AN ANALYSIS OF ATTITUDES TO ISLAMIC AND CONVENTIONAL CREDIT CARDS IN MALAYSIA: PERSPECTIVES ON SELECTION CRITERIA AND IMPACT ANALYSIS

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by

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DECLARATION

I hereby declare that the materials contained in this thesis have not been previously submitted in application for another degree to this or to any other learning institution. I further declare that except for those quotes, citations or references that have been duly acknowledged, this thesis is the result of my original investigation.

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DEDICATION

I dedicate this manuscript:

To you, all the readers,

I hope this manuscript will provide a guide in your work.

To my husband who really loves my career,

If not for him, I would be a complacent full-time housewife, which is what I have always wanted to be. But I realise that this world desperately needs many contributors. Therefore, I dived into the hardship that a woman is not supposed to have and I know that I am destined to be this way.

To my hearts, I mean my most beloved kids and the generations to come.

I hope this piece will be amongst the sources of inspiration in your striving to better your knowledge; a knowledge that has no border. True success is when your work can improve and benefit the well being of yourself as well as others, and real happiness comes through gathering and disseminating beneficial knowledge. So, always be in the process of knowledge. In fact, the first verse of the Qur'an, which was sent down by Allah to the Prophet Muhammad is 'IQRA', which means 'read'. So, 'read' with what you have, not only with your eye, but you ear, your touch, your smell and the rest of your other senses, especially with your heart; of course, you should be guided by the ultimate miracle of the Qur'an.

So, let us all work towards making this world a better place to live.

ACKNOWLEDGEMENTS

This research owes so much to my beloved parents as it is through them that I have known this world to learn; the Malaysian Government and Universiti Teknologi Malaysia (UTM) as the sponsoring agents; and my supervisors, Professor Rodney Wilson and Dr Mehmet Asutay. Professor Rodney Wilson, the first person I dealt with in submitting my application to this beautiful Durham University. He revised my early research proposal for application for this PhD study. Throughout working with him, I am especially impressed with his efficiency in responding and at overviewing work. I think he has a very great speed-reading ability. Dr Mehmet Asutay with his detailed work, his habit of producing the best and his patience in dealing with students really taught me so much. I learned so much from him and am very impressed with his abilities. He was always busy and multi-tasking is normal for him. I am very grateful to have him supervise my work. I do not know where he found the energy to meet us all, who I call his 'lining up patients', which I perceive is better than a clinic. The kindness and supervision of these two supervisors have nurtured me so well. I feel so lucky to have these two people who have assisted me in my supervision needs. In fact, the word 'thank you' is not adequate. I feel as if I have two great fathers. One great father is enough, what more two. So, this piece, in a way, comes through the great supervision that I have through Dr Mehmet Asutay and Professor Rodney Wilson; I am also indebted to my siblings, especially my eldest sister and her husband; my dearest friends in Malaysia, in the UK and in several other countries; participants in conferences where I have presented papers throughout my PhD journey including the University of Wales Lampeter 2008, LSE 2008, iBAF-Kuala Lumpur 2008 as well as the International Workshop KYOTO-Durham University 2010 and Durham Islamic Finance Summer School 2011, especially to those who participated in the 'question and answer session' through which I sharpened my knowledge; also to several important figures who I indirectly interviewed at various academic and intellectual gatherings to elicit more ideas for this research; participants in this study including my pre-testees, cardholders, bankers and various other stakeholders; as well as many others who were directly and indirectly involved in producing this manuscript. Thank you all!

WORDS OF ENCOURAGEMENT

I have endeavoured to complete this research to my best effort within the various constraints faced throughout the journey – being a mother of four including a baby daughter gifted during the journey and a wife to a husband who is ‘always busy’. Indeed, I felt he worked more than a full time worker and I had asked him several times to stop working but he worked to the last of my PhD struggles. I admit that being overseas studying, especially with a small baby was far more difficult than in the home country, as the handling fell on us alone. Throughout finishing this PhD, I also had one miscarriage and an immediate surgery due to ectopic pregnancy, which nearly took my life. I can say that I was weak throughout my journey. Despite various difficulties, I am grateful that Allah has guided and strengthened me in indescribable ways. So dear all, I am informing you of these difficulties to give you motivation that despite the hardship, what you need is to ‘just keep working’, Insha’Allah you will reach the end line. As in my case, this piece came through tough times where most of the time, I worked surrounded with various responsibilities. Therefore, it was really hard to get myself focussed and alone with my thesis. Anyhow, Alhamdulillah, the journey is worth it as Allah has granted me love in this research. I hope that this manuscript will be amongst the pieces to be used to understand the modern world’s problems.

THE CHEESE OF THE RESEARCH

Credit cards – modern form of money, which can ease life but at the same time their offering of increased fictitious purchasing power, can create a financial illusion and a greater financial difficulty, especially to financial illiterate individuals.

(Nazimah Hussin, 7 June 2011 – the moment I finished writing this date, it popped into my mind that it is my eldest boy's eleventh birthday. Dear son, I pray that it is a sign for you to be a great person and to be a good example to your dearest siblings. I really wish that all of you will contribute positively to this world).

ABSTRACT

An Analysis of Cardholders' Attitudes towards Islamic and Conventional Credit Cards in Malaysia: Perspectives on Selection Criteria and Impact Analysis

By

Nazimah Hussin

The development of everyday financial instruments is an important dimension of modern life, and credit cards are considered to be the main instruments and facilitators of spending in modern economies. Together with the Internet, which facilitates the spending process, credit cards have become essential instruments of spending. In response to this, and due to the expansion of Islamic banking and finance, the Islamic equivalent of credit cards (Islamic credit cards or ICCs) have been engineered with their own sophisticated financing methods alongside conventional credit cards (CCCs). Malaysia is one of the pioneering countries in Islamic finance and has developed a number of ICC products.

This study aims to analyse the two main aspects of credit cards, namely, the selection criteria and the impact of credit cards in Malaysia in general, as well as the difference between ICCs and CCCs in particular. The selection criteria are investigated in terms of various factors, including those that explain the first motivation for credit card holding, selection factors influenced by the credit cards' embedded features, the difference between the satisfaction and the loyalty level of CCC holders as compared to ICC holders, the customers' perceptions of ICCs, an investigation into whether ICCs are perceived as being inferior to CCCs, religious commitments of ICC holders as opposed to CCC holders, and how the socio-demographic characteristics may have deterministic power over the holding of ICCs and CCCs. The impact of credit cards is investigated through their usage as well as the perceptions of the credit card holders.

In conducting the research, this study assembled primary data from Malaysia through a questionnaire survey with 507 participants. In addition, interviews with financiers or bankers, *Shari'ah* scholars, economists, and cardholders were conducted to verify the results that were established through a quantitative data analysis of the questionnaire.

The findings of this study, *inter alia*, indicate that Malaysian cardholders are found as perceiving credit card selection factors not much differently than individuals in other nations. 'Protection' and 'convenience' appear to be on the top of the selection list, while 'reputation' is in the lowest rank. Furthermore, in investigating the selection attributes, ICC holders were found to value religious factors more highly than in comparison with CCC holders. It was also revealed that ICC holders were less satisfied with having a credit card but they were more loyal than CCC holders. Interestingly, the results also revealed that ICC holders perceived ICCs to be more Islamic than CCC holders, although, in an overall evaluation, ICCs were perceived as inferior to CCCs by ICC holders. It should be noted that the religious commitments among the ICC holders were also higher than those of the CCC holders. Furthermore, the 'ethnicity' and 'religion' of the socio-demographic variables appear to be significantly related to the holding type. Therefore, the results reveal that religious factors are more influential in the selection process of the ICC holders as compared to CCC holders.

In terms of determining the impact of credit cards, the study indicates five determining factors for Malaysian revolving credit cardholders, namely, 'education', 'income', 'credit behaviour', 'car loan', and 'number of credit cards held'. A further analysis to determine the impact between sixteen usage and perception variables with holding type indicates that ICC holders suffer a less negative impact for the use of credit cards in comparison with CCC holders. There is also a higher agreement among respondents in believing that credit card companies use aggressive strategies and misleading advertisements. Importantly, the results also indicate that there is, in reality, no obvious difference between ICC and CCC issuers in marketing their credit cards. It should also be noted that the respondents indicate rationality in their thinking, as the majority admit that widespread credit card debt is due to their self-attitude.

This study is useful for various parties, including customers, to examine how credit cards can create financial difficulty. It will also aid financial issuers in understanding the attitudes and perceptions of cardholders, hence, allowing a better strategy in structuring their credit cards. Policy makers, on the other hand, will be able to use it as a guide in implementing policies to curb credit card debt from proliferating.

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ABBREVIATIONS

Abbreviation	Description
AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
AIBIM	Association of Islamic Banking Institutions Malaysia
ATM	Automated Teller Machine
BIMB	Bank Islam Malaysia Berhad
BNM	Bank Negara Malaysia
BSN	Bank Simpanan Nasional
CCC	Conventional Credit Card
EPU	Economic Planning Unit
ICC	Islamic Credit Card
IDB	Islamic Development Bank
IFSB	Islamic Financial Services Board
IRTI	Islamic Research and Training Institute
KMO	Kaiser-Meyer-Olkin
MENA	Middle East and North Africa
NCB	National Commercial Bank
NPL	Non-Performing Loan
GCC	Gulf Corporation Council
GDP	Gross Domestic Product
GIFR	Global Islamic Finance Report
PFC	Total Payable Facility Charges
RBS	Reducing Balance Scheme
RM	Ringgit Malaysia
SAMBA	The Saudi American Bank
SCF	Survey of Consumer Finance
SPSS	Statistical Package for Social Sciences
UAE	United Arab Emirates
YFC	Yearly Facility Charges

Chapter 1

INTRODUCTION

1.1. RESEARCH BACKGROUND

Malaysia has contributed greatly in the development of the Islamic finance industry. It is known as one of the global hubs of Islamic finance. The country started its institutionalisation of the Islamic banking industry in 1983 when Bank Islam Malaysia Berhad (BIMB) was established within the conventional banking environment. The Malaysian financial industry, therefore, is characterised by a dual banking system in which Islamic banking operates parallel to the conventional system.

Over the years, the Malaysian Islamic banking and finance industries have developed well with an increasing number of players meeting public demand in financial products aligned with Islamic teachings. With regards to the financial base of the Islamic finance industry in Malaysia, the total assets in compliance with *Shari'ah*, according to the Annual Report of BNM 2010, was approximated at 21% of the total banking system, which is valued at $116 billion or RM350.8 billion. The development of Islamic banking in Malaysia, amongst others, was influenced by Islamic windows in the conventional financial institutions and licensed foreign ownership as well as the institutionalisation of the IFSB in 2002, which is considered one of Malaysia's milestones in developing Islamic finance as well as the creation of various Islamic financial products through Islamic financial engineering.

Despite these achievements, the development of Islamic finance in Malaysia is not without criticism, which, among others, include the low awareness and acceptance of Islamic financial products and that the products are suspected as not being fully aligned with *Shari'ah* principles. One of the complicated and controversial products structured and engineered by Islamic banking, in the focus of the study, is Islamic Credit Cards (henceforth ICCs) (GIFR, 2010). ICCs are considered to be the Islamised version of Conventional Credit Cards (henceforth CCCs), which are well known to proliferate debt among customers through the 'buy now, pay later' culture. In other words, ICCs are said to replicate CCCs and there is concern that ICCs will create financial complications among users similar to that of CCCs.

Credit cards are plastic cards issued by financial institutions to a customer, as a form of extending credit, which the customer can use in lieu of cash at any accepting merchant outlet. The cards are issued by financial institutions as a form of business in which they can profit, especially through charges on delay payments and various fees including the replacement card fee, joining fee, and annual fee. However, it is becoming more common for institutions to waive the latter two in order to lure customers to the products. What is special about the credit card industry is the fact that financial institutions are at cost when customers make full payments on time; hence, the business of credit cards flourishes upon those who cannot fulfil their payment obligations.

The monopoly of CCCs in the credit card world ended around 2000 when ICCs were marketed in Middle Eastern and South Asian countries. The introduction of ICCs resulted in more controversy embroiling the Islamic banking industry because they arose as a result of expansion and sophistication in the Islamic banking industry, which, in turn, emerged as an alternative to the conventional banking industry, which generates systemic crisis through interest and speculation which Islam opposes. In terms of product structures, unlike CCCs, ICCs are considered to have no interest. However, since they are also a debt instrument like CCCs, their existence has been subject to various criticisms. The criticisms include not being free from interest (Mohd-Noor and Mohd-Azli, 2009; Asharq Al-Awsat, 2008), being a replica of CCCs (Mohd-Noor and Mohd-Azli, 2009; CI Editorial, 2008), and exploiting Islamic motives to attract customers to use the cards (GIFR, 2010) and, in turn, spreading lavish spending amongst the customers. Despite the criticisms, there is a growing number of ICCs that have been issued with a growing number of customers holding the cards and also an increase in issuing financial institutions entering into the market.

Given the backdrop, this study has been undertaken due to two main motives: (1) to explore whether credit card selection factors of ICC holders are different than that of CCC holders and (2) to determine whether ICCs are associated with debt like CCCs. This study aims at making these enquiries in the case of Malaysia, which has been developing Islamic financial products in a rather liberal manner.

1.2. RESEARCH AIM, OBJECTIVES AND RESEARCH QUESTIONS

This research aims to explore the attitudes and opinions of ICC holders in comparison with CCC holders on the selection criteria and the motivation of having credit cards, aspects of credit card holding, and the impact of credit cards. In doing so, this study aims to determine whether there are any significant differences in attitudes and opinions between these two credit cardholder types. In particular, the thesis plans to explore whether ICC holders will behave in more religious/Islamic ways in selecting and using credit cards; hence, less negative impacts are expected from them than those with CCCs.

In attaining the research aim, the following objectives are developed:

(i) The first objective is to determine whether the selection factors among ICC holders are different from that of CCC holders. To achieve this objective, the following sub-objectives are outlined:

(a) The introduction of ICCs is to fulfil the need of customers in dealing with financial products that do not involve *riba'*. Therefore, it is important to identify 'whether religious factors are more important to ICC holders, than CCC holders'.

(b) The religious factors are expected to make ICC holders more loyal than CCC holders, even if their satisfaction in the offered product is less. Hence, this leads to a research objective of 'determining the loyalty and satisfaction of ICC holders in comparison with CCC holders'.

(c) As the holders of ICCs are believed to hold the cards due to religious factors, this may mean that ICC holders perceive ICCs to be more Islamic than CCC holders. Hence, this leads to the following research objective, which is to 'determine whether ICC holders perceive ICCs to be more Islamic than CCC holders'.

(d) Due to the religious elements, it is also expected that other factors will become less important to ICC holders in patronising ICCs. Hence, it is expected that ICC holders will still hold ICCs even if they perceive CCCs as superior[1] to ICCs. In this light, another research objective is developed: 'to examine whether ICC holders perceive CCCs as being superior to ICCs'.

(e) As the selection of religious factors is dependent on the level of an individual's religious commitments or practices, it is expected, that the holders of ICCs must be more religious than CCC holders. This leads to another sub-objective: 'to identify whether the level of ICC holders' religious practices are higher than those of CCC holders'.

[1] The superiority of CCCs is determined in this study from several aspects such as credit limit, bonuses/rewards, charges, requirements for credit card approval, prestige, the scale of acceptance, credit terms and conditions and last but not the least religious factors (refer to Table 6.23 to examine how these criteria were constructed in the statement forms as the tested variables).

(f) The brand name of ICCs is derived from Islam as a religion, and, therefore, is known as an ‘Islamic credit card’. It is expected that religion, as well as ethnicity (in Malaysia, a Malay is normally considered as a Muslim) will also influence credit card selection whereby ICCs will mostly be used by Muslims as well as Malays[2]. In turn, the following research objective set to establish this is: ‘to determine which socio-demographic variables have influence in selecting whether to have an ICC or a CCC’.

To achieve these objectives, the following research questions are formulated:

(a) What are the initial factors that lead customers to possess a credit card?

(b) What features of credit cards are valued by customers?

(c) How are ICC factors different from CCC factors?

(d) How to measure the loyalty and satisfaction of cardholders?

(e) In what aspects can ICCs be said to be more Islamic than CCCs?

(f) For which criteria are CCCs claimed to be superior to ICCs?

(g) How can religious commitments or practices be evaluated?

(h) What demographic and socio-economic variables influence credit card selection?

(ii) The second objective is to ‘determine the impact of credit cards upon their holders’. In accomplishing this main objective and, in light of the ICCs existence, the following sub-objectives are formulated:

(a) To identify the relationship between demographics, socio-economics, and credit behaviour with the tendency to revolve.

(b) To determine the level of ICC’s negative impact[3] as compared to CCCs.

(c) To determine whether ICC marketing strategies share the same strategies as CCCs.

(d) To identify whether cardholders are aware that the negative implications of credit card debt arise primarily due to their negligence.

In materialising the second research objective with its sub-objectives, the following research questions are developed:

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[2] In Malaysia, it is common practice to refer to Muslims as “Malays”. However, it is also important to note that not all Muslims are Malays as there are Muslims from other ethic groups as well such as the Chinese and Indians who are Muslims too.

[3] The negative impact of the credit cards occur when cardholders do not pay their bills on time, since various charges on credit cards will be accumulated until the bill is fully paid.

(a) Can demographics and socio-economic backgrounds be considered as determining factors for a cardholders' attitude towards debt?
(b) What criteria can be used to identify the degree to which ICC holders are affected by the negative impacts of credit cards in comparison with CCC holders?
(c) What are the particular issues attached to credit cards that lead their holders to have difficulties?
(d) In what ways are ICCs marketed differently than CCCs?
(e) Who is involved in credit card debt proliferation? In addition, to what degree is each of these parties responsible in respect of credit card debt proliferation?

1.3. SIGNIFICANCE OF THE RESEARCH

The significance of this research stems from the fact that, at present, no in depth empirical study has been taken in a country with dual types of credit card offers. This study has a wider perspective than that of existing credit card literature, which helps to make a comprehensive evaluation of the credit card industry in Malaysia. Established literature has been dominated by CCCs, while previous studies of ICCs in Malaysia examined a narrower scope. Specifically, this study not only examines the selection factors, but it also measures the satisfaction, loyalty, and religious practices, as well as comparing each of the mentioned aspects between CCC and ICC holders in assessing any differentiation between the two holders.

Besides offering a wider scope than previous literature, this study is original as it describes the impact of credit cards on the users of ICCs in comparison with the CCCs where, so far (to date and to the writer knowledge), there have been no such empirical studies made to measure the level of impact between the two types of credit cardholders. As the introduction of ICCs is in response to Islamic financial development, it is important to examine the effects of the product. Hence, this study has considered the impact in investigating whether the existence of ICCs implies a deviation from the aspirational position of the Islamic moral economy. In other words, the originality of the study is that it provides empirical evidence as a contribution to the literature by providing a comparative study, which can provide valuable results for Islamic banking industry practitioners, and, thus, serve as a feedback to evaluate the level of the negative consequences of their products, compared to their conventional counterparts.

Moreover, this study uses a secondary method of semi-structured interviews in supporting the analysis of the primary method via a questionnaire survey. Specifically, this study interviews various stakeholders, which include bankers, cardholders, *Shari'ah* specialists and an economist. This method is useful to further complement the findings gathered from the main method. This kind of data collection and analysis makes this study distinct from other studies.

1.4. RESEARCH METHODOLOGY

To achieve the aim of the study, a qualitative research methodology is used as the main framework of the research. In terms of the operationalisation of the research and the collection of primary data, quantitative and qualitative research methods are utilised within the triangulation research method. Accordingly, the quantitative research method is applied through a questionnaire survey and the qualitative research method is conducted through semi-structured interviews. Specifically, this research utilises questionnaire surveys using convenience sampling distributed among Malaysian cardholders, mainly in Selangor and Kuala Lumpur, which gathered 507 usable questionnaires. This main method is further supported with semi-structured interviews with various stakeholders including seven bankers, ten cardholders, one economist and one *Shari'ah* specialist with the objective that the knowledge of the research field can be extended. The sampling for semi-structured interviews is based on snowballing as well as convenience sampling. The methodology and methods related issues are detailed in the 'Research Methodology Chapter 4'.

1.5. THE STRUCTURE OF THE RESEARCH

In accomplishing the aim and objectives mentioned in Section 1.2, the study is organised into a structure involving ten chapters as follows.

Chapter 1 is the Introduction chapter. This chapter states the overall idea of the research. It starts with the background of the study and then presents the aim, objectives, and research questions. A brief elaboration on research methodology relating to gathering and analysing the data is also provided. This chapter closes by providing the structure of the research where the main contents for each chapter of the thesis are explained.

Chapter 2 offers conceptual and empirical literature on credit cards. It explains the use and history of credit cards. It also briefly provides the general working mechanism of credit cards to provide an understanding of how various parties are interrelated in completing a transaction. It also differentiates CCCs from ICCs. In expanding the understanding of ICCs, it presents the motives of Islamic banking as well as its history and development. The critiques on ICCs are also presented in understanding existing ICC issues. Having identified the literature and how CCCs and ICCs work with their critics, this chapter identifies ways to conduct the current research more effectively, as it explores the research methodology used by the previous researchers with the variables they utilised. This determines the vacuum in the existing body of the literature, hence, allowing the construction of new variables as the originality of the study.

Chapter 3 focuses on Malaysia as the case study and, therefore, presents the dynamics of the Malaysian credit card market. This chapter discusses how the credit card market in Malaysia has developed over the years, including issuing financial institutions, number of cardholders, and value of transactions. It then offers information regarding the pricing structures of CCCs as well as ICCs in the case of Malaysia. In an attempt to understand the negative impact of credit cards on Malaysians, it offers information relating to the aspects of credit card debt.

Chapter 4 is the research methodology chapter. It defines the research methodology adopted by the writer. It also explains the research design, strategy, and methodology used in the study. It details the research processes in providing an understanding of how the researcher goes about answering the research questions to achieve the research aim. The formulation of the research variables based on literature, as presented in Chapter 2 and Chapter 3, are also shown together with the hypotheses developed for this research. The statistics used in analysing the questionnaire survey data and the method to analyse the semi-structured interviews are also explained. This chapter also discusses the limitations and difficulties faced to gather efficient data.

Chapter 5 is the first empirical chapter. It presents an analysis of the data collected through the questionnaire survey. It provides the profiles of cardholders participating in the questionnaire survey, which have been divided into demographics and socio-economics. In addition to the socio-demographic backgrounds, this chapter also presents credit card profiles which include information on cardholders' credit cards such as the number of credit cards, brands, issuers, holding type, and the period of ownership. Next, in order to understand the impact of credit cards, the results of the descriptive statistics on the various statements relating to general credit behaviour, credit card debt, and knowledge of credit card charging structures are further discussed. The credit card impact is further elaborated through the type of transactions made by the Malaysian cardholders. The last part of this chapter focusses on ICCs where the results of various dimensions such as perception, usage, and knowledge are discussed to examine the implications of the use of ICCs.

Chapter 6 further analyses the primary data collected through questionnaires. However, unlike Chapter 5, which gives a general understanding of the research issues, Chapter 6 focuses on credit card selection factors. It deals with the factors surrounding credit card selection where it highlights religious factors, satisfaction and loyalty, perception, as well as religious commitments concerning the perspective of credit card selection. Besides presenting the results of the various aspects, the variables are further analysed according to the type of cardholder, in particular, according to ICC holders and CCC holders, with the objective of seeking differentiation between the two holding types. The demographic and socio-economic backgrounds presented in Chapter 5, are further investigated using chi-square cross-tabulation and Mann Whitney U Test analysis to seek further understanding of the relationship of the selection surrounding factors between ICC holders and CCC holders. The chapter closes with a summary of the chapter's main findings.

Chapter 7 continues further with an analysis of the questionnaire survey. This chapter analyses the impact of credit cards. It investigates which socio-demographic variables have statistically significant relationships with revolving status. The 16 tested variables include gender, age, marital status, number of children/dependents, head family, ethnicity, religion, education, income, employment sector, occupation, car loan, housing loan, credit card number, holding type and credit behaviour. It also examines usage and payment related variables as presented in Chapter 5, to determine whether the level of impact on ICC holders are as severe as on CCC holders. In addition, it analyses marketing variables with the objective of investigating whether issuers of ICCs are as aggressive as CCCs and to determine whether there is a differentiation in strategies utilised by the two types of issuer. The results relating to determining the ranking among the three contributing parties to credit card debt are also presented with the objective of determining whether the cardholders are aware that credit card debt proliferation is primarily dependent upon their behaviour. The last section of this chapter highlights the main findings.

Chapter 8 moves to the analysis of the primary data gathered from the semi-structured interviews, which is the second method used to supplement the findings gathered from the questionnaire survey. The data has been analysed using thematic analysis, which is further organised into two main parts. The first part presents the findings from bankers, while the second parts deal with the other stakeholders, including cardholders, economists and a *Shari'ah* specialist. At the end of this section, it concludes with the summary of the key findings of the chapter.

Chapter 9 is the discussion chapter, which aims to provide an integrated analysis. It brings together the findings of the empirical chapters with the conceptual, as well as the empirical literature. In addition, it provides further meaning to the findings through the various critical analyses in light of the literature. This chapter, therefore, identifies the contribution of the study.

Chapter 10 is the final chapter that concludes the entire research. It presents an overview of the study and identifies whether the research aim has been achieved. It also provides recommendations for future research and makes some proposals for improving existing policies.

