and awareness. The questionnaire in this study was divided into four sections.

Section A involved the basic information of customers' profile who had an experienced in using Islamic hire purchase facility. In addition, this section also initiated the additional information such as the individual income, expenses, amount of financing, rate of financing, monthly instalment and customers satisfaction towards Islamic hire purchase financing.

Section B discussed about the factors of choosing Islamic hire purchase facility among the customers. In this section, it consists of 32 items which is related to independent variable (religious obligation, pricing of product, social influence and awareness). Each item is accompanied by a five-point response format ranging from '1' strongly disagree to '5' strongly agree." The religious obligation, social influence and awareness were adopted from Yusoff et al. (2013). While, pricing of product was taken from Amin et al.

(2011). Those constructs were validated by the previous researchers. Table 3.2 indicated the item in consisted in Section B.

Table 3.2

*Section B: Factors of Choosing Islamic hire purchase*

No.	Items
	<b>Religious Obligation</b>
1	IHP is in line with an Islamic Philosophy of doing banking business.
2	IHP is based on Islamic principle business implementation.
3	An introduction of IHP is based on <i>al-Quran</i> and <i>Hadith</i> .
4	IHP is free from <i>riba</i> /interest.
5	IHP is free from fraud.
6	I choose IHP because of my religious belief.
7	I choose IHP because it is according to <i>Sharia</i> guidelines.
8	I choose IHP because my adherence toward religious.
9	I choose IHP as a financing method for the last resort.
	<b>Pricing of Product</b>
10	IHP's service charges are higher.
11	Penalty for Islamic hire purchase is higher.
12	Fees obtained from Islamic hire purchase are higher.
13	The pricing of Islamic hire purchase are not affordable.
14	Monthly payments for Islamic hire purchase are higher.
15	Overall, Islamic hire purchase is higher.
	<b>Social Influence</b>
16	Most people who think close to me that I have to choose IHP.
17	Most people who are important to me thinking that IHP is useful.
18	Most people who are important to me thinking that IHP is beneficial
19	Most people assume me familiar with the need of <i>Sharia</i>
20	I choose IHP because the bank chooses it for me.
21	I choose IHP because of influenced by my family
22	I choose AITAB because of influenced by my friends
23	I choose AITAB because of influenced by the car dealer
24	I choose AITAB because of influenced by my company decided to take the only Islamic loan
	<b>Awareness</b>
25	Before this, I was aware about IHP scheme.
26	Previously, I already know and understand about IHP scheme
27	Previously, I already know and understand about IHP scheme
28	IHP is a good alternative to acquire assets.
29	IHP is different from the conventional hire purchase.
30	I choose IHP because of the charged impose are lower than the conventional hire purchase.
31	I choose IHP because it more safety.
32	Overall, AITAB had very good promising future prospect.

Table 3.3  
*Section C: Choosing IHP*

No	Items
1	I am interested to use an Islamic hire purchase (IHP)
2	I will use the Islamic hire purchase (IHP) someday
3	I am interested to use an Islamic hire purchase (IHP) in the future
4	I will definitely recommend Islamic hire purchase (IHP) to others

Section C mentioned about choosing Islamic hire purchase facility among the customers. This section consists of four items which is related to choosing IHP. Each item is accompanied by a five-point response format ranging from ‘1’ strongly disagree to ‘5’strongly agree.” The items had adopted from Yusoff et al. (2013). However, one question had been removed from the list due to unrelated to the current research (refer Table 3.2 and Table 3.3). Therefore, we need to re-validate the instrument through implementing factor analysis. The questionnaire can be referred to Appendix A.

The last part is the Section D which is an open-ended question to the customers to know their opinion about the Islamic hire purchase facility. Besides that, the customers will be given the opportunity to make recommendations for the improvements of this product. All suggestions and comments given will be discussed in the final section of this research paper.

### **3.6 Data Collection Method**

All the data needed for this research are collected from primary sources. A primary source is the information which is obtained from the first hand on the variable of interest for the specific intent of the survey. In this study, we used a questionnaire in obtaining

the data. The questionnaire has been prepared by extracting the existing questionnaires from the previous research. In this method, we prefer to collect the information from IHP customers who are available to cooperate with us. The likely respondents were graciously approached and asked whether they subscribe Islamic Hire Purchase facility. The brief explanation regarding to this product will be given directly to the respondents politely.

If they agree, we will distribute the questionnaire to them and will not bother them in answering the questions in order to maintain the privacy of respondent. However, in the event of non-understanding of the question, then we will provide further explanation to the respondents. Time to complete the questionnaire ranged from ten to fifteen minutes. Then, the questionnaire will be returned to us after completion of the respondents' answered. Since it is hard to get the customers information from Islamic banks, we believe this method is the best way of getting some basic information quickly. This study took several months starting from October 2013 until May 2014.

### **3.7 Sampling Design**

The sampling technique employed in this study is probability sampling. This kind of sampling had been used in this study since we found an accurate number of population which were detained from Social Statistical Bulletin (2012) provided by Department of Statistic Malaysia. Thus, the number of motor vehicles registered specifically in Kedah were 274,700. According to Yamane (1967), the number of sample size required for study is 100. However, in this study, we distributed more than 150 sets of questionnaires

in order to avoid from any difficulties such as unreturned form, invalid answers and blank responses.

There is some difficulty to obtain the specific sample sizes of the IHP customers due to the bank secrecy policies which controlled by Central Bank of Malaysia. The previous study was conducted by Abdullah and Dusuki (2006), Amin (2010), Yusoff et al. (2013) had used the convenience sampling as the methods of collecting the data.

Those researchers had distributed 150 questionnaires to the IHP customers by using this sampling method in Labuan and Shah Alam. Meanwhile, the study which conducted by Abdullah and Dusuki (2006) had distributed 450 questionnaires to individual who deal with IHP in four states (Pulau Pinang, Kelantan, Johor and Kuala Lumpur) by using the similar sampling method. There were 205 of the questionnaires out of 450 were returned in this study which equivalent to 45% of response rate.

As we mentioned before, the number of respondents involved in this study was 100. While, the unit of analysis used is an individual. Hence, the respondents comprised of customers who subscribe the Islamic hire purchase product. We observed the data gathered from an individual and treated their response as an individual data source. Certain groups that seems to have potential to become respondents in this research consisted of UUM staffs, students, lecturers, residents around Changloon and Sungai Petani, Perodua sales outlet in Jitra, government servants in Majlis Daerah Kubang Pasu, employees of Maybank Automobile Alor Setar and staffs from Petronas Fertilizer Kedah

which is located in Gurun. We also carried out some interviews with customers spontaneously in order to get feedback on the mentioned issue.

### **3.8 Data Administrative and Analysis Technique**

The raw data gathered from the questionnaires were analysed using some statistical tools. All the data went through several processes such as editing, coding and categorizing. We used SPSS software to analyse the data.

#### **3.8.1 Descriptive Analysis**

Descriptive analysis has been employed to carry out the data analysis on the respondents' profile. It involves transformation of raw data into a form that would provide information to describe a set of factors in a situation (Sekaran, 2003). Descriptive statistics such as frequencies, measures of central tendency and dispersion such as mean and standard deviation are used.

The frequencies are used to describe the respondents' profile such as age, gender, educational level, individual income and etc. Besides that, it is also used to measure the level of all variables where the value of mean is obtained and computed along with the standard deviation (Coakes and Steed, 2007).

### **3.8.2 Reliability Test**

The reliability test is used to measure the goodness of the data which include the stability and consistency of the items. Cronbach's Alpha is the common methods used to examine the consistency of the data. Sekaran (2003) suggested that the closer the value of Cronbach's Alpha to 1, it will provide a higher reliability of internal consistency. Meanwhile, the Cronbach's Alpha value which is less than 0.60 is considered to be poor while those in the range of 0.70 are acceptable. Whereas, the value over than 0.80 is considered as good and having a higher internal consistency.

### **3.8.3 Normality Test**

The most important assumption in conducting multivariate analysis is normality. The normality test needs to be done in order to ensure the normal distribution of data and checking for the outliers. Hence, through the normality test, the outliers were eliminated and the result could be obtained through the graphical analysis and statistical test of normality. Generally, the normal data can be evaluated through a straight diagonal line and the plotted data values are in line or parallel to the diagonal (Coakes and Steed, 2007).

In addition, normality also can be analysed through skewness and kurtosis. The data is considered as normal when both values are near to zero and the value of mean between variables must be within the range. It can be concluded that, if the data give a normal distribution, this means it will not interrupt the normality assumption for the inferential



analysis. As a result, the data later were analysed and the hypothesis is tested (Hair et al. 2007).

#### **3.8.4 Independent T-test**

T-test is used to compare the differences between the two means of the two groups in order to identify whether there is a statistically significant difference between the means (Hair et al., 2007). In this research, this test is used to analyse the differences between gender which is male and female in choosing the Islamic hire purchase facility. In the circumstance that the result is significant, this would mean, there is a difference between genders in choosing IHP facility. Otherwise if the result reveals not significant, it would be no difference between genders in choosing IHP facility.

In order to meet with the test requirement, the independent variable should be in nominal scale while the dependent variable should be an interval / ratio or a scale. In this study, Levene's test for equality of variance is used to test the assumptions. Thus, there are several assumptions that need to take into consideration in regards of the implementation of T-test such as scale of measurement, random sampling, normality, independent of groups and homogeneity of variance (Coakes and Steed, 2007).

### **3.8.5 One-Way ANOVA**

One-way ANOVA (one-way analysis of variance) is used to test the difference between at least three groups or more than two groups with variables. Sekaran (2003) suggested that this test is suitable to be implementing in order to test the hypothesis which involved a demographic profile which consist more than two groups such as age, educational level, individual income and etc.

To interpret the data, it will be referred to the column labelled significant where the F-value must be below the significant level (assume the significance level is  $< 0.05$ ) in order to make the data significant. If the result is significant, this means, there is a difference between items measured with the variables. Otherwise, it is vice versa. Basically, several assumptions need to be measured before conducting the test. This is also referred to the Levene's test in order to determine the equality of variance. The assumptions is quite similar with the T-test, however, the main focus fall under this test is the population normality and the homogeneity of variance (Coakes and Steed, 2007).

