

RELIGIOSITY AND BANKING SELECTION CRITERIA AMONG MALAYS IN LEMBAH KLANG¹

Wan Marhaini Wan Ahmad*

Asmak Ab Rahman**

Azizi Che Seman**

Nor Aini Ali***

ABSTRACT

This study examines the role of religiosity in shaping consumer's choice of banking. Based on an index calculated to measure religiosity, the findings show that there are significant differences between a Muslim's level of religiosity and Islamic banking as his main choice of bank. The level of religiosity itself is mostly influenced by the Muslim's formal religious education as well as maturity. For the banking selection criteria, among the Muslims, "availability of ATMs" topped the ranking. Further factor analysis reveals customer and electronic services related factors. Findings suggest that even if Islamic Banking favours well with Muslims in Malaysia, the majority of them still patron conventional banking. And if Islamic bankers want to retain and attract them, the focus should be in developing and expanding their electronic services in order to fulfill their preference for faster and more efficient services.

Keywords: *Islamic banking, determinants of bank selection, determinants of financing selection, religiosity.*

¹ This article is based on research funded by the University of Malaya, F0224/2007A.

* Lecturer, Faculty of Business and Accounting, University of Malaya.

** Senior Lecturer, Department of Shariah and Economics, Academy of Islamic Studies, University of Malaya.

*** Lecturer, Department of Shariah and Economics, Academy of Islamic Studies, University of Malaya.

INTRODUCTION

Islamic banking has been around for three decades already in Malaysia and has become a major part of the country's banking system. In the early years of its existence, Islamic banking was only offered by a single Islamic bank, namely, Bank Islam Malaysia Berhad, and being a new and inexperienced entrant it is believed that it mainly attracted Malays who were committed to developing a banking system that conformed to Islamic teachings. Since then the world of Islamic banking has become broader with the participation of conventional banks through the Islamic Banking Scheme (IBS).

With a more extensive banking network, the question whether Islamic banking is favoured by Muslims (as it should be) still persists. It is important to see whether the religiosity effect plays a role in attracting Malays to subscribe to Islamic banking products or whether other banking selection criteria supersede faith. It is also undeniably important to identify the main banking selection criteria of Muslims to ensure the competitiveness of Islamic banking among Muslim customers.

Interestingly, it is observed that the Malaysian population favours conventional banking for its source of banking finance. Given that more than half of the population comprises Malays, who are normally Muslim, we would expect more than the minimal volume of financing demanded from the Islamic banks for all types of financing and not merely for consumption financing. Furthermore, the higher demand for consumption credit from the Islamic banking industry is suspected to be mainly contributed by the attractive *bay al-'inah* personal financing offered by the Bank Rakyat.

The three main personal loan/financing products offered by the banking industry are – for the purchase of residential property, purchase of passenger cars and consumption. Table 1 below shows the three types of financing provided by different types of banks in Malaysia. All the banks below are commercial banks except the Bank Kerjasama Rakyat Malaysia Berhad which is basically a cooperative bank. The bank is lumped together with the other Islamic banks as the products it offers are generally similar to commercial banks and its operations are now fully Islamic.

Table 1: Direction of Financing/Lending (Islamic Banks includes Bank Kerjasama Rakyat Berhad)

		2004		2005	
		RM mil	%	RM mil	%
Purchase of residential property	Islamic Banks	6,665.90	4.41	9,930.60	5.87
	Islamic Banking Scheme	11,796.60	7.80	10,178.00	6.01
	Conventional Banks	132,833.30	87.80	149,124.50	88.12
Purchase of passenger cars	Islamic Banks	1,814.00	2.08	5,922.10	5.50
	Islamic Banking Scheme	13,153.20	15.11	15,334.10	14.24
	Conventional Banks	72,061.30	82.80	86,460.90	80.27
Consumer/Consumption Credit	Islamic Banks	9,823.40	17.38	16,715.70	24.31
	Islamic Banking Scheme	14,986.50	26.51	15,334.10	22.30
	Conventional Banks	31,720.40	56.11	36,702.30	53.38

Source: BNM Annual Report for year 2005

There may be many reasons contributing to the lack of demand for Islamic financing products compared to conventional ones. Among them may be the lack of competitiveness of Islamic financing products, the differences in terms of wealth between non-Muslims and Muslims, the reluctance or total avoidance of subscribing to Islamic finance among non-Muslims, and the lack of participation of Muslims themselves.

This research attempts to address the last reason by looking at religiosity as a motivating factor among Muslims for only utilizing Islamic banking financing products. To achieve this we will try to come up with a model that measures how religious a person is based on the principles outlined in the Islamic teachings. The model will encompass both the conviction (akidah) element as well as the practices that may reflect it.

This model will be employed to examine any correlation between one's level of religiosity and his/her demographic background, especially his/her formal religious education background. Furthermore it will be employed to assess any correlation between one's level of religiosity and his/her choice of bank for a deposit account and when bank financing is needed.

In addition, the research also attempts to examine the banking selection criteria for Muslims, where some factors capture the Islamicity of the products in order to see whether religiosity is one of the main reasons or criteria in selection of banks among Malays. This is important because if it is shown that religiosity is the main factor of selection then the industry should concentrate on this element most to retain Malay customers. More importantly, if other criteria also contribute significantly towards the customers' choice, then to compete, the Islamic banking industry must provide services that are at par with the conventional banking industry.