Chapter 2

CREDIT CARDS AND ISLAMIC FINANCE: A PRELIMINARY SURVEY

2.1. INTRODUCTION

Modern economies are marked by the extensive use of diverse financing methods, including credit cards. Credit cards aim to facilitate the spending process by replacing hard currency, and, hence, make life easier. This chapter, therefore, aims to survey the relevant literature of credit cards with the objective of developing a better understanding of the functions of credit cards, as well as reviewing issues relating to credit cards. In accomplishing the task, this chapter is divided into eight sections. Following this brief introduction, Section 2.2 describes the characteristics of credit cards and distinguishes credit cards with charge cards and debit cards. Section 2.3 provides a brief history of credit cards in examining their evolution. Section 2.4 focuses on ICCs. Section 2.5 highlights the issues and criticisms of CCCs as well as ICCs. Chapter 2.6 presents the Islamic banking background with relevance to ICCs. Chapter 2.7 emphasizes the key points of the chapter in concluding the chapter.

2.2. CREDIT CARDS: A BRIEF HISTORY, DEFINITION, CHARACTERISTICS AND WORKING MECHANISMS

2.2.1. Credit Cards: A Brief History

Credit cards were born in the United States, some time during the 1920s (Drury and Ferrier, 1984: 19; Sayer, 1988: 1).[4] Ritzer (1995: 27), for example, called credit cards the "American icon". The first phase of credit card development happened among American retailers, such as stores, automobile companies, and oil companies. They issued credit cards to their customers to promote the sales of their products, especially those of high value, and to increase the loyalty of wealthy customers. In 1914, the General Corporation of California, commonly known as Mobil Oil, introduced courtesy cards to their employees (Ritzer, 1995: 34). The industry grew further when a proprietary system, the Universal Air Travel Plan, was established by the airline industry in 1936. In 1938, credit cards were recognised nationally as gasoline companies established a centralised system to accept their partner cards (Mandell,

[4] The year of the credit card origination differs between the two sources. According to Drury and Ferrier (1984: 19), the credit card was already available prior to 1920, however, Sayer (1988: 1) states the period of introduction as the 1920s.

1990: xii-xiii). However, the rapid growth of credit cards was only made possible in the 1950s with the arrival of computerised technology, which allowed for more accurate and efficient billing (The Encyclopedia Americana, 1980: 167).

In 1950, third party credit cards were issued by Diners Club (Ritzer, 1995). These cards were known as the first modern form of universal, third-party credit cards, as, unlike the retailers that issued credit cards directly to their customers in promoting their goods and services, Diners Club cards were established purely for financial motives as an intermediary between sellers and buyers where a monthly fee was imposed on the buyers. For the sellers there was a 7% merchant discount fee (Mandell, 1990: xiii). The idea of Diners Club was born when Franklin McNamara and his friends discovered that they had no money to pay for their meal at a restaurant in Los Angeles. This led him, together with another friend, Alfred Bloomingdale, to establish a club among their friends based on the concept of 'Dine and Sign'. Later, a tourist company, American Express, joined in the business by issuing Amex cards (Ahmad-Al-Azhari, 2008: 533). These cards, however, required that their customers made full payment every month, as they were originally intended for business people who entertained their customers while on business trips. Hence, these are better classified as charge cards.

The first bank that issued credit cards was the Franklin National Bank, Long Island, in 1951. These were subsequently known as bankcards. The credit card of the Franklin National Bank had a credit limit and the cardholders' names. There was no annual fee, but the merchant's account with the bank was charged with the sale amount less the discount. Other banks immediately followed and within only 2 years, about 100 banks were in the credit card business. Later on, the revolving feature with finance charges on outstanding balance became an additional feature of credit cards. This major move in bank credit cards was made by BankAmericard and Master Charge in 1958 and 1966, respectively. The market was expanding, and, in 1977, Visa replaced the BankAmericard. Two years later, in 1979, MasterCard was used instead of Master Charge (Ritzer, 1995: 37). According to Ahmad-Al-Azhari (2008: 532), the Inter bank Card Association was instituted in 1967 by eight banks of America; this allowed the expansion of Master Charge Card or, as it was later known, MasterCard. The development allowed MasterCard, as well as Visa, to dominate the credit card business in which the cooperation among various financial institutions enabled under their umbrellas to ensure the smooth running of their business. While American Express remained the leader in charge cards (Ritzer, 1995: 37), in 1987 it started to issue credit cards (Evans and Schmalensee, 1999).

In comparing the business of credit cards between retailers and banks, it can be noted that, in the 1970s, retailer credit cards were the most common, and their ownership reached a peak in 1990. Afterwards, however, the importance of ownership declined due to their limited use, as the credit cards could only be used among their outlets. Meanwhile, bank credit cards, which had a wider use, so-called 'general purpose' credit cards, started gaining popularity by 1995 and their use has kept growing since then. The two most popular brands, MasterCard and Visa, are not only widely held and known among Americans (Durkin, 2000: 624) but also in the global arena. In the UK, Barclaycard was the first credit card introduced in 1966 under the Bank of America's licence. UK credit cards reached a peak in 1990 with 30 million cards in issuance; however, the market experienced a decline in later years due to the imposition of annual fees (Worthington, 1995: 35). As for the Arab world, the first credit card was introduced in 1982, in Egypt, through the Arab African Bank. In 1990, the Bank of Egypt joined in and later it was followed by the Bank of Cairo in 1996 (Ahmad-Al-Azhari, 2008: 532). Today, not only are developed countries familiar with the use of credit cards but also developing nations, especially those in urban parts of the developing world where computerised networks are enabled.

The 2000s[5] have seen another wave of credit cards, better known as ICCs, coming into the market. Unlike CCCs, which previously originated from the United States, ICCs are popular in Asian and Middle Eastern emerging markets where Islamic finance has taken root due to the majority of Muslims living in the regions. According to Testa and Sarieddine (2008: 61), South-East Asia and the Gulf are "the leading Islamic centres" where there are growing numbers of issuers seeking *Shari'ah* compliant products to tap into the market.

2.2.2. Definition

Sloan (1987:45) defines credit cards as "any instrument, writing or other evidence, whether known as a credit card, credit plate, charge or by any other name, which purports to evidence

[5] There was actually an ICC by Ambank, which was issued in 1992 according to Billah (2007), however, ICCs only became popular in the twenty-first century. It is also worth noting that the year of the first issuance of the first ICC is disputed by several writings. For instance, Billah (2007) states Al-Taslif, the first ICC by AmBank was issued in 1992, but Asharq Al-Awsat (2008) states that the issuance was in December 2001.

an undertaking to pay for property or services delivered or rendered to or upon the order of a designated person or bearer".

Worthington (1995: 35) defines credit cards as a plastic payment card, classifying them as 'pay later cards', which allow cardholders to make payment on purchase transactions and to withdraw cash up to an allowed credit.

Fowler (1995: 51) states, "credit card means any card, plate, coupon book, or other single credit device existing for the purpose of being used from time to time upon presentation to obtain money, property, labour, or services on credit".

A more updated definition by the IDB (2000: 249) in Resolution No. 63/1/7 of the Resolutions and Recommendations of the Council of the Islamic Fiqh Academy 1985-2000, defines a credit card as "a document that its issuer (issuing bank) gives to a natural or legal person (card bearer) according to a contract between them. The card bearer becomes able, by virtue of this arrangement, to purchase goods or services from those who recognize the card without immediate payment of the price, as commitment will thus fall on the issuer. Payment is made from the account of the issuer who will afterwards charge the card bearer at regular time intervals. Some issuers used to impose usurious interest on the total outstanding balance that the bearers owe to them, after due date of payment, while other do not" (IDB, 2000: 249).

From the above credit card definitions, credit cards can be referred to as plastic payment cards, which provide a revolving credit facility to their users where payment of a large value can be spread over several periods. Credit cards are different to charge cards, as the credit given through charge cards has to be paid relatively quickly within one period. Credit cards are also unlike debit cards in which customers use money that is deducted from their own accounts upon transaction (Kante, 2006; Worthington, 1995). It is worth noting that there is literature, which uses the term credit card to include charge cards. For instance, Diamond (1982) defines charge cards as 'short-term credit cards', while credit cards are 'extended credit cards'. However, for the focus of this study, it is important to distinguish between the two card types.

2.2.3. Characteristics

In order to better understand credit cards and their functions, their main characteristics, as provided by Kante (2006), Durkin (2000), Ritzer (1995), Worthington (1995) and Mandell (1990), are summarised and further explained as follows:

First, a credit card is a plastic card, which can be used to make payments in replacing cash at accepting merchants. Since it is a plastic card, it offers convenience to customers, as their holders do not have to bring cash in large quantities. In addition, it offers further protection through the embedded security number for which usage can be traced, unlike lost cash, which is harder to trace. More importantly, credit cards also allow transactions to be made over the Internet or by telephone. In addition to paying transactions, the cards can also be used to withdraw cash at ATMs. Furthermore, the payment of transactions and the withdrawal of cash involving credit cards on credit means the customers do not need to have their own money instantly to enable transactions; hence, the purchasing power of individuals is greater while having credit cards.

The second feature of credit cards is the credit limit. Although cards can be used for payment on purchase transactions and cash withdrawal, the amount is capped at a certain set limit, the credit limit. The credit limit is the maximum amount that customers are allowed to purchase on credit using their credit cards. The amount is based on the decision made by the financial issuers by considering several criteria – salary, the number of children, and various financial commitments, such as car loans and housing loans of the customers. These are all asked in the credit card application form.

The third feature of credit cards is the revolving credit facility. This feature is ‘special’ to credit card issuers in attracting customers, as it is different to charge and debit cards. This feature allows credit cardholders to enjoy credit as long as the minimum monthly payment is fulfilled. However, the deferred amount will be subject to interest or profit charges. Hence, despite the feature being considered special, it can trap customers in greater financial complications, unlike debit and charge cards.

The fourth feature is the ‘grace period’ of credit cards. This is the interest free period given to cardholders on payment transactions where they can use their credit cards for free without having additional charges on purchase transactions. This is another feature, on top of the revolving credit, which attracts customers to credit cards. However, there is no free credit on cash withdrawal as is given for purchase transactions.

Another main feature of credit cards is the rewards and loyalty programmes awarded by issuers to cardholders in order to attract and tie them to their cards. For instance, it is normal for card spending to qualify cardholders to accumulate points, which can be used to redeem free gifts including air tickets, hotels, and or the like. It is also common to get coverage and protection through insurance when transacting on credit cards. In this case, the users of credit cards have the potential to gain various benefits compared to using cash in their transactions.

Hence, overall, credit cards are a mode where credit facility is extended to their holders through cash withdrawal and making payments at the accepting merchants. There is usually free, short-term credit awarded to those who fully repay their debt within the grace period. If cardholders make a payment lower than the full amount, the outstanding amount is subjected to charges. Cardholders can continue using the credit facility up to the approved credit limit given through credit cards if they maintain paying the required minimum monthly payment.

2.2.4. Working Mechanisms

In understanding the general working mechanisms of credit cards, a number of issues have to be discussed as follows:

Networks:

The three most well-known credit card networks are MasterCard, Visa and American Express. These networks are also known as international card associations (Worthington, 1995: 31). MasterCard and Visa started their business in 1966, while American Express commenced operation a bit later in 1987. However, American Express' charge card business has operated since 1958 (Evans and Schmalensee, 1999).

It should be noted that the MasterCard and Visa are the two largest global networks. They are working on an open network system having thousands of financial institutional memberships where interchange fees, standards, and rules are jointly established. Another form of network is called a proprietary network, and American Express is on this kind of network. Under the proprietary network, the dealings between merchants and cardholders are supervised by the same body, as the same body operates all the roles – a network, an acquirer, as well as an issuer (Chakravorti, 2003). These partly explain why MasterCard and Visa have become the largest networks in the world, as they have open membership policies compared to proprietary networks, which Evans and Schmalensee (1999) call an open-loop system compared to the closed-loop system for proprietary networks.

Issuers:

Issuers are financial institutions that issue credit cards. Issuers earn from cardholders through various charges, which include finance charges, annual fees, overlimits, as well as cash advance charges. In addition to cardholders, issuers also earn interchange fees from acquirers. Chakravorti (2003) reports that issuers' revenue comes largely from revolvers, which is about 70%, while only about 13% comes from interchange fees or merchant discounts. Issuers use a variety of ways to attract customers, such as lowering charges and fees as well as awarding points for redemptions on various products and packages.

Cardholders:

A cardholder is a customer who has been granted a credit card after passing the screening process set by the issuer. The customer can use the credit card to make transactions either for purchases or cash withdrawals up to the approved credit line. The two basic screening processes normally involve annual salary and age requirements. As in the case of credit cards in Malaysia, BNM has set that the minimum salary at RM24,000 per annum and a minimum age of 21 years for principal cardholders.[6]

Merchants:

The Merchant is a business entity such as a supermarket, restaurant and or hotel that accepts credit cards as a payment mode (Visa, 2011; MasterCard, 2011). Merchants who accept credit cards have to pay 'discount fees'. In the US, the amount is reported to be about 1% to 3% calculated from the total transaction value (Chakravorti, 2003). Merchants are willing to pay the fee for accepting credit cards, as such acceptance would lead to an increase in sales. According to Ernst and Young (1996, as cited in Chakravorti, 2003), their U.S. survey states that 58% of merchants admitted that credit cards have made their profits increase, while 83% experienced an increase in sales.

[6] See Chapter 3 for a detail discussion on Malaysian credit cards.

Acquirer:

An acquirer is also known as the merchant bank that ensures the merchant is paid for accepting credit cards. It is a financial institution that is licensed by credit card networks (Visa, 2011; MasterCard Worldwide, 2011). The revenue of an acquirer is the difference between the 'merchant discount', which is received from the merchant, and the 'interchange fee' (Chakravorti, 2003).

The interaction amongst the above five parties as provided by Visa (2011) is presented in Chart 2.1:

Chart 2.1: The Process of a Credit Card Transaction between the Various Parties

A Seamless Global Process

A Visa transaction is a carefully orchestrated process. When a Visa account holder in Mumbai uses a Visa card to buy a pair of shoes, it is actually the acquirer — the merchant's bank — that reimburses the merchant for the shoes. Then, the issuer — the account holder's bank — reimburses the acquirer, usually within 24 to 48 hours. Lastly, the issuer collects from the account holder by withdrawing funds from the account holder's bank account if a debit account is used, or through billing if a credit account is used.

Source: Visa (2011).

2.3. SURVEYING EMPIRICAL LITERATURE ON CREDIT CARDS

The literature of credit cards in this section is divided into two categories based on the key research objectives of this study, namely, the selection and the impact of credit cards.

2.3.1. Credit Card Selection

One of the main subject areas of credit card literature is focused on credit card selection. The literature of credit cards relating to their selections mainly focuses on the attributes of credit cards, which are embedded as their special features. This section presents selected empirical studies to highlight the effects of credit card attributes on customers' choices.

One of the initial credit card selection related academic investigations in terms of either getting credit or convenience was conducted by Mathews and Slocum (1969), who revealed that credit cards were used among higher socio-economic classes more for convenience, in comparison to lower socio-economic classes who utilised the service for its credit features. Indeed, the limit of the credit card market in the time of Mathews and Slocum's study should be taken into account in interpreting the results. Mandell's (1972) study further supported Mathews and Slocum's (1969) findings. In a more comprehensive study, credit card selection factors were established further by Canner and Crynak (1986), who found that the use of credit cards for convenience is positively associated with financial position, age, as well as income. The period in which this study was conducted was during the beginning of globalised and open economies, and, therefore, the politico-economic realities in which this study was conducted are very different from the studies mentioned before.

In searching for determining factors for credit cards, Kinsey (1981) found that the holding of credit cards is significantly related to education level, occupation, and marital status. Specifically, the convenience factor is valued more by those in higher education, high-income groups, and married individuals, while their opposite groups use credit cards more for the credit features.

Barker and Sekerkaya (1992) in Turkey studied the attitudes towards credit cards of non-holders and cardholders. The data was collected through a questionnaire survey on convenience sampling in an Istanbul suburb having 12 issuing banks', the headquarters of which gathered 400 respondents, comprising 200 non-holders and 200 cardholders. The identification of non-cardholders and cardholders was made based on either having a bank credit card or not, while other cards such as store cards were excluded. The results showed that the most important factor for holding a credit card was 'ease of payment' (64%), followed by 'risk of carrying cash' (58%), 'the need for credit' (24%), and 'prestige for shopping' (15%). Hence, the study indicated that Turkish cardholders valued convenience factors more than credit features. The factors for Turkish non-holders not having a credit card, however, were due to 'lack of information' (40%), followed by 'strict requirement to qualify' (21%), 'avoiding the possibility of impulse buying' (16%), 'not economical' (9%), 'not beneficial' (8%), and 'not reliable' (7%). The study also revealed that the ownership of credit cards was significantly related to marital status, education, and occupation, which were similar to Kinsey (1981) who found that convenience factors were valued more by married respondents, highly educated respondents, and high income earners.

Further refinements on credit card selection factors were detected in several other studies, including Kaynak and Yucelt (1984) who revealed that consumers considered credit cards as useful and also safer than cash. In extending the selection-related determining factors, Lunt (1992), from his empirical study, further recorded several other factors such as greater credit limit, reasonable fees, and interest rates, as well as good customer service, as important credit card selection factors. Durkin (2000) also found that cardholders used credit cards for both convenience and its revolving credit features.

In another study in Singapore, Devlin *et al.* (2007) studied ‘main’ and ‘subsidiary’ credit card holding. Their study was constructed as a survey based research containing open-ended questions to acquire data. Responses were content analysed and the factors for possessing either ‘main or subsidiary’ cards were categorised. Sampling was selected from three different areas. Respondents were approached in each location on three Saturdays and Sundays consecutively where 25 respondents were targeted for each session of the sampling. Consumers were randomly approached, and, if they were identified as multiple credit cardholders, the survey form would be given to them to be filled in immediately. The study found that 85% of the 141 respondents indicated that they had a ‘main’ card and the most frequently quoted reason for having a card was the superior discounts and promotions that were offered by the card issuer. Main cards appeared to be used for a broader range of transactions, while the use of the additional cards was more restricted. The majority stated that their subsidiary cards were only for ‘stand-by purposes’. It was suggested that credit card issuers should offer promotions, discounts, and various other attractive offers to maintain their competitiveness.

In making a comparison, Lee and Hogarthe (2000) summarised that convenience users preferred credit cards with no annual fee and card enhancements including frequent flyer miles as compared to revolvers who prefer cards with a low interest rate. Searching for the convenience factor, Kaynak and Harcar (2001) concluded that easy access to cash and social acceptability were influencing factors for consumers to use credit cards.

The search for determining factors of credit card holding was conducted in other country cases as well. For example, in Greece, Meidan and Davo (1994) found that the component factors that influenced credit card selection were ‘convenience, both in the local and international market’, ‘protection’ and ‘economy’. Meidan and Davo’s (1994) factor analysis produced five factor components from fifteen credit card selection factors used in the study. The five factors, ordered from the most to the least important, are ‘acceptability abroad’, ‘acceptability locally’, ‘in-built security features’, ‘economic benefits’ and ‘prestige afforded’.

The study by Meidan and Davo (1994) was replicated by Maysami and Williams (2002) in the case of Singapore. Maysami and Williams (2002) found that convenience, local and international acceptability were the most influential factors. The results of the factors in terms of importance or ranking remained similar to that of Meidan and Davo (1994).

Another Singaporean study was produced by Gan and Maysami (2006). This study replicated the study of Meidan and Davo (1994). Gan and Maysami (2006) used 22 variables of credit card selection factors in their Singapore study, in which 15 of the variables were adopted from Meidan and Davo (1994). The study gathered the data of 596 cardholders through random sampling from four places in Singapore, namely, the northern, eastern, western and business centre. The variables were factor analysed and the results suggest that the factors determining credit card selection in Singapore, in their order of importance, were ‘convenience and protection’ (36.2%), ‘economicality’ (19.4%), ‘flexibility’ (17.9%), ‘promotion’ (12.5%), ‘reputation’ (7.2%), and ‘travel economy’ (6.8%) (Gan and Maysami, 2006: 14-15). While an exploration on demographic variables indicated that “high-income earners, the better educated, the elderly, married and professional preferred the convenience-protection factor to the economic-promotional factor” (Gan and Maysami, 2006:2). The study also found that Malays emphasised economic factors more than the Chinese, while males valued economic factors more than females who preferred promotional factors. It was concluded that ‘credit card selection criteria’ were not seen much differently by Singaporeans than other studies carried out in other developing and developed countries.

In Saudi Arabia, Abdul-Muhmin and Umar (2007) examined the ownership and the usage of credit cards via bank-sponsored structured survey data among Saudis and expatriates living in the country. The study used convenience sampling techniques in which the questionnaire was administered on a drop-off and pick up method, which was personally distributed to respondents at company offices, shopping malls and banks. Through 774 questionnaires, the eight credit card attributes of the study were analysed. The results showed that the most highly valued attribute was ‘international acceptability’, followed by ‘convenience in using card’, ‘acceptability in Saudi Arabia’, ‘credit limit’, ‘procedures when card is stolen’, ‘security’, ‘monthly repayment conditions’ and ‘service charges or interest’. Therefore, people in Saudi Arabia considered convenience and protection as the most valuable credit card features.

In Pakistan, Butt *et al.* (2010) further replicated the study of Gan and Maysami (2006) by investigating the credit card attributes of importance to customers. The study used 800 self-administered questionnaires, which were gathered from the several Pakistani cities where the potential to meet individuals with credit cards was high. The data was analysed via factor analysis and indicated that 'convenience', 'economical use', 'local and international acceptance' and 'protection' were highly valued by Pakistani customers.[7]

Malaysia is not an extensively researched country in credit card markets. One study on the Malaysian case for credit card selection factors was by Dan-Singh and Othman (1995), who distinguished between male non-holders and cardholders. They found that the ownership of credit cards were more from those of older age, those married and have children, higher income and higher education and professionals. The study used questionnaire survey instruments, which were distributed in Kuala Lumpur/Petaling Jaya.

Another Malaysian study by Mansor (2004) examined the relationship between demographic characteristics and the usage of ICCs and CCCs. The study gathered 305 usable questionnaires based on quota sampling as the population was known, being academicians in seven colleges. The population was revealed by the registrar offices of the seven colleges involved in Terengganu and Kelantan. The questionnaire was personally administered to tutors, assistant lecturers, lecturers, associated professors and professors. It was found that respondents prefer using CCCs rather than ICCs and there was a positive relationship between income and usage rate.

Choo *et al.* (2005) in his empirical study reported that the ownership of ICCs was still very low despite its offering special features to customers. They studied the probability in selecting ICCs by distributing 500 questionnaire surveys on convenience sampling in 13 states of Malaysia, which produced a return rate of 51% or 255 usable questionnaires. The results showed that only the employment sector was significantly related to selecting ICCs where the government staff had a higher tendency to possess ICCs than the staff in the private sector.

[7] It is worth noting that this study was only recently available and accessed by the researcher during the analysis phase when the fieldwork of this study was completed. Therefore, none of the variables of the study of Butt *et al.* (2010) was considered in constructing the variables of this study.

Shahwan and Mohd-Dali (n.d.) studied the understanding and awareness relating to ICCs among Malaysian academic staff at the Matriculation Centre of the International Islamic University Malaysia (MCIIUM). The data were collected using a questionnaire through cluster sampling at two academic Programmes of Arts and Sciences with 180 samples. The study found that there was still a low level of understanding and awareness of ICCs among the academic staff, hence, suggesting extra effort is needed to increase the level of understanding and awareness.

Mohd-Dali and Hamid (n.d.) analysed the satisfaction and perceptions of ICC holders and CCC holders, for which the data was collected via a questionnaire survey utilising a website database, which gathered 127 respondents. The results indicated that ICC holders were affected by fewer factors, and, hence, was much easier to satisfy than CCC holders. ‘Shopping factor’ appeared to be significantly related to the satisfaction of both ICC holders and CCC holders.

Shahwan *et al.* (2008) studied the relationship between card ownership with religious practice. The study tested the relationship between respondents’ religiosity indexes with Shari’ah-based card ownership. The religiosity index component comprises of three categories of *tawhid*, belief on articles of faith, application of pillars “of Islam and performing other complementary deeds”. Shahwan *et al.* (2008) found a positive significant relationship between CCCs and religiosity index, implying that the level of religiosity is not a determinant of ICC ownership.

It is worthwhile noting that the findings of the key literature conclude that credit card selection factors among customers were not very different from one country to another. The fact that random sampling and convenience sampling produce the same results imply that the findings of existing studies on credit card selection factors appear to be robust to the choice of sampling technique.

2.3.2. EXPLORING AND MEASURING CREDIT CARD IMPACT

While the preceding sections presented literature on credit card selection, this section highlights the behaviour of customers in using the credit cards after their selection, which can be used to determine the impact of credit cards. Generally, the literature concerning credit cards in determining the impact of credit cards focuses on the usage and perception of credit cards with the socio-demographic backgrounds of customers.

Mandell (1972) and Awh Walters (1974) in their respective studies evidenced that the major determinants for credit card usage were education and income. These studies are supported by another empirical paper conducted in Greece by Meidan and Davo (1994), which indicated that credit cards were mostly used by those urbanised individuals with relatively higher income. Similar results were established by historical studies as well where Frank *et al.* (1965) reported that income and occupation were popular in explaining credit card usage, which correlated significantly. Mathews and Slocum (1969), in exploring credit cardholder purchasing behaviour with social class, found a significant association between social class and credit card usage.