### **3.8.6 Correlation Analysis**

The Pearson correlation is used to examine the relationship between dependent and independent variables, to show the strength of the relationship as well as the direction of the relationship. This test is used to answer the second research question in this study. Gliner et al. (2009) recommended that Pearson correlation can vary from -1.0 which considered as perfect negative correlation through 0.0 which is no correlation at all to

+1.0 which considered as perfect positive correlation. Coakes and Steed (2007) suggested the correlation coefficient size for the study. Under correlation analysis, there are four assumptions that need to be concerned before executing this analysis. The assumptions are scale of measurement, normality, linearity and homoscedasticity. Essentially, the data must be interval or ratio in nature and the relationship between the variables are linear.

In order to determine the significant value of the variable, it can be seen through the significant value stated in the table. If the significant value is  $p < 0.05$ , therefore, there is correlation between the variables. If the value is above the sign value, it can be concluded that the variable is not significant and there is no relationship between the variables involved (Coakes and Steed, 2007).

### **3.8.7 Multiple Regressions Analysis**

Multiple regressions is commonly used to analyse the data which involving several independent variables with a single dependent variable. The purpose of implementing this test is to see how much of the variance in the dependent variable that are being affected by the independent variables. This test also is used to answer the third research question in this study. A value of R square is used to interpret the data in terms of variance explained of both variables (Gliner et al., 2009).

Before proceed with the regressions analysis, preliminary assumption of linearity, normality of the error and homoscedasticity must be examined. In addition, another assumption that seems to be important to this analysis such as ratio of cases of

independent variables, outliers and multicollinearity also need to be examined before conducting the regressions analysis (Coakes and Steed, 2007).

To determine the influence of independent variables on dependent variable, it can be seen through the significant value provided in the regressions table. If the value below the significant level of  $p < 0.05$ , this means that the independent variable has influence the dependent variable. In contrast, if the value is above the sign value, it indicates that there is no influence between the independent and dependent variables (Gliner et al., 2009).

It can be summarized that all the assumptions were not disrupted in this study. Therefore, the multiple regressions can be implemented in order to determine the factors influence the customers in choosing IHP e.g. selected demographics factors, religious obligation, pricing of product, social influence and awareness. Model 3.1 showed the formulation of multiple regressions. We assume the  $\beta$  (coefficient) are positive, which means all the variables are positively influence the choosing IHP. Otherwise, pricing of products is assumed to be negatively influence the choosing IHP. This is due to the increase of product price will decrease the demand of IHP as well as the preferences of choosing the product.

### Model 3.1

*Formula for multiple regressions*

$$\text{CIHP} = \alpha + \beta_1 \text{RO} - \beta_2 \text{PP} + \beta_3 \text{SI} + \beta_4 \text{AW} + \beta_5 \text{Ag} + \beta_6 \text{Ind} + \beta_7 \text{Ten} + \mu$$

Where:

<b>CIHP</b>	=Choosing Islamic hire purchase	<b>DF</b>	= Demographic Factors
<b>RO</b>	= Religious Obligation	<b>Ag</b>	= Age
<b>PP</b>	= Pricing of Product	<b>Ind</b>	= Individual Income
<b>SI</b>	= Social Influence	<b>Ten</b>	= Tenure
<b>AW</b>	= Awareness	<b>B</b>	= Unstandardized beta coefficient
<b>a</b>	= Intercepts (constant value)	<b>μ</b>	= Error term
<b>i</b>	= respondent 1 2 ..... 105		

### 3.9 Conclusion

In the nutshell, this chapter discussed all the stages starting from the collection of data until the types of tool used to analyze the data. The research methodology in this chapter showed the critical explanation specifically in developing the theoretical framework, hypotheses, research design, and data analysis technique in more outstanding way. The next chapter (Chapter 4) would be the continuation of this chapter where the data gathered will analyze and discussed in further details.

## **CHAPTER 4**

### **FINDINGS AND ANALYSIS**

#### **4.1 Introduction**

This chapter contains the discussion of the result from the data analysis. The result outcomes were done through inferential and descriptive method by using Statistical Package for Social Science (SPSS) programs. It explain about the result from pilot study, reliability and normality. In addition, it also discuss about the findings from demographic factors by using T-test and one-way ANOVA. Last but not least, this chapter covers the result obtained from correlation and regression analysis in order to identify the relationship and influence among the variables involved.

#### **4.2 Pilot Study**

A pilot study of the research instruments was conducted in early March 2014. The purpose of the pre-test was to identify any ambiguous item in the instruments. Twenty questionnaires were hand delivered to the customers in UUM.

The time to complete the questionnaire ranged from ten to fifteen minutes. The SPSS program is used to determine the reliability (Cronbach's alpha) of the independent and dependent variables. The result of the reliability test and the value of Cronbach's alpha is 0.910 which means that all variables are positively correlated to one another. Therefore, the reliability coefficient of the pilot study is considered good and thus further distribution of questionnaires could be done in order to gain the information needed.

### 4.3 Reliability Test

Before analysing the data, the reliability test needs to be implemented in order to measure the goodness of the data which include the consistency and stability of the items. Table 4.1 represent the cronbach alpha for each of variables.

Table 4.1  
*Cronbach's Alpha for each variables*

Item	Cronbach's Alpha
Religious Obligation	0.926
Pricing of Product	0.916
Social Influence	0.878
Awareness	0.908
Choosing IHP	0.920

Table 4.1 indicated the Cronbach's Alpha for each variables in this study. As a result, religious obligation stated the highest rate which is 0.926. Followed by choosing IHP (0.920), pricing of product (0.916), awareness (0.908) and social influence (0.878). Overall, those variables showed are significant and there is relationship between the variables involved.

### 4.4 Normality Test

After applying the reliability test, the data must undergo the screening process which known as normality test. As a result, the distribution of data in this study are normal. Besides, the assessment of normality has already proved that the data used in this study also normal by using the Q-Q plot (see Appendix D). Table 4.2 represent the normality test's result.

Table 4.2  
*Normality Test*

Variables	Mean	Skewness	Kurtosis
Religious Obligation	4.0910	-1.264	2.398
Pricing of Product	3.3302	-0.352	0.588
Social Influence	3.2275	-0.277	-0.073
Awareness	3.7714	-0.503	0.434
Choosing IHP	3.9460	-0.917	1.496

In Table 4.2, the mean for religious obligation is 4.0910, skewness (-1.264) and kurtosis (2.398). Followed by the mean for pricing of product is 3.3302, skewness (-0.352) and kurtosis (0.588). For social influence, the mean value is 3.2275, skewness (-0.227) and kurtosis (-0.074). Besides, the mean for awareness for 3.7714, skewness (-0.503) and kurtosis (0.434). Lastly, the value mean for choosing IHP is 3.9460, skewness (-0.917), and kurtosis (1.496). Overall, skewness and kurtosis in this data are normal which is near to zero as well as the mean value between variables is within the range.

#### 4.5 Demographic Characteristic of the Respondents

In this part, the frequencies distribution was applied in order to summarize the respondents' background on some basic statistics and measured the information of the respondents which had answered the form. Table 4.3 explained the demographic information which is consisted of eight questions of personal informant which are gender, marital status, age, races, education background, occupation, individual income, and expenses.

Firstly, Table 4.3 demonstrates the percentage for descriptive analysis of the respondent's background which is consisting of the sex and marital status of the respondents. The



result revealed that there are 64.8% male which is equivalent to 68 respondents while 35.5% of female which is equivalent to 37 respondents. During the survey it is shown that most of the respondents were married which is 76 respondents and equivalent to 72% while 29% is comprised by the respondents who are still single is 28.

The result in Table 4.3 showed that most of respondents are Malay which is 98 respondents and equivalent to 93.3% and followed by non-Malay where the respondents is 7 and equivalent to 6.7%. In terms of age, it showed that most of the respondents are in the age 31-40 years where the respondents is 44 which is equivalent to 41.9%. Meanwhile, the second highest of the respondents came from age range below than 30 years which is equivalent to 33.3% and the respondents is 35. Followed by the respondents are came from 41 and above where the respondents is 26 and the equivalent is 24.8%.

Besides, the results also show that the respondents education level certificate. Table 4.3 indicated that 52.4% or 55 of the respondents hold at least Diploma and below. Meanwhile, the respondent came from bachelor degree background and above showed the respondents is 50 which is equivalent to 47.6%.

As can be seen in Table 4.3, most of the respondents who bought a car using Islamic hire purchase facility were private company employees where the respondents is 59 and equivalent to 56.2%. Followed by the government sector where the respondents is 41 and

equivalent to 39% while the rest is others where the respondents is 5 which is equivalent to 4.8%

Table 4.3  
*Customers' demographic information*

Variable	Characteristics	Number of respondents N=105	Percentage (%)
<b>Gender</b>	Male	68	64.8
	Female	37	35.5
<b>Marital status</b>	Single	29	27.6
	Married	76	72.4
<b>Races</b>	Malay	98	93.3
	Non Malay	7	6.7
<b>Age</b>	Below than 30 years	35	33.3
	31 – 40	44	41.9
	41 years and above	26	24.8
<b>Education level</b>	Diploma and below	55	52.4
	Bachelor Degree and above	50	47.6
<b>Types of occupations</b>	Government sector	41	39.0
	Private sector	59	56.2
	Others	5	4.8
<b>Individual income</b>	Below than RM2000	4	3.8
	RM2001 – RM4000	49	46.7
	RM4001 – RM6000	34	32.4
	RM6001 and above	18	17.1
<b>Expenses</b>	Below than RM1000	14	13.3
	RM1001 – RM3000	60	57.1
	RM3001 – RM5000	23	21.9
	RM5001 and above	4	7.6

Furthermore, the result reported in Table 4.3 also shows that most of the respondents were earning individual income of RM2001-RM4000 where the respondents is 49 and equivalent to 46.7%. The second highest were in RM4001-RM6000 which is equivalent

to 32.4% or 34 respondents. Followed by the third highest were in RM6000 and above where the respondents is 18 and equivalent to 17.1% while the rest, were in RM2000 and below where the respondents is only 4 which is equivalent to 3.8%.

In term of expenses, most of the respondents spent their salary per month around RM1001-RM3000 which is 60 of respondents and equivalent to 57.1%. Followed by RM3001-RM5000 as the second highest group where the respondents is 23 and equivalent to 21.9%. The third highest were lower than RM1000 which is equivalent to 13.3 and the respondents is 14 while, the rest group came from RM5001 and above where the respondents is 4 and equivalent to 3.8%.