Literature Review

Religiosity is expected to have a significant influence on a customer's ethical beliefs and this in itself will be reflected in his daily conduct and commitment.² Studies on religiosity being a determinant of consumer attitudes and practices, like Vitell & Paolillo³, for example, conclude that due to the fact that religiosity is a significant determinant of both idealism and relativism it is indirectly a significant determinant of consumer ethical beliefs and practices. Giorgi & Marsh⁴ have shown that an individual's religious fervour normally has a positive effect on his ethics.

² Conroy, S.T., & Emerson, Tisha L. N. (2004), "Business Ethics and Religion: Religiosity as a Predictor of Ethical Awareness among Students," *Journal of Business Ethics*, Vol. 50, Iss. 4, pp. 383-392.

³ Vitell, S.J. & Paolillo, J.G.P (2003), "Consumer Ethics: The Role of Religiosity," *Journal of Business Ethics*, Vol. 46, no. 2/ August, pp. 151-162.

⁴ Giorgi, L. & Marsh, C. (1990), "The Protestant Work Ethics as a Cultural Phenomenon," *European Journal of Social Psychology*, Vol. 20, no. 6, Nov-Dec 1990, pp. 499-517.

In Islam, one finds many verses of the Quran that stress the relationship between having faith (*iman*) and honouring it through man's conduct (*'amal*).⁵ Once a person has the awareness of God's unlimited power across time and that nothing can be concealed from Him, he becomes compelled to follow the path paved by Him. With the presence of fear and a sense of awe (*taqwa*), man would accordingly perform the expected *ibadah* and other worldly conduct as stated by the Islamic teachings, even when it comes to his virtues and vices (*akhlaq*). In short, religiosity should have a significant influence in shaping the choices of a man's conduct, which may include his economic and commercial activities.

Most studies on religiosity focus on Christianity with an emphasis on rituals like church attendance or participation and private prayers; belief like religious attitudes and trust in the church; and mystical experiences.⁶ If a study of religiosity in the eyes of Islam is to be conducted then a different approach must be employed. For being a Muslim means submitting one's life by following His dictates and guidance, which not only encompass one's rituals (*ibadat*) but also one's worldly conduct. Islam is a religion of submission, which requires a fully conscious and willing effort to submit namely, *iman* (faith), *Syariah* (includes *ibadah* and worldly conducts) and *akhlaq* (virtues and vices), which are used in this study to define the state of religiosity of a Muslim.⁷

So far, several works have attempted to measure the religiosity of a Muslim, like Rusnah, Wilde & Joseph and Khashan & Kreidie⁸. But the works mainly attempt to measure religiosity based on the ritual and belief aspects of Islam without looking at the attitude (*akhlaq*) component.

⁵ Al Nur: 37; Al-Al-Qaşaş: 77

⁶ Caird, D. (1987), "Religiosity and Personality: Are Mystical Introverted, Neurotic, or Psychotic," *British Journal of Social Psychology*, Vol. 26, pp. 345-46 & Mookherjee, H. N. (1993), "Effects of Religiosity and Selected Variables on the Perception of Well-Being", *The Journal of Social Psychology*, Vol. 134, Iss. 3, pp. 403-405.

⁷ Al-Tawbah: 18 & 20.

⁸ Rusnah Muhammad & Ab Mumin Abd Ghani (2006), "Religiosity and Moral Judgement: An Empirical Investigation among Malay Muslims in Malaysia," *Jurnal Syariah*, vol. 2, Jul-Dis, pp. 87-101, Wilde, A. and Joseph, S. (1997), "Religiosity and Personality in a Moslem Context," *Personality and Individual Differences*, Vol. 23, Iss. 5, November, pp. 899-900 and Khashan, H. and Kreidie, L. (2001), "The Social and Economic Correlates of Islamic Religiosity," *World Affair*, Vol. 164, no. 2. Fall.

This study will be different from the rest as it will attempt to measure religiosity by looking at all the components of Islam, as well as taking into consideration the various levels of *hukum*, that is, obligation (*wajib*), recommendation (*sunnah*) and prohibition (*haram*) of the *Syariah* or the Islamic laws. Furthermore, we also take note of the differences of *taklif* (religious obligatory) between male and female for certain obligations like paying *zakah fitrah* and going to the mosque to perform prayer in congregation.

On banking selection and the influence of Islamic religion itself, studies like Haron, Ahmad and Planishek⁹, Erol & El-Bdour¹⁰, Bley & Kuehn¹¹ and Gerard and Cunningham¹² have attempted to look at the influence of Islam on the choice of banking, depth of knowledge, perception and awareness among the public regarding Islamic banking. Erol & El-Bdour¹³, when comparing Islamic and conventional bank customers, found that profitability motivation supersedes religious motivation in selection of banks. He attributed this to the fact that customers may have been used to the profit-oriented conventional banking environment and the possibility that the respondents may have underestimated their religious motivations when answering the survey questions. In contrast, Bley & Kuehn¹⁴ found that the preference for Islamic banking is primarily driven by religious beliefs, not financial knowledge. That is, the stronger the religious commitment the greater the preference for Islamic banking services.