Chan (1997) reported a positive relationship between income and usage frequency, as it was established that higher credit limits were granted to higher income earners. Those with a higher income were found to have a higher usage rate of their credit cards in purchase transactions. In the same line, Feinsberg (1986) compared the motive of using cash to credit cards. The results indicated that there was a tendency to spend more and with less forethought when using credit cards instead of cash. Therefore, credit cards have a negative stimulus. Moreover, Warwick and Mansfield (2000) reported that the use and easy accessibility to credit cards influenced individuals to use credit freely and led to debt increase.

Buttle (1996) further supported the argument that credit cards would increase the desire to spend as they offered more income streams and insurance protection given upon card loss and trip accidents. Furthermore, the acceptance of credit cards worldwide, which had been facilitated by the establishment of international card associations, was another contributing factor to the increased spending.

In explaining the spending motivator role of credit cards, Mapother (1999) stated that individuals tended to indulge in social activities and leisure when their disposable income was higher. He argued that it was a trend for consumers nowadays to live beyond their means and to finance these lifestyles with credit cards. This was for the worse, as they were consistently unaware that their income was lower than their expenditure. This implies the existence of a poor financial management.

Kinsey (1981), in his study, determined the credit card number per household according to a household's characteristics. Income appeared to contribute the most in the increased number of credit cards. The study did not distinguish between bank credit cards from other credit card types such as store cards, which also demonstrated that the holding of credit cards was lower among rural residents. However, Kinsey (1981) also found that the probability of having credit cards was getting higher among those with a positive attitude towards credit, mainly in the age group of 40-49, professionals, or white-collar workers.

In providing further results relating to socio-economic backgrounds of credit card holders, Barker and Sekerkaya (1992), and Kaynak *et al*. (1995) indicated that credit card usage frequencies were higher among customers with higher awareness and higher education.

One of the most popular studies relating to credit card use in terms of holder profiles and socio-economic backgrounds is regarding the payment pattern among credit cardholders. Previous studies identified cardholders into those who made full payment and those who paid less than the full amount, and, consequently, carrying forward debt balance to the following bill that is subject to various credit card charges. Mathews and Slocum (1969) called the former ‘convenience users’, and the latter ‘instalment users’. Worthington (2005), however, utilised different names in distinguishing between the two users where ‘convenience users’ were referred to as ‘transactors’ and ‘instalment users’ as ‘revolvers’. These studies found that the upper social class users preferred to pay their debts in full and used cards more for convenience purposes than those in the lower class. Lee and Hogarth (2000) further found that convenience users used cards to facilitate payment and pay monthly bills in full, while revolvers treated their cards as a financing tool and were willing to be charged interest on their outstanding balance.

Hamilton and Khan (2001) observed that the tendency to revolve was positively related to card usage intensity and the ‘buy now, pay later’ attitude, but was negatively related to age. In addition, Gan and Maysami (2006), in the case of Singapore, found that age, marital status, education, and income were positively related to the number of credit cards held where single holders valued economic factors more than multiple cardholders. Convenience users were higher among females, the elderly, both Indians and Chinese as well as the higher educated. A study in Saudi Arabia by Abdul-Muhmin and Umar (2007) indicated that revolvers are more likely to be males with a positive attitude towards debt, possessing a lower education level, and owning more than one credit card.

Ritzer (1995) discusses the dilemma created by credit cards. They include consumerism, indebtedness and social problems. The effects of credit cards are indiscriminate of age and country, as young Americans and other individuals around the world use credit cards. Although Ritzer (1995) mentions the benefits of credit cards, he also states that credit cards cause undersaving and overspending, which may bankrupt the nation. Ritzer (1995: 64-65) states that "the statistics indicate that credit cards have played a large and escalating role in helping Americans dig themselves deeper and deeper into debt". During the high interest rates in the 1980s, more Americans had difficulty in paying off their credit card debts, leading to delinquency and individual bankruptcy. Credit cards are also reported to decrease savings below the amount of the disposable income. Ritzer (1995: 7-11) also recognizes several parties to be responsible for creating the high level of debt. The parties include individuals as customers, businesses and the government. The customers are driven by their individualism. The business firms and financial institutions, in their pursuit of profit, have encouraged customers to spend and make more debt. These are opposite to the traditional days when savings were promoted. The government is also held responsible as it is the party that creates the financial environment enabling debt to proliferate.

Bird *et al.* (1999) in their study, which utilised data from 1983 to 1995, from the Survey of Consumer Finance (SCF), compared the debt level of the poor to the larger population. The results indicated that poor households had a reliance on credit cards as the average credit card outstanding balances have grown. The poor were more vulnerable in the economic decline.

A study by Palmer *et al.* (2001) in the United States reported that the aggressiveness of issuers in selling their credit cards in profit chasing caused college students to have a larger amount of debt due to credit cards, even before entering the working world. It is much easier for students of postsecondary education to possess credit cards in comparison to the past. Individuals of 21 years old and below (Generation *Y*) face a real risk from the use and debt of credit cards. Further concern is raised as the financial literacy level among Generation *Y* is very low, and about 80% of first year students are found to have credit cards. Students with credit cards have greater debt when leaving college; hence, further, negative, long-term financial consequences on the future of the students may be incurred as the existing debt may hinder them from getting homes and automobile loans which are more vital. Moreover, Lyons (2007) adds that the number of students turning to credit cards to finance their education is rising. The greater use of credit cards among college students increases their debt level, which results in higher negative financial consequences after graduation.

The aggressiveness of the issuing firms in attracting college students to credit cards is also reported by several other contributors. A study by Warwick and Mansfield (2000) reported that various aggressive promotional tactics were used by issuers to attract college students to employ credit cards. Students were targeted on campus and through the mail. These methods have successfully influenced the majority of college students to possess a credit card. Even more unfortunately, the majority of the students did not even have knowledge about credit card interest rates. A further implication was found and reported that there was a tendency to increase the credit limit of cardholders among issuers without reviewing the cardholders' financial status. For instance, Chien and Devaney (2001: 165) stated that "although credit card issuers obtain information about consumers before issuing lines of credit, they make little attempt to review the borrower's financial status after the initial issuance of credit cards except to increase limit".

The root of credit card troubles seems to be the credit card structure through the revolving credit facility. For instance, as stated by Chien and Devaney (2001: 165), cardholders are only required to pay a very low monthly minimum amount, about 1/36 or 1/48, which surely keeps cardholders in debt for a long period. In addition, the small payment requirement of credit cards also make customers less likely to think about their future financial ability when spending, due to the financial bias created by the required minimum payment. However, it is a fact that the revolving feature of credit cards is what has made it popular among customers (Ritzer, 1995; Durkin, 2000). Hence, the revolving special feature of credit cards has trapped the customers into financial complications due to various charges as they revolve.

It is also worth noting that credit cards only give trouble to revolvers who are exposed to various charges, unlike convenience users who get benefits as they pay less than the marginal cost due to various received rewards from credit card loyalty programmes. This is supported by banks showing disfavour to convenience users, as in the case reported by the US Banker (1997), which stated that the membership of 12,000 convenience users of the Beneficial National Bank were cancelled. However, the bank, in later years, introduced a $30 annual fee to those who did not have $30 yearly finance charges in an attempt to cover their costs and losses.

2.4. AN INTRODUCTION TO ISLAMIC FINANCE

The critics of ICCs can be understood further by understanding Islamic banking, its principles, and issues. Hence, this section aims to achieve this by providing a brief background of Islamic banking and then delving further into the principles and issues of Islamic banking concerning the aspects that have relevancy to ICCs.

2.4.1. Islamic Finance: A Brief History

The first phase of development in Islamic banking deals with the concept formation where *Shari'ah* scholars questioned whether bank interest was *riba'*. Prior to the 1940s, Muslims were not formally involved in banking; therefore, they had no knowledge about bank interest. Later, commercial banks played a vital role in the economies of the Muslim world. This led to the scholars' discourses and, in the 1940s, a consensus was reached on interest being similar to *riba',* as stipulated in the Qur'an (Elgari, 2011).

Following this, the movement of an 'interest free bank' or 'halal bank' took place. The Dubai Islamic Bank for instance, was established in 1975. The bank was licensed through a conventional central bank whereby it worked in the existing conventional framework with institutional, legal, statutory and regulatory constraints. Later, several other banks were established with some banks operating in amended, conventional banking laws (Elgari, 2011). The first commercial banks in several other countries with their establishment years are stated as follows: The first Islamic bank in Bahrain was established in 1978, Bank Islam Malaysia Berhad (BIMB) in Malaysia in 1983; Bank Muamalat in Indonesia in 1991, and Meezan Bank in Pakistan in 2002. However, the earliest traces of Islamic financial institutions were found in Egypt where the Islamic savings bank at Mit Ghamr, which was based on profit and sharing, was established in 1963, and in Malaysia where Tabung Haji, or the Malaysian Pilgrims Fund Board, was also established in the year 1963 (Ahmed-Shaikh, 2010).

Islamic banking has shown tremendous growth in its forty years of establishment. According to Iqbal and Molyneux (2005), as quoted in Asutay (2010: 36), since its inception in 1975,[8] the industry has become "one of the fastest growing industries, having posted 'double-digit' annual growth rates". The future growth of Islamic banking is expected to remain positive, considering that there are 57 Muslim countries and a Muslim population of about 1.6 billion (Siddiqui, 2011).[9] Moreover, some countries that have never had Islamic banks before, like Mauritius, have begun operating in the sector and are working to be the regional Islamic finance hub (Arouff, 2011). Among Muslim countries, Malaysia has emerged to be the global leader in the Islamic finance industry (Siddiqui, 2011). These days, it is also common to have Islamic financial institutions in the western world, especially those with a Muslim population.

[8] The establishment of Dubai Islamic Bank.

[9] It is worth noting that currently the world population is approximately 7 billion and projected to be 9.2 billion in 2050 (Trade Arabia, 2011).

For instance, the European Islamic Investment Bank and the Islamic Bank of Britain are Islamic financial institutions established in the UK (Testa and Sarieddine, 2008), and the UK has become one of the major centres in developing Islamic finance and is "likely to remain the leading centre for Islamic finance" (New Horizon, 2010: 11) with five Islamic banks currently operating in the country.

Global development in Islamic banking indicates that financial assets in the sector have reached about $1 trillion with an estimate of yearly future growth of 15% to 20%. Oman, one of the GCC countries, for instance, has newly joined the industry (Reuters, 2011), even though the country's population is entirely Muslim. In more recent news, GIFR (2011) reports that the value of the Islamic finance industry is worth $1.14 trillion with a 10% growth rate.

2.4.2. Islamic Finance Principles and Characteristics

Islamic banking, which has existed for about three decades (Yaqoobi, 2008: 18), is different from the three centuries old conventional system (Yaqoobi, 2008: 15). Al-Zuhayli (2007: 349-352) explains seven aspects in distinguishing Islamic banking from conventional banking.

First, Islamic banking is guided by the religion of Islam; hence, Islamic banking should not deal with whatever Allah has forbidden as it is "the fundamental Islamic drive" (Al-Zuhayli, 2007: 349). Among forbidden dealings include *riba'*, prohibited products like wine, and also unfavourable practices such as unfairness, deception and monopoly. Islamic banking should aim to achieve goodness in society. However, conventional banking relies on interest and unfavourable practices such as monopoly and operates according to laws created by mankind, which is in opposition to Islamic banking that is *Shari'ah* based.

Abdul-Rahman (2010: 69) mentions three fundamental rules of *Shari'ah*. First, all things are halal except if the Qur'an and Hadith state otherwise. Second, the focal aim of *Shari'ah* is to bring good and to avoid harm in all aspects of lives including faith, life, family and wealth. Third, the effort to adhere to the *Shari'ah* is necessary, whereby an individual should make a systematic effort to adhere to *Shari'ah* if full implementation is impossible. There is no excuse for individuals who do not make the effort to fulfil the ideal goal of *Shari'ah*.

With respect to interest, Islamic banking financial products should be disassociated from the prohibited *riba'*. *Riba'* is an Arabic word, which is popularly known as interest in these modern days. Interest is the root and widely used in conventional banking (Usmani, 2008). Literally, *riba'* means addition or increase. It involves an addition on the 'weight' or 'the legal standard of measurement' on homogeneous items when an exchange is made between the contracting parties whereby one party is obliged to pay. There are two key elements of transactions involving *riba'*. One is when two homogenous items are exchanged between two parties but in unequal measurement, quality, and size. Therefore, the exchange of equal measurement, quality and size is not considered *riba'*. Another is the amount of addition that is made a condition upon a party to repay (Imam-Muslim, 1990: 831). Thus, *riba',* as in the financial transaction, is the price of debt and is defined as provided by "an increment in a debt for the period it stays with debtor" (Kahf, 2011). Kahf (2011) concludes that *riba'* is the same as interest.

The prohibition of *riba'* is mentioned in the Holy Al-Qur'an. The first revelation of *riba'* in the Holy Qur'an states that "whatever you lay out as usury, so that it may increase in the property of men, it shall not increase with Allah; and whatever you give in charity (*zakat*), desiring Allah's pleasure, they shall get manifold" (Qur'an, ar-Rum: 39). As noted in the verse, the encouragement of charity or *zakat* is immediately made after the discouragement of *riba'*. *Zakat* is the opposite of *riba'*, whereby *zaka*t gives ease to the needy whereas *riba'* is in oppression to the needy. Another Qur'anic verse states that "Those who swallow down usury cannot arise except as one whom shaitan has prostrated by (his) touch does rise. That is because they say, trading is only like usury; and Allah has allowed trading and forbidden usury. To whomsoever then the admonition has come from his Lord, then he desists, he shall have what has already passed, and his affair is in the hands of Allah ... " (Qur'an, al-Baqarah: 275). This verse clearly clarifies that sale is different to interest based loan. While sale involves the trading of goods and services, a loan on interest is a purely monetary transaction.

In addition to the Holy Qur'an, there are also Hadiths (the sayings of the Prophet) which forbid *riba'*. One hadith that was narrated by Muslim on the authority of Jabir states that "the Messenger of Allah cursed equally the one who devours *riba'*, the one who witnesses it, and the one who documents it". This hadith indicates that Allah dislikes *riba'* dealers, which includes its taker, witness, and writer. In fact, the last sermon that the Prophet delivered during his last *Hajj* or pilgrimage at Uranah Valley on Mount Arafat in Mecca, which was about three months before he died at the age of 63 on 8 June 632 A.D., stressed once more the *riba'* issue (Khan, 2000: 22-23) where he mentioned that " ... God has forbidden you to take usury (interest), therefore all interest obligation shall henceforth be waived. Your capital, however, is yours to keep. You will neither inflict nor suffer any inequity" (The Last Sermon of Prophet Muhammad, n.d.). This last sermon provides further conviction that *riba'* is a serious concern in Islam.

Riba' is forbidden due to its negative implications. Imam-Muslim (1990: 831) mentions that *riba'* mainly aims to exploit vulnerable individuals who borrow for consumption purposes. *Riba'* also undermines the Islamic spirit, which teaches its followers to sacrifice for the goodness of all as it implants selfishness and greediness among mankind. Kahf (2011) adds that interest is hypothesized on a wrong base, according to which debt increases in value. By right, debt should not increase in value. In addition, *riba'* or interest is prohibited as financing involves non-productive activities. This enlarges the real market beyond the needs as well as favours the rich, as the lending is based on credit worthiness (Kahf, 2011). Al-Zuhayli (2007:347) further adds that "an interest-based system gives the owners of capital a disproportionately large say in the direction of the economy, since they will be more bent towards lending other rich investors to the exclusion of the new entrepreneurial talents, thus reinforcing the unequal distribution of wealth". While according to Elgari (2010), the prohibition of *riba'* is due to its *zolm* or oppression nature. "This is stated in the Qur'an. While charging interest on money for money is zolm. This is because surplus can only be produced by mixing capital with labor and taking risk of production. For a lender who decides his profit prior to surplus being realized is zolm". Hence, the discussions on *riba'* show that *riba'* creates financial instability in the economy.

Second, Islamic banking should have leniency towards customers who are in difficulty in fulfilling their debt obligations. Islamic banking should have elements of forgiveness and mercy as Allah says in the Holy Qur'an (al-Baqarah: 280, as cited in Al-Zuhayli, 2007: 350) that "If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew". This is in contrast with conventional banking in which profit is pursued blindly where customers in financial difficulties are put into more difficulty as the repossession of debtors' property or collateral quickly take place.

Third, Islamic banking should aim towards "social goals" through involvement in socio-economic development and poverty eradication. This is in contrast to conventional banking, which primarily aims to maximise profit. Therefore, Islamic banking should serve the needy families by giving loans without interest and disseminate *zakat* to religious groups involved in educating and helping the poor. The activities of Islamic banking should also be harmonised with the Islamic goal in which there should be no untruthful transactions or excessive speculation (Al-Zuhayli, 2007: 350).

Fourth, there is greater transparency in Islamic financial institutions as opposed to conventional financial institutions, whereby the depositors know where their money is invested and they do not simply deal with interest as is the case with conventional financial institutions. Hence, profit and loss sharing works for Islamic banking, as opposed to receiving interest, in the case of conventional banking without concern for the type of business activities that are undertaken.

Fifth, the profit of the depositors is based on profit and loss sharing ratios and there is no guarantee on the principals of the depositors. Loans are extended free of interest and lenders should not receive any other benefits as it "would constitute the forbidden *riba'*". This is in contrast with conventional banking that always deals with interest, which can cause inflation and "compounded interest [that] can quickly result [in] insolvency of [the] debtors, which can have catastrophic effects on the debtor and the economy at large" (Al-Zuhayli, 2007: 352).

Sixth, the services of Islamic banking extend across all the economic classes, which is not the case with conventional banking in which poorer groups have no access.

Seventh, there is effort made by Islamic financial institutions to measure actual costs so that their charging of fees and commissions would be in line with the actual costs. There are also Islamic banks that do not charge any fee on their interest-free loans. Such banks include the Dubai Islamic bank.

Besides Al-Zuhayli (2007), Testa and Sarieddine (2008: 62) provide Islamic banking principles in more simpler ways. There are three basic principles of Islamic banking as mentioned by Testa and Sarieddine (2008: 62). First, the financing structure should be in compliance with *Shari'ah* principles where the most notable is the avoidance of *riba'*. Second, assets must be owned by institutional issuers. Lastly, there should be no involvement in forbidden activities such as gambling, alcohol and pork.

2.4.3. Issues in Islamic Finance

Despite the impressive developments in Islamic finance, the industry receives numerous criticisms. One of the criticisms that hurt the industry's image is the claim that it is converging to conventional banking. There is a fear that Islamic banking is diverting from working towards social justice by offering alternatives products to conventional products, rather than providing alternative systems that promote social justice (Asutay, 2011). Asutay (2010: 36-37) argues that the “IBF [or Islamic banking and finance] sector focuses on efficiency and profitability rather than ‘social justice’... IBF has become a ‘hybrid’ or ‘heterogeneous’ product of global financial systems rather than the product of [Islamic] system”. He further states that “Islamic finance no longer has the claim of being an ‘alternative’ system, but rather provides alternative financial products within the existing financial system. Hence, in its current form, IBF institutions work very much with the same objectives as conventional banking and financial institutions minus interest, which is replaced by legally sophisticated financial concepts and instruments”. While, Mukhar Hussain, the HSBC Amanah Global chief executive, states that returning to the root of Islamic finance would help the industry to “move forward”, as “the industry ... has been criticised for products that look too much like their conventional cousins” (Trade Arabia, 2011). In addition to that, GIFR (2011) also states that the industry faces perception problems among prospective customers.

Therefore, overall, it is argued that Islamic financial institutions in their profit chase have become more detached from social foundations and are losing their distinctiveness, while what distinguishes Islamic finance from conventional finance is the moral economic nature. More unfortunately, as the Islamic financial industry is using the same framework as their conventional peers, (Ahmed, 2009; Hassan and Kayed, 2009; Asutay, 2010) the detachment from the social foundations of Islam, has been accelerated.

The criticisms of Islamic banking can be understood through the Islamic teachings, especially those based on the divine source or the Qur’an. Muslim jurists, in view of the various verses in the Qur’an, unanimously agree that the basic objective of *Shari’ah* is to relieve hardship to serve public interests. For example, one of the verses in the Qur’an (al-Baqarah: 185) mentions that “God desires to alleviate your burdens not hardship for you”. Another verse commanding justice in the Qur’an is that "Allah commands justice" (al Nahl: 90). In ensuring social justice, Allah also made it compulsory for the rich to give *zakat,* to ensure that those vulnerable individuals have their sustenance, as according to the statement in the Qur’an (al-Hashr: 7) that: “Wealth should not only flow between rich”. Therefore, the distribution of wealth, which enables vulnerable groups to have their sustenance, is vital in Islam, as it moves closer to social justice. In addition to Qur’anic injunctions, Al-Ghazali states “that the very objective of the *Shari'ah* is to promote welfare of the people", which is to safeguard people's faith, life, intellect, posterity and property (Chapra, 1979: 8). Thus, the moral economy considers justice to be a serious matter, which should be accounted in any of the Islamic dimensions.

In the context of the Islamic financial system, the system should work towards reducing the financial crisis. The system should link the given credit with the real economic expansion. The Islamic financial system is expected to give stability to the global financial system. *Hiyal* or legal stratagems in debt contracts should be avoided as they create a debt economy and financial crisis (Hassan and Kayed, 2009:40). Further to this, Al-Zuhayli (2007: 350) states that "the Islamic financial institution also avoids excesses of all kinds, and attempts to target its financing and economic activities towards the good of the Muslims and the nation".

In further supporting social justice as the aim of Islam, Hassan and Kayed (2009: 33) state that "the most salient values of the Islamic financial system are fairness and socio-economic justice". In addition to that, Elgari (2011) mentions that social good should be the spirit of the Islamic financial system. Islamic banks should be socially responsible. This foundation is based on the concept of 'Istiklaf'. 'Istiklaf' is a Qur'anic term that defines human beings as the vicegerents of Allah; hence, wealth should be used according to Allah's guidance as the ultimate owner of all possessions. Therefore, an individual should not take for granted the community's interest in the pursuit of self-interest. Hence, in the banking aspect, there should be an opportunity for a fair distribution of wealth.

The concept of 'Istiklaf' is well known to Islamic economists. According to Ahmed (2011:3), "Islamic economics launched in the 1970s provide a 'just and humane' alternative to the ideologies of capitalism and socialism". Additionally, the literature on Islamic economics by Azid (2010: 190) concludes that two basic sources of Islamic economics are the Qur'an and Hadith, while its key elements are honesty and faith. Hence, Islamic finance should work towards achieving social justice and anything that diverts is contradictory to the teachings of Islam.

To sum up, in view of Islam as a religion and its teachings, it is expected that any product that uses the word 'Islamic' has to work in promoting social justice. It is important to work collectively towards achieving the goal of Islam, which Asutay (2011) terms as *falah*. *Falah* is an Arabic word that literally means well-being, happiness or success. In a broader Islamic context, it means well-being, happiness and success in this world and in the hereafter. In the case of Islamic economics and finance, it means a just profit instead of maximizing profits as compared to conventional counterparts. Therefore, in attaining *falah*, it is important to consider whether the acts are acceptable or not within the Islamic framework. One of the ways to realise *falah*, as stated by Chapra (1992: 9), is through the fair distribution and allocation of resources. Hence, Islamic finance is theoretically based on the Islamic moral economy, which involves social justice, equity and fairness.

2.5. ISLAMIC CREDIT CARDS

With the increased importance and role of Islamic finance, ICCs were introduced into the credit card industry as Muslims are prohibited in interest dealing. Interest is termed as *riba'* in the Qur'an. It should be noted that prior to the 1940s, it was unclear that interest was *riba'*. However, in the 1940s, Islamic scholars agreed that the two terms are similar (Elgari, 2011). A more detailed discussion of *riba'* is presented in Section 2.5.

In relation to the possibility of ICCs, the Resolutions and Recommendations of the Council of Islamic Fiqh Academy by IDB (2000:249) states that "it is impermissible in *Shari'ah* to issue a Credit Card or use it if its conditions include imposition of usurious interest. This is so even if the card bearer has the intention to pay within the moratorium period that precedes imposition of interest". *Shari'ah* Standards by AAOIFI (2008: 23) later adds that, "It is not permissible for an institution to issue credit cards that provide an interest-bearing revolving credit facility, whereby the cardholder pay interest for being allowed to pay off the debt in instalments". Table 2.1 presents further rulings from the two resolutions with the objective of highlighting the issues of ICCs.

Hence, the rulings by IDB (2000) and AAOIFI (2008), as presented in Table 2.1, provide several implications for the main focus of the study, particularly the cardholders. The various fee charges, such as membership, replacement and renewal fees, as well as the withdrawal of cash are permitted so long as there is no involvement in usurious interest. However, the use of credit cards to purchase cash like items such as gold, silver and currencies is not allowed. Additionally, ICCs can also offer cardholders various gifts and privileges, like CCCs, but are limited to permissible goods and services. Consequently, it is understood that ICCs have a narrower use compared to CCCs as users cannot use ICCs to get prohibited matters relating to places, products, conventional insurance, gold, silver, and currencies due to the *Shari'ah* compliancy related issues.