#### **4.5.1 Islamic Hire Purchase Financing Profile**

According to Table 4.4 almost 48.6% (51) of the respondents used IHP to purchase cars with financing facility were in RM50,000 to RM110,000. Similarly, another 41.1% of the respondents used IHP for same purpose with financing of facility below RM 50,000-RM110,000. The rest their financing facility for car were above RM150,001 where the respondents is 11 which is equivalent to 10.5%.

In rate of financing, the highest rate of financing is around 2.01%-4.00% which is equivalent to 83.8%. Followed by the second highest were in 4.01%-6.00% which is equivalent to 11.4%. Next rate was around below than 2.00% which is equivalent to 2.9% and follow by the lowest rate of financing were in 1.9%. Table 4.4 also indicate that the highest monthly instalment were in RM301-RM600 where the percentage is 42.9%.

Meanwhile, the lowest monthly instalment group were around RM1,500 and above which is equivalent to 8.6%%.

Table 4.4  
*Islamic Hire Purchase Financing Profile*

<b>Islamic Hire Purchase Financing Profile</b>	<b>Characteristics</b>	<b>Number of respondents N=105</b>	<b>Percentage</b>
<b>Amount of Financing</b>	Below than RM50000	43	41.0
	RM50001 – RM100000	51	48.6
	RM110001 and above	11	10.5
<b>Rate of Financing</b>	Below than 2.0%	3	2.9
	2.01 % - 4.00%	88	83.8
	4.01% - 6.00%	12	11.4
	6.01% and above	2	1.9
<b>Monthly Installment</b>	Below than RM300	7	6.7
	RM301 – RM600	45	42.9
	RM601 – RM900	30	28.6
	RM901 – RM1200	14	13.3
	RM1201 and above	9	8.6
<b>Tenure</b>	3 years	1	1.0
	5 years	5	4.8
	6 years	1	1.0
	7 years	12	11.4
	8 years	4	3.8
	9 years	82	78.1
<b>Level of Satisfaction</b>	Strongly disagree	4	3.8
	Disagree	13	12.4
	Neither Agree nor Disagree	48	45.7
	Agree	38	36.2
	Strongly agree	2	1.9

In addition, the highest group tenure was in 9 years payment where it is equivalent to 73.3%. Compared with others, the group tenure 3 and 6 years were the lowest equivalent to 1%. Last but not least, 38% of the respondents were satisfied to somehow highly satisfy with IHP. Sixteen percent (16%) dissatisfied to somehow with IHP. However,

large percentage (46%) were indifferent. They were neither satisfied nor dissatisfied with IHP facility.

#### **4.6 Difference in Demographic Factors towards Choosing IHP**

In testing the first objective of this study, one way ANOVA and T-test were used to investigate if the differences in gender, marital status, races, age, education level, occupation and individual income level affect customers' decision in choosing IHP. In this study, gender, marital status, races, and education level was analyzed using T-test, while the rest were tested using ANOVA.

Before we run these analyses, there are several assumptions that need to be fulfilled as mentioned in the previous chapter. It is indicated that the scale of measurement in this study is interval, normally distributed, and it appears in only one group which is unrelated. In terms of homogeneity, the variance is equal according to Levene's test which is the probability is greater than 0.05. Therefore, there is no violation in these assumptions.

##### **4.6.1 T-test Analysis in Choosing IHP**

Table 4.5 shows the data from independent T-test analysis for gender. As the result, t-value for is 0.543 and mean value for male is 4.1057 and 4.0676 is value for female.

Table 4.5

*T-test analysis (gender) in choosing IHP*

Variables	Gender	Mean	Std deviation	T	Sig
Choosing IHP	Male	4.1507	0.80244	0.543	0.589
	Female	4.0676	0.64185		

For standard deviation in table 4.5, the value for male is 0.80244 and for female, the value is 0.64185. The significant value is equal to 0.589 which is higher than 0.05. We concluded that the variance for the two tested groups is no differences. Hence, the null hypothesis cannot be rejected. Meaning gender differences has no effect on customers' decision to choose IHP facility.

Table 4.6

*T-test analysis (races) in choosing IHP*

Variables	Races	Mean	Std deviation	T	Sig
Choosing IHP	Malay	4.1797	0.65956	0.549	0.584
	Non-Malay	4.0357	0.80917		

Table 4.6 shows the data from independent T-test analysis for races. As the result, t-value is 0.549. While, mean value for Malay is 4.1797 and 4.0357 is value for non-Malay. For standard deviation, the value for Malay is 0.65956 and for non-Malay, the value is 0.80917. The significant value is equal to 0.584 which is higher than 0.05. We concluded that the variance for the two tested groups is no differences. Hence, the null hypothesis cannot be rejected. Meaning races differences has no effect on customers' decision to choose IHP facility.

Table 4.7 shows the data from independent T-test analysis for marital status. As the result, t-value is 0.269 and mean value for single is 4.1983 and 4.1588 is value for married.

Table 4.7  
*T-test analysis (marital status) in choosing IHP*

Variables	Marital Status	Mean	Std deviation	T	Sig
Choosing IHP	Single	4.1983	0.57624	0.269	0.789
	Married	4.1588	0.70295		

For standard deviation in table 4.7, the value for single is 0.57624 and for married, the value is 0.70295. The significant value is equal to 0.789 which is higher than 0.05. We concluded that the variance for the two tested groups is no differences. Hence, the null hypothesis cannot be rejected. Meaning marital status differences has no effect on customers' decision to choose IHP facility.

Table 4.8  
*T-test analysis (education level) in choosing IHP*

Variables	Education Level	Mean	Std deviation	T	Sig
Choosing IHP	Diploma and below	4.1065	0.71474	-1.013	0.314
	Bachelor degree and above	4.2398	0.61016		

Table 4.8 shows the data from independent T-test analysis for education level. As the result, t-value is -1.013. While, mean value for diploma and below is 4.1065 and 4.2398 is value for bachelor degree and above. For standard deviation, the value for diploma and below is 0.71474 and for bachelor degree and above, the value is 0.61016. The significant value is equal to 0.314 which is higher than 0.05. We concluded that the variance for the

two tested groups is no differences. Hence, the null hypothesis cannot be rejected. Meaning education level differences has no effect on customers' decision to choose IHP facility.

#### 4.6.2 One Way ANOVA Analysis in Choosing IHP

Table 4.9 indicated the data gathered for one way ANOVA which consists of age, occupations and individual income. For age, the result showed value for F is 1.097 and the significant value is at 0.338. It is shows that there is no significant differences between ages with factor of choosing IHP. Thus, the null hypothesis cannot be rejected. Meaning age differences has no effect on customers' decision to choose IHP facility.

Table 4.9  
*One way ANOVA analysis in choosing IHP*

Item	F	Sig.
Age	1.097	0.338
Occupations	0.436	0.648
Individual Income	0.105	0.957

Table 4.9 also represents the output for the differences between occupations with factors of choosing IHP. The value for F is 0.436 and 0.648 for the significant value. It clarifies that there is no significant differences between occupations with in choosing IHP. Therefore, the null hypothesis cannot be rejected. Meaning occupations differences has no effect on customers' decision to choose IHP facility.



Instead of that, the value for F in individual income levels is 0.105 and 0.957 for the significant value. It clarifies that there is no significant differences between individual income levels in choosing IHP. Therefore, the null hypothesis cannot be rejected. Which is means, individual income differences has no effect on customers' decision to choose IHP facility. In conclusion, the differences in age, occupations, and individual income level have no effect in customers' decision to choose IHP facility. In first hypotheses, the result showed there is no significant difference between gender, races, marital status, age, education level, occupation and individual income with choosing IHP among Muslim customers in Kedah.

#### **4.7 The Correlation between Choosing IHP and Independent Variables**

Correlation is a kind of statistic that is used to determine the relationship between two variables. In testing the second objective in this study, Pearson correlation was used to examine the relationship between choosing IHP and factors such as religious obligation, pricing of product, social influence, awareness. Table 4.10 below shows the result for correlation between choosing IHP with factors affecting choosing IHP. Before we run these analyses, there are several assumption that need to be fulfilled as mentioned in the previous chapter.

In this study, the data was collected from related pairs and the scale of measurement in this study is interval in nature. Besides, the scores and relationship between two variables is linear and normally distributed. In terms of homoscedasticity, the variability in scores

for one variable is same at all of the other value of the other variables. Therefore, there is no violation in this assumption.

Table 4.10  
*Correlation between Choosing IHP and Independent Variables*

Variables	Pearson Correlation
Religious Obligation	0.664**
Pricing of Product	-1.83
Social Influence	0.211*
Awareness	0.541**

\*\* *Correlation is significant at the 0.01 level (2-tailed).*

\* *Correlation is significant at the 0.05 level (2-tailed).*

From Table 4.10, the Pearson correlation for religious obligation is equal to 0.664 which is significant at 0.01 levels. This indicates that there is moderate positive relationship between religious obligation and choosing IHP. Hence, we can conclude that there is a significant correlation between religious obligation and choosing IHP. In addition, Table 4.10 also showed the correlation value for pricing of products is -1.83 which is significant at 0.01 levels. This shows that the relationship between choosing IHP and pricing of products is negatively moderate. Therefore, the null hypothesis can be rejected since there is a significant relationship between choosing IHP with pricing of products. Meaning the lower the price of Islamic hire purchase will lead more the customers to choose this product or vice versa.

Meanwhile, Table 4.10 also provides the correlation value for social influence where the value is 0.211. In addition, the significant value for this variable is 0.000. This clarify that the relationship between these variables are positively correlated. Therefore, the null hypothesis for this variable is rejected because both of them were inter-correlated to each

other. In general, religious obligation, influence from friends and family, and greater awareness about IHP will positively influence customers' decision to choose IHP. However, customer will not choose IHP if the assume the price is high.

Besides, the correlation for awareness is equal to 0.541 which is significant at 0.01 levels. This indicated that there is moderate positive relationship between awareness and choosing IHP. Thus, we can conclude that there is a significant correlation awareness and choosing IHP. In second hypothesis, religious obligation, social influence and awareness indicated that there is positive relationship in customers' decision to choose IHP. However, only pricing of product indicated the negative relationship in customers' decision to choose IHP. Thus, we can conclude that there is a significant correlation between those variables with choosing IHP.

#### **4.8 Multiple Regressions Result**

Finally, the last objective in this study is to determine the factors that influence the customers in choosing Islamic hire purchase facility. To find out which factor has the most influence, we used multiple regressions analysis to analyse the best predictors that influence the customers to choose IHP facility. As mentioned, those variables (selected demographic factors, religious obligation, pricing of product, social influence and awareness) were tested by using multiple regressions to achieve the outcome of this study.