For Malaysians, Haron, Ahmad and Planishek¹⁵ compared the perception of Muslims and non-Muslims on an Islamic bank where neither of them had any banking relationship. They found no significant difference between the groups in the selection criteria. Among the top of their bank

⁹ Sudin Haron, Norafifah Ahmad & Sandra L. Planishek (1994), "Bank Patronage Factors of Muslims and Non-Muslim Customers," *International Journal of Bank Marketing*, vol. 12(1), pp. 32-40.

¹⁰ Erol, C. & El-Bdour, R. (1989), "Attitudes, Behaviour and Patronage Factors of Bank Customers Towards Islamic Banks," *International Journal of Bank Marketing*, Vol. 7, Iss. 6, pp. 31-36.

¹¹ Bley, J. & Kuehn, K. (2004), "Conventional Versus Islamic Finance: Student Knowledge and Perception in the United Arab Emirates," *International Journal of Islamic Financial Services*, Vol. 5, No. 4, Retrieved June 24, 2006, from <http://islamic-finance.net/journals/journal20/vol5no4art2.pdf>.

¹² Gerrard, P. & Cunningham, J. B. (1997), "Islamic Banking: A Study in Singapore," *International Journal of Bank Marketing*, Vol. 15, Iss. 6, pp 204-216.

¹³ Erol, C., & El-Bdour, R. (1989), *op.cit.*

¹⁴ Bley, J. & Kuehn, K. (2004), *op.cit.*

¹⁵ Sudin Haron *et al.* (1994), *op.cit.*, pp.32-40.

selection criteria were fast and efficient services, confidentiality of bank, and friendliness of personnel. Similar findings were also found by Gerard and Cunningham¹⁶ when investigating Muslims and non-Muslims in Singapore. On the religious factor as a criterion of choice, Naser *et al.*¹⁷, when examining customers visiting an Islamic bank's branches in Jordan, cited that they regard the bank's reputation followed by religious reasons as the motivation for their Islamic bank patronage.

For the study on Muslim's banking election criteria, we selected 27 potential influencing criteria from the above studies including some items that relate to the Islamicity of products offered like the confidence on Shariah Committee and no *riba* charges on products. (The items can be found in works which are summarized in Appendix 1.)

For the choice criteria for a home financing/loan, since there is none studies on Islamic financing is available to us, we refer to a study by Devlin¹⁸ on home financing in the UK. He concludes that the most cited criteria for mortgage selection include professional advice, interest rate charged, willingness of bank to prepare the required amount and having a previous banking relationship with the institutions. Based from the above study, we set up a list of criteria that has been modified based on the practice of home financing/loan services provision in Malaysia. Most important are the Islamicity factors that may distinguish the differences of selection between Islamic and conventional bank financing.

This we deem as important as the Quran has stated that those who frequent the mosques, believe in Allah, establish regular prayers, practice regular charity have no fear but to Allah.¹⁹ This implies that a Muslim who is religious will prefer Islamic banking that is banking that avoids *riba*, which is prohibited by Allah.

¹⁶ Gerrard, P. & Cunningham, J. B. (1997), *op.cit.*, pp. 204-216.

¹⁷ Kamal Naser, Ahmad Jamal & Khalid Al-Khatib (1999), "Islamic Banking: A Study of Customer Satisfaction and Preferences in Jordan," *International Journal of Bank Marketing*, Vol. 17, Iss. 3, pp. 135-1.

¹⁸ Devlin, J. F. (2002), "An Analysis of Choice Criteria in the Home Loans Market," *The International Journal of Bank Marketing*, Vol. 20, Iss. 4/5, pp. 212-226.

¹⁹ Al-Tawbah: 18.

Index of Religiosity

In developing an index that may reflect the state of a Muslim's religiosity, we refer to the core dimensions of the Islamic teachings, namely, faith, Islamic laws and *akhlaq*. For each of the components, we choose several items that are basically part and parcel of being a good Muslim. Altogether, there are 22 items inspected. Likert scales of 1 to 5, which is most frequent to never²⁰, were used for the items of Islamic laws and *akhlaq*, and most agree to most disagree were used for the items of faith²¹.

The mean score²² for each of the components are computed. For the Islamic laws' items, male and female scores are computed separately taking into account the differences of *taklif* between them for some of the items. An equal weight was allocated for each of the components and a total mean of the scores was calculated. This will form the index of religiosity. The index was found to be skewed to the right as expected since a Muslim should be religious.

Based on this total mean score we split the respondents into three groups. Those who scored above 0.5s.d. of the mean score are considered as devout; below 0.5s.d. from the mean score are considered as casually religious and moderately religious for those who scored in between. The output is presented in Table 2 below, which shows that almost (72 percent) of the respondents had a medium or high index of religiosity.

Table 2: Level of Religiosity

Level of religiosity		
Casually Religious	Moderately Religious	Devout
98 (28.5%)	128 (37.2%)	118 (34.3%)

T-test results indicate that there is no significant difference between gender and index of religiosity but there are significant differences between the religiosity index and age as well as between formal religious education and the index ($p < 0.05$). In terms of correlation, Pearson Correlation results show that age correlates with the index ($p < 0.05$) where the higher the age, the

²⁰ Likert scale for this part is, 1=Always, 2=Very Often, 3=Sometimes, 4=, Rarely, 5=Never

²¹ Likert scale used is, 1= Most disagree, 2= Disagree, 3=Agree, 4=Most agree

²² We compute the mean score for all 22 items of *akhlak* and faith. See appendix 2.

higher the index. There is also a positive correlation between formal religious education and the index of religiosity ($p < 0.05$). But there is no correlation between the index of religiosity and gross family income or with highest academic qualifications.