The rulings clearly state that the structure of ICCs should be free from interest. To comply with the requirement and ensuring the Islamicness of ICCs, several Islamic financial principles have been used to construct ICCs through various Islamic finance methods including *bai al inah*, *tawarruq* and *ujrah*.[10] However, in parallel to the particular position in relation to Islamic finance, the structure of credit cards can be classified into two, namely, the Gulf and Asian solution.

Table 2.1: General Provisions and *Shari'ah* Rulings for Credit Cards

General Provisions	*Shari'ah* Ruling
The affiliation of the institutions to membership of international card regulatory organizations.	a. It is permissible for institutions to join the membership of international card regulatory organizations, provided the institutions avoid any infringements of Shari'a that may be prescribed by those organizations. b. It is permissible for the institutions to pay membership fees, service charges and other fees to the international card regulatory organizations, so long as these do not include interest payments, even in an indirect way, such as in the case of increasing the service charge to cater for the granted credit.
Commission to the card issuer payable by merchants accepting the card	It is permissible for the institution issuing the card to charge a commission to the party accepting the card, at a percentage of the purchase price of the items and services purchased using the card.
Fees charged by the institution to the cardholder	It is permissible for the institution issuing the card to charge the cardholder membership fees, renewal fees and replacement fees.
Cash withdrawal using a card	a. It is permissible for the cardholder to withdraw an amount of cash within the limit of his available funds, or more with the agreement of the institution issuing the card, provided no interest is charged. b. It is permissible for the institution issuing the card to charge a flat service fee for cash withdrawal, proportionate to the service offered, but not a fee that varies with the amount withdrawn.
Privileges granted by card issuing parties	a. It is not permissible for institutions to grant the cardholder privileges prohibited by the Shari'a, such as conventional life insurance, entrance to prohibited places or prohibited gifts. b. It is permissible to grant privileges to the cardholder that are not prohibited by the Shari'a, such as a priority right to services or discounts on hotel, airline or restaurant reservations and the like.
Purchase of Gold, Silver and Currencies.	It is impermissible to use Credit Cards for purchasing gold, silver or currencies.[11]

Source: IDB (2000: 250) and AAOIFI (2008: 23-24).

The structure of ICCs for the Gulf is argued to be more stringent or more Islamic than the Asian (Farook, 2007). Al Rubban MasterCard by Shamil Bank was the first ICC in Bahrain launched in September 2002. The instalment of a transaction can be spread over a 12 month period where a 5% fee is charged in the first statement and should be paid in full by the due date. This also applies for cash advances but there is an additional fixed fee. Hence, this ICC

[10] A detailed structure for each of Islamic principles used in ICCs is presented in Chapter 3.

[11] Only this information is adopted from IDB (2000), while other information in the table is adopted from AAOIFI (2008).

avoids interest as there is no association between the repayment period and the fee charged. Another ICC in Bahrain is the Al Buraq, which is issued by the ABC Islamic Bank. While in Saudi Arabia, Al-Rajhi Banking & Investment Corporation (ARABIC) has also issued its ICCs under the networks of Visa and MasterCard's.

In respect of the Asian market, *bai al' inah* is the most commonly employed, which makes a difference. *Bai al' inah* involves two contracts. The first contract is the selling of an asset to the customer, while the second contract involves the reselling of the same asset to the bank at a price lower than in the first contract. Hence, the profit of the bank is predetermined upfront by the difference in prices between the two contracts. The cardholders will only be charged if they do not make the required minimum payment with 15% per annum/1.25% per month on the unpaid balance. This principle is used in the Al Taslif by AmBank and the Bank Islam Card by BIMB. Further details of Malaysian ICCs can be found in Chapter 3.

According to CI Editorial (2008), credit cards that are compliant with *Shari'ah* can be classified into five categories. The first is a 'fixed mark-up on point of sale transactions', which is used by the Shamil Bank. Customers are charged with a fixed fee upon transacting, calculated proportionate with the amount of the transaction. The payment is spread over a 12 month period.

The second category is the 'fixed mark-up on credit limit' where the charge is determined by the amount of approved credit limit to a customer that is agreed upon the issuance of the card between the bank and the customer. If the credit facility is not used, the customer will get reimbursed with the amount of mark-up. The Abu Dhabi Islamic Bank is in this category.

The third type is the 'fixed fee on card subscription', which is based on the package facility that is provided to the customers. The payment is staggered in instalments of equal amount. This model is used in Bahrain by ABC Islamic, the Emirates Islamic Bank, the Arab National Bank in Saudi Arabia, and the Kuwait Finance House in Kuwait.

The fourth type is the 'fixed fee on revolving facility', which is quite controversial among *Shari'ah* scholars as the banks seem to benefit from the extension of the credit facility. In this model, the customers are charged a fixed fee once they use their credit cards. The customers are also charged a processing fee when they defer payment of the outstanding balance. This model is employed by Sharjah Islamic bank.

Fifth is the most controversial model, which is known as ‘variable mark-up on revolving balance’, which is considered as being very similar to the conventional counterpart. The customers are charged according to the outstanding balance, which is calculated proportionate to the amount outstanding. The banks that use this model are AmBank and BIMB in Malaysia as well as National Commercial Bank (NCB) and SAMBA in Saudi Arabia.

2.5.1. Issues In Islamic Credit Cards

The literature on credit card impact, as presented in Section 2.3.2, only deals with CCCs as there is still no empirical literature relating to ICCs. However, the impact of ICCs can be examined through their critiques. One of the ICC critiques is that their pricing is claimed to be much higher than CCCs. For instance, Asharq Al-Awsat (2008) states that the charges of ICCs exceed the interest rates of CCCs. Additionally, the customers of ICCs are also charged even though no transaction is made. Besides Asharq Al-Awsat (2008), GIFR (2010: 44-45), in commenting on the GCC context, states that “the service charges on Islamic cards are higher than on conventional cards”. The customers were reported to be in doubt over ICC billing as well as pricing structure and these were a common complaint among the GCC customers. However, this pricing issue is counter argued by Billah (2007) when he mentions that Islamic financial products should not be discriminated to provide a lower price: “The equation that always in the mind of consumer about Islamic financial product is cheap. Meaning to say that, in any Islamic debt-financing facilities, the rate of return should be at lowest point of the profitability quadrant. Why such discriminations exist?” (Billah, 2007: 36).

Besides the issues that ICCs are more expensive than CCCs, ICCs are also not free from being criticised as having *riba’*. For instance, as stated by Asharq Al-Awsat (2008), the ICCs that are “currently offered by banks entail usury and even resort to interest in some transactions [and the] practice sometimes meant that charges exceed the interest rates employed by conventional banks for traditional credit cards”. It is additionally stated that “The so-called interest received by Islamic banks or conventional banks that have Islamic banking divisions or branches comes through charging 60-100 Saudi Riyals (SAR) (US $16-26) or more according to the card type, aside from the annual fees – which means that the banks receive that ‘interest’ whether the customer uses the card or not”.

The complexity of credit card structures is another issue affecting ICCs. The various products offers, and rewards create complexity that can confuse the customers (GIFR, 2010: 44-45). This complexity of products is of no benefit to customers, especially during the economic downturn, as the product can further implicate their financial conditions due to a lack of understanding.

Another issue raised over ICCs relates to the marketing strategies. The use of appealing marketing strategies, including religious symbols and languages, are reported to have misled customers. In Saudi Arabia, Asharq Al-Awsat (2008) states that advertisements used by banks in cities use convincing tactics to make customers believe that the “credit cards are *Shari'ah*-compliant” with easy approval and repayment and their targets are mainly women. “Some people reported falling victim to bank advertisements after being lured in by the promise of advertising campaigns and the fact that the credit cards were *Shari'ah*-compliant only to realize that they would continue to pay the accumulated monthly charges for a long time. Add to that the issuance fees which banks deduct upon issuing cards to customers.” Moreover, many of the Saudi Arabian customers claimed that the so-called “*Shari'ah*-compliant” credit cards were used to exploit and deceive customers who want to avoid interest.

Another related marketing issue, according to Billah (2007: 36), is the selling of ICCs that focus on product features like their conventional counterparts. It is argued that ICC issuers should also focus on ethical values, where he states that “It is sad to see that many marketing strategies for Islamic credit cards talked about product features rather than selling the ethical values and concept underneath to the customers”.

Another issue is that some banks just call them ICCs where in fact by definition they are not even credit cards. Dubai Islamic bank is an example where the credit cardholders' accounts are being debited at the end of the month after transactions (Farook, 2007). Hence, this kind of credit card is preferably known as a debit card or charge card.

In addition to the issues relating to the ICC products themselves, it is also vital to consider the issues relating to the nature of credit cards from the perspective of the Islamic teachings. An important consideration stems from the principle of the Islamic moral economy, which aims to prevent living beyond ones means, as stated by the Qur'an (al-A'raf: 31) “Eat and drink, but not be wasteful, for God does not love wasteful people". However, credit cards encourage individuals to live in extravagance and luxury (Ritzer, 1995).

Islam teaches us that debts have to be incurred responsibly, that the payment of debt is necessary, and individuals need to be taught to meet debt obligation as soon as possible. For instance, Imam-Muslim (1990: 823) states "it is forbidden for a solvent to make delay in the payment of debt. He adds that "Abu Huraira ... reported Allah's messenger (may peace be upon him) as saying: Delay (in the payment of debt) on the part of a rich man is injustice ... ". The serious implication of having debt can be seen where the Prophet did not want to perform funeral prayers for those deceased while they are in debt. "Abu Hurairah reported that when the Prophet, peace be upon him, was informed of the death of a person, he used to ask: **'**Does he owe anything to anyone?**'** If the answer was in the affirmative, he would then ask: **'**Has he (the deceased) left anything to settle his debt? 'If he had left something to settle his debt, he would offer the funeral prayer for him. Otherwise, he would say to the Muslims: **'**Offer a (funeral) prayer for your brother**'** (Bukhari 5371 and Muslim 1691)".[12] Additionally, in another hadith by Sahih-ul-Bukhari, which is quoted by Usmani (2008: 2) stating that Sayyidatina Aisya, the Prophet's wife, reports that the Prophet sought protection from indebtedness during his prayer. However, the structure of credit cards that encourages living in long debt, is contradictory to the teachings of Islam.

Moreover, Islam also teaches that debtors should be given relief during difficult times. The Qur'an (Al-Baqarah: 280) states that "If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew". While in a hadith as reported by Hudhaifa: "A person died and he entered Paradise. It was said to him: I used to enter into transactions with people and I gave respite to the insolvent and did not show any strictness in case of accepting a coin or demanding cash payment" (Imam-Muslim, 1990: 822). However, credit cards are structured to profit from those who delay payment. Specifically, those who are already in difficulty will be impinged with a greater difficulty. Hence, this contradicts the teachings of Islam.

[12]Available at: URL: http://theauthenticbase.wordpress.com/category/study-circle-notes/fiqh-us-Hadith-classes/> Access Date: 7th May, 2011.

2.6. CONCLUSION

Credit cards are used by customers for their convenience, protection, financial utilities, acceptability and reputation. The ICCs, which were initiated due to the Islamic banking movement, have additional and interesting credit card selection features associated with Islamic religious factors such as Islamic brand and no involvement of *riba'*. Despite the various advantageous offered by credit cards, the use of credit cards is controversial due to the potential creation of financial troubles for the customers. Therefore, care should be taken in using credit cards to avoid potential debt consequences. Due to the negative consequences of credit cards, the ICCs that are supposed to be associated with the Islamic moral values, are expected to have a lower negative impact than their conventional counterparts

Chapter 3

MALAYSIAN CONVENTIONAL AND ISLAMIC CREDIT CARD MARKET: DEVELOPMENTS, PRODUCTS AND IMPACT

3.1. INTRODUCTION

This chapter aims to examine credit cards in Malaysia. In so doing, this chapter commences with the background of Malaysia, the country of the fieldwork study, before highlighting the Malaysian credit card market, credit card structure and its associated impacts. The chapter is organised into seven sections. Section 3.2 presents the Malaysian background. Section 3.3 offers information relating to Islamic banking in Malaysia, which has relevancy to ICCs. Section 3.4 surveys the Malaysian credit card industry, which is further detailed in three sub-sections: Section 3.4.1 traces the background and development of credit cards in Malaysia; Section 3.4.2 presents the pricing structures of CCCs while Section 3.4.3 examines ICC structures and Section 3.4.4 offers the general overview of credit cards, having previously considered the individual structures of the credit cards in Chapter 3.4.2 and Chapter 3.4.3. Section 3.5 extends the credit card discussion in terms of its implication, especially from the perspective of debt impact. It also pinpoints select credit card pricing structures to show how they can mislead the customers, which can create a debt implication. Section 3.6 presents the empirical literature of credit cards that has been carried out in Malaysia. Finally, Section 3.7 summarises the main points of the chapter.

3.2. MALAYSIA: A BRIEF BACKGROUND

Malaysia is a country in South East Asia, which is divided into two main regions, namely, Peninsular Malaysia and East Malaysia, covering 330,803 Sq. Km. (EPU, 2011a). It comprises thirteen states, specifically Selangor, Negeri Sembilan, Malacca, Johor, Perak, Penang, Kedah, Perlis, Kelantan, Terengganu, Pahang, Sabah and Sarawak, as well as three Federal Territories, namely Labuan, Putrajaya and Kuala Lumpur (Malaysian Government, n.d.), which is the capital city of Malaysia.

The total population of Malaysia in 2010 was 28.3 million, including 2.5 million non-Malaysian citizens. Ethnically, the majority is Malay with 14 million, followed by Chinese, with 6.5 million and Indian with 1.9 million (EPU, 2011a). Most Malays are Muslim and it is common to refer to a Malay as a Muslim or vice versa, although it is not always true, as there are also Muslims from other ethnic backgrounds such as Chinese Muslim and Indian Muslim. In fact, Article 160 in the Constitution of Malaysia defines Malay as “a person who professes the religion of Islam, habitually speaks the Malay language [and] conforms to Malay custom”. Additionally, Article 3 of the constitution states that “Islam is the religion of the Federation, but other religions may be practice in peace and harmony in any part of the Federation”.

In respect of the age distribution of the population, of the 28.3 million total population in 2010, 27.2% are in the age group of less than 15 years, 68.1% are in the age group of 15-64 years old and the rest, 4.7%, are those 65 years and above. Therefore, the labour force comprises about two-thirds of the Malaysian population implying that 12.2 million or 63.5% of the population is economically active, with males (79.8%) being more active than female (46.5%) (EPU, 2011a). In terms of the employment sector of approximately 11.8 million people, more than half (53.8%) work in services, 27.8% in manufacturing, 11.8% in agriculture, 6.5% in construction and 0.4% in mining (EPU, 2011a).

Concerning the average gross household income per month for the year 2009, the data shows that Chinese citizens of the country are the highest earners with an average of RM5,011, followed by Indians with RM3,999, others with RM3,640 and Bumiputra or the ethnic Malays earns on average RM3,624. While, those from urban households earn more than those from rural households, RM4,705 compared to RM2,545, respectively. It should be noted that Putrajaya has the highest monthly average gross household income with RM6,747, followed by Selangor with RM5,962 and Kuala Lumpur with RM5,488; while the lowest is Kelantan with RM2,536; followed by the second lowest Perlis with RM2,617 and the third lowest is Kedah with RM2,667 (EPU, 2011b).

3.3. MALAYSIAN ISLAMIC FINANCE

In terms of the development of the Islamic financial industry, Malaysia could be classified as the front-runner in terms of the sectoral development and institutionalisation. Malaysia chooses to operate on a dual financial system whereby a comprehensive Islamic financial system works in parallel to the conventional system. The system is well secured by diverse players in the banking, takaful and capital market as well as having a supportive legal framework. Malaysia’s experience can be considered as a rapid revolution in the Islamic financial industry.

Looking back to its early development, the early move to establish Islamic finance in Malaysia was initiated by private parties similar to other Muslim countries (Haron, 2004). However, Malaysia's first formal movement for Islamic financing can be traced to the establishment of Tabung Haji in 1967, which remains a savings institution aiming to invest the savings of the potential pilgrims to facilitate their undertaking of pilgrimage. The initiation of a commercial Islamic bank, however, came to be possible with the establishment of Bank Islam Malaysia in 1983 (Haron, 2004).

Presently, there are 21 Islamic banks in Malaysia, including 4 foreign Islamic banks; while there are 23 commercial banks (BNM, 2011a). Therefore, the number of banks shows that there is a competition between Islamic banks and conventional banks. Malaysia's commitment in developing its Islamic financial system has been fruitful where it has been successful in achieving its target of having 20% of the total bank and finance assets as *Shari'ah* compliant and has also become the largest sukuk issuer in the world (Ibrahim, 2010). In more recent news by Permatasari (2011), Islamic financial assets, as reported in BNM's 2010 Annual Report, are at $116 billion US or equivalent to Ringgit Malaysia (RM) 350.8 making up 21% of the Malaysian total banking assets.

Malaysia is now a global hub in Islamic finance (Permatasari, 2011). The success and also the contribution of Malaysia in developing the Islamic finance industry are recognised internationally. The collective efforts made from market players and the continued government support has accelerated the growth of the sector. The innovations and the financial engineering in the Islamic financial products have supported further growth of the Malaysian Islamic banking industry (GIFR, 2010: 45). Malaysia's contribution in the institutionalisation of the industry should also be acknowledged, such as the formation of IFSB in 2002. IFSB is a body that ensures the stability and soundness of the Islamic financial services industry by developing regulations and standards for the sector. It is located in Malaysia and comprises 195 members including "53 regulatory and supervisory authorities, 6 international inter-governmental organizations and 136 market players, professional firms and industry associations operating in 41 jurisdictions". Among its responsibilities are developing standards in compliance with *Shari'ah* principles and amended international standards to suit the Islamic financial services industry (IFSB, n.d.).

The success of Malaysia in Islamic banking is also evidenced through the adoption of its model by other regional countries, such as Brunei and Indonesia. Although numerous successes have been achieved by Malaysia, there remain issues pertaining to the sector that need attention. The issues include the direction of the financing, the applicability and the lawfulness of the Islamic principles that are utilised in the Islamic financial products, as well as the acceptance and awareness of the products (Haron, 2004).

The development of an asset base is not only made by the capital financial instruments but also through the retail instruments, which have been in several stages of development and on offer. During the early inception of Islamic finance in Malaysia, the products offered were simple financing and savings with straightforward structures that were easily understood. However, over time it has become an alternative solution to conventional financing with a sophisticated and complicated financial structure including products for the capital market, such as Sukuk and *Shari'ah* compliant hedging instruments. Another controversial financial instrument that has become popular among the consumers is ICCs, which are discussed in detail in the following section.

3.4. MALAYSIAN CREDIT CARD INDUSTRY

This section discusses the credit cards in the Malaysian context. In so doing, the section has been divided into four sub-sections. The first sub-section presents the background of credit cards in Malaysia. Then, it continues with the second sub-section, which discusses the charging structure of credit cards in Malaysia. In assisting in comparing the structure of CCCs with ICCs, the third sub-section presents several examples of ICC pricing structures. The final sub-section provides the general overview of the charging structures based on the structures of both CCCs and ICCs, which are both presented.

3.4.1. Malaysian Credit Card Industry: A Background

Credit cards first emerged within the Malaysian market through the introduction of CCCs in the 1970s. At an early stage, they were dominantly utilised for large ticket transactions and mainly accessible for the rich. However, starting in 1990, they became more accessible to a wider group with income levels over the RM24,000 annual income and able to prove 'active employment' for at least three months. However, the requirement was relaxed to RM18,000 in 1997 in response to the Asian financial crisis in easing the problem of liquidity among Malaysians (Loke, 2007: 477). The annual income requirement remained the same until 18 March 2011, when the government effectively raised the amount back to RM24,000 (Berita Harian, 2011) in light of the concerns raised over the increased household debt among

Malaysians (Say, 2011). As for the cardholders whose annual income are RM36,000 and less, the maximum credit cards they can hold is from only two financial issuers; while the credit limit approved by an issuer should not exceed more than twice the cardholder's monthly income (BNM, 2011b). Another important requirement in applying for a credit card besides the salary is age, as the eligibility for the principal cardholder is 21 years (BNM, 2003), while those who applied for a supplementary card must be at least 18 years old.[13] Furthermore, the Malaysian government in an effort to control credit card debt has introduced levying credit card service tax, which became effective at the beginning of 1 July 2010. The levy of the service tax is RM50 for every principal card and RM25 for every supplementary card (Abdul-Razak, 2009).

There are 26 financial institutions issuing credit cards in Malaysia, which include 4 non-bank financial institutions (BNM, 2011a). This increased from 2004 with 18 financial issuers including 1 non-bank (BNM, 2008). By January 2011, there were 8.4 million credit cards in circulation, including 1 million supplementary cards. Total purchases by local cardholders made in Malaysia was RM6.8 billion and purchases made abroad totalled RM603 million. For cash advances, RM275.5 million were made in Malaysia and RM17 million were transacted abroad (BNM, 2011c). According to Say (2011), total credit card lending is at about RM28.6 billion, which comprises 3.4% of the total bank loans.

Until 1992, the Malaysian credit card market was dominated by CCCs. However, with the development of Islamic banking in the country, ICCs have become a growing market as well. The first ICC in Malaysia, which is named Al-Taslif, was launched by AmBank in 1992 (Billah, 2007), which implies an end to the monopoly of CCCs monopoly in Malaysia, which, according to Loke (2007), has existed since the 1970s. Hence, ICCs were only introduced into the Malaysian market two decades after CCCs were circulated in the market and about a decade after the first Islamic bank, Bank Islam Malaysia Berhad (BIMB), commenced operations in 1983. The introduction of ICCs can be said to be a response to the development of the Islamic banking industry to fulfil the demand of Muslim clients to avoid dealing with interest linked financial instruments.

[13] The author also checked the information at various individual Websites of financial institutions issuing credit cards including Maybank, HSBC and Citibank. It was found that the minimum requirements of salary and age are the same, with RM18,000 and 21 years old, respectively. The latest check on the individual websites was made by the author between 10 to 16 March 2010.

Although ICCs were introduced in 1992 (Billah, 2007), it was not well known to Malaysians until BIMB launched its ICC, which was made popular as Bank Islam Card in 2002. Later on, several other financial institutions such as BSN, Maybank, CIMB, and HSBC also joined the ICC business.

In Malaysia, credit cards are charged according to the tiered pricing structure in which the maximum amount of charges is indicated based on three tiers. The determination of the charges is made according to the risk of cardholders, which are imposed on the outstanding balance. This tiered pricing structure was introduced on July 1 2008 by the Malaysian Government through BNM in infusing a better financial discipline among cardholders. Tier 1 is applied to cardholders who pay the monthly minimum payment due for 12-months consecutively and categorised as low risk borrowers can be charged up to 15% in annual finance. Tier 2 charge is 17% per annum and is applied for cardholders who pay the minimum payment 10 times in a 12-months cycle. While the rests of cardholders who are not qualified to be in Tier 1 and Tier 2, will be classified in Tier 3 with annual charge of 18%. Hence, the convenience users who meet their monthly minimum payments can benefit the most from the lowest interest rate. Before the credit card tiered pricing structure was introduced by the BNM, there was no differentiation between the cardholders according to their repayment behaviours in which all were charged 18% per annum (Tan, 2007).

It should be noted that the tiered charges are only applicable to cardholders who have an outstanding balance, which occurs if payments are not settled before or on the payment due date for the retail purchase. In addition, the stipulated interest on each Tier is the maximum interest, however, individual banks are allowed to lower charges as is found in most of the banks including BSN, BIMB, CIMB and HSBC, which place a lower charge on each Tier.[14]

3.4.2. Charging Structures Of Malaysian Conventional Credit Cards

To understand the charging of CCCs in Malaysia, this study has selected to present the pricing structures of CCCs by Maybank, which is the most popular bank in Malaysia. The charges of Maybank's CCCs, as outlined in Maybank Credit Card Promotion Brochure by Maybank (n.d.), are listed as follows:

Retail transactions: This is charged according to the tiered interest rates, which is 8.88% per annum or 0.74% per month on those who have a record of making prompt payments for 12

[14] Survey on the individual websites with the latest check being made between 1 to 22 March 2011.

months consecutively; 16% per annum or 1.33% per month for cardholders who have made 10 prompt payments within 12 months; while the rest are subjected to the highest finance charge of 17.5% per annum or 1.46% per month. There is a *20 days grace period* calculated from the monthly billing statement's date but it is only applicable to those who make full payment. The finance charge on customers who only make partial payment is computed from the date of the transaction being posted into the account.

Cash Advance: Finance charge for cash advance is 18% per annum or 1.5% per month, which is computed on a daily basis. In addition to the finance charge, there is also a minimum of RM10 or 5%, whichever is higher, for every cash withdrawal.

Late Payment: a minimum of RM5 or 1% of the required minimum payment due, which is capped at RM50.

International Transaction: The exchange rate is determined by Visa/MasterCard International or American Express. American Express will apply a 1.5% conversion factor to the converted amount and there is also an administration cost of 0.5% charged by the bank.

Card Replacement: RM50 for each card.

Service Tax: There is service tax of RM50 for the principal card or RM25 for a supplementary card, which is charged when the account is opened and on every anniversary year of the membership.

Minimum Monthly Payment: 5% of the outstanding balance or a minimum of RM25.