As usual, there are several assumptions that need to be fulfilled as mentioned in the previous chapter before we run these analyses. In this study, the univariate outliers was detected during data screening as well as multivariate outliers which has been noticed by using statistical methods and graphical methods. Instead of that, the VIF value is more than 1 and the multicollinearity does not exist. Besides, the residuals have a linear relationship with IHP scores and it is normally distributed.

Table 4.11 illustrates the result gathered from multiple regressions analysis. We found F statistic produced ( $F= 16.933$ ) is found to be significant ( $p= 0.000$ ) at the level 0.00. Therefore, it enabled us to reject the null hypothesis. Besides, the  $R^2$  score in this study were 0.585. This means 58.5% of the variance in choosing IHP had explained by all independent variables which are religious obligation, pricing of product, social influence and awareness. The rest of 41.5% might be explained by the exclude factors.

Next analysis is on the Table 4.11 regarding religious obligation in which the value of  $t$  is 6.064, Beta is 0.532, and it is significant at 0.000 followed by pricing of product in value of  $t$  is 0.200, Beta is 0.015 and it is not significant at 0.842. Besides, social influence showed the insignificant result too which is at 0.150 and the value for Beta and  $t$  is at -0.115 and -1.1454. Otherwise, in awareness represented the significant result at 0.06 and the value of  $t$  and Beta is at 2.796 and 0.260. While, the value of  $t$  for age at -3.238 (significant 0.001), and Beta value is -0.266.

Table 4.11  
*Multiple Regressions Result*

Determinant	Standardize Coefficients Beta	T	Sig
(Constant)		1.768	0.081
Religious Obligation	0.532	6.064	0.000
Pricing of Product	0.015	0.200	0.842
Social Influence	-0.115	-1.1454	0.150
Awareness	0.260	2.796	0.006
Age	-0.266	-3.238	0.001
Individual Income	0.145	1.744	0.085
Tenure	0.175	2.406	0.018

**Dependent variable** : Choosing IHP

**R Square** : 0.585

**F value** : 16.933

**Significant** : 0.00

Followed by the value of t in individual income is 1.744 (not significant 0.085), Beta value at 0.145. For tenure presented the significant result which is at 0.018, value for Beta is 0.175 and t value at 2.406. Test regressions show that there are significant relations between religious obligation, awareness, age, tenure in customers' decision to choose IHP. However, others variable such as pricing of product, social influence and individual income are not significant at all.

The result indicated that changing religious obligation by one standard deviation would change IHP by 0.53 standard deviation. Similarly, changing in awareness and tenure by one standard deviation would change by 0.26 and 0.17 standard deviation respectively. However, the changing for age by one standard deviation would change IHP by -0.26 standard deviation.

As a conclusion, the last hypothesis represented age, tenure, religious obligation and awareness which have significant relationship and the most influence in choosing Islamic hire purchase facility. However, pricing of product, social influence and individual income are not significant relationship which is more than 0.05. It indicates that those variables are not the main factors and do not influence the customers in choosing IHP. The finding for pricing of product is not consistent with Abdullah and Dusuki (2006). It is been proven that the pricing of product is not the main issue and most of the customers are satisfied with IHP facility.

At the same time, the finding for social influence are also not significant and inconsistent with the previous research by Yusuf et al. (2013), Amin et al. (2011) and Taib et al. (2008) when the respondents in Kedah choose IHP not because of the influence by the social environment. Furthermore, we concluded that individual income level also do not influence the customers in choosing Islamic hire purchase facility. Therefore, the middle class customers are still choosing IHP facility for the others purpose even their income is low.

As it can be seen from the results, there is an existence of religious responsibility among the Muslim community in Kedah as compared to 10 years ago. As described by Haron et al. (1994), there is only 39% are aware of the existence of Islamic banking on the basis of religious obligation. However after 10 years, the rapid development in Islamic financial institutions in Malaysia raises and creates the religious awareness among Muslim in Kedah. Therefore, it verified that the customers are choosing IHP based on their religious obligation and awareness without being influenced by third party (social influence) as well as the pricing of product.

Besides, the findings are parallel with the previous study by Yusuf et al. (2013) where the religious obligation is the factors that influenced the customers to choose IHP in Shah Alam. Otherwise, the findings are inconsistent with Amin et al. (2011) where the researcher claimed that the religious obligation is not significant in determining the intention to use Islamic personal financing. According to Yusuf et al. (2013), it is because of the sample for the study was customers in Labuan which has many population of non-Muslim.

Moreover, there is another factor which also encourages the customers in choosing Islamic hire purchase facility such as awareness. The result for awareness are equivalent with the previous research by Yusuf et al. (2013) and not parallel with Amin (2009) where the awareness factors are not influenced the customers to choose Islamic automobile financing in Labuan. Furthermore, most of the respondents in this study who obtained Diploma and below showed the awareness towards IHP facility. Comparing

with the findings, Yusuf et al. (2013) clarified that most of the respondents who showed high awareness towards Islamic hire purchase facility were from bachelor level education. In terms of demographic factors, age and tenure revealed the significant result in this study. In fact, it is been proved the otherwise result in age where the study was conducted by Amin (2009) clarified age factors are not significant among customers towards Islamic automobile financing.

#### **4.9 Conclusion**

This chapter has deliberated on the findings congregated from analysis of data. Descriptive and inferential analysis were used to evaluate the data in order to accomplish the objectives of this study as mentioned in chapter 1. Moreover, this chapter has also clarified the findings of the study according to the hypothesis that was formulated. Therefore in Chapter 5, we would like to explain and make the conclusion regarding the variables which is significant in this study. In addition, we also propose the recommendation for marketing strategy as well as the outstanding suggestion for the future study in Chapter 5.



## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 Conclusion of the Study**

Overall, Islamic hire purchase facility is designed to fulfill the requirement of customers' need. Therefore, this study is carried out to examine the factors that influence customers' decision in choosing IHP in Kedah. A total of 105 IHP customers in Kedah were selected as respondents. From the answers of respondents, five factors were analyzed namely demographic factors, religious obligation, pricing in product, social influence and awareness.

In first hypotheses, the result showed there is no significant difference between gender, races, marital status, age, education level, occupation and individual income with choosing IHP among Muslim customers in Kedah. The findings further reveal that demographic factors, religious obligation, social influence, awareness positively influence customers' decision to choose IHP. However, high price may discourage customers from using IHP.

The last but not least, the findings also reveal that religious obligation, customer's awareness, age, and tenure are the most significant factors among others to influence customers' decision to choose IHP. However, pricing of product, social influence and individual income indicated negative relationship which is more than 0.05. It can be

concluded that those variables are not the main factors and do not influence customers in choosing IHP. The finding for pricing of product is not consistent with Abdullah and Dusuki (2006). It has been proven that the pricing of product is not the main issue and most of the customers are satisfied with IHP facility.

## **5.2 Limitation of the Study**

The difficulty faced in completing this research is in getting the information. We also had a problem to obtain the number of sample sizes of the IHP customers because of the secrecy and policies of the Islamic Bank and Bank Negara Malaysia. Therefore, we decided to use the data of motor vehicle users who register with the authority. In this situation, the sample size was derived from the total number of motor vehicle registered with the Ministry of Transportation Malaysia.

Furthermore, the progress became complicated and slow when the respondents refused to answer the questionnaire and do not want to cooperate in getting the information. It is because respondents do not want to mentioned their individual income and expenses. But after we convinced them, we assumed that they possessed the average income among the respondent.

## **5.3 Recommendation and Future Research**

In this study, there are several recommendations that can be reasonably forwarded for Islamic banks in Kedah as well as for the future research. First of all, most of the respondents which filled the questionnaires are 30 until 40 years old. Thus, we highly

recommend that Islamic banks institutions should expand and target their market focusing on this age category through in-depth advertising like billboard, news, pamphlet, etc. It will attract people towards Islamic banks' service/product and will help retain existing the customers Yusuf, et al. (2013).

In terms of tenure, recently there is a rumor from the social media and blogs like Funtastick.net, Berita Semasa and etc. that BNM have issued a memo to reduce the financing period from 9 years to 7 years and advances in deposits to 20% for the purchase of new cars. Many of the customers were unsatisfied with this regulation which is stated by BNM. However in August 2013, Bank Negara Malaysia (BNM) denied ordering banks to reduce the repayment period for a car loan for a maximum period of seven years.

In addition, BNM also denied the instructions to increase the monetary value of the advance from 10% to 20%. The customers are advised not to trust any rumors that are not confirmed. Furthermore, current financing terms and conditions on the maximum funding period is no more than nine years under Lending Guidelines also remains unchanged (Berita Harian, 2013). From these circumstances, we recommended the authority of bank to keep the maximum of the repayment period for 9 years or extend some additional years in order to reduce the burden of the customers to make payment. This would be attractive to the middle income class customers and most of banks' customers could afford to pay monthly installment for 9 years.

Since the growing awareness towards Islamic banking these days, we highly suggest that Islamic banks have to take several steps to increase their quality and performance through Islamic values in Islamic banking. Here we suggest two recommendations for Islamic banks:

First, Islamic banks should emphasize on religious values such as ethics and manners which are friendlier towards the customers. Second, during the pre-signing contract between bankers and customers, Islamic bank's staffs are required to explain the information in the contract more clearly to the customers. Hence, the customers will understand the contents of the contract in more detail. At the same time, the procedures in pre-signing contract shall comply with the pillars of the Islamic contract where the rules of trading must be filled before the customer sign the Asset Purchase Agreement (APA) and Sale Purchase Agreement (SPA). As such, the agreement between two parties must be in the single sitting, the commodity (car) must be owned by the bank before selling to the customers and etc. (Naim, 2011).

From this insight, the customers will see the significant differences between conventional bank and Islamic bank in applying sale purchase facility. Therefore, the customers will be more convinced that Islamic banking is an institution that constantly follows the Sharia rules. Moreover, Islamic banks need to find better way in making the customers become more familiarized with Islamic hire purchase product. Even though there was significant relationship in awareness with choosing of IHP, but we found that most of the respondents do not know what exactly Islamic hire purchase product is. Thus, during the

collection of data, we needed to give some brief explanation to the respondents until they recognized the Islamic hire purchase product.