Methodology

Sample

The data from this study was obtained from a questionnaire distributed to 480 working Malay Muslims in Lembah Klang, Kuala Lumpur. Sampling was based on convenience. A total of 396 were returned and 334 responses were eligible for the analysis. The profile of the respondents is presented in Table 3.

Questionnaire

In developing the questionnaire, previous empirical research in religiosity, banking and credit selection criteria were considered. The questionnaires were set in the Malay language and contained four major groups of questions. The first part elicited demographic information that is deemed influential to the level of religiosity. The second part was about the religious behaviour of the respondents. The third part asked them to identify their most important or main bank, which they have their accounts with, the types of financing that they currently have and from which bank it was obtained. The last part asked them to rate the relative importance of 27 potential influencing criteria that captured the delivery process of banking, tangible and intangible assets of bank, convenience, competitiveness of credit terms, external influences and the Islamicity of the products. Likert scale responses varying from very important to not at all important were employed.

FINDINGS

Profile of Respondents, Religiosity and their Main Choice of Bank

The respondents' profiles are presented in Table 3 below. Three demographic factors are reported, namely, gender, age and formal religious education. 52 percent of the respondents are female, while the rest are male. Almost 95 percent of the respondents are between 20 and 49 years old, which are the main ages for working. More than half (65 percent) of the respondents earned

between RM1,000 and RM3,999, which may be due to the fact that the majority of respondents were aged between 20 to 40.

In terms of highest academic qualifications, 40 percent of the respondents held at least a bachelor's degree with another 20 percent having a diploma/certificate. Segregation for formal religious education was made between those who received less than secondary education, those who received secondary education, those from university or *pondok* institutions and those who received no formal education at all, as it was assumed that for each level of segregation the religious exposure and reception are different.

Interestingly, it was found that Malays seem to prefer Islamic banking (Islamic banks and Islamic banking schemes) for both genders and all ages except for those between the age of 40 to 49. In terms of formal religious education and the main choice of bank, it can be seen that the respondents who had no formal religious education or have less than secondary school formal religious education tend not to choose Islamic banking. Indeed a chi square test showed that there is a significant difference between formal religious education and the main choice of bank ($p < 0.05$).

Table 3: Demographic Background and Main Choice of Bank

Demographic Background	N	Percent	Main Choice of Bank		
			Islamic Bank	Isl. Banking Scheme	Conventional Bank
<i>Gender</i>					
Male	165	48.0	25	57	71
Female	179	52.0	42	46	78
<i>Age</i>					
<20	1	0.3	0	0	0
20-29	202	58.7	33	61	96
30-39	77	22.4	20	25	27
40-49	46	13.4	8	11	22
50 and above	18	5.2	6	6	4
<i>Highest academic qualifications</i>					
Standard 6	3	0.9	0	1	2
LCE	1	0.3	1	0	0
MCE	103	30.9	19	24	54
STPM	25	7.5	8	5	11
Diploma/certificate	67	20.1	18	28	14

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Bachelor's degree	122	36.6	17	36	60
Master's degree	11	3.3	3	5	2
PhD	1	0.3	0	0	1
<i>Gross family income</i>					
< RM1 000	51	15.0	13	13	21
RM1 000-RM1 999	116	34.1	18	35	56
RM2 000-RM3 999	105	30.9	24	32	43
RM4 000-RM5 999	33	9.7	7	14	10
RM6 000-RM7 999	18	5.3	1	5	9
RM8 000-RM9 999	7	2.1	1	2	3
RM10 000 and above	10	2.9	2	2	4
<i>Formal religious education</i>					
No formal religious education	79	23.0	11	22	41
Less than secondary educ.	135	39.2	15	45	62
Secondary education	78	22.7	19	22	36
University/pondok	52	15.1	22	14	10

Religiosity wise, employing a chi square test, showed that there is a significant difference between the level of religiosity and the main choice of bank ($p < 0.05$). Respondents that were moderately and devoutly religious preferred Islamic Banking (58 percent) compared to conventional banking (42 percent). Ideally, Muslims should only choose Islamic banking as this is what the religion requires. The lack of formal religious background in Islamic teachings may explain the reason for low religious belief as well as a lack of awareness for the requirement to only patron Islamic banking.