3.4.3. Charging Structures Of Malaysian Islamic Credit Cards

There are seven financial institutions issuing ICCs in Malaysia. Ambank was the first bank to launch its ICCs, named Al-Taslif, in December 2001 under the *bai al inah* Islamic financial principle; Bank Islam Malaysia Berhad (BIMB) had its Bank Islam Card in July 2002 also under the *bai al inah* principle but at the end of 2008, due to the controversies surrounding the *bai al inah* issues, it was changed to the use of *tawarruq*, which was originally in use by Bank Rakyat; Bank Simpanan Nasional introduced Al-Aiman in December 2006 adopting *bai al inah*; Maybank Islamic introduced its Ikhwan Card in 2008 also under *bai al inah*; Bank Rakyat has its ICCs utilising *tawarruq*; while HSBC Amanah and EON CAP Islamic Bank Berhad have their ICCs based on the *ujrah* Islamic financial principle (Mohd-Noor and Mohd-Azli, 2009: 222). Hence, Malaysian ICCs are issued under three Islamic financial principles, namely, *bai al inah, tawarruq* and *ujrah* where the most popular is *bai al inah,* which is used by four financial institutions as compared to *tawarruq* and *ujrah* which are each used by two financial institutions.

3.4.3.1. Bai al inah

Bai al-inah refers to the selling and reselling of the same commodity between two parties. It involves two contracts where the first involves deferred selling of the bank commodity to its client, while the second contract, which takes place immediately after the first contract is the reselling of the commodity by the client back to the bank on a cash basis at a price lower than the deferred payment. *Bai al inah* was approved by BNM's *Shari'ah* Advisory Council on 12th December 1998, as a permissible transaction (Mohd-Noor and Mohd-Azli, 2009: 222).

3.4.3.1.1. Al-Taslif

Al-Taslif credit card-i was issued by AmBank in 1992 under the *bai al inah* Islamic structure (Billah, 2007). There are five ICCs by AmIslamic bank, three of which are Al-Taslif Card-i, which are further categorised into Classic, Gold and Platinum; while the other two are TRUE Card-i in Gold or Platinum type. The credit limit is set depending on the monthly salary of an applicant, which is set at about three times the monthly salary (AmIslamic Bank, 2011a). The profit charges of Al-Taslif credit cards, as stated by AmIslamic Bank (2011a and b) are listed as follows:

Retail Purchase: The profit charged on retail transactions is charged according to the tiered structure interest rate: 13.5% per annum/1.125% per month for those who settle the minimum monthly payment for 12 months consecutively; 16% per annum/1.333% per month for those who settle the minimum monthly payment at least 10 times in 12 a month cycle; and 17.5% per annum/1.458% per month for others who are not able to meet at least 10 monthly minimum payments in a 12 month cycle.

However, for TRUE Card-i, different tiered profit charges are applied: 12% per annum/1% per month for those who promptly pay the monthly minimum payment due; 17.5% per annum/1.458% per month for those who do not settle the minimum amount due in the previous month.

It should be noted that the *aqad* of Al-taslif credit card-i is based on 18% per annum/1.5% per month, therefore, the difference between the tiered structure profit charge and the contracted profit rate is the rebate (*ibra'*) that will be granted to cardholders on a monthly basis.

Cash Advance: RM50 per transaction plus 18% per annum/1.5% per month profit charge computed on a daily basis from the transaction period until the full repayment is received.

International transaction: There is a transaction conversion fee of 1% for administrative cost and Visa International or MasterCard will determine the conversion rate, which varies according to the fluctuation in the market.

Balance Transfer: Not stated in detail but the rate is varied according to promotion. For those who make early settlement, the bank has the right to charge RM100 by debiting the cardholder's account.

Over limit: RM50 or 2% of the over limit amount, whichever is higher.

Card Replacement: There is a fee of RM25 for a card replacement.

Minimum Monthly Payment: RM50 or 5% of the total outstanding balance, whichever is higher.

3.4.3.1.2. Al-Aiman (Bank Simpanan Nasional, n.d.)

Ai-Aiman is ICCs issued by Bank Simpanan Nasional (BSN), which is structured on the *bai al inah* Islamic concept. There are four types of Al Aiman Credit Card-i offered by BSN, namely, Visa Classic, Visa Gold, MASTERCARD Standard, MASTERCARD Gold, VISA Classic and MASTERCARD Standard, VISA Gold & MASTERCARD Gold. To get approval for an Al-Aiman credit card-i, the applicant must be a Malaysian citizen and fulfil several criteria, which include among others minimum age must be 21 years for a Principal card and 18 years for Supplementary card. As for minimum annual income, it is RM18,000 for a Classic card and RM48,000 for a Gold card.

The profit charges of Al-Aiman credit card includes:

Annual fee: Visa Classic or MasterCard Standard: RM60 for principal card and RM30 for supplementary card, while it is RM125 for principal card and RM75 for supplementary card for Visa Gold or MasterCard Gold. Visa Classic AND MasterCard Standard: RM90 for principal card and RM30 for supplementary card.

Joining fee: This fee is waived.

Retail purchase, cash advance and balance transfer: The charges for retail purchase, cash advance and balance transfer is the same. It is 12% per annum/1% per month for government servant and 15% per annum/1.25% per month for non-government servant. The charge is compounded on a daily basis from the total outstanding balance. However, it is different for the first 12 months on the balance transfer charges and further to that the rate is different between government and non-government servants. As regards to government staff, it varies according to the plan chosen by cardholders. There are four plans: Plan A is 3 months with a profit charge of 0.25%; Plan B involves a 6 month period with a rate of 0.50%, Plan C is 9 months with a rate of 0.75%; and Plan D is 12 months a rate of 0.92%. This shows that the rate is increased with a longer term. However, for non-civil servants there is one rate, which is 12% per annum/1% per month. To recap any balance amount left on the subsequent months after the 1-year period will be subject to a profit rate of 12% per annum and 15% per annum for government servants and non-government servants, respectively. While, for the cash advance fee, there is an additional charge of RM50 on each transaction.

It should be noted, however, that the said profit charges are subjected to the cardholder's settlement of the minimum payment by the due date, otherwise the charges will increase by 2% to 14% for government servants and 17% for non-government servants, which is the tiered structure interest rate set by BSN. While, to be eligible for the government servant rate, a customer must be in service as a government servant for at least 1 year. There is also a *profit charge free period of* 20 days on retail transactions for those who pay their bill in full.

Compensation charges: There is a charge of 1% of the total outstanding amount or RM10, whichever is higher, but capped at RM25.

International transaction: No charge but MasterCard or Visa International determines the conversion rate.

Minimum monthly payment: RM50 or 5% of the outstanding balance, whichever is higher.

3.4.3.1.3. Ikhwan Card

The Ikhwan card is based on the *bai al inah Shari'ah* concept. It was launched at the end of 2008 by Maybank Islamic, a subsidiary of Maybank. Two card types were offered, platinum and gold, utilising the network of American Express and Visa International. The Ikhwan card was the first ICC to use the American Express network. Both Muslims and non-Muslims are eligible to apply for the card (AIBIM, 2008). There are four types of Ikhwan ICCs on offer, these include Maybank Islamic PETRONAS Ikhwan Visa Platinum, Maybank Islamic PETRONAS Ikhwan Visa Gold, Maybank Islamic Ikhwan American Express Platinum and Maybank Islamic Ikhwan American Express Gold (Maybank Islamic, 2011b).

There are different salary requirements according to the card types. Both Maybank Islamic PETRONAS Ikhwan Visa Gold (Maybank Islamic, 2011c) and Maybank Islamic Ikhwan American Express Gold require RM30,000 minimum annual income (Maybank Islamic, 2011e). While it is RM60,000 for Maybank Islamic PETRONAS Ikhwan Visa Platinum (Maybank Islamic, 2011b) and Maybank Islamic Ikhwan American Express Platinum (Maybank Islamic, 2011d). The cards can be applied for by both Malaysians and expatriates. While the age qualification is 21 to 65 years old for the principal card and a minimum of 18 years old for the supplementary card. The age requirements are applicable to all Maybank Islamic cards (Maybank Islamic, 2011b-e).

The profit charges for Ikhwan are listed as follows:

Retail Transactions: For retail transactions, it is calculated from the transaction day until full payment is made. The charges are varied depending on the number of payments made in a 12-month cycle. The rate is the same as HSBC, which for those who are able to make payment for 12 consecutive months is 13.5% per annum/1.13% per month; those with 10 payments made promptly in a 12-month cycle are charged 16% per annum/1.33% per month; and, others will be charged 17.5% per annum/1.46% per month.

Compensation Fee: RM5 or 1% of the previous outstanding balance, whichever is higher, up to RM75 maximum.

Overlimit: The charge is 5% of the total new balance.

Cash withdrawal: RM10 or 5% of the cash withdrawal per transaction.

Membership fee: It is free if cardholders make twelve transactions per year on the card. Otherwise, there is a charge, which varies depending on card type and brand on the card, whether American Express, Visa and combined American Express & Visa as detailed in Table 3.1.

Table 3.1: Annual Fee of Ikhwan Card-i

Annual Fees (in RM)	American Express	Visa	American Express & Visa
Principal			
Gold	130	130	195
Platinum	550	550	825
Supplementary			
Gold	65	65	130
Platinum	150	150	300

Source: Maybank Islamic (n.d.)

Other charges include dishonoured cheques and the requesting of documents, such as sales draft and statements requests.

Minimum Payment: RM25 or 5% of the total outstanding balance.

There are also other benefits of Ikhwan cards. For Maybank Islamic PETRONAS Ikhwan Visa Platinum and Maybank Islamic PETRONAS Ikhwan Visa Gold, they have "no annual fee; non-compounding charges; 5X TreatsPoints with no expiry date if used at Petronas Service Stations, Free Petrol by redeeming the collect TreatsPoints via Petronas petrol vouchers" (Maybank Islamic, 2011b and c). While for Maybank Islamic Ikhwan American Express Platinum and Maybank Islamic Ikhwan American Express Gold, their special offers include "5X TreatsPoints on all petrol spend; 2X TreatsPoints on all other spend; lifetime fee waiver; non-compounding charges; balance transfer facility; express auto facility; worldwide offers with American Express SELECTS; Online shopping with globalshop; Automatic Touch'n Go Zing Card reload facility (RM2 service fee per reload)" (Maybank Islamic, 2011d and e).

3.4.3.2. Tawarruq

Unlike *bai al inah,* which involves two parties in transacting, *tawarruq* involves three parties. Mohd-Noor and Mohd-Azli (2009: 222) defines *tawarruq* as when an individual purchases a commodity on a deferred payment and immediately after that the commodity is sold to a different party other than the first seller. The Shari'ah Advisory Council of BNM on 28th July 2005 in its 51st meeting resolved that *tawarruq* is permissible to be used in structuring financial products. However, the 17th meeting of the OIC Islamic Fiqh Academy resolved that organised *tawarruq* is impermissible; and, hence, the *tawarruq* issue remains a controversial issue in the Islamic finance sector.

3.4.3.2.1. Bank Islam Card

The Bank Islam Card was originally issued by Bank Islam Malaysia Berhad in 2002 based on *bai al inah*. However, in 2005 the structure was replaced by *tawarruq* (Mohd-Noor and Mohd-Azli, 2009: 222) due to the controversial issues surrounding the *bai al inah* financing method. The contract of the *tawarruq* is 3 years. It is said to be the first ICC in Malaysia to be based purely on *Shari'ah* contract that is fully free from *gharar* and *riba'*. Muslims and non-Muslims in Malaysia are eligible to use the BIC card (BIMB, n.d.a). The BIC card is linked to the MasterCard and Visa network. Customers depending on their annual income can hold a Platinum Gold or Classic card. There is no joining fee; however, annual fees are only waived if the cardholder makes 12 transactions per year. Otherwise, they have to pay the fee, which for the principal cardholder for a Platinum card is RM388, Gold is RM130 and Classic is RM60; while for the supplementary cardholder for a Platinum card it is RM150, Gold is RM60 and Classic is RM30 (BIMB, n.d.b).

The profit charges of BIC, according to BIMB (n.d.), are as follows:

The profit rate is varied from 13.5% to 17.5% depending on how many times the customer made the minimum payment due in a year: Tier 1's charge is 13.5% per annum if the minimum payment due for the previous 12 consecutive months are paid promptly; Tier 2's profit charge is 16% per annum if the cardholder is able to make prompt settlement on the minimum payment due 10 times out of the previous 12 consecutive months; and Tier 3's profit charge is 17.5% per annum, which is applied to those who make payment less than 10 times in 12 months consecutively. The grace period is 20 days.

Cash withdrawal: There is a competitive cash withdrawal fee applied where the fee accounts for 2.5% of the cash withdrawal or RM12 (whichever is higher). Card members can also perform cash withdrawal up to 50% of the financing limit.

Minimum Payment: RM50 or 5% of the total outstanding balance, whichever is higher.

Grace Period: 20 days is only applicable on purchases and to those who pay the minimum payment in the previous month.

Several other special features of BIC *inter alia* include the profit margin, which "is fixed for the whole tenure; accepts transactions from 'HALAL' merchants only; the financing limit is offered at par with that offered by other credit card issuers; no compounding elements;

complimentary Group Family Takaful coverage (up to RM100,000) and funeral expenses of RM1,000 for principal cardholders for the whole period of contract; *zakat* payments acceptance; discounts on Mail Order Telephone Order (MOTO) Programme and Easy Payment Schemes" (BIMB, n.d.b.).

3.4.3.2.2. Bank Rakyat Credit Card-i (Bank Rakyat, n.d.)

Bank Rakyat Credit Card-i is issued by Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) or People's Cooperative Bank of Malaysia, utilising the *tawarruq* Islamic financial principle (Mohd-Noor and Mohd-Azli, 2009). Bank Rakyat is a full-fledged Islamic Bank, which is categorised under Development Bank. Its ICCs use the MasterCard network. Applicants have to meet the minimum age requirement of 21 years old for principal cardholders and 18 years old for supplementary cardholders. While the minimum annual income is determined through the card type, which is RM36,000 for Gold Card and RM18,000 for Classic Card. The annual fee is waived.

Profit Charges of Bank Rakyat Credit Card-i include:

Cash withdrawal: RM30 or 3% per transaction, whichever is higher. However, if the transaction is made at an ATM other than Bank Rakyat's ATM, the fee is RM50 or 3%, whichever is higher.

Compensation handling fee: This is charged when the minimum payment is not met, RM10 or 1% of the total outstanding balance, whichever is higher.

International transaction: No charge is mentioned but Master Card International will determine the exchange rate on the transaction date, which fluctuates according to market conditions.

Minimum monthly payment: RM50 or 5% of the total outstanding balance calculated based on the amount as stated in the monthly card statement, whichever is higher.

There is a grace period of 20 days, which is calculated based on the posting date of the retail transaction into the monthly credit card billing statement.

Some other special features of Bank Rakyat Credit Card-i are "Waived annual fee; no compounding element; free group Family Takaful Coverage and 'Khairat Kematian'; umrah point/holiday point; profit rebate (Tabung umrah/holiday); *zakat* payment".

3.4.3.3. Ujrah

As a concept, *ujrah* simply means fee, which is an issue to be managed by ICCs. The following provides some examples from the existing cards that utilise the *ujrah* Islamic financial concept.

3.4.3.3.1. MPower Visa Credit Card-i

The MPower credit card-i is issued by HSBC Amanah Malaysia Berhad and is based on the concept of *ujrah*. The annual fee of the MPower Visa Credit Card-i is RM90 for the primary card and RM45 for a supplementary card; while for the MPower Visa Platinum Credit Card-i is RM240 for the primary and RM120 for the supplementary card.

Management charge:

(i) Fixed monthly management charge: This is RM1,500 for an MPower Visa Credit Card-i and RM2,700 for an MPower Visa Platinum Credit Card-i.

(ii) The actual monthly management charge is computed based on the outstanding balance from the retail transaction posting date, hence, it excludes other credit plans including cash advance and balance transfer. The rate is calculated on a daily basis depending on the three tiered management charges: Tier 1, 2 and 3. The highest charge for Tier 1 is 13.5% per annum/1.13% per month for cardholders who settle the minimum payment due for a full year or for 12 months consecutively. Tier 2 is 16% per annum/1.33% per month for cardholders who settle at least 10 months in a 12-month cycle. While others are in Tier 3 where they are subjected to the highest maximum charge, which is 17.5% per annum/1.46% per month.

(iii) A rebate may be given at the bank’s absolute discretion, the amount of which is calculated based upon the difference between the fixed monthly management charge and the actual monthly management charge and is qualified when the amount of fixed monthly management charge is above the actual monthly management charge.

(iv) The cash advance is calculated at 18% per annum fixed rate from the date of transaction until full repayment is made. This is included in the actual monthly charge and a rebate may also be granted at the bank’s discretion, as per item (iii) conditions.

(v) The balance transfer is calculated on a daily basis depending on a predetermined rate up to a maximum of 18% per annum depending on cardholder duration selection. The cardholder will also be subjected to a further charge based on the tiered management charge rates, as stated in item (ii) if any balance is not repaid in full within the selection period.

Cash advance fee: A charge of RM50 or up to RM1,000 per transaction.

Late payment charge: 1% of the total outstanding balance or RM5, whichever is higher, but the charge has been capped at RM50.

Minimum monthly repayment: A minimum of RM50 or 5% for the outstanding balance.

Management charge free period: 20 days for retail transactions, which is only given to those who pay in full.

3.4.3.3.2. CIMB Islamic MasterCard

The CIMB Islamic MasterCard is structured based on the Islamic concept of *Ujrah*. There are three types of cards issued by CIMB, namely, MasterCard Platinum, MasterCard Gold and MasterCard Classic. These credit cards are only offered to Malaysian citizens with a minimum age requirement of 21 years for principal cardholders and 18 years for supplementary cardholders. While, the minimum annual income depends on the type of credit card, which is RM80,000 for Platinum, RM30,000 for Gold Card and RM18,000 for Classic Card (CIMB Islamic, 2011a). There is a combined credit limit with additional cards. As for the annual subscription fee, it is free for life for principal cards on all types – Platinum, Gold or Classic. However, there is a charge for supplementary cards, specifically RM70 for Gold Card and RM35 for Classic Card. Additionally, there is no joining fee.

The profit charges as stated by CIMB Islamic (2011b) are:

Yearly facility charges (YFC): It is RM2,400 for Classic card, RM7,200 for gold card and RM48,000 for Platinum card.

Rebate: The YFC may be waived in part or all at the bank's absolute discretion. The rebate is computed by deducting the total payable facility charges (PFC) with the YFC. The rebate is subjected to the credit card tiered pricing structure by BNM and is given when the PFC is below the YFC. However, if full payment is made, the cardholders can use cards without charges, which is an incentive given by the bank for cardholders who are able to make full payment.

Ta'widh (compensation): RM5 or 1% of total outstanding balance, whichever is higher, but will not exceed RM50. It is imposed when the minimum payment due is not met.

International transactions: There is 1% as an administrative cost and the brand owner, Visa or MasterCard International, will determine the conversion rate.

Overlimit fee: Depending on the card type, the yearly charge is capped at RM24,000 for Platinum, RM3,600 for Gold and RM1,200 for Classic. This upfront yearly fee upon approval is payable on a monthly basis but the bank may grant a rebate on the charges in part or all. Overlimit credit is allowed up to 50% from the cardholder credit limit.

CIMB Islamic (2011c) lists several benefits of CIMB credit card-i, which include **"**Takaful Travel coverage when charging the full airfare with CIMB Islamic card up to RM1,000,000; Exciting Rewards Programme" whereby 1 point is rewarded for every RM1 spent using the card, which can be used to redeem for free gifts; and Enrich miles redemption" where bonus points of a minimum 6,000 points can be used to earn 1,000 enrich miles with the "Malaysia Airlines Enrich Frequent Flyer Programme".

3.4.4. Overview of Charging Structures Of Malaysian Credit Cards

Having presented the structure of CCCs and ICCs, generally the charges of credit cards can be summarised as follows:

Retail transaction: Interest charges or finance charges are calculated based on a tiered structure interest as presented earlier. However, the cardholders are given an interest-free (grace) period of 20 days.

Cash advance: There is a one time fee, which is charged on a per transaction basis and the balance is subject to charges based on the credit card tiered pricing structure until full repayment is made and is charged on a daily basis instead of monthly, as for the purchase transaction, until it is fully repaid. Hence, the cash advance charge is higher than the retail charge.

Late payment: RM10 or 1% of the total outstanding balance, whichever is higher, although there are some variations in charges.

Overlimit fee: There are certain variations in the overlimit charges where some banks place a fixed charge such as RM10 per occurrence, while others charge based on a percentage and place a minimum amount, for instance 5% or RM50, whichever is higher.

International Transaction: Normally 1% out of the total transactions and the credit card networks determine the currency exchange rate.

Joining Fee: It is common for issuers to waive the joining fee in attracting customers to their credit cards. However, some banks still levy this and it is normally varied according to the type of credit card – Classic, Gold or Platinum.

Card Replacement Fee: Unlike the joining fee, which normally gets waived, for those who ask for a card replacement it will normally be charged. The charge varies from RM10 to RM50 for each replacement, while some banks increase the charge after the first card replacement.

In addition to the key charges, there are also other charges, which include sales draft request, photocopy of statements request and dishonoured cheque. Despite the various charges, Malaysian cardholders are only required to pay a monthly minimum payment, which is commonly at RM50 or 5% of the total outstanding balance, whichever is higher,[15] to continue using the credit cards.

Overall, cardholders can benefit from the grace period and large purchases can be spread across several periods, as long as the cardholder meets the minimum amount requirement. Malaysian customers are also attracted to credit cards for various other benefits including zero interest instalment plans, cash back, zero percent balance transfer and points collections on transactions made, which can be redeemed for free travel, products, hotels, airline tickets and the like.

Several other key characteristics of Malaysian credit cards are highlighted as follows:

All the institutions have placed the minimum age requirement of 21 years old for principal cardholder and 18 years old for supplementary holders, while the minimum income is RM24,000 to get a basic card, normally known as a Classic card, although some have replaced it with a different name like standard card. Although the basic card is found to have the same minimum income, some variations exist in the minimum income for higher categories of cards, namely, gold and platinum.

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[15] This information is gathered from the surveys on various websites of credit card issuers which was carried out by the researcher in March 2011.

Some variations exist in network providers, for example, some use only MasterCard, others use American Express, while there are some that use the networks of both American Express and MasterCard, or both MasterCard and Visa.

A deeper review of the ICC structures shows that although they seem to be structured differently according to the use of *bai al-inah*, *tawarruq* and *ujrah*, all three are found to have an almost similar charging structure in which they involve charges on retail purchases, cash advances, overlimits, late payments, overseas transactions and various other not frequent transactions like card replacement and sale draft request.

It is also found that, generally, the charges on retail purchase are calculated based on the Tier structure interest rate of individual bank, which is capped at the rates outlined by BNM. As for the total charges cap, for the *bai al inah* and *tawarruq*, there is a cap on the maximum profit that the bank can take up within the contracted period according to the utilisation of the credit cards, however, for the *ujrah* the cap is according to the stated yearly fee.

3.5. ASSESSING THE ECONOMIC AND SOCIAL IMPACT OF CREDIT CARDS FROM THE CREDIT CARD DEBT PERSPECTIVE

In Malaysia, the use of credit cards has also caused concern over its potential to create debt, which is raised as the main social issue against credit cards. This has been an issue in Malaysia, especially since the use of credit cards became popular in the country. Due to such a nature, criticism has been raised against ICCs inasmuch as it runs against the spirit of Islamic finance.

Table 3.2 depicts the Malaysian credit card debt in a time-series manner from the year 1994 to 2010. As can be seen from Table 3.2, the credit card current balance has *dramatically* increased since 1994 to 2010 from RM1.9 billion to RM28.2 billion. The total outstanding debt balance below 3 months also indicate a dramatic increase from RM175.8 million to RM2.1 billion for the same period. While the amount of the overdue balances between 3 to 6 months are less than the amount for 3 months and less in each of the years from 1994 to 2010. If compared for the latest 5 year period beginning 2005 to 2010, the overdue balance within the three time frames (less than 3 months, between 3 to 6 months, more than 6 months) reduces with the increased time-frame.

In brief, the data indicates that credit card debt is on the increase since 1994. However, there is an indication that efforts have been made by cardholders to pay their debt in the longer term periods of indebtedness, specifically, between 3 to 6 months and even more are seen to pay overdue debt in the longest term of debt period, which is of greater than 6 months.

Table 3.2: Total Outstanding Balances Due from Cardholders (RM million)

		Overdue Balances		
Year	Current Balances	< 3 Months	> 3 to 6 Months	> 6 Months
1994	1,924.10	175.80	52.80	311.80
1995	2,211.00	237.60	60.00	297.00
1996	2,775.60	296.50	88.70	225.00
1997	3,591.00	526.40	168.90	311.70
1998	2,784.70	267.00	169.10	417.40
1999	4,760.20	347.90	78.90	316.90
2000	6,512.60	446.50	140.70	228.80
2001	7,680.90	806.80	192.40	178.50
2002	9,373.60	819.10	240.40	151.90
2003	10,506.70	1,187.90	261.80	270.40
2004	12,308.50	1,271.70	308.30	338.20
2005	14,569.80	1,399.40	384.70	334.00
2006	17,216.80	1,905.20	491.60	251.70
2007	20,954.40	1,928.20	441.80	63.00
2008	22,810.20	1,996.10	487.10	51.80
2009	24,282.00	1,880.60	476.60	62.10
2010	28,174.50	2,067.90	476.40	53.60

Source: BNM (2011). Monthly Statistical Bulletin, January 2011.