Therefore, it is better for Islamic banks to advertise more information regarding Islamic products so the customers become more aware and understand the product features. In addition, the Islamic banks also need to have their own Islamic banking training forum in developing the experienced and Sharia knowledge staff. Hence, it will enhance the staff quality and the customers will have more confidence to choose Islamic product as well.

For the future research, since the R square were not too high, we concluded there are other factors that influence the customers to choose IHP facility which are service quality and contract transparency. According to the previous researchers such as service quality were used as one of the factors to determine the bank selection criteria. Thus, we recommend that services quality can be applied as one of the factors in choosing of IHP facility among the customers.

In terms of contract transparency, the findings from the interview with *Perodua* staff found that Muslim customers are not viewing the contents of the contract agreement in more detailed compared to non-Muslim customers. As indicated also in this study, most of the respondents are not sure whether Islamic hire purchase's service charge, fees, and penalty are higher. Thus, we suggest that contract transparency can be one of the factors that influence the customers to choose Islamic hire purchase among Muslim and non-Muslim customers. Besides, Yusuf et al. (2013) also suggested reward as a one of the factors which should be considered for future study.

Moreover, we also suggest making a comparison on the extent of IHP facility in different cities elsewhere in Malaysia which consists of non-Muslim in Malaysia (cross-cultural study). From this part, we can observe the non-Muslims' view towards IHP facility. Therefore, religious obligation can be replaced with service quality to determine the factors of choosing of IHP facility among non-Muslim customers.

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## **APPENDICES**

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**APPENDIX A**  
(Questionnaires)

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**APPENDIX B**  
(Factor Analysis)

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**APPENDIX C**  
(Reliability Test)

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**APPENDIX D**  
(Normality Test)

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**APPENDIX E**  
(Descriptive Statistic)

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**APPENDIX F**  
(Test of Differences)

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**APPENDIX G**  
(Correlation)

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**APPENDIX H**  
(Multiple Regressions)

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## **APPENDIX A**

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### **(Questionnaire)**

CODE				
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## **KAJIAN FAKTOR YANG MEMPENGARUHI PELANGGAN MEMILIH PRODUK SEWA BELI KENDERAAN SECARA ISLAM: KAJIAN TERHADAP PELANGGAN MUSLIM DI KEDAH**

Kepada para pelanggan bank-bank Islam yang dihormati,

**Per : Penyelidikan Ilmiah**

Soal selidik ini bertujuan untuk meneliti kecenderungan anda dalam memilih pembiayaan sewa beli kenderaan secara Islam. Untuk Makluman, saya merupakan pelajar Sarjana Kewangan dan Perbankan Islam di Universiti Utara Malaysia (UUM). Soalan ini ditujukan khas kepada pelanggan yang sedang atau berkeinginan untuk menggunakan pembiayaan sewa beli kenderaan secara Islam.

Soal selidik ini terbahagi kepada EMPAT bahagian utama iaitu:

- i) Bahagian A : Latar belakang pelanggan.
- ii) Bahagian B: Pandangan terhadap pembiayaan sewa beli kenderaan secara Islam.
- iii) Bahagian C : Pemilihan produk pembiayaan sewa beli kenderaan secara Islam.

Segala maklumat yang anda berikan akan **DIRAHSIAKAN** dan hanya untuk **TUJUAN PENYELIDIKAN AKADEMIK SEMATA- MATA**. Terima kasih atas kerjasama dan sokongan anda terhadap kajian soal selidik ini.

Yang benar,

Muhammad Saiful Islam Ismail  
Email : riderislam88@yahoo.com

## BAHAGIAN A: Latar belakang pelanggan

Sila tandakan (√) di kotak yang sesuai

1. Jantina ☐ Lelaki ☐ Perempuan

2. Status ☐ Bujang ☐ Berkahwin

☐ Duda/Janda

3. Bangsa

☐ Melayu

☐ Cina

☐ India

☐ Siam

☐ Lain-lain. Sila nyatakan: .....

4. Umur   tahun

5. Tahap pendidikan tertinggi

☐ SRP/PMR

☐ SPM/STPM/Sijil/Diploma

☐ Sarjana Muda

☐ Sarjana

☐ Doktor Falsafah

☐ Lain-lain. Nyatakan: .....

6. Sektor pekerjaan utama

☐ Sektor Kerajaan

☐ Sektor Swasta

☐ Bekerja Sendiri/ Peniaga

☐ Penggangur /Suri Rumah/ Pesara

☐ Pelajar

☐ Lain-lain. Nyatakan: .....

7. Pendapatan Individu sebulan: .....



8. Perbelanjaan sebulan: .....

9. Maklumat tentang pembiayaan sewa beli kenderaan secara Islam

Jumlah pembiayaan : .....

Kadar pembiayaan : .....

Bayaran bulanan : .....

Tempoh pembiayaan : .....

Tahap kepuasan terhadap pembiayaan yang ditawarkan

Bulatkan jawapan yang sesuai

Sangat tidak bersetuju	Tidak bersetuju	Sederhana	Setuju	Sangat Setuju
1	2	3	4	5

## BAHAGIAN B: Pandangan terhadap pembiayaan sewa beli kenderaan secara Islam

Bulatkan jawapan yang sesuai.

Sangat tidak bersetuju	Tidak bersetuju	Sederhana	Setuju	Sangat Setuju
1	2	3	4	5

1	Saya memilih produk ini selaras dengan prinsip-prinsip perbankan Islam.	1	2	3	4	5
2	Saya memilih produk ini berasaskan kepada prinsip-prinsip perniagaan dalam Islam.	1	2	3	4	5
3	Saya memilih produk ini berlandaskan kepada al-Quran dan Sunnah.	1	2	3	4	5
4	Saya memilih produk ini bebas daripada unsur riba.	1	2	3	4	5
5	Saya bersetuju bahawa produk ini bebas daripada unsur penipuan.	1	2	3	4	5
6	Saya memilih produk ini kerana kepercayaan terhadap agama saya.	1	2	3	4	5
7	Saya memilih produk ini kerana ia berlandaskan hukum syariat Islam.	1	2	3	4	5
8	Saya memilih produk ini kerana ketaatan terhadap ajaran Islam.	1	2	3	4	5
9	Saya memilih produk ini sebagai pilihan utama dalam pembiayaan kenderaan.	1	2	3	4	5
10	Kadar cas perkhidmatan yang dikenakan dalam pembiayaan produk ini adalah tinggi.	1	2	3	4	5
11	Kadar denda yang dikenakan dalam pembiayaan produk ini adalah tinggi.	1	2	3	4	5
12	Kadar yuran pendahuluan yang dikenakan dalam pembiayaan produk ini adalah tinggi.	1	2	3	4	5
13	Saya berpendapat harga pembiayaan sewa beli kenderaan ini adalah tinggi.	1	2	3	4	5
14	Saya berpendapat bahawa bayaran bulanan produk ini adalah tinggi.	1	2	3	4	5
15	Secara keseluruhannya, kos pembiayaan produk ini sangat tidak berpatutan.	1	2	3	4	5
16	Orang yang rapat dengan saya beranggapan bahawa saya harus memilih produk ini.	1	2	3	4	5

17	Orang ramai menjangkakan bahawa saya akan memilih kemudahan pembiayaan sewa beli kenderaan secara Islam.	1	2	3	4	5
18	Kebanyakan orang yang berkepentingan kepada saya beranggapan produk ini sangat bermanfaat/berfaedah.	1	2	3	4	5
19	Kebanyakan orang beranggapan saya terbiasa dengan keperluan Syarak.	1	2	3	4	5
20	Pihak bank Islam telah mempengaruhi saya untuk memilih produk ini.	1	2	3	4	5
21	Saya memilih produk ini kerana dipengaruhi oleh keluarga.	1	2	3	4	5
22	Rakan-rakan mempengaruhi saya untuk memilih produk ini.	1	2	3	4	5
23	Saya memilih produk ini kerana dipengaruhi oleh pihak pengedar kenderaan.	1	2	3	4	5
24	Saya memilih produk ini kerana dipengaruhi oleh pihak syarikat kenderaan.	1	2	3	4	5
25	Saya sedar akan kewujudan produk pembiayaan sewa beli kenderaan secara Islam sebelum ini.	1	2	3	4	5
26	Saya tahu dan faham mengenai produk pembiayaan sewa beli secara Islam sebelum ini.	1	2	3	4	5
27	Saya bersetuju bahawa produk ini merupakan salah satu alternatif untuk memperolehi aset.	1	2	3	4	5
28	Saya sedar bahawa produk ini sangat berbeza dengan skim pinjaman sewa beli kenderaan secara konvensional.	1	2	3	4	5
29	Saya sedar bahawa pembiayaan sewa beli kenderaan secara Islam adalah merupakan salah satu produk perbankan yang terbaik.	1	2	3	4	5
30	Saya sedar produk ini menawarkan kos yang lebih rendah berbanding dengan pinjaman kenderaan konvensional.	1	2	3	4	5
31	Saya memilih produk ini kerana ia lebih selamat.	1	2	3	4	5
32	Secara keseluruhannya, saya bersetuju bahawa produk ini menjanjikan pulangan masa depan yang sangat baik.	1	2	3	4	5

**BAHAGIAN C: Pemilihan produk pembiayaan sewa beli kenderaan secara Islam**

Bulatkan jawapan yang sesuai.