To assess the importance of these demographic factors against the levels of religiosity, first we examined their correlation. Pearson Correlation results show that age correlates with the index ($p < 0.05$) where the higher the age, the higher the index. There is also a positive correlation between formal religious education and the index of religiosity ($p < 0.05$). (See Table 5)

Table 4: Cross Tabulation between Level of Religiosity and Choices of Bank

Level of Religiosity	Main Choice of Bank			Total
	Islamic Bank	Isl. Banking System	Conventional Bank	
Casual	11 (3.4%)	29 (9.1%)	53 (16.6%)	93 (29.2%)
Moderate	24 (7.5%)	39 (12.2%)	54 (16.9%)	117 (36.7%)
Devout	32 (10.0%)	35 (11.0%)	42 (13.2%)	109 (34.2%)
Total	67 (21.0%)	103 (32.3%)	149 (46.7%)	319 (100.0%)

Table 5: Index of Religiosity and Some Demographic Factors

Index of Religiosity (n=344)		
	Significant Value for One-way ANOVA	Pearson Correlation (Sig. Value)
Age	0.000	.305 (.000)
Formal religious education	0.000	.190 (.000)

To understand this further, we conducted one way between group ANOVA with post-hoc Turkey HSD tests on the index of religiosity and the above demographic factors. It shows that there is a significant difference ($p < 0.05$) between all groups of age except between the last two groups. For formal religious education, the post-hoc test reveals that the group that received university or *pondok* religious education differs significantly ($p < 0.05$) from other groups. This we think is due to a higher religious formal education exposure as well as maturity that comes with age. This also conforms to a Quranic verse that states:

“...those truly fear Allah among His servants, who have knowledge...”
(Fatir: 28)

Table 6: The Choice of Different Types of Bank Account

Type of Bank	Type of Account			Total
	Current	Savings	Investment	
Islamic Bank	29	132	19	180
Islamic Banking Scheme	36	170	11	217
Conventional Bank	51	210	23	284
Total	116	512	53	

Table 6 above summarizes the types of account that the respondents are currently holding. Almost all respondents have at least a savings account but many were found to have multiple accounts. Again when we assessed the types of account they are holding, it showed that Islamic banking is their choice of banking, although the gaps are still too small.

Table 7: Cross Tabulation between Sources of Financing and Religiosity Levels

Sources of Financing	Levels of Religiosity			Total
	Casual	Moderate	Devout	
Islamic Banking & IBS	25	30	36	91
Conventional	26	29	29	84
Conventional & IB or IBS	10	13	5	28
Total	61	72	70	203

For their sources of financing, statistics show that the respondents prefer Islamic banking regardless of gender or age, but the gap in numbers is rather a disappointment. Interestingly, the gap becomes wider as respondents' formal religious education becomes higher.

Table 7 presents the different sources of financing for different levels of religiosity. It can be seen that for those who are casually religious, there is no difference for them between Islamic or conventional financing. But for those who are moderate and devoutly religious there is at least a difference, albeit a minimal one.

Determinants of Bank Selection

The findings reveal that for working people, the five most influential factors for bank selection are widespread availability of ATM machines, fast and efficient service, availability of deposit cheque/cash machines, friendliness of staff, variety of services offered and no interest charged on services. The mean scores and ranks of all the factors are shown in Table 8. The availability of electronic machines that may speed up the delivery and payment process as the most important criteria is in line with other related studies like Almossawi²³ & Poh.²⁴ This might imply that banks can attract customers from the working age group by increasing ATM and deposit cheque/cash machines. This may be because they do not have much time to go to the bank during the bank business hours.

Interestingly, items that have an Islamicity flavour only ranked fourth, seventh and eighth. This may suggest that the Islamicity of the products is still important to them but they deem fast and efficient services as more pertinent. This may explain the fact that the majority of the respondents whose choice is Islamic banking are patrons of IBS, which provides more widespread electronic services given the number of banks offering IBS and the number of their branches.

On the other hand, the least important five factors that determine the respondents' bank selection were attractiveness of bank buildings, recommendation of relatives and friends, attractiveness of internal decoration, availability of SMS banking and loyalty with mean scores below 2.7. This indicates that in their selection process, working people prefer to act independently and genuinely rather than relying on the recommendations and experiences of others. They are also unaffected by a bank's superficial attractiveness. As a reflection of this result, bankers should realize that approaching working potential customers directly will be more effective than relying on the influence of word of mouth or external attractiveness.

²³ Almossawi, M. (2001), "Bank Selection Criteria Employed by College Students in Bahrain: An Empirical Analysis," *International Journal of Bank Marketing*, Vol. 19, Iss. 13, p. 115; Poh, B.L. (1996), "Tertiary Level Students in Singapore and Their Banking Relationship" (Dissertation, Nanyang Technological University, Singapore).

²⁴ Poh, B.L. (1996), *ibid.*

Table 8: Ranking Importance of Bank Selection Criteria

Item	N	Missing value	Ranking	Mean
Availability of ATM machines	337	7	1	3.79
Fast and efficient service	340	4	2	3.73
Availability of deposit cheque/ cash machines	336	8	3	3.69
Friendliness of staff	339	5	4	3.56
Variety of services offered	337	7	4	3.56
No interest charged on services	328	16	5	3.55
Trustworthiness of bank	337	7	6	3.53
Confidence in Shariah Committee	244	100	7	3.52
No interest paid on accounts	328	16	8	3.39
Available parking nearby	335	9	9	3.37
Availability of Internet banking	338	6	10	3.33

While for perception on selection criteria for financing, this study reveals that the five most influential factors are widespread availability of ATM machines, fast and efficient service, availability of deposit cheque/cash machines, comfortable repayment period and variety of services offered. The mean scores and ranks of all the factors are shown in Table 9 below. For the religious items examined, confidence in Shariah Committee only scored sixth, followed by no *riba* charges on products or services at seventh. This might show that the confidence in Shariah Committee is still important but not as important as convenience and efficient services, even to the people who are believers of the faith. A note to be observed is the missing answers that were encountered when the respondents were asked about the importance of confidence in Shariah Committee. We attributed this mainly to the respondents lack of understanding of what the Shariah Committee is or its function in the introduction and dealings of Islamic banking products.