Say (2011) reports that there was an annual increase of about 16.4% in credit card debt between 2000 to 2010; causing Malaysian's household debt to increase by 1.1%, making it 6.1% as of 2010 as compared with 5% in 2000; while from 2004 to 2009, the increase in the household debt was 11.1% annually. It was also stated that the higher interest on credit cards can accumulate more household debt, which would cause more financial difficulties, especially for individuals who have a mortgage, as it contributes to a larger household debt, and, ultimately, causes instability in the Malaysian financial system.

Although the proportion of credit card debt out of the total bank loans portfolio stood at 3.4% (Say, 2011) and the credit card non-performing loan comprises only 2%, which is considered low as compared to other loans such as personal loans at about 15%, the use of credit cards has been considered as one of the main influencing factors contributing to the increase in the Malaysian household debt. The Malaysian household debt is reported to be on the increase. In 2010, the household debt was reported at 75.9% of Gross Domestic Product (Kuen, 2011). While, Say (2011) reported that it has increased rapidly to 11.1% per annum since 2004 (Say, 2011). This has triggered serious concerns over the financial difficulties of Malaysian households. Recently, various strategies have been taken by BNM, such as tightening requirements for credit card approvals, placing higher penalties on defaulters and introducing new charges, such as credit card service tax, which reflect the concern over the financial issue in Malaysia.

In terms of bankruptcies due to credit cards, although it is reported to be low, which is at 10.5% compared to other types of bankruptcies, such as 29% personal and business loans, 23% for car loans and 21% for those who stand as guarantors, it is warned that bankruptcies due to credit cards have grown faster than the other bankruptcy types. According to the Bankruptcy Act 1967, an individual can be declared bankrupt if they have a minimum debt of RM30,000, an amount which was raised from RM10,000 prior to October 2003. Those who are declared bankrupt have several consequences, such as their assets will be placed under the Insolvency Department to be cared for, their passports would be seized and they cannot hold a position in any non-governmental or political organisation. In addition, a bankrupt may also be affected psychologically or emotionally at being declared a bankrupt. Moreover, credit cards have changed the landscape of bankruptcies in Malaysia; as originally those who were bankrupt were the wealthy individuals who turned bankrupt due to being unfortunate. However, the availability of credit cards has resulted in the younger generations to overspend and become a bankrupt at a young age (Ngui, 2005).

Besides the credit card debt, which is linked to the household debt, the marketing strategies adopted by financial institutions have also influenced the ownership of credit cards to those ‘non-needers’, specifically those who are not qualified to use credit cards based on their salary or those who in their daily life do not necessitate them to use credit cards. This kind of use can create financial difficulties among the customers. A misleading technique reported by Haron (n.d.) is through the posting of cheques with a promotional mailing letter to households. It was stated that the customer had thought that the cheque was a gift promotion and they cashed it out, however, it was treated like a cash advance after the withdrawal.

Besides the misleading and aggressive marketing tactics adopted by some credit card issuers, easy requirements for owning a credit card are among the factors influencing the credit card debt increment. Most of the credit cards are approved without needing to be secured as it was considered enough to have RM18,000 in annual income prior to 18 March 2011 or RM24,000 afterwards, besides proving the minimum age qualification which is 21 years old for principal card and 18 years old for supplementary card. Although the government has increased the minimum amount of the annual salary requirement to RM24,000, the amount is still low, especially when compared with the 1990's amount where the amount was RM24,000, which is the same as currently, especially as such an amount of money previously had greater purchasing power.

3.6. CONCLUSION

In Malaysia, the credit card market indicates an increase. The increase is shown from the number of cardholders and institutional issuers as well as the credit card current balances, which have also shown an increase over the years. In addition to the credit card market, concern has also been raised over credit card debt and its link to the household debt in Malaysia. The various pricing structures of credit cards may confuse the cardholders, thus, resulting in cardholders having more debt than those not accepting credit cards. The cardholders are advised to be careful and should learn the tricks of the credit card pricing. For example, although BSN seems to have lower charges for the tiered structure profit charge rate than the other banks, besides having a special charge for government servants, cardholders should note that the charge for retail transactions is computed on a daily basis. In addition, unlike BIC by BIMB, which only requires their cardholders to pay a minimum payment to get the 20 days grace period, the 20 days grace period for BSN is only given to those who have paid their previous retail balance in full. It is also observed that there are limits for each cash withdrawal, so those who need more cash than the maximum limit per transaction can withdraw it another time but will face another charge as the withdrawal fee is based on a per transaction basis. Hence, the increased charge would result in a higher debt implication. Therefore, an understanding of the structure of credit cards is necessary to avoid unnecessary debt, which could arise from the complicated structure of credit cards. The credit card debt highlight in Malaysia market has triggered the Malaysian government to take more serious initiatives to control credit card debt. The initiatives *inter alia* include introducing a credit card service tax, increasing the annual minimum income back to RM24,000 and limiting the ownership of credit cards to two cards per individual, which was introduced in 2010.

Chapter 4

RESEARCH METHODOLOGY

4.1. INTRODUCTION

Having identified the background, literature and variables to be explored in this study, this chapter continues to describe a crucial part of the research process in materializing the aim of the study. Following this introduction, the chapter continues as follows: Section 4.2 defines and discusses the research methodology; Section 4.3 focuses on the research design; Section 4.4 explains the research strategy undertaken in this study; Section 4.5 describes the research method where data collection and data analysis are presented; and Section 4.6 overviews the research methodology of this study.

4.2. RESEARCH METHODOLOGY

There are various ways to define the meaning of research methodology. One of the possible ways is to understand each word that forms the phrase 'research methodology', that is, 'research' and 'methodology'.

With respect to 'research', one of the simplest ways to define 'research' is provided by Zikmund (1991: 6), who states that research literally means "search again". In view of the definition, research is normally carried out by individuals by literally doing the action of 'searching again'. Neuman (2004: 2) adds that "research is a way of going about finding answers to questions". In referring to the process aspects of research, Sekaran (2003: 3) states that research "is simply the process of finding solutions to a problem after a thorough study analysis of the situational factors" and, as a process (2003: 5), it is "an organized, systematic, data-based, critical, objective, scientific inquiry or investigation into a specific problem, undertaken with the purpose of finding answers or solutions to it" (Sekaran, 2003: 5). The 'scientific' nature of research relates to "solving problems and pursu[ing] a step-by-step logical, organized, and rigorous method to identify the problems, gather data, analyze them, and draw valid conclusions therefrom ... [it] is purposive and rigorous" (Sekaran, 2003: 21). The term 'science' itself refers to "a way to produce knowledge" (Sekaran, 2003: 21). Thus, research is a systematic effort with procedures and rules to conduct an academic inquiry. This implies that a researcher has to use a specialized technique to explore the social world aspects (Neuman, 2004: 7).

Moreover, Blumberg *et al.* (2005: 41), by focusing on the consequences of research, state that research refers to "any organised inquiry that is carried out in order to provide information that can be used to solve problems", which "could [also] be used to improve the knowledge and skills of researchers to avoid or resolve the problems, which already exist and/or are anticipated".

Therefore, in a simplified way, research is undertaken to achieve a specific target. A piece of research requires its researcher to undergo a process in order to answer a particular issue, following a logical link. Therefore the research, as referred to in the phrase 'search again', may require a researcher to undertake various and repetitious efforts in an attempt to reach their aim. Research has infinite room as there are always new areas to be researched.

With respect to 'methodology', there have also been various efforts undertaken to define the term. Walker and Monahan (1988: 885), for instance, describe it as "how social scientists go about answering factual questions. It is the overall strategy or plan of attack for generating and analyzing information". A more refined appreciation of the concept requires consideration of its two principal components: how information is gathered and how information, once gathered, is interpreted. This is provided by Murray and Lawrence (2000: 218), who state that 'methodology' consists of "research design, theoretical frameworks, the selection and analysis of literature relevant to the nominated topic, and justified preferences for particular types data gathering activities".

In terms of defining 'research methodology' as a single term, Zikmund (1994: 747) states that it refers to "a discussion within the body of a research report of the research design, data collection methods, sampling techniques, fieldwork procedures, and data analysis efforts". While Remenyi *et al.* (1998: 28), referring to the process of research methodology, state that it is "the procedural framework within which the research is conducted". It describes an approach to a problem that can be put into practice in a research programme or process. Additionally, by referring to the nature and the framework, Collis and Hussey (2003: 54) state that it is "the overall approach to the research process, from the theoretical understanding to the collection and analysis of the data".

Hence, there seems to be overlapping definitions of 'research methodology' across the three terms – 'research', 'methodology' and 'research methodology'. However, the review of the terms leads the researcher to understand that research is more about a product or result, while methodology stresses the actions or processes that are gone through to produce the research.

Hence, the definition of research methodology involves the completion of the research itself, as it involves the act or process from the start to the end in finding a solution to a particular issue, which is the end product simply known as ‘research’.

Research methodology in social research can be classified into two broad categories, namely, qualitative and quantitative (Morgan, 2007). Banister *et al*. (1994: 3) define qualitative research methodology as: “(a) an attempt to capture the sense that lies within, and that structures what we say about what we do; (b) an exploration, elaboration and systematization of the significance of an identified phenomenon; (c) the illuminative representation of the meaning of a delimited issue or problem.” Banister *et al.* (1994: 2) also refer to the socially constructed nature of qualitative research and state that it is “the interpretative study of a specified issue or problem in which the researcher is central to the sense that is made”. In further explaining the socially constructed nature of qualitative research, Bryman (1988: 46) refers to qualitative research methodology as an “approach to the study of the social world which seeks to describe and analyze the culture and behaviour of humans and their groups from the point of view of those being studied”. Thus, qualitative research “aims to measure perceptions, understanding and behaviour”.

In contrast, quantitative methodology takes quantitative form into account. Bryman (1988: 12) defines quantitative research methodology as “a genre which uses a special language which appears to exhibit some similarity to the ways in which scientists talk about how they investigate the natural order-variables, control, measurement and experiment”.

Quantitative research intends to analyse and find relationships between the searched variables, whereas qualitative research is intended for further elaboration, in which exploration is important. This leads qualitative research to be described as ‘exploratory’ or ‘exploration’.

Having identified the difference between the two types of research methodology, it should be noted that this study is qualitative in nature as it aims to measure the perceptions and opinions of cardholders involving issues surrounding selection and impacts as well as the distinctive features of an ICC in comparison to a CCC, which can explain why consumers choose a specific type of credit card. In addition, as a complement to the perceptions of cardholders, the study seeks to elicit opinions from various stakeholders through semi-structured interviews to further elaborate on and explore the attitudes of cardholders. Consequently, this study is constructed using a qualitative research methodology, as it involves an exploration of the attitudes and perceptions of the subjects being studied.

4.3. RESEARCH DESIGN

According to Robson (2002: 79), “design is concerned with turning research questions into projects ... [it also involves a range of] things which should be thought about and kept in mind when carrying out a research project.” Creswell *et al.* (2003: 211), in a more detailed definition, state that design is “a procedure for collecting, analyzing, and reporting research”. Therefore, research design is surrounded with tactics and strategies to be undertaken in completing research.

Robson (2002: 81) highlights five main components that are part of research design, namely, purpose, theory, research questions, method and sampling strategy. Research questions appear to be the central component in Robson’s design. Additionally, Blaikie (2000: 42) states that “in general, a research design needs to answer three basic questions: What will be studied? Why will it be studied? How will it be studied? The last question can be broken down into four further questions: What research strategy will be used? Where will the data come from? How will the data be collected and analysed? When will each stage of the research be carried out?” Hence, it is important to design the research at an early stage as it gives the overall idea and can guide the researcher throughout the process. Research design provides a useful framework for a researcher to follow as it shows various interrelated components.

Robson (2002) classifies research design into fixed and flexible design. “Fixed designs are theory-driven ... [they require] the variables [to be pre-specified], and the exact procedures to be followed ... [In other words, researchers] must already have a substantial amount of conceptual understanding about a phenomenon before it is worthwhile following the risky strategy of investing precious time and resources in such designs. This understanding may be in the form of a model, perhaps represented pictorially as a conceptual framework” (Robson, 2002: 96). In terms of the nature of research design, a “fixed strategy calls for a tight pre-specification before you reach the main data collection stage. If you can’t pre-specify the design, don’t use the fixed approach. Data are almost always in the form of numbers; hence this type is commonly referred to as a quantitative strategy” (Robson, 2002: 87).

With regards to flexible research design, it “evolves during data collection. Data are typically non-numerical (usually in the form of words); hence this type is often referred to as a qualitative strategy” (Robson, 2002: 87). Hence, it is important to test the feasibility of study in the fixed design before the main phase of data collection, while a flexible design allows some flexibility for the researchers to sort the problems throughout until “the end of the study” (Robson, 2002: 82).

This study utilized both flexible and non-flexible designs, as it used non-numerical data in the form of interviews but also numerical data collected through a questionnaire with the objective of ‘exploring’ a particular phenomenon, which used words to measure the perceptions of stakeholders in the field of credit cards.

In expanding on the research design, research can also be designed according to its purpose. Neuman (2000: 21–23), for instance, classifies research into three types according to its purpose; his categories are ‘exploratory research’, ‘descriptive research’ and ‘explanatory research’. When the research area is new and very little is written about it, the research is exploratory research. In adding to that definition, Zikmund (1994: 88) states that ‘exploratory research’ is the “initial research [which is] conducted to clarify and define the nature of a problem”. The researchers in ‘exploratory research’ utilize all possible information to find answers to the ‘what’ question. Creativity, flexibility and open-mindedness are required in exploratory research. ‘Descriptive research’, which is the second type of research according to its purpose, has a higher ranking than exploratory research; the issue in ‘descriptive research’ is more established than in the ‘exploratory research’. Based on a more developed issue compared to exploratory research, a descriptive researcher further elaborates to present a better “picture of the specific details of a situation, social setting, or relationship” (Neuman, 2000: 22); hence, descriptive research will produce a detailed explanation. While an ‘exploratory researcher’ focuses on the ‘what’ question, a descriptive researcher looks at the ‘who’ and ‘how’ questions. The third type of research is ‘explanatory research’; this is driven by the ‘why’ question and aims to provide reasons as to ‘why’ something happens.

The definitions of these three types of research according to purpose lead to the understanding that this particular study utilizes all three research designs. It is exploratory as there is still very limited knowledge of ICCs both in terms of individual knowledge and written documents. The study also involves descriptive elements as, based on the available existing sources and literature, it describes the credit card selection and impact issues, which also highlight ‘who’ and ‘how’ credit cards are used – the two questions focused on by descriptive researchers. This research can also be considered as ‘explanatory research’ as it seeks to answer the ‘why’ question, especially regarding those who do not pay their credit card bills in full and on time. The study additionally attempts to figure out the possible reasons, inter alia whether it is limited income or overspending habits that produce revolving credit cardholders. Further supporting the use of the three designs are all the ‘key’ questions: ‘what’, ‘who’, ‘how’ and ‘why’ are utilized in the semi-structured interviews to elicit information from the various stakeholders.

Research design can also be classified according to the nature of the research. Since this research is based on a particular country, that is Malaysia, it is a case study. Robson (2002: 180) argues that case studies “are not necessarily studies of individuals. They can be done on a group, on an institution, on a neighbourhood, on an innovation, on a decision, on a service, on a programme and on many other things”. In terms of the nature of a case study, Neuman (2000: 32) states that research is an in-depth study of cases for a period of time. Case study research is not the same as qualitative research. However, nearly all qualitative researchers use an ‘in-depth case study’ to establish representations.

It is also common to use survey research. This research should also be classified as survey research as various questions are forwarded to many individuals by the researcher in a short period of time. Surveys provide an overview regarding the behaviour and perceptions of people through administering a particular type of combination of surveys. A selected number of individuals or sample is used to generalize findings to the population group (Neuman, 2000: 34). Goodwin (2005: 402) states that “survey research is based on the simple idea that if you want to find out what people think about some topic, just ask them. That is, a survey is a structured set of questions or statements given to a group of people to measure their attitudes, beliefs, values, or tendencies to act”.

4.4. RESEARCH STRATEGY

Research strategy is different to research design as the former deals more with the process of research, while the latter is more towards the outcome or framework. According to Sekaran (2003: 27), researchers can use a deductive or inductive process to answer research issues. It is also possible to use the mixed processes of deduction and induction.

"Deduction is the process by which we arrive at a reasoned conclusion by logical generalization of a known fact ... Induction, on the other hand, is a process where we observe certain phenomena and on this basis arrive at conclusions" (Sekaran, 2003: 27). Hence, the decision about whether an inductive or deductive strategy should be used in the research is made by examining 'the start' of the research. If a study starts with a specific theory using secondary data and is later testing to determine whether the theory is valid or not in that particular case, the research is using a deductive research strategy. However, if a connection between theory and data or the social reality is created though first collecting primary data from the field, such studies are considered inductive research or 'ground research'.

This study followed an inductive strategy as it collected data from the field to assess a general pattern in order to reach a conclusion and answer the research questions. Specifically, the attitudes of the cardholders were measured via a questionnaire survey conducted in Malaysia. In addition to the questionnaire survey, it gathered primary data from various other stakeholders in order to further understand the attitudes of cardholders and the credit market conditions in Malaysia. In other words, this study 'started' with the primary data by going into the field to explore the behaviour of individuals. From the explorative 'start', it then reaches a conclusion. In other words, this research commenced with the specific and moved to the general. Hence, this is an inductive strategy.

4.5. RESEARCH METHOD

This study used a quantitative method in the form of a questionnaire survey to collect data, as it surveyed the social life's variation in terms of selection, usage and perception of credit cards; the questionnaire provided predetermined categories that were ordered in magnitude. The data collected through the questionnaire could then be codified into numerical data.

Since this research also utilized a qualitative method of data gathering in the form of interviews, it should be considered as triangulated research, as it involved interviews in which the social life of participants was captured through their experiences rather than being pre-set by the researcher in a questionnaire. The latter allows more room for interpretation and is subject to more bias.

Researchers can choose either a quantitative or qualitative method in conducting their research. It is also becoming more common to use more than one method in a study. The use of more than one method is known as triangulation. The use of mixed methods can increase the credibility of one's research as, according to Robson (2002: 174), triangulation "involves the use of multiple sources to enhance the rigour of the research". Moreover, Jick (1979: 603) further explains the triangulation purpose: "more than one method should be used in the validation process to ensure that the variance reflected [is] that of [the] trait and not of the method". Denzin (1998, as cited in Robson, 2002: 174) distinguishes triangulation into four types: "Data triangulation: the use of more than one method of data collection (e.g., observation, interviews, documents); Observer triangulation: using more than one observer in the study; Methodological triangulation: combining quantitative and qualitative approaches; and Theory triangulation: using multiple theories or perspectives".

On the other hand, Jick (1979: 603) states that there are two kinds of triangulation method: between and within methods. The former "is largely a vehicle for cross validation when two or more distinct methods are found to be congruent and yield comparable data. [It deals with] the use of multiple methods to examine the same dimension of a research problem. [Whereas, within method triangulation is when researchers use] multiple techniques within a given method to ... interpret data. For quantitative methods such as survey research, this can take the form of multiple scales or indices focused on the same construct." Therefore, between methods triangulation can test "the degree of external validity", while within method triangulation can be used for "cross-checking for internal consistency or reliability" (Jick, 1979: 603). From the descriptions of 'triangulation', it can be understood that 'triangulation' means 'combining' or 'mixing'.

This research used triangulation as it involved: a quantitative method, as in the questionnaire – a method of collecting primary data; a qualitative method, as in interviews – an additional method of collecting primary data; and a descriptive method in terms of the literature.

4.5.1. Research Method – Data Collection

As mentioned, the data collection methods used in this research were quantitative and qualitative surveys in the forms of a questionnaire and interview survey, respectively. Goodwin (2005: 402) defines a survey as "a structured set of questions or statements given to a group of people to measure their attitudes, beliefs, values, or tendencies to act". Sekaran (2003: 223) mentions three main methods of data collection in survey research, namely, observation, questionnaire and interview. This study uses two of the methods, questionnaire and interview, which implies the use of triangulation. The use of more than one method is useful as each method has its own strengths and weaknesses. Therefore, triangulation helps to overcome the weaknesses of one method as they may be covered by the other method. According to Jick (1979: 603), “organizational researchers can improve the accuracy of their judgements by collecting different kinds of data bearing on the same phenomenon”. Due to this advantage, the triangulation method of data collection is considered useful.

4.5.1.1. Quantitative Data Collection Method – Questionnaire

Collis and Hussey (2003: 173) state that the term ‘questionnaire’ refers to “a list of carefully structured questions, chosen after considerable testing, with a view to eliciting reliable responses from a chosen sample. The aim is to find out what a selected group of participants do, think or feel”.

In the social sciences, a questionnaire is the most common method to gather data on a specific problem or phenomenon (Sekaran, 2003: 240). As this study is within the social sciences, and aims to measure the attitudes and perceptions of cardholders, a questionnaire was considered the most suitable method of data collection.

Sekaran (2003: 237) adds that “a questionnaire is a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives”. This particular attribute of a questionnaire makes it an appropriate method for this study. In addition, since a questionnaire is an efficient data collection mechanism in cases where researcher knows exactly what is required and how to measure the variables of interest, it is considered a useful tool to collect data for this study. In verifying the rationale as to why a questionnaire was utilized in this study, the literature on credit cards, as presented in the preceding chapters, also shows that a questionnaire is the most common technique to collect data on credit card attitudes in related studies.

In terms of designing a questionnaire, Sekaran (2003: 237) mentions three key components that need consideration: “the wording of the questions ... [the] planning of issues of how the variables will be categorized, scaled, and coded after receipt of the responses ... [and] the general appearance of the questionnaire. [These three] can minimize biases in research”.

4.5.1.1.1. Questionnaire Development

In developing the questionnaire, there are basically three major steps that a researcher must complete. The first is to review the literature to establish an informed understanding of the subject matter; the second is to identify the variables that the research aims to investigate; and the third step is to design the appearance of the questionnaire.

The research background and literature review, as presented in Chapter 1 to Chapter 3, were used to highlight issues and examine the variables in constructing the questionnaire. Therefore, constructing the questionnaire was one of the difficult parts in producing this thesis. The researcher went through several processes to construct the questionnaire. They included surveying research methodology books, gathering empirical studies in the credit card subject area and discussing with experienced Malaysian researchers.

4.5.1.1.1.1. Modelling the Study Variables and Research Hypotheses

The study divided the variables into two major categories consistent with the study's focus, namely, credit card selection and credit card impact. The detailed way the variables were developed and constructed is now presented.

4.5.1.1.1.1.1. Modelling Credit Card Selection Factors

Having considered the previous studies in credit card selection, as the preceding discussion indicates, it seems that the factors of credit card selection are not so different among all the studied countries, therefore, *this study has hypothesized that Malaysian credit card selection factors are also not much different to those in other countries*[16] *(Hypothesis 1).*

Considering the Malaysian dual banking system, in which Islamic and conventional banking run together and, hence, ICCs and CCCs are co-existent, religious factors should also be considered as one of the selection criteria. It is expected that ICC holders will rate religious factors as being more important than CCC holders do. Hence, *the hypothesis is that religious factors will be perceived as being more important by ICC holders than CCC holders (Hypothesis 2).*

As this study aims to compare the selection factors between ICC holders and CCC holders, it uses 'holder type' as one of the most important control variables and includes this in the questionnaire.

[16] For selection factors in other countries, refer Meidan and Davos (1994), Maysami and Williams (2002), Gan and Maysami (2006) and Butt *et al.* (2010).

In developing credit card selection variables to answer the hypotheses, a study by the established researchers Gan and Maysami (2006) was chosen as the concept paper. It is also worth noting that Gan and Maysami adopted 15 variables from Meidan and Davo (1994) and this study adopted 18 variables from the 22 variables[17] used in Gan and Maysami (2006). It should also be noted that some of the 18 adopted variables were adapted after considering the feedback from the four pre-testings conducted in this study. There are 9 newly developed variables to suit the Malaysian credit card market, resulting in 27 variables in this study. Each variable uses five responses on the Likert scale, where 1 = highly unimportant, 2 = unimportant, 3 = neutral, 4 = important and 5 = highly important. The 27 variables were grouped into seven major factors, namely, 'convenience', 'protection', 'flexibility', 'finance', 'promotion', 'travel-economics' and 'reputation'.

To further explore the issues surrounding the credit card selection factors in understanding Malaysian customers' selections, this study added the variable of initial factors contributing to credit card selection to identify the first motivation of customers to possess a credit card. The statement formed to figure out the initial selection factors was: 'The most important factor that has influenced you to have a credit card'. In the questionnaire, eight options were given in response to this statement: 'general card advertisements', 'card salesmen', 'personal preference because of convenience factor', 'personal preference because of financial reasons', 'relationship with the existing bank', 'work environment', 'family and friends' and 'other source'. The options were developed based on Barker and Sekerkaya (1992).

In short, the credit card selection factors have been divided into two main groups: selection factors that are embedded as credit card attributes and initial influencing factors, which include external influences on the decision to have a credit card.

In further determining customers' selection of a certain type of credit card, it is also considered important to measure the satisfaction and loyalty of customers. Since ICCs are still in their infancy, several issues need to be taken into account, such as lack of convenience due to the smaller size offering; *it is therefore hypothesized that ICC holders are less satisfied than CCC holders (Hypothesis 3)*. A satisfaction variable was constructed to measure the satisfaction among customers: 'How satisfied are you with your credit cards?'