Sangat tidak bersetuju	Tidak bersetuju	Sederhana	Setuju	Sangat Setuju
1	2	3	4	5

1	Saya tertarik untuk menggunakan pembiayaan sewa beli kenderaan secara Islam.	1	2	3	4	5
2	Saya tertarik untuk menggunakan pembiayaan sewa beli kenderaan secara Islam pada masa akan datang.	1	2	3	4	5
3	Saya akan menggunakan produk pembiayaan ini suatu hari nanti.	1	2	3	4	5
4	Saya akan mengesyorkan produk ini kepada orang lain.	1	2	3	4	5

**BAHAGIAN D: Cadangan dan pandangan terhadap pembiayaan sewa beli kenderaan secara Islam**

Saya cadangkan,

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**TERIMA KASIH DI ATAS KERJASAMA ANDA**

**SEMOGA JASA ANDA MENDAPAT GANJARAN DI SISI ALLAH S.W.T**

## **APPENDIX B**

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### **(FACTOR ANALYSIS)**

## FACTOR ANALYSIS FOR DEPENDENT VARIABLE

**Correlation Matrix<sup>a</sup>**

		CIHP1	CIHP2	CIHP3	CIHP4
Correlation	CIHP1	1.000	.818	.732	.731
	CIHP2	.818	1.000	.732	.709
	CIHP3	.732	.732	1.000	.759
	CIHP4	.731	.709	.759	1.000
Sig. (1-tailed)	CIHP1		.000	.000	.000
	CIHP2	.000		.000	.000
	CIHP3	.000	.000		.000
	CIHP4	.000	.000	.000	

a. Determinant = .048

**Communalities**

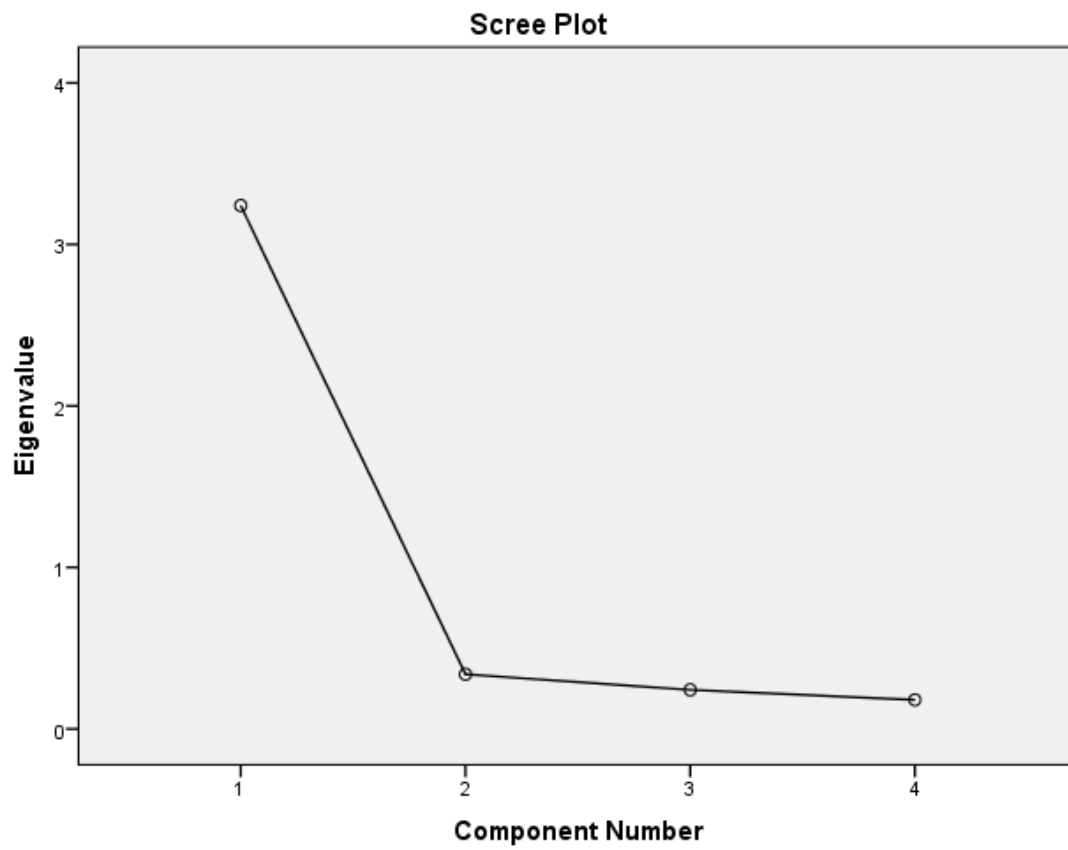
	Initial	Extraction
CIHP1	1.000	.832
CIHP2	1.000	.821
CIHP3	1.000	.800
CIHP4	1.000	.787

Extraction Method: Principal Component Analysis.

**Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.240	81.009	81.009	3.240	81.009	81.009
2	.338	8.450	89.459			
3	.242	6.045	95.504			
4	.180	4.496	100.000			

Extraction Method: Principal Component Analysis.



**Component Matrix<sup>a</sup>**

	Component
	1
CIHP1	.912
CIHP2	.906
CIHP3	.895
CIHP4	.887

Extraction Method:  
Principal Component  
Analysis.  
a. 1 components extracted.

## **APPENDIX C**

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### **(Reliability Test)**



#### IV: FACTORS OF CHOOSING IHP

##### 1. RELIGIOUS OBLIGATION

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.926	.927	9

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
RO1	33.25	36.513	.761	.964	.916
RO2	33.15	37.924	.684	.945	.921
RO3	33.10	35.779	.860	.912	.909
RO4	33.20	38.274	.630	.836	.925
RO5	33.30	42.747	.383	.638	.936
RO6	32.90	37.463	.872	.912	.910
RO7	32.85	38.239	.852	.892	.912
RO8	33.05	37.208	.814	.944	.912
RO9	33.20	37.221	.767	.793	.915

## 2. PRICING OF PRODUCT

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.916	.917	6

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PP10REV	13.44	15.325	.702	.611	.911
PP11REV	13.36	16.022	.705	.812	.909
PP12REV	13.23	14.966	.859	.878	.888
PP13REV	13.49	14.752	.788	.784	.898
PP14REV	13.28	15.760	.758	.709	.902
PP15REV	13.30	15.560	.783	.830	.899

### 3. SOCIAL INFLUENCE

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.878	.877	9

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SI 16	25.75	53.776	.470	.527	.876
SI 17	25.80	51.116	.536	.736	.871
SI 18	25.30	54.116	.492	.782	.874
SI 19	25.55	50.471	.654	.829	.862
SI 20	25.90	46.305	.708	.785	.856
SI 21	26.40	49.095	.714	.760	.856
SI 22	26.65	47.187	.683	.711	.859
SI 23	26.45	48.261	.642	.829	.862
SI 24	26.60	48.147	.679	.838	.859

#### 4. AWARENESS

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.908	.910	8

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
AL25	28.15	27.924	.553	.725	.909
AL26	28.45	28.261	.533	.658	.910
AL27	28.20	27.432	.783	.738	.894
AL28	28.40	24.568	.787	.814	.889
AL29	28.30	23.800	.830	.927	.885
AL30	28.50	25.947	.638	.514	.903
AL31	28.30	25.695	.767	.863	.891
AL32	28.50	25.000	.794	.944	.888

DV: CHOOSING IHP

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.920	.922	4

**Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CIHP1	12.38	5.161	.836	.725	.890
CIHP2	12.30	5.383	.826	.713	.895
CIHP3	12.38	5.180	.812	.664	.898
CIHP4	12.40	4.935	.800	.650	.904