As for financing, the least important five factors that determine the respondents' bank selection were attractiveness of bank buildings, recommendation of relatives and friends, attractiveness of internal decoration, and recommendations of home developer.

Table 9: Ranking Importance of Financing Selection Criteria

Items	N	Missing Value	Mean	Ranking
<i>Most Favoured</i>				
Availability of ATM machines	337	7	3.79	1
Fast and efficient services	340	4	3.73	2
Availability of cheque deposit/cash machine	308	36	3.62	3
Comfortable repayment period	302	42	3.57	4
Variety of services offered	337	7	3.56	5
Friendliness of staff	339	5	3.56	5
Lower profit/interest rate	306	38	3.56	5
Confidence in Shariah Committee	266	78	3.53	6
Trustworthiness of bank	337	7	3.53	6
No <i>riba</i> charges on products or services	307	37	3.53	7
Flexible amount of payment throughout financing/loan period	308	36	3.52	8
Availability of Internet banking	307	37	3.45	9
<i>Least Favoured</i>				
Attractiveness of bank building	335	9	2.35	1
Recommendation of friends	334	10	2.44	2
Recommendation of relatives	334	10	2.44	3
Attractiveness of internal decorations	336	8	2.63	4
Recommendations of developer	300	44	2.79	5

Factor Analysis

The factor analysis aims to reduce the number of statements considered by respondents to a more manageable level by bringing together those statements that seem to measure the same “thing”. This study employed factor analysis to identify the most important criteria for choice of financing that may have an impact on the marketing of bank financing services.

The analysis produced seven factor groups as described in Table 10. The criteria listed in the table only include those that had factor loadings of 0.30 and above and the Cronbach’s alpha for each of the groupings was 0.65 and above except for factor 7. The table above also shows the mean factor groups of the bank selection criteria. The three most important criteria from the workers’ viewpoint were services, electronic services/payments and transport facility.

The most important factor has a “services” flavour to it. The importance of this criterion has been evidenced in other studies such as Anderson, Cox and Futcher,²⁵ Khazeh and Decker,²⁶ Sudin Haron *et al.*,²⁷ Holstius and Kaynak,²⁸ Gerard and Cunningham²⁹ and Ma *et al.*³⁰

The second most important factor is “electronic services/payments”. The first and third highest mean that form this factor are the widespread availability of ATM machines and availability of deposit cheque/cash machines. Again, the importance of these criteria are shown in studies of Anderson, Cox and Futcher,³¹ Khazek and Decker,³² Sudin Haron *et al.*,³³ Poh,³⁴ Huu and Kar,³⁵

²⁵ Anderson, Cox and Futcher (1976), *op.cit.*

²⁶ Khazeh, K. & Decker, W. H. (1992-93), “How Customers Choose Banks,” *Journal of Retail Banking*, Vol. 14, Iss. 4, pp.41-44.

²⁷ Sudin Haron *et al.* (1994), *op.cit.*

²⁸ Holstius, K. & Kaynak, E. (1995), “Retail Banking in Nordic Countries: The Case of Finland,” *International Journal of Bank Marketing*, Vol.13, Iss. 8, pp. 10-20.

²⁹ Gerrard, P. & Cunningham, J.B. (2001), “Singapore’s Undergraduates: How They Choose Which Bank to Patronize,” *The International Journal of Bank Marketing*, vol.19, Iss. 3, pp. 104-14.

³⁰ Ma *et al.* (1996), *op.cit.*

³¹ Anderson, Cox and Futcher (1976), *op.cit.*

³² Khazeh, K. & Decker, W. H. (1992-93), *op.cit.*, pp. 41-44.

³³ Sudin Haron *et al.* (1994), *op.cit.*

³⁴ Poh, B.L. (1996), *op.cit.*

³⁵ Huu, P.T. & Kar, K. Y.(2000), “A Study of Bank Selection Decisions in Singapore Using the Analytical Hierarchy Process,” *International Journal of Bank Marketing*, vol. 18, Iss. 4, pp. 170-80.

erard and Cunningham³⁶ and Almassawi.³⁷

The third important factor is “transport facility”. The other studies that show the same result are Almassawi³⁸ and Kaynak and Harcar.³⁹

In identifying the most important criteria of choice for financing, which may have an impact on the marketing of banking financing services, the factor analysis produced six factor groups as described in Table 11. The criteria listed in the table only includes those that had factor loadings of 0.30 and above and the Cronbach’s alpha for each of the groupings were above 0.7 except for factors 4 and 5. Factor 1 has heavy loadings for 12 variables, mainly for electronic services, credit terms and the Islamicity of the products. Factor 2 relates to accessibility, courteous and efficient services. Factor 3 is concerned with close-contact recommendations. Factor 6 is loaded with variables that are concerned with convenience – nearness of home and workplace to the bank.