[17] Some of the adopted variables from Gan and Maysami (2006) were reworded after the pre-tests for straightforwardness.

This question was given five options based on a 5-point Likert scale where 1 = extremely dissatisfied, 2 = dissatisfied, 3 = neutral, 4 = satisfied and 5 = extremely satisfied.

As for the loyalty, it is hypothesized that, due to religious factors, *ICC holders are more loyal than CCC holders (Hypothesis 4).* Three variables were used in order to determine the loyalty of cardholders. One variable was adopted from Gan and Maysami (2005: 25): 'I have no qualms about switching credit card companies due to poor service', while the other two were newly established: 'I will stop using an ICC and start using a CCC with lower charges and better offers' and 'Muslims should use ICCs even if their charges are higher than CCCs'. The responses were on a 5-point Likert scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

In addition to the loyalty, this study also seeks the opinions and perceptions of participants on ICCs in a further attempt to investigate customer credit card selection. Hence, unlike the previous literature on credit cards, this study took one step further by forwarding several questions to elicit opinions from respondents regarding the existence of ICCs and their permissibility.

With respect to the existence of ICCs, respondents were first asked the question: 'Do you think there should be ICCs?' This was considered essential to determine the opinions of respondents regarding the offering of ICCs. Three responses were provided: 'yes', 'no' and 'no opinion'. It should be noted that during the pilot study there were only two responses, of 'yes' and 'no', provided to respondents. However, some of them commented that their answer would be 'neutral', which was not provided. Therefore, considering their comments, all three responses were made available in the final version of the questionnaire.

To further understand the selection of credit cards in the Malaysian context, where there is also an ICC market, statements were given to determine how far respondents consider ICCs to be Islamic. The statements were established based on Islamic banking precepts, as presented in Chapter 2. *It is hypothesized that ICC holders perceive ICCs to be more Islamic than CCC holders do (Hypothesis 5).* For this, six aspects were identified as important and as relating to the determinants: (i) the ICC concept is acceptable; (ii) ICCs involve *riba'*; (iii) ICCs are against the justice aspect of Islamic financial transactions; (iv) ICCs create money and credit; (v) ICCs lead to a debt-based system; and (vi) ICCs are in line with Islamic philosophy. The responses for all the statements were set on a 5-point Likert scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

In addition to measuring the perceptions of the ICC concept, it is also considered important to seek comparative perceptions between ICCs and CCCs. As mentioned in Chapter 2, there were issues raised over ICCs in comparison to CCCs. The claim includes ICCs are more expensive than CCCs. Considering this view, it is interesting to examine whether respondents perceive ICCs to be inferior to CCCs, as this is also a relevant issue in determining credit card selection. *It is hypothesized that ICC holders perceive CCCs to be superior to ICCs (Hypothesis 6)*, which explains why ICC holders hold ICCs. In investigating the superiority of ICCs or CCCs, eight criteria were identified and the following comparative statements based on these criteria were included in the questionnaire: ‘CCCs have higher credit limits than ICCs’, ‘CCCs offer better bonuses/rewards than ICCs’, ‘charges for CCCs are lower than for ICCs’, ‘requirements for approval for a CCC is easier than for an ICC’, ‘having a CCC is more prestigious than having an ICC’, ‘CCCs have wider acceptance compared to ICCs’, ‘the terms and conditions of CCCs are easier to understand than those of ICCs’ and ‘ICCs provide religious satisfaction, which is not the case for CCCs’. The responses were distributed on a 5-point Likert scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Besides the perceptions of customers towards certain types of credit card, the level of religious practice among Muslims is also expected to be an important influencing factor in credit card selection. In other words, this study considers that the credit card selection in the Malaysian market is also determined by the religious practices or commitments among customers. Thus, *it is hypothesized that ICC holders have a greater level of religious practice/commitment than CCC holders (Hypothesis 7)*, which explains their ICC holding.

This study constructed five variables to determine customers’ level of religious practice based on the components of Islam, as illustrated by Krauss (2006). According to Krauss (2006), Islamic religiosity can be divided into two categories: (i) Islamic worldview and (ii) religious personality or worship. This study focuses on the latter part, i.e., worshipping, which comprises general and special worship. General worship or *ibadah* is basically composed of the five pillars of Islam: (i) testification of faith; (ii) prayer; (iii) fasting; (iv) alms; and (v) pilgrimage. All of these form the nature of relations of each individual with God, whereas special worship involves relationships with (i) human beings and (ii) other creations. Only four of the five pillars were used in this study by excluding the first pillar of ‘testification of faith’ or *shahadah*, assuming that the first pillar has already been fulfilled by all Muslims. For the special worship, only ‘the relationship with human beings’ is considered in the variable construction, as this study is about credit cards, which only involves interaction among human beings. It is considered to be one of the most suitable variables to measure social justice performed by individuals. ‘Deeds towards others’ can be used to measure respondents’ application of Islamic teachings in practising social justice. This study limits the variables to only these five, with the objective being to limit the length of the study. The responses to each of these items were designed on a 5-point Likert scale where 1 = very unsatisfied, 2 = unsatisfied, 3 = neutral, 4 = satisfied and 5 = very satisfied.

Demographic and socio-economic characteristics are also expected to influence the selection of credit cards. As noted in Chapter 3, the Malaysian constitution states that Muslims are referred to as Malays; *it is expected that there is a significant relationship between the cardholding type and religion and ethnicity (Hypothesis 8), where it is hypothesized that the majority of ICC holders are Malays and Muslims*.

4.5.1.1.1.1.2. Modelling Credit Card Impact Factors

Having examined the literature on the usage of credit cards and the Malaysian context, it was found that several important demographic and socio-economic variables to be included in the study were gender, age, marital status, number of children, ethnicity, religion, education, income, employment sector and occupation. However, additional variables were also considered in the present study that were not examined in the earlier studies including ‘having housing and car loans’. In the Malaysian ethnicity context, given the fact that the Bumiputra in Malaysia are among the lowest earners (see Chapter 3), Malays are likely to be revolvers. As Muslims are prohibited from dealing with *riba’,* which is prohibited in Islam, Muslims are expected to use cards for convenience reasons rather than employing them for revolving credit features. It is expected that this study will be able to provide evidence as to whether this is the case in Malaysia in the following chapters. It is also expected that those with housing and car loans are likely to revolve repayment as some of their monthly salaries would be tied to paying the loans. In addition, the question was asked as to whether the respondents are the head family members. This is considered important as it is expected that the head of the family would have higher financial commitments, hence, a higher revolver status among heads of families is expected. Overall, there were thirteen demographic and socio-economic characteristics included in the questionnaire.

The impact of credit cards among users is also expected to vary with the attitude of the cardholders towards debt. Those with a positive attitude towards debt are likely to revolve in their credit card use. The variable to determine the credit attitude among cardholders was adopted from the US Codebook 1995 Survey of Consumers Finances: ‘In general, do you think that it is a good idea or a bad idea for people to buy things on an instalment plan?’ There are three answers for this variable: (i) ‘good idea’, (ii) ‘good in some ways, bad in others’ and (iii) ‘bad idea’ (Kennickell, 1999). This variable was also adopted in several other credit card studies including Chien and DeVaney (2001) and Abdul-Muhmin and Umar (2007). Chien and DeVaney (2001) found that the more favourable the general attitude towards credit, the higher the instalment debt, while Abdul-Muhmin and Umar (2007) report that attitude towards credit is positively related to card ownership. Therefore, this study expects the majority of respondents, as they are cardholders, to have a favourable attitude towards credit. Specifically, it is hypothesized that revolvers have a positive attitude towards debt and ICC holders will have a less favourable attitude towards debt than CCC holders, as ICC holders are expected to adhere to religious teachings whereas CCC holders are not.

In determining the impact of credit cards, it is important to differentiate between revolvers and non-revolvers; for this, a question was introduced into the questionnaire: ‘What is the most typical monthly payment of your credit card bill?’ The question had four potential responses: (i) ‘entire balance’, (ii) ‘between minimum and entire balance’, (iii) ‘minimum balance’, and (iv) ‘less than minimum balance’. The first three responses were adopted from Gan and Maysami (2006: 42), while the last response was constructed considering those who fail to pay the required minimum balance.

Therefore, the combined hypothesis is:

Revolvers tend to be head of the family single males, of a younger age, with a higher number of children/dependents, Malays, non-Muslims, have a lower education level, are lower income earners, non-government sector workers, non-professional, have car loans, have housing loans, have a higher number of credit cards, are CCC holders and have a positive attitude towards credit (Hypothesis 9).

The credit card literature has shown that credit card impact is determined through the relationship of various usage variables, payment behaviour and perception towards credit cards with socio-demographic characteristics. In addition, the empirical literature has fully focused on CCCs, and there is no study of ICC impacts. Hence, this study contributes to the literature, as it seeks to differentiate the impact level of ICC holders compared to CCC holders. *The hypothesis constructed in this aspect is that ICC holders have a less negative* *debt impact compared to CCC holders (Hypothesis 10)* as their behaviour is more Islamic due to the Islamic teachings. The variables that are used to measure the impact are payment, usage and credit behaviour, which include ‘credit card number’, ‘usage behaviour’, ‘typical monthly payment’, ‘finance charge’, ‘credit behaviour’, and ‘purchase of luxury items’. In addition, four statements that deal with credit card debt difficulty and one statement dealing with the understanding of charging structures were established. Specifically, they were: ‘I have difficulty without credit cards’, ‘I have difficulty in paying my credit card bill in full’, ‘I am encouraged to incur more debt due to an increase in credit limit’, ‘In general, my credit card debt has increased over time’ and ‘I do not understand the charging structure of credit cards’.

4.5.1.1.2. Pre-testing

Two languages were used to construct the variables of the questionnaire, thus, utilizing a flexible approach. Particularly, if the variable was first established in English, it was then translated into Bahasa Malaysia, while if Bahasa Malaysia it was first used to construct the question, and then later translated into English. For each variable, the English version was followed by the Bahasa Malaysia. This skill was learned by the researcher during her work experience as a lecturer in a Malaysian university. The approach was made compulsory, especially in preparing final exam questions for undergraduate students. As a strategy, it was widely used across several programmes in the university due to its proven effectiveness in overcoming students’ lack of understanding in either language. It should be noted that prior to adopting the strategy, the university used Bahasa Malaysia to prepare examination related papers. The adopted strategy successfully improved the problem and has been maintained since its implementation in around 2002. It was considered suitable for this particular study as the data will be collected in Malaysia where Malay is the first language and English is the second official language. Moreover, since the approach was tested on undergraduate university students, it was deemed suitable for most cardholders as it represents the average level of education among Malaysian credit cardholders, who need at least an annual income of RM18,000 to apply for a credit card.

Developing the first draft of the questionnaire took about six months of the researcher’s time. The first draft of the questionnaire was submitted to the researcher’s two supervisors who have expertise in finance and economics. After a series of consultations, the revised version of the first draft questionnaire was produced and disseminated for pre-testing.

There were four stages of pre-testing conducted to improve the questionnaire. Sekaran (2003: 249) emphasizes the importance of pre-testing an instrument to avoid ambiguity of questions and to check whether the wording and measurements are correctly used. Pre-testing is defined as "the use of a small number of respondents to test the appropriateness of the questions and their comprehension [can reduce] bias" (Sekaran, 2003: 249). In identifying the functional importance of pre-testing, Robson (2002) suggests that a study, whether flexible or fixed design, should be piloted, and he (2002: 82) defines a pilot study as "a small-scale version of the real thing".

It should be noted that pre-testing offers an opportunity to test "the feasibility of what" is proposed (Robson, 2002: 82). It is carried out in order to "sort out technical matters to do with methods of data collection to ensure that, say, the questions in the questionnaire are understandable and unambiguous. Just as importantly, it gives you a chance to ensure you are on the right lines conceptually. Have you 'captured' the phenomenon sufficiently well for meaningful data to be collected? Do you really have a good grasp of the relevant mechanisms and contexts? This is an opportunity to revise the design, to sharpen up the theoretical framework, develop the research questions, rethink the sampling strategy – and perhaps to do a further pilot" (Robson, 2002: 97).

All four pre-tests were carried out in the United Kingdom. The first pre-test was conducted in December 2008 using four Malaysians who were proficient in English, as well as Bahasa Malaysia. Two of them are lecturers, another is a senior staff member in the public sector and the fourth works in the private sector; they come from various fields, such as business, finance and engineering, and one of them is an English language lecturer. The diversity in their backgrounds was thought to be of added value as prospective respondents should also have diverse backgrounds. The participants in the pre-test were asked to comment on the following criteria: (1) length and time used to answer the questionnaire; (2) the use of wording and language and the straightforwardness of the questions; and (3) the suitability of the scale measurements and the subject matter. The request for these comments was put with the questionnaire form and placed on the cover page of the questionnaire to facilitate the participants in reviewing. The researcher gave the participants flexible time to return the questionnaire with their comments in the hope they would do their best with their comments. The comments from the first pre-test were the most distressing to the researcher as they generally said that the structure was complicated and the length was too long, as well as being problems with the wording of the questionnaire. From this feedback, several modifications were made to the questionnaire. These included structural changes; where the questionnaire originally had seven sections this was reduced to six sections. Additionally, several questions were paraphrased and combined to reduce redundancy. Furthermore, language usage was improved to a moderate level with easier and more straightforward wording. Some of the variables that were not so significant to the study were eliminated from the questionnaire. Doing these things enabled the deletion of three pages and produced a questionnaire of 15 pages instead of the original 18 pages.

The second pre-test involved two Malaysians, one with a PhD and the other with a Masters degree. Both of them were proficient in English as well as Bahasa Malaysia. The third pre-test comprised ten participants and generally involved those with a lower education background compared with the participants of the first two pre-tests, with respondents either having a degree or a diploma. This was in order to achieve a moderate level of questionnaire in terms of sophistication, which can be easily understood among real respondents in the field who may include less educated individuals. The second pre-test was performed in January 2009, while the third was in March 2009. The feedback was quite satisfactory to the researcher as there were only several sentences and words that needed changes. However, they still commented on the questionnaire's length and the fact that combining English with Bahasa Malaysia gave further complexity. Consequently, the number of sections was further reduced to four instead of five. Due to the length and the complexity complaints, the Bahasa Malaysia version was removed and placed in a separate questionnaire. As a result, two questionnaire sets were produced – an English and a Bahasa Malaysia version. This allowed further reduction to the questionnaire length, which resulted in 8 pages instead of 15 after the second pre-test.

The fourth pre-test involved a larger group of respondents than the previous three pre-tests. The fourth pre-test was conducted through the distribution of hard copy questionnaires in the United Kingdom and soft copies disseminated through email to Malaysians outside the United Kingdom between April and July 2009. The questionnaire was distributed to a diverse background of individuals to tackle the upcoming diverse group in the real fieldwork. The respondents were helpful, which can be explained by the good personal relationship established between the researcher and the majority of the respondents in this pre-test. The fourth pre-test showed the fewest changes of wording needing to be made and fewer complaints about the questionnaire's length. The researcher believes that the previous three stages of pre-testing contributed greatly to the format and contents of the questionnaire in this fourth pre-test. This pre-test resulted in 47 completed and usable questionnaires. Five of the respondents in the fourth pre-test were ones who had already participated in the third pre-test.

It should be noted that pre-testing was not conducted in Malaysia due to the time and financial constraints faced during this study. Most of the individuals in the United Kingdom were students of Durham University and of several other universities. The researcher also had an advantage in terms of conducting the pre-testing as the number of Malaysians in the United Kingdom was considered large enough to fulfil the pre-testing requirement. Moreover, many of them were using or had at least experience of using credit cards. It is worth noting that after each of the four pre-tests, the questionnaire was given to the researcher’s two supervisors to be reviewed. The final version of the questionnaire can be found in Appendix A at the end of this thesis.

In short, various stages were involved in constructing the questionnaire, including reviewing literature to identify variables for the study, consulting first and second supervisors, pre-testing the questionnaire and proofreading to increase the questionnaire reliability and validity.

4.5.1.1.3. Questionnaire Design

In formatting the questionnaire, the front page was allocated for the cover letter explaining the purpose of the study and the importance of participants’ contributions. In addition, it emphasized to the respondents the importance of choosing the most appropriate answer. The anonymity of respondents was also ensured to encourage participation.

The questionnaire comprised 37 close-ended questions and 1 open-ended question that asked respondents to write further comments, if they had any, at the end. It was eight pages long and was divided into four sections with the questions aimed at collecting data for the identified variables, which had been recognized as appropriate to achieve the aim and objectives of the study.

Section A of the questionnaire enquired about credit card profiles including payment sources, payment habits and types of transaction. Specifically, questions included the number of credit cards, credit card brand, issuer, type, the initial motivation for owning a credit card, period of ownership, usage frequency, typical monthly payment, frequency of finance charges, source to pay credit card bill, satisfaction level, credit behaviour, experience relating to credit card debt, understanding of credit card structure, and types of transaction made. This section mainly sought to clarify information about the respondents' credit cards, how the credit cards have been used and their debt experience.

Section B focused on credit card selection factors, as in the attributes of credit cards. There were 27 attributes recognized as relevant to this study; 20 of these were adopted from the Gan and Maysami (2006) study, while 7 other factors were constructed to suit the development in Malaysia, which accounted for the ICC in Malaysia.

Section C dealt with various dimensions of the opinions and perceptions of credit cards. Specifically, it investigated the opinions of participants towards the existence of ICCs, how Islamic they perceive ICCs to be, their knowledge relating to Islamic finance in general and ICCs specifically, whether the customers perceive CCCs to be superior to ICCs, whether the way ICCs are marketed is perceived in a similar way to how CCCs are marketed, various issues relating to credit cards like charges, overspending and undersaving, whether credit cards benefit high income earners and undermine Islamic values, and the party responsible for the widespread credit card debt. Moreover, it was the aim of this section to reveal the loyalty of customers towards their credit cards. The final part of Section C examined the level of Islamic practice among Muslims in an attempt to analyse the possible influence of religious practice on credit card ownership.

Section D, the last section of the questionnaire, comprised questions that determined the demographic and socio-economic status of respondents. There were 14 questions, which asked about respondents' gender, age, marital status, number of children/dependents, head of family, ethnicity, religion, education, income, employment sector, occupation, and car and housing loans. The detailed questionnaire can be found in Appendix A.

In terms of the response categories, for close-ended questions, the participants were provided with a variety of responses ranging from a simple Yes/No, to a range of different choices, ranking and Likert scale responses.

4.5.1.1.4. Sampling

Sampling is "the process of selecting the right individuals, objects, or events for study" (Sekaran, 2003: 264) and "the process of selecting a sufficient number of elements from the population" (Sekaran, 2003: 266). These processes of sampling are important in order to help a researcher to understand characteristics and properties of sample that can be generalized to the population's elements (Sekaran, 2003). Sampling is carried out as it is "practically impossible to collect data from every element. Even if it were possible, it would be prohibitive in terms of time, cost, and other human resources. Study of a sample rather than the entire population is also sometimes likely to produce more reliable results. This is mostly because fatigue is reduced and fewer errors will therefore result in collecting data, especially when a large number of elements is involved" (Sekaran, 2003: 267).

Obtaining a good sample is important, as it has an impact on the generalizability and validity of findings (Clegg, 1990: 113). Sekaran (2003: 264) also states that the population should be targeted correctly. Therefore, a researcher should be careful in selecting a sample that will be considered a representative sample. Unfortunately, finding a "good sample is far from easy" (Clegg, 1990: 113) and "there is no handy way of recognising a poor sampling procedure" (Clegg, 1990: 115). Therefore, it depends on a researcher's experience and also practical skills on how to go about collecting a good sample.

In order to avoid a poor sample, which would be disastrous, as the characteristics of a population may be misleading, which can lead to "errors [that] are costly in terms of money and well-being" (Clegg, 1990: 115), data were only collected from customers who have credit cards.

One of the ways to obtain a good sample is to avoid bias. Random sampling is good to avoid bias as the sample is chosen in "a way that every part of the variation which exists in the parent population has an equal chance of selection" (Clegg, 1990: 115). However, this study could not utilize random sampling as the researcher could not have knowledge of credit cardholders as the banks must keep their details confidential.

Moreover, according to Neuman (2004: 137), "qualitative researchers ... tend to use nonprobability or nonrandom samples [where] they rarely determine the sample size in advance and have limited knowledge about the larger group or population from which the sample is taken." Hence, non-probability sampling was the method resorted to by the researcher as the researcher did not get access to the details of the cardholders as banks maintain the confidentiality of their customers.

One of the non-probability sampling methods used by the researcher was purposive sampling. Purposive sampling is a sampling method in which the researcher chooses "all possible cases that fit particular criteria, using various methods" (Neuman, 2004: 138). It is suitable when a researcher wants "to select unique cases that are especially informative [and] to identify particular types of cases for in-depth investigation. The purpose is less to generalize to a larger population than it is to gain a deeper understanding of types" (Neuman, 2004: 139). Therefore, this research utilized purposive sampling with the objective of reaching out to individuals who have credit cards.

Although this study did not use quota sampling per se, it used the idea of quota sampling as the researcher was trying to establish a diversity in the background of cases in terms of social and economic classes by collecting data from various business centres such as banks, factories, schools, supermarkets and government offices. According to Neuman (2004: 138), quota sampling involves getting "a preset number of cases in each of several predetermined categories that will reflect the diversity of the population, using haphazard methods". However, the researcher could not pre-set the number of cases from each sector in advance as the researcher did not have knowledge about the number of individuals holding credit cards. Therefore, in this study, the researcher only had rough ideas in terms of getting cardholders from different social and economic segments. Quota sampling is better than convenience sampling, as some differences are ensured, and categories should be identified before the number of respondents in each category is determined. In convenience sampling, respondents might belong to the same category. Quota sampling is also beneficial as it does not prevent the researcher from including any friendly individual who is willing to contribute to the study.

Convenience sampling was used within each of the business centre categories to get as many responses as possible within the time frame given to the researcher by the sponsor. It should be noted that the sponsor gave the researcher a maximum period of three months to collect data. Teddlie and Yu (2007: 79) define convenience sampling as "drawing samples that are both easily accessible and willing to participate in study". Neuman (2004: 138) adds that convenience sampling involves "any cases in any manner that is convenient". Despite its convenience, the sample used from this sampling type "cannot be used to generalize accurately to the population" (Neuman, 2004: 138). However, due to the nature of the study findings, purposive and convenience sampling are the most adequate methods for this study. However, in order to render a fairer representation, the study also applied some principles of quota sampling so that the mixing sampling methods would improve the representativeness of the elements. To sum up, this study used a combination of non-probability sampling methods in the form of purposive (judgmental) and convenience (haphazard, accidental) sampling with an idea of quota sampling.

Although Sekaran (2003) states that a minimum sample of 30 may suffice for a study to reach normal distribution, due to the nature of this study it was thought that a larger sample would be better. In support of this, Clegg (1990: 115) states that “as the sample gets larger, the more it can be trusted to be representative, and after it displays a pretty solid looking normal distribution, further efforts are unnecessary”. Sekaran (2003: 269) also supports large samples, stating that “if we take a sufficiently large number of samples and choose them with care, we will have a sampling distribution of the means that has normality” (Sekaran: 2003: 267).

After rigorous effort, 594 questionnaires were returned out of the 1,000 that had been distributed. Most of the unreturned questionnaires were the ones that had been distributed in shops at supermarket centres, offices and housing areas. Of the 594 returned questionnaires, only 507 were usable for the study. These 507 usable questionnaires were coded and entered into the Statistical Package for Social Sciences (SPSS) version 16.0 for data analysis. Hence, while the return rate was actually about 60%, in terms of usable questionnaires the return rate was around 50%. This should be considered an important achievement and effort.

4.5.1.1.5. Administration of the Questionnaire

In order to extend the efficiency in collecting data, the researcher selected areas that would potentially render efficient samples of respondents, comprising individuals having credit cards. It was thought that Kuala Lumpur and Selangor would be among the best choices as many individuals were expected to have a banking relationship and be in possession of a credit card. Moreover, Kuala Lumpur and Selangor were thought to be good areas to collect samples due to the more established financial infrastructure, especially a greater number of ATMs compared to the suburbs. It is worth noting that Kuala Lumpur is the capital city of Malaysia and Selangor has the second highest gross household income in Malaysia after Putrajaya. Kuala Lumpur is in third place in terms of gross household income among the sixteen states of Malaysia (see Chapter 3 for details). The fact that credit card issuers are likely to attract higher income earners implies that these areas have a higher potential of having many cardholders.

The questionnaires were administered to Malaysian credit cardholders between January 2010 and March 2010 in Kuala Lumpur and Selangor. It should be noted that the researcher did not strictly confine the questionnaire data collection to the two stated main areas of Kuala Lumpur and Selangor. Considering the three-month time frame given to the researcher, and the researcher having two methods of collecting data, the researcher had to resort to convenience sampling in most cases. The researcher conducted the data collection even during the hours spent waiting for a flight back to Malaysia. This was fine for data collection as long as the respondents were Malaysian and were identified as having credit cards; this method produced 16 filled questionnaires, where 7 questionnaires were completed in Kuala Terengganu, where the researcher hired a car for travelling during the whole stay of data collection period in Malaysia. Such ad hoc methods proved to be time efficient.