## **APPENDIX D**

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### **(Normality Test)**

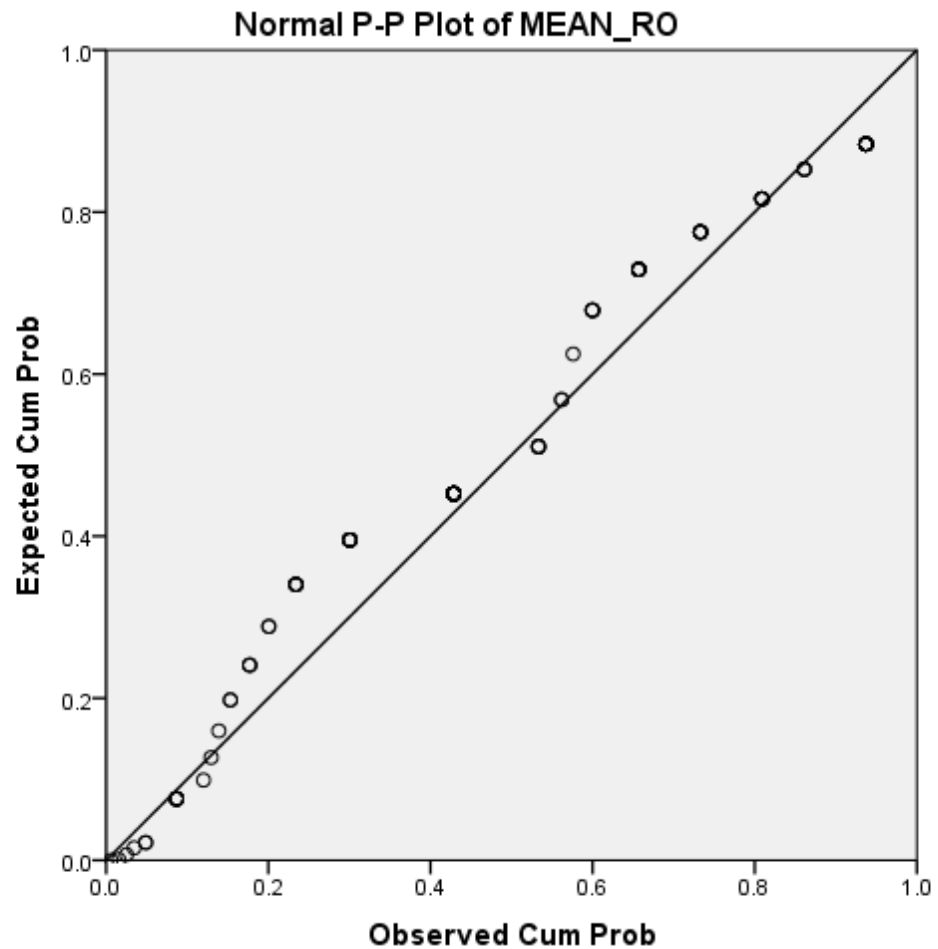
## NORMALITY OF DATA

Estimated Distribution Parameters

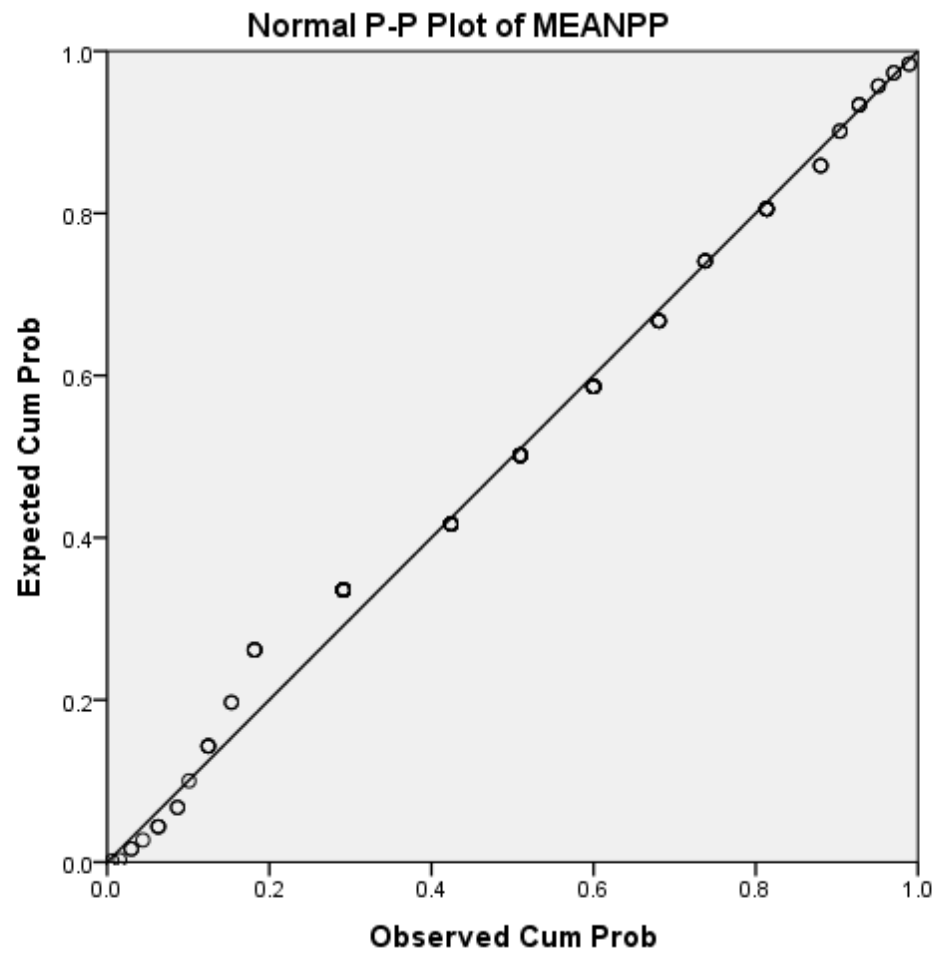
		MEAN_R O	MEANPP	MEANSI	MEANLA	MEANCIH P
Normal	Location	4.0910	3.3302	3.2275	3.7714	3.9460
Distribution	Scale	.76108	.77831	.68187	.60929	.68426

The cases are unweighted.

### 1. RELIGIOUS OBLIGATION

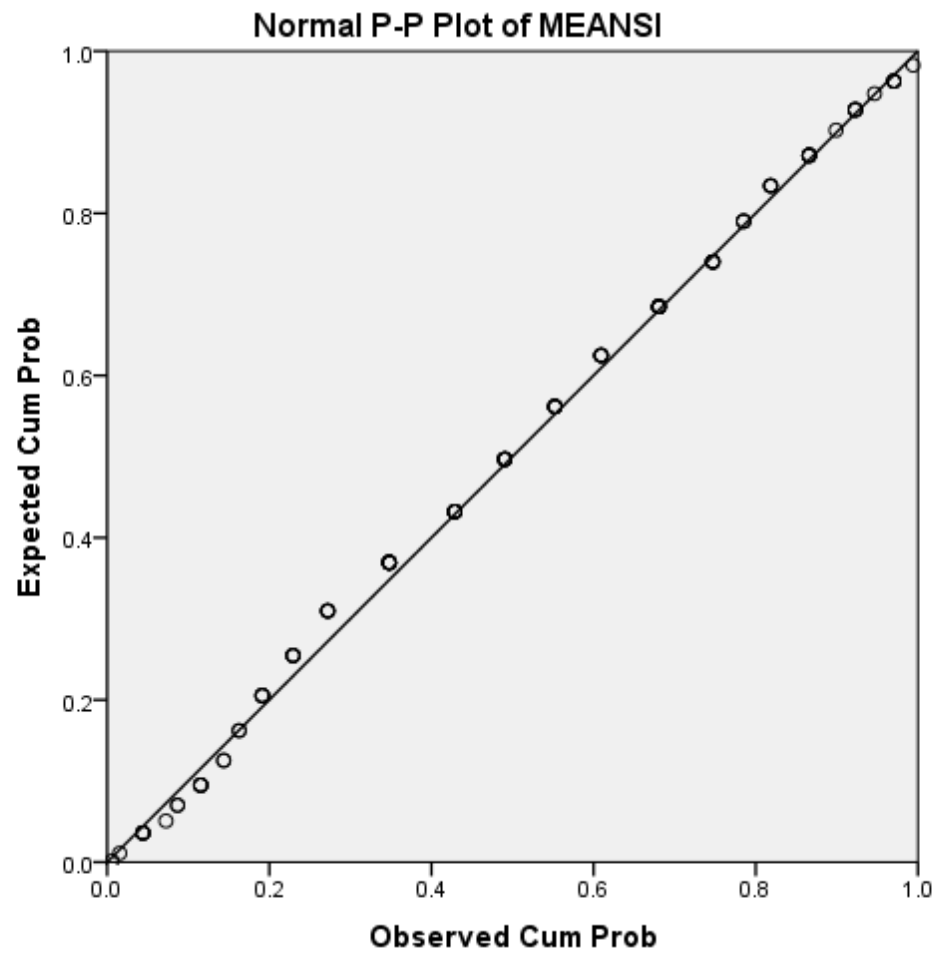


## 2. PRICING OF PRODUCT

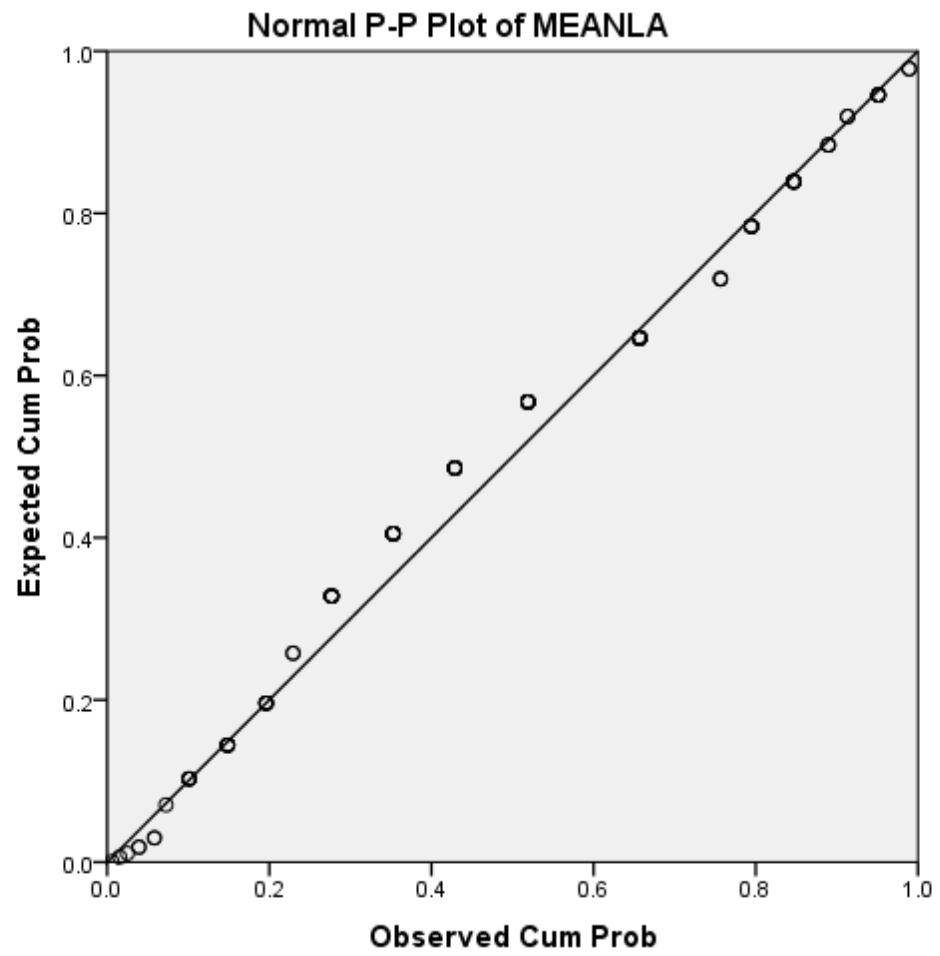




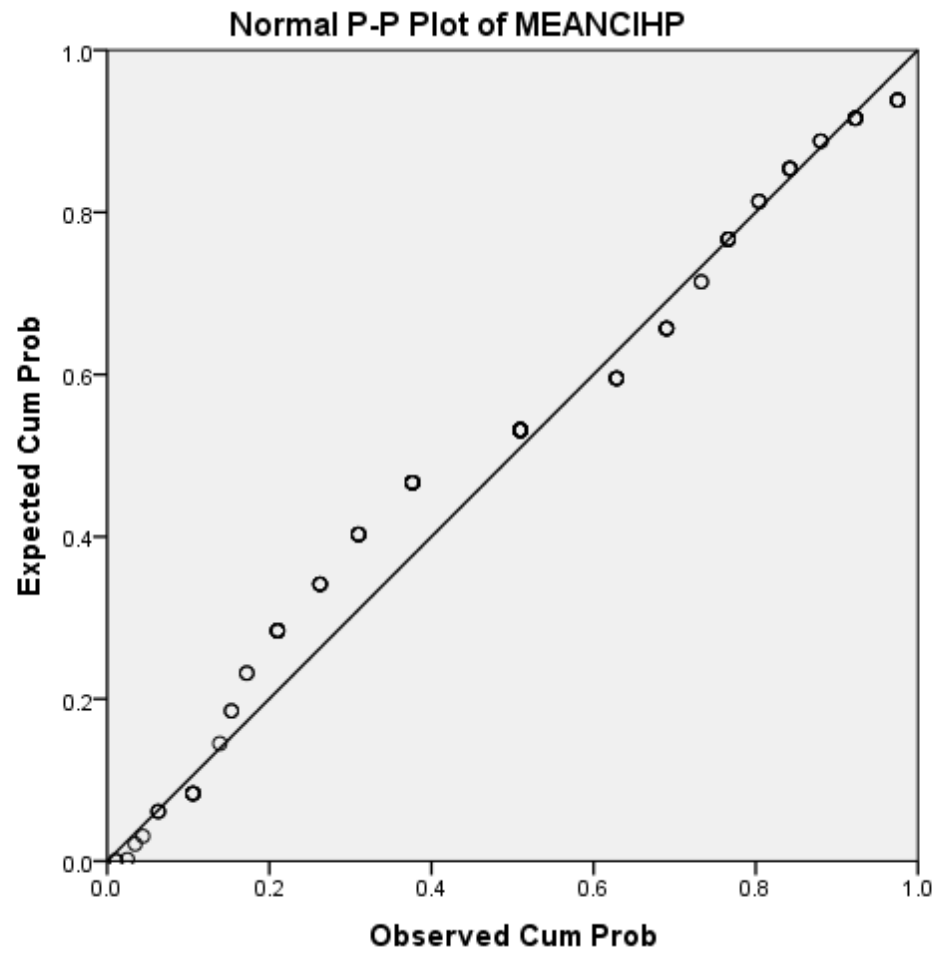
### 3. SOCIAL INFLUENCE



#### 4. AWARENESS



## 5. CHOOSING IHP



### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
MEAN_RO	105	1.00	5.00	4.0910	.76108	-1.264	.236	2.398	.467
MEANPP	105	1.00	5.00	3.3302	.77831	-.352	.236	.588	.467
MEANSI	105	1.22	4.67	3.2275	.68187	-.277	.236	-.073	.467
MEANLA	105	1.88	5.00	3.7714	.60929	-.503	.236	.434	.467
MEANCIHP	105	1.67	5.00	3.9460	.68426	-.917	.236	1.496	.467
Valid N (listwise)	105								