Table 10. Factor Analysis Relating to the Bank Selection Criteria

Factors	Factor Loadings	Cronbach alpha	Mean	Sd.
<i>Factor 1- Electronic services/ payments</i>		0.75	3.31	0.44
Availability of Internet banking	0.73			
Availability of ATM machines	0.48			
Availability of SMS banking	0.61			
Availability of deposit cheque/cash machines	0.55			
Regular bank statement	0.35			

³⁶ Gerrard P. & Cunningham J.B. (2001), *op.cit.*, pp. 104-14.

³⁷ Almassawi, M. (2001), *op.cit.*

³⁸ *Ibid.*

³⁹ Kaynak, E. & Harcar, T. D. (2005), “American Consumers’ Attitudes Towards Commercial Banks : A Comparison of Local and National Bank Customers by Use of Geodemographic Segmentation,” *The International Journal of Bank Marketing*, Vol. 23, Iss. 1, pp. 73- 89.

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Higher interest/ profit payment on savings	0.54			
Lower service charge on cheques	0.66			
Credit on favourable terms	0.33			
<i>Factor 2- Internal ambience / third party influences</i>		0.74	2.46	0.59
Attractiveness of internal decoration	0.49			
Attractiveness of bank buildings	0.61			
Recommendation of friends	0.85			
Recommendation of relatives	0.83			
<i>Factor 3- Customer Oriented Services</i>		0.65	3.60	0.42
Variety of services offered	0.41			
Fast and efficient service	0.74			
Friendliness of staff	0.53			
<i>Factor 4- Islamicity of products</i>		0.69	3.17	0.76
Confidence in Shariah Committee	0.41			
No interest charged on services	0.83			
No interest paid on accounts	0.81			
<i>Factor 5- Transport facility</i>		0.75	3.27	0.65
Available parking nearby	0.78			
Available public transport nearby	0.75			

<i>Factor 6- Convenience</i>		0.79	3.19	0.64
Location near my place of work	0.83			
Location near my home	0.80			
<i>Factor 7- Other factors</i>		0.52	3.16	0.64
Salary paid by employee to the bank	0.69			
Loyalty	0.79			

Table 11: Factor Loadings and Cronbach's Alpha

Factors	Factor Loading	Cronbach Alpha
Factor 1		0.841
Comfortable repayment period	0.745	
Availability of cheque deposit/cash machine	0.744	
Availability of Internet banking	0.688	
Confidence in Shariah Committee	0.659	
No <i>riba</i> charges on products or services	0.655	
Low penalty for late payment	0.596	
Low profit/interest rate	0.588	
Fixed payment rate throughout the financing/loan period	0.579	
Flexible amount of payment throughout financing/loan period	0.574	
Availability of SMS banking	0.311	
Availability of ATM machines	0.445	
Products have Islamic names	0.368	
Factor 2		0.725
Friendliness of staff	0.770	

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Available parking spaces	0.766	
Accessible with public transport	0.600	
Fast and efficient services	0.565	
Factor 3		0.904
Recommendation of relatives	0.867	
Recommendation of friends	0.854	
Factor 4		0.615
Recommendations of developer	0.686	
Attractiveness of internal decorations	0.650	
Attractiveness of bank building	0.587	
Factor 5		0.531
Trustworthiness of bank	0.630	
Regular and consistent issuance of bank statement	0.624	
Experience dealing with bank previously	0.465	
Factor 6		0.804
Located near home	0.836	
Located near work place	0.812	

Conclusion

The importance of this study can be viewed from two dimensions. First is the impact of level of religiosity to choice of bank and determinants of bank selection criteria. Second is the impact of level of religiosity to sources of banking financing and determinants of credit selection criteria. In terms of religiosity, this study shows that workers who are more religious tend to choose Islamic Banking for either deposit or financing.

A person tends to be religious when they receive higher formal religious education exposure. This study implies that Islamic financing products should be marketed and targeted to this group of customers since their tendency to subscribe to it is higher. For other groups, especially those who were found to be casually religious and without any formal Islamic education, a different approach of marketing rather than showing the Islamicity of the products is necessary.

For determinants of bank selection criteria, factor analysis reveals the importance of three factors, namely: services, electronic services/payments and transport facility. Working customers enjoy dealing with banks which have efficient services and technology-based transactions. This may be due to the fact that they are working during the bank's business hours and they have limited time to spend on banking business.

For financing selection criteria, the majority of them found that apart from favourable credit terms of the financing products, efficiency in services, especially the after-hour and less hassle services provided by electronic services are the most important factors in choosing where they get their financing. Such factors should be seriously considered by bankers in designing their products and perfecting their customer services, especially when developing their market strategies concerning working Malay Muslims. They also considered availability of parking and public transport nearby as important.

In terms of ranking, the five most influential factors for bank selection were widespread availability of ATM machines, fast and efficient service, availability of deposit cheque/cash machines, friendliness of staff, variety of services offered and no interest charged on services. Therefore, such factors should be considered seriously by bankers in designing their products and perfecting their customer services, especially when developing their market strategies concerning working Malay Muslims.