According to Sekaran (2003: 223), a questionnaire can be administered personally, electronically or by mail. After considering the advantages and disadvantages of each method, the questionnaire was 'personally administered' instead of being distributed through the mail or electronically. Among the advantages of personally administering the questionnaire, the following can be mentioned: (i) the response rate is extremely high, can even be 100%; (ii) anonymity can be ensured; (iii) less cost when dealing with respondents in groups; (iv) can motivate participants and establish rapport; and (v) participants can clarify their doubts (Sekaran, 2003: 251). However, there are certain shortcomings attached to personally administered questionnaires. For instance, companies may hesitate to give up their valuable time to participate, especially when it involves assembling a group of employees for the purpose of answering the questionnaire. However, electronic and mail questionnaires have a higher number of disadvantages. The disadvantages of an electronic questionnaire include the low willingness of participants to complete the questionnaire, the necessity of having access to a computer and the necessity of literacy. While a mail questionnaire's disadvantages include the fact that further follow-up to responses is needed, the response rate is potentially lower and participants do not have the opportunity to clarify any doubts over the questions.

As mentioned, this study used a personally administered questionnaire, with the objectives of increasing the motivation of respondents to answer the questionnaire and reducing the potential doubts among respondents by being present to clarify their doubts during the completion.

4.5.1.1.6. Questionnaire Data Analysis

Since this research involves analysing the data collected through the questionnaire, quantitative data analysis methods were utilized with the objective of “getting a feel for the data, testing goodness of data, and testing the hypotheses developed for the research” (Pallant, 2007: 306).

The initial part of the data analysis aimed to get the feel of the data, which is the basic step in data analysis. In this aspect, the dispersion and the central tendency of the data are checked. If there is good variability and range (spread) on individual items, then there is a very high probability that the respondents understood the question; it also implies that the question was properly worded. However, if the respondents tended to provide similar answers to an item, this could show a bias. The feel for the data can be obtained by finding the values of various statistics including mean, variance, standard deviation, and minimum and maximum values (Sekaran, 2007). Sekaran (2007: 307) also suggests checking the intercorrelation matrix between dependent and independent variables to determine their relationship so that “a good idea of how well the questions were framed for tapping the concept” are obtained.

As indicated in an earlier chapter, a number of hypotheses were established to operationalize the research. In testing the hypotheses of this research, due to the nature of the data, non-parametric tests were utilized to analyse the data. Non-parametric tests are less stringent about assumptions compared to parametric ones. To use a parametric test, its assumptions have to hold in the dataset. There are four assumptions about parametric data, as outlined by Field (2009: 133): “normal distribution, variance should be homogenous, involving interval data and observations should be independence from one another”. According to Field (2009: 18) and Clegg (1990: 31), normal distribution can be detected by a “bell-shaped curve”. As for the normal sampling distribution, Field (2009: 329) states that it “should be true in large samples, but in small samples people often check the normality of their data because if the data themselves are normal then the sampling distribution is likely to be also”.

Non-parametric tests have fewer assumptions than parametric tests, hence, Field (2009) calls them assumption-free tests. Sometimes they are known as distribution-free tests. However, Field (2009: 540) argues that this is not technically true as they have distributional assumptions, for example, the one used by him is based on a continuous distribution. In addition, he also argues that parametric tests are not necessarily more powerful than non-parametric tests. Moreover, Pallant (2007: 210) states that “non-parametric techniques are ideal for use when ... data ... are measured on nominal (categorical) and ordinal (ranked) scales. They are also useful when [there involves] very small samples and when ... data do not meet the stringent assumptions of the parametric techniques".

Since this study is exploratory in nature, the initial exploratory investigation used descriptive statistics in terms of frequency, percentage and mean. In addition, cross-tabulations with chi-square analyses were also conducted according to the two main control variables, namely, 'holding type' and 'revolving status', with selected variables that were classified into their grouping motivations. Additionally, the Spearman test of correlation, factor analysis and the Mann-Whitney U test were also used. The statistical analysis in this study was conducted using SPSS version 16.

The following are the statistical analyses used by this study.

Descriptive analysis:

Descriptive analysis provides an idea of and information about the questionnaire. Pallant (2007) classifies descriptive statistics under preliminary analysis, which can be used to describe the sample characteristics. This implies that descriptive analysis is used at the early stage of data analysis and is used to understand the sample. Descriptive analysis can be used to describe, organize and summarize the gathered data. In this study, frequency distribution, percentage and mean were used as the main descriptive analysis methods. The descriptive analysis was conducted for all the variables in the questionnaire to establish the overall findings in an attempt to grasp some basic knowledge of the responses gathered from participants. The frequency and percentage distributions were used to determine the occurrence, while the mean was used to observe the general tendency for every variable in the study. It is worth noting that the results of the descriptive statistics have been organized in an efficient way; the findings of the descriptive analysis are not all placed in one chapter but are grouped according to the theme and scope of this study and are dispersed into three chapters – Chapters 5, 6 and 7. However, the major parts of the descriptive statistics, which deal with the demographics and socio-economics of the respondents, have been placed in Chapter 5, as they serve as a basis in understanding the behaviour of the cardholders, which is useful for the later analysis.

Cross-tabulation:

Cross-tabulation is a tool under descriptive statistics that is used to determine a relationship between the independent and dependent variable. The SPSS produces results in terms of a contingency table when this test is conducted. The relationship between the two variables can be determined through the percentage and number of observations in the table.

Chi-square:

The chi-square test is a non-parametric test that determines whether a relationship between the two variables can be considered a 'good fit'. It is a test associated with cross-tabulation. The chi-square test for independence is used to explore the relationship between two categorical variables with two or more categories. "This test compares the observed frequencies or proportions of cases that occur in each of the categories, with the values that would be expected if there was no association between the two variables being measured" (Pallant, 2007: 214).

Chi-square was used in this study to determine the relationship between the holder type – as the first control variable – with the various selection, usage and perception variables. In addition, it was used to determine the relationship between the second control variable (revolving status, specifically between non-revolvers and revolvers) and various other variables including demographic variables.

Spearman test of correlation:

Correlation is a more powerful statistic compared to chi-square. Correlation shows both the direction and the strength of a relationship between the two variables that are being measured (Pallant, 2007). The Spearman test of correlation was used to measure the direction and strength of the relationship for several variables of interest including education and income with the control variable of 'revolving status'. This test was conducted after the use of cross-tabulation and the chi-square test.

Factor analysis:

Factor analysis is "a technique for identifying groups or clusters of variables [which can be used] to understand the structure of a set of variables ... and ... to reduce a data set to a more manageable size while retaining as much of the original information as possible" (Field, 2009: 628). "Factor analysis allows ... a large set of variables or scale items [to be condensed] to a smaller, more manageable number of dimensions or factors. It does this by summarising the underlying patterns of correlation and looking for 'clumps' or groups of closely related items" (Pallant, 2007: 102). Hence, factor analysis separates measured items into sets of dimensions, where it identifies variables and places them under suitable underlying dimensions according to their common value. The relationship between the items can be determined based on factor loadings. This study used various dimensions of credit card selection factors adopted from previous empirical studies and added several new factors; hence, factor analysis was deemed to be useful to determine each factor's broader dimensions.

In order to determine whether factor analysis can be conducted on a set of variables, the values of Kaiser-Meyer-Olkin (KMO) and Bartlett tests need to be checked. The minimum value requirement for KMO is .6 and the value of KMO is from 0 to 1, while factor analysis is suitable if Bartlett's test produces a significant value when the p-value is less than 0.5 (Pallant, 2007: 181). The detailed results of the factor analysis are available in Chapter 7.

Mann-Whitney U Test:

The Mann-Whitney U test for non-parametric data was used to analyse the significance of the difference between two independent variables. The two independent groups are those holding ICCs (ICC holders) and those without such a holding (CCC holders). According to Pallant (2007: 220-221), the test is used to measure "differences between two independent groups on a continuous measure". For example, 'do males and females differ in terms of their self-esteem?' Thus, this test compares medians of the two groups instead of means as in the case of the parametric alternative of the t-test for independent samples.

The results produced from each of the abovementioned statistical tests are 'descriptively' explained. In addition to describing the results, further interpretations of the behaviour of the cardholders are rendered to provide further meaning to the findings.

It is also worthwhile noting that a 5% level of statistical significance is most commonly used as a cut-off point to determine the relationship between variables, where a smaller value represents a higher strength of relationship. However, this study uses a 10% level of significance to be more conscious of the potential significance of variables on the edge. This choice can also be justified with reference to other research on credit cards, which utilizes

10% as the cut-off point. Consequently, any test result that produces a value lower than 0.1 is considered statistically significant, and, hence, the null hypothesis should be rejected.

4.5.1.1.7. Reliability and Validity of the Questionnaire Data

After undertaking the first process to 'feel the data', a further test to determine the 'goodness of data' should be conducted. The goodness of data can be checked based on reliability and validity (Sekaran, 2003: 307). Field (2009: 11) refers to reliability as "whether an instrument can be interpreted consistently across different situations" or "the ability of the measure to produce the same results under the same conditions. To be valid the instrument must first be reliable". The reliability can be assessed by testing the same people twice. An instrument is said to be reliable if the two results show similarity (Field, 2009: 12). According to Sekaran (2003: 307–308), "Cronbach's alpha is an adequate test of internal consistency reliability" and it is the most common way to measure internal consistency (Pallant, 2007: 6). The value of Cronbach's coefficient alpha ranges from 0 to 1, where the higher values of Cronbach's coefficient alpha indicate higher reliability. Pallant (2007: 6) suggests 0.7 as a minimum acceptable value; however, the value can be smaller if the number of items get smaller.

The Cronbach's alpha for this study was computed, and for the selection scale it was found to be .932, comprising 27 items. For measuring the 'Islamicity of ICCs', which comprises 6 items, it was .830 and for CCCs in comparison to ICCs, which comprises 7 items, it was .831. Hence, these three scales show a high reliability as the value of each scale is above .7, as suggested by Pallant (2007); although according to Field (2009: 681), a value above 0.8 indicates good and high reliability.

Validity is defined as "whether an instrument measures what it was designed to measure" (Field, 2003: 11) or "the degree to which it measures what it is supposed to measure" (Pallant, 2007: 7). There is no simple way to measure validity as there is for reliability. However, the use of scales in past empirical evidence can be used as the scale validation. As this study has adopted some variables from previous established empirical evidence (see Chapter 2), many of the scales in use in this study are considered valid. In addition, Sekaran (2003: 308) states the importance of "factorial validity". As this study uses factor analysis and the results of the factor analysis indicate that 'theorized dimensions' have emerged (refer to Chapter 7 for the results of the detailed dimensions), this further validates the items utilized in this study.

4.5.1.2. Qualitative Data Collection Method – Interviews

The literature on credit cards is dominated by questionnaire survey based empirical studies. In exploring further knowledge relating to credit card selection and the impact from the use of credit cards, this study employs a second method to supplement the main method of the questionnaire survey in an attempt to make a further contribution to the credit card subject field. As mentioned before, this research also aims to identify the perceptions of various stakeholders of various aspects of credit cardholding to develop an in-depth understanding. The main motivation for choosing interviews was to get rich data, as according to Sekaran (2003: 228), "personal interviews provide rich data when respondents spontaneously offer information, in the sense that their answers do not typically fall within a constricted range of responses, as in a questionnaire. However, personal interviews are expensive in terms of time, training costs, and resource consumption". Interviews were considered to be the best method of data gathering to complement the questionnaire survey.

Interviews can be used to find out "subjective meanings rather than ... eliciting responses within a standard format for comparison with other individuals or groups [and they also] permit exploration of issues that may be too complex to investigate through quantitative means" (Banister *et al*., 1994: 50–51).

Interviews can be classified as unstructured or structured interviews. "Unstructured interviews are so labelled because the interviewer does not enter the interview setting with a planned sequence of questions to be asked of the respondent. The objective of the unstructured interview is to bring some preliminary issues to the surface so that the researcher can determine what variables need further in-depth investigation ... the type and nature of the questions asked of the individuals might vary according to the job level and type of work done by them" (Sekaran, 2003: 225). Structured interviews, however, are for when it "is known at the outset what information is needed. The interviewer has a list of predetermined questions to be asked of the respondents ... The questions are likely to focus on factors that had surfaced during the unstructured interviews and are considered relevant to the problem" (Sekaran, 2003: 227).

Considering the attributes of unstructured and structured interviews, the researcher chose the middle approach of the two, namely, the semi-structured interview, which lies between unstructured and structured interviews (Banister *et al.*, 1994).

4.5.1.2.1. Designing Semi-structured Interviews

A list of questions was prepared in advance to guide the exploration of the selection and impact of credit cards as well as their related issues. Considering the constructed variables in the questionnaire survey and the aim of the interviews, i.e., to explore further information relating to credit card selection and impacts, the interview content was constructed in a way to complement and supplement the questionnaire survey data. The questions were designed for various stakeholders and were mainly divided into two categories. The first was the set of questions for bankers in the credit card sector and the second set was for the other stakeholders, who included cardholders, a *Shari'ah* scholar and an economist.

In constructing the questions, the more general questions were placed at an early stage and were later followed by more specific issues. This method was suggested by Sekaran (2003). The questions of the semi-structured interviews are presented as follows.

Set 1: Questions for the bankers

Q1: How is your credit card market performing?

Q2: What implication does the service tax have on the credit card industry?

Q3: From your experience working at the current bank, which market is better, ICC or CCC?

Q4: Could you please describe the payment pattern and behaviour of your credit cardholders?

Q5: What action does your company take against credit cardholders who default on payments?

Q6: From your experience, does religiosity have any influence on credit card selection?

Set 2: Questions for the other stakeholders

Q1: Do you think that a credit card is a necessity?

Q2: Do you think that credit card use leads to overspending?

Q3: Do you have any special experience in your credit card dealings?

Q4: From your experience, which type of credit card is better, ICC or CCC? Please explain.

It should be noted that the questions were open-ended and interviewees were given the flexibility to answer, unlike the closed-ended questions in the questionnaire survey. At the end of the questions, the participants were given an opportunity to give further views. This explains why the interviews offer an extension and further exploration in knowledge through the 'free' responses, as opposed to the more restricted questionnaire survey. The sets of semi-structured interview questions are attached in Appendix B.

4.5.1.2.2. Interview Sampling

In gathering data that can answer the study research questions, sampling must be efficiently established. The sample in this interview survey comprised cardholders, bankers in charge of credit cards, a *Shari'ah* scholar and an economist. The sampling used to select interviewees for this study was snowball sampling. Snowball sampling is used in "identifying and ... selecting the cases in a network. It is based on an analogy to a snowball, which begins small but becomes larger as it is rolled on wet snow and picks up additional snow" (Neuman, 2004: 140). "Snowball sampling (also called network, chain referral, or reputational sampling) is a method for identifying and sampling (or selecting) the cases in a network." In snowball sampling "the crucial feature is that each person or unit is connected with another through a direct or indirect linkage. This does not mean that each person directly knows, interacts with, or is influenced by every other person in the network. Rather, it means that, taken as a whole, with direct and indirect links, most are within an interconnected web of linkages" (Neuman, 2004: 140).

In applying snowball sampling to gather the sample for the semi-structured interviews, the researcher began with four main people and these people identified the rest of the interviewees. At the end, the researcher developed a list of almost twenty bankers. Unfortunately, many of these bankers did not do credit card related work and some who did do credit card related work did not take part in the end. Several of them raised concerns over their anonymity, although the researcher had guaranteed to maintain their anonymity, and the identification of the bank was to be made in general according to size and type of bank. In the end, it was only possible to interview three bankers from this snowball sampling and another four bankers were gathered based on luck, after the researcher walked into credit card centres and chose them. In other words, four of the bankers were sampled through convenience sampling. Hence, overall there were seven participating bankers. Each of the bankers worked at a different bank.

In addition to interviewing the bankers, ten cardholders, one *Shari'ah* specialist and one economist were also approached through convenience sampling, as described in Section 4.5.1.1.4.

4.5.1.2.3. Administering the Semi-structured Interviews

According to Sekaran (2003: 232–233), interviews can be conducted face to face, over the telephone or through computer-assisted telephone interviews. The face-to-face, one-to-one interview type was chosen as an advantage of this is that it allows the interviewee to clarify any doubts arising during the interview; hence, it enables questions to be adapted, rephrased and repeated until arising issues are properly understood. The direct interaction provided by face-to-face interviews also allow interviewers to read 'non-verbal cues' based on respondents' body language, which are impossible to detect if interviews are conducted via the telephone. However, if the research involves a large geographical area, telephone interviews are better as travelling time can be saved and the discomfort among respondents can be reduced as their anonymity is better taken care of than in face-to-face interviews. It is also worth noting the disadvantages of face-to-face interviews where the geographical factor may increase costs and the discomfort of participants concerning their anonymity (Sekaran, 2003: 233). Considering the type of interview, the researcher chose face-to-face interviews for this study due to their listed advantages. In addition, face-to-face interviews were chosen as it reflects the most common practice in the research literature (Burman, 1994: 49).

Although at first it was planned to conduct the face-to-face semi-structured interviews in Kuala Lumpur and Selangor, the same areas that the questionnaire survey was disseminated to the cardholders, there were some changes to this plan. One banker's responses were gathered based on the open-ended questions via email. This particular banker decided at the last minute to participate via email due to time constraints. For another banker, the interview was conducted in Pahang in a place that was convenient for her. In other words, it should be noted that although initially the interviews with bankers in charge of credit cards were intended to be from headquarter offices, one of the interviews was conducted in a bank branch. In addition to that, the semi-structured interview with the economist was conducted in the UK during an opportune and convenient time. Hence, the real cases for three of the interviewees, namely, two bankers and one economist, were diverted from the original plan.

It is also worth noting that prior to conducting the interviews, the researcher tried to establish a good rapport with the prospective interviewees. This is supported by Sekaran (2003: 232), who suggests that the researcher should establish credibility. Rapport, for instance, can encourage participants to provide sincere answers, which can reduce bias as their anxieties and suspicions can be reduced through the process. Sekaran (2003) also states that researchers should avoid biased ways of asking questions. The early questions should be general and then be followed by a more focused issue. The researcher needs to provide help and clarification over certain issues that are difficult for participants. The interview also has to be immediately transcribed to avoid loss of information as memory is not reliable over a longer period. All these tips given by Sekaran (2003) were employed by the researcher with the objective of getting richer data.

In order to make the respondents more comfortable in responding, several issues were emphasized by the researcher to each respondent at the beginning of the interview session. The reminders included that the information gathered in the interview would remain confidential and they could choose not to answer any question if they felt the question would threaten their post or contradict their interests. They were also reminded that the interview session would only last a maximum of 30 minutes, but that they could stop it at an earlier point if they wanted to. The interviews were also tape recorded to avoid loss of valuable information. The full transcript for each interviewee was coded and kept confidential. The data transcription process was completed at a satisfactory level about a month after the end of the data collection.

4.5.1.2.4. Interview Data Analysis

In analysing the gathered interview data, a qualitative method of codifying and an interpretative method were used. The responses gathered through interviews were transcribed immediately after each interview session, following Sekaran’s (2003: 232) suggestion that “the responses should be transcribed immediately and not be trusted to memory and later recall”. However, there was a delay in transcribing some responses when several interviews were conducted on the same day.

After transcription, the data from the semi-structured interviews was analysed using thematic analysis. “A ‘thematic analysis’ is a coherent way of organizing or reading some interview material in relation to specific research questions. These readings are organized under thematic headings in ways that attempt to do justice both to the elements of the research question and to the preoccupations of the interviewees" (Banister *et al*., 1994: 57). Thus, the interview text was coded manually and grouped according to the themes established by the researcher. This grouping according to theme allowed the researcher to reach a general view much more easily than describing the text without the grouping theme. The analysed interview data findings can be found in Chapter 8.

4.6. LIMITATIONS AND DIFFICULTIES

In collecting rich data, several limitations and difficulties were faced, which are discussed as follows:

(i) Confidentiality of Customers' Information:

One of the difficulties that arose was due to the secrecy of banking institutions over the customers' detailed information. In this case, for instance, the researchers were not provided with the names of the customers. To overcome this, the researcher had to approach the customers individually to ask whether they possess credit cards. This posed some difficulty to the researcher, especially when some of the respondents showed their uneasiness when questions relating to the ownership of credit cards were asked. The researcher learned from the experience and another approach was adopted, which was found to be more effective. Instead of asking whether or not the respondents possessed a credit card, the researcher explained that she was in need of help in completing her studies, and immediately after the explanation, the questionnaire was handed to the respondent. Those who did not have credit cards would realise the questionnaire was irrelevant to them upon reading the note on the front cover of the questionnaire, and they would return the questionnaire to the researcher.

(ii) Convenience Sampling and Generalisation:

The findings of the study may not be generalized to the general population due to the use of convenience sampling. However, taking the various constraints of the population of the study where customers' details are to remain confidential and the past literature that used convenience sampling, this study provides useful information for various interested parties, such as the issuing financial institutions, *Shari'ah* scholars, policymakers, as well as the consumers.

In addition, it should be noted that the nature of the Malaysian working environment in the Kuala Lumpur metropolitan area and the Selangor urban area has left their population with a hectic life style. Hence, the decision to participate in the study by members of the population may not be wholehearted, as some participants demonstrated a certain reluctance, which may affect their responses. This again explains why convenience sampling is more desirable.

(iii) Small sample size of ICC holders:

An important limitation remains the sample size. In particular, the sample size related to the ICC holding, which remained rather small compared to the sample for CCCs in the study. However, it is also important to note that this is the reality of Islamic banking products in a market dominated by conventional banking products.

(iv) Time:

The researcher was only given three months as the maximum time for collecting the primary data in the home country (Malaysia). Moreover, within this time limit, the researcher had two methods of data collection, which posed further difficulties. It should be noted that the major studies on credit cards only employed one method and involved the hiring of research assistants. In addition, the scope of their studies were not as wide as in this research. Therefore, taking the wide scope of the study, the two methods of data collection as well as the time constraints into consideration, the researcher resorted to hiring a research assistant to assist in collecting the questionnaires with the objective of collecting as much data as possible within the given time frame so that the reliability issues could be resolved.

It is also worthwhile noting that although the interview survey involved a small number of respondents, as compared to those gathered from the questionnaire survey, it was really time and brain consuming in terms of contacting and dealing as well as persuading the respondents to participate in the study. In other words, the interview survey also had distracted from the data collection of the questionnaire survey. In this study, a higher difficulty was encountered due to the involvement of various stakeholders in terms of work backgrounds, especially the bankers in credit card operations who were extremely busy and hard to contact.

Overall, due to the wide scope of this study, which involves the selection and impact of credit cards, it is suggested that one method of questionnaire data collection would be enough. This suggestion is made so that a better focus of the subject can be made due to less problems arising from the time constraints. Alternatively, the researchers who consider using two methods of data collection, are advised to use a narrower study scope, i.e., choose either the selection or the impact. However, it should be noted that the researcher is satisfied with the knowledge developed from this study despite not having time for a deeper understanding, and that it is valuable experience for the researcher's endeavours in future research.

(v) Cost:

There was a high cost involved in this research. This could be a barrier for researchers with financial constraints. It is advisable that this kind of data collection efforts, in particular when both questionnaire and interview methods of data collection are used, should be funded by various educational agencies including the scholarship bodies. As, in this case, the researcher was only funded with a return ticket, all other costs were borne by the researcher.

(vi) Last minute alterations:

With regard to the interview survey, the cancellation of interviews or change of place and time may be made at the last minute by the participants. Therefore, it is advisable that the researcher allows for flexibility in order to obtain rich data. As in this study, the researcher had to conduct an interview in Pahang, which is rather far away from the Kuala Lumpur, and several of the respondents who initially agreed did not participate. However, the researcher resorted to alternative solutions by walking in to the credit card centres to enrich the database.

As for the questionnaire survey, although it was planned at first that the researcher would wait for about 15 minutes self-administrating the questionnaire survey while allowing the respondents to answer, most of the questionnaires distributed at shopping complexes, housing areas and offices were left for the researcher as they requested the researcher to return later for collection. In some cases when the respondents said they were busy at the time when the questionnaire was handed to them, the researcher requested that they keep the questionnaire so that they could answer at a convenient time to encourage participation. Therefore, the researcher had to return at a later date to collect the questionnaire. In these cases, it is normal to get no return of the questionnaire.

(vii) The mood of respondents:

The researcher should also be alert to the mood of the respondents prior to approaching them to answer the questionnaire survey. If they seem to be in real hurry, it is advised that they should not be approached at all as the researchers experience indicated that their responses were likely to reflect their mood. Therefore, there is a higher probability to scrap their returned questionnaire as most are left unanswered and there is inconsistency in their responses. It is more effective to approach individuals who seemed bored waiting. These people are more willing to answer and are also more welcoming.

(viii) Questionnaire length:

Many respondents during the data collection complained about the length of the questionnaire. Perhaps, a shorter questionnaire may be of help in the future. However, the wide scope of the study explains the lengthy questionnaire used in this study.

(ix) Differences in ethnic background:

During the data collection process, some individuals from different ethnic groups hesitated to participate in the study, not to mention that there were also a few individuals of different ethnicity who were more helpful in contributing than those having similar ethnic backgrounds. However, greater participation is expected if collectors with a similar ethnic background can be hired as language and culture barriers can be reduced.

4.7. CONCLUSION

This chapter explains the research methodology and research methods used to achieve the aim of the research. This chapter is pivotal as it provides an overview of the processes undertaken by the researcher in researching. The research is categorised as qualitative research as it aims to measure attitudes and perceptions. It is a case study involving the Malaysian country and it utilises a flexible design. In answering the research questions, the study utilised an inductive strategy and the use of triangulation methods