## **APPENDIX E**

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### **(Descriptive Statistic)**

## DEMOGRAPHIC FACTORS

### 1. GENDER

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	68	64.8	64.8	64.8
Female	37	35.2	35.2	100.0
Total	105	100.0	100.0	

### 2. MARITAL STATUS

Status				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	29	27.6	27.6	27.6
Married	76	72.4	72.4	100.0
Total	105	100.0	100.0	

### 3. RACES

Races				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Malay	98	93.3	93.3	93.3
Non-Malay	7	6.7	6.7	100.0
Total	105	100.0	100.0	

#### 4. AGE

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	>30	35	33.3	33.3	33.3
	31-40	44	41.9	41.9	75.2
	41-50	26	24.8	24.8	100.0
	Total	105	100.0	100.0	

#### 5. EDUCATION LEVELS

Education levels					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SPM/STPM/Diploma	55	52.4	52.4	52.4
	Bachelor Degree	50	47.6	47.6	100.0
	Total	105	100.0	100.0	

#### 6. OCCUPATION

Occupations					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government	41	39.0	39.0	39.0
	Private	59	56.2	56.2	95.2
	Others	5	4.8	4.8	100.0
	Total	105	100.0	100.0	

#### 7. INDIVIDUAL INCOME

Individual Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	>2000	4	3.8	3.8	3.8
	2001-4000	49	46.7	46.7	50.5
	4001-6000	34	32.4	32.4	82.9
	6001-8000	18	17.1	17.1	100.0
	Total	105	100.0	100.0	

## 8. EXPENSES

### Expenses

	Frequency	Percent	Valid Percent	Cumulative Percent
>1000	14	13.3	13.3	13.3
1001-3000	60	57.1	57.1	70.5
3001-5000	23	21.9	21.9	92.4
5001 and above	8	7.6	7.6	100.0
Total	105	100.0	100.0	

## 9. AMOUNT OF FINANCING

### Amount of Financing

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid >50000	43	41.0	41.0	41.0
50001-100000	51	48.6	48.6	89.5
100001-150000	11	10.5	10.5	100.0
Total	105	100.0	100.0	

## 10. RATE OF FINANCING

### Rate of Financing

Valid		Frequency	Valid percent
Rate of Financing	Below than 2.0%	3	2.9
	2.01 % - 4.00%	88	83.8
	4.01% - 6.00%	12	11.4
	6.01% and above	2	1.9
Total		105	100



## 11. MONTHLY INSTALMENT

Monthly Instalment			
Valid			
Monthly Installment	Below than RM300	7	6.7
	RM301 – RM600	45	42.9
	RM601 – RM900	30	28.6
	RM901 – RM1200	14	13.3
	RM1201 – RM1500	6	5.7
	RM1500 and above	3	2.9
Total		105	100

## 12. TENURE

Tenure				
	Frequency	Percent	Valid Percent	Cumulative Percent
3	1	1.0	1.0	1.0
5	5	4.8	4.8	5.7
6	1	1.0	1.0	6.7
Valid 7	12	11.4	11.4	18.1
8	4	3.8	3.8	21.9
9	82	78.1	78.1	100.0
Total	105	100.0	100.0	

## 13. SATISFACTION TOWARDS ISLAMIC HIRE PURCHASE FINANCING

Satisfaction				
	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	3.8	3.8	3.8
Disagree	13	12.4	12.4	16.2
Neither Agree or Disagree	48	45.7	45.7	61.9
Agree	38	36.2	36.2	98.1
Strongly Agree	2	1.9	1.9	100.0
Total	105	100.0	100.0	

## **APPENDIX F**

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### (Test of Differences)

## T TEST

### 1. GENDER

**Group Statistics**

	Gender	N	Mean	Std. Deviation	Std. Error Mean
mean_CIHP	Male	68	4.1507	.80244	.09731
	2	37	4.0676	.64185	.10552

**Independent Samples Test**

		Levene's Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
mean_CIHP	Equal variances assumed	3.988	.048	.543	103	.589	.08317	.15326	-.22079	.38713
	Equal variances not assumed			.579	88.772	.564	.08317	.14354	-.20205	.36839

## 2. RACES

	Race	N	Mean	Std. Deviation	Std. Error Mean
mean_CIHP	Malay	96	4.1797	.65965	.06733
	Chinese	7	4.0357	.80917	.30584

### Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
mean_CIHP	Equal variances assumed	.306	.581	.549	101	.584	.14397	.26210	-.37596	.66390
	Equal variances not assumed			.460	6.595	.660	.14397	.31316	-.60586	.89381

### 3. MARITAL STATUS

	Status	N	Mean	Std. Deviation	Std. Error Mean
mean_CIHP	Single	29	4.1983	.57624	.10700
	Married	74	4.1588	.70295	.08172

#### Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
mean_CIHP	Equal variances assumed	1.201	.276	.269	101	.789	.03949	.14683	-.25179	.33077
	Equal variances not assumed			.293	62.083	.770	.03949	.13464	-.22964	.30862

#### 4. EDUCATION LEVELS

	EduBack	N	Mean	Std. Deviation	Std. Error Mean
mean_CIHP	Diploma and below	54	4.1065	.71474	.09726
	Bachelor Degree and above	49	4.2398	.61016	.08717

#### Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
mean_CIHP	Equal variances assumed	.712	.401	-1.013	101	.314	-.13331	.13161	-.39440	.12777
	Equal variances not assumed			-1.021	100.641	.310	-.13331	.13061	-.39241	.12578

## ANOVA

### 1. AGE

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.975	2	.487	1.097	.338
Within Groups	44.427	100	.444		
Total	45.402	102			

### 2. INDIVIDUAL INCOME

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.144	3	.048	.105	.957
Within Groups	45.258	99	.457		
Total	45.402	102			

### 3. OCCUPATION

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.392	2	.196	.436	.648
Within Groups	45.010	100	.450		
Total	45.402	102			

## **APPENDIX G**

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### **(Correlation)**



		mean_CIHP	MEAN_RO	MEAN_PPREV	MEANSI	MEANLA	Age	Individual Income	Tenure
mean_CIHP	Pearson Correlation	1	.664**	-.183	.211*	.541**	-.231*	.024	.218*
	Sig. (2-tailed)		.000	.074	.036	.000	.019	.811	.027
	N	103	101	96	99	102	103	103	103
MEAN_RO	Pearson Correlation	.664**	1	-.179	.359**	.598**	-.097	.030	.153
	Sig. (2-tailed)	.000		.081	.000	.000	.327	.761	.122
	N	101	103	96	99	103	103	103	103
MEAN_PPREV	Pearson Correlation	-.183	-.179	1	-.157	-.317**	.081	.093	-.029
	Sig. (2-tailed)	.074	.081		.132	.002	.430	.361	.779
	N	96	96	98	94	97	98	98	98
MEANSI	Pearson Correlation	.211*	.359**	-.157	1	.419**	-.183	-.148	.121
	Sig. (2-tailed)	.036	.000	.132		.000	.068	.142	.231
	N	99	99	94	100	100	100	100	100
MEANLA	Pearson Correlation	.541**	.598**	-.317**	.419**	1	-.106	.058	.100
	Sig. (2-tailed)	.000	.000	.002	.000		.283	.559	.313
	N	102	103	97	100	104	104	104	104

Cont...

Age	Pearson Correlation	-.231*	-.097	.081	-.183	-.106	1	.456**	-.132
	Sig. (2-tailed)	.019	.327	.430	.068	.283		.000	.181
	N	103	103	98	100	104	105	105	105
Individual Income	Pearson Correlation	.024	.030	.093	-.148	.058	.456**	1	-.219*
	Sig. (2-tailed)	.811	.761	.361	.142	.559	.000		.025
	N	103	103	98	100	104	105	105	105
Tenure	Pearson Correlation	.218*	.153	-.029	.121	.100	-.132	-.219*	1
	Sig. (2-tailed)	.027	.122	.779	.231	.313	.181	.025	
	N	103	103	98	100	104	105	105	105

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

## **APPENDIX H**

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### **(MULTIPLE REGRESSIONS)**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.765 <sup>a</sup>	.585	.551	.42617	2.048

a. Predictors: (Constant), Tenure, MEAN\_PPREV, Age, MEAN\_RO, MEANSI, Individual Income, MEANLA

b. Dependent Variable: mean\_CIHP

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regressions	21.528	7	3.075	16.933	.000 <sup>b</sup>
	Residual	15.256	84	.182		
	Total	36.785	91			

a. Dependent Variable: mean\_CIHP

b. Predictors: (Constant), Tenure, MEAN\_PPREV, Age, MEAN\_RO, MEANSI, Individual Income, MEANLA

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.067	.604	1.768	.081
	MEAN_RO	.513	.085	.532	.000
	MEAN_PPREV	.014	.071	.015	.842
	MEANSI	-.119	.082	-.115	.150
	MEANLA	.294	.105	.260	.006
	Age	-.020	.006	-.266	.001
	Individual Income	3.136E-005	.000	.145	.085
	Tenure	.098	.041	.175	.018