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Most Important Bank Selection Criteria		Convenience			Bank's Reputation & Image		
Study by	Country	Hours of operation	Parking & accessibility	Convenience of location	Confidentiality of bank	Reputation & Image of bank	Size of bank
Anderson, Cox & Fitcher (1976)	USA					•	
Lewis (1982)	UK			•			
Umer (1992)	UK						
Khazeh & Decker (1993)	USA					•	
Haron S, Ahmad N & Planishek S L (1994)	Malaysia				•		
Holstius & Kaynak (1995)	Finland				•		

Appendix 1 Most Important Bank Selection Criteria from Several Studies Examining the Criteria of Bank Selection Among Customers

Most Important Bank Selection Criteria		Services Delivery				Electronic Services		
		Fast & efficient services	Friendliness of bank personnel	Knowledgeable about your business	Overall quality of services	ATMs services	Deposits machine	Self-banking facilities
Study by	Country							
Anderson, Cox & Futcher (1976)	USA		•					
Lewis (1982)	UK							
Umer (1992)	UK							
Khazeh & Decker (1993)	USA	•	•					
Haron S, Ahmad N & Planishek S L (1994)	Malaysia	•	•	•		•		
Holstius & Kaynak (1995)	Finland	•	•					

Appendix 1 Most Important Bank Selection Criteria from Several Studies Examining the Criteria of Bank Selection Among Customers

Most Important Bank Selection Criteria		External Influence		Services Provision			Religious Factor			
Study by	Country	External appearance of bank	Internal appearance of bank	Friends & relatives recommendations	Lower interest charges on loans	Lower services charges	A wide range of services offered	Availability of credit	Higher interest charges on savings account	
Anderson, Cox & Futcher (1976)	USA			•		•		•		
Lewis (1982)	UK			•						
Umer (1992)	UK									•
Khazeh & Decker (1993)	USA					•				
Haron S, Ahmad N & Planishek S L (1994)	Malaysia				•					
Holstius & Kaynak (1995)	Finland					•				

Most Important Bank Selection Criteria		Convenience			Bank's Reputation & Image		
		Hours of operation	Parking & accessibility	Convenience of location	Counter partitions	Confidentiality of bank	Reputation & Image of bank
Study by	Country						
Kennington, Hill & Rakowska (1996)	Poland			•			•
Zineldan, M. (1996)	Sweden						
Gerard P & Cunningham J B (1997)	Singapore					•	•
Naser, Jamal & Al-Khatib (1999)	Jordan					•	•
Huu & Kar (2000)	Singapore			•			
Almossawi (2001)	Bahrain		•				•
Gerard P & Cunningham J B (2001)	Singapore			•		•	•
Kaynak & Harcar (2005)	USA		•				
Bley & Kuehn (2004)	UAE						

Most Important Bank Selection Criteria		Services Delivery				Electronic Services		
		Fast & efficient services	Friendliness of bank personnel	Knowledgeable about your business	Overall quality of services	ATMs services	Deposits machine	Self-banking facilities
Study by	Country							
Kennington, Hill & Rakowska (1996)	Poland	•	•					
Zineldan, M. (1996)	Sweden	•	•					
Gerard P & Cunningham J B (1997)	Singapore	•						
Naser, Jamal & Al-Khatib (1999)	Jordan				•			•
Huu & Kar (2000)	Singapore		•			•		
Almossawi (2001)	Bahrain	•				•		
Gerard P & Cunningham J B (2001)	Singapore	•						
Kaynak & Harcar (2005)	USA							
Bley & Kuehn (2004)	UAE							

Most Important Bank Selection Criteria		External Influence		Services Provision			Religious Factor	
Study by	Country	External appearance of bank	Internal appearance of bank Friends & relatives recommendations	Lower interest charges on loans	Lower services charges	A wide range of services offered		Availability of credit
Kennington, Hill & Rakowska (1996)	Poland							•
Zineldan, M. (1996)	Sweden						•	
Gerard P & Cunningham J B (1997)	Singapore					•		
Naser, Jamal & Al-Khatib (1999)	Jordan				•			•
Huu & Kar (2000)	Singapore							•
Almossawi (2001)	Bahrain							•
Gerard P & Cunningham J B (2001)	Singapore	•		•	•			
Kaynak & Harcar (2005)	USA							•
Bley & Kuehn (2004)	UAE							

Appendix B
Religiosity Items

<p>Syariah</p>	<p><i>Obligations</i> I pray five times a day. I fast the whole of Ramadhan. I pay zakat fitrah every year. I make sure that my dress/cloth covers my aurat. I make sure the food and drink I consumed are halal.</p> <p><i>Recommendations</i> I go to the mosque to pray ‘solat fardh’. I perform ‘solat fardh’ in congregation. I give charity to the poor and needy. I read Quran and perform zikir.</p> <p><i>Prohibitions</i> I have taken or given bribes I have taken interest (riba).</p>
<p>Akhlaq</p>	<p>I visit my family/friends when they are bedridden. I thank Allah for my food and drink. I fulfill all that I promise. I am honest at all times.</p>
<p>Faith</p>	<p>Islam is a way of life. Quranic teachings are suitable and practicable in today’s life. Rasulullah’s traditions are suitable and practicable throughout all times.</p> <p>All mankind’s deeds will be judged and rewarded accordingly after death.</p> <p>My earnings are from own effort and not Allah’s will. Death and destiny are determined by Allah alone. Man’s wealth depends on their own effort.</p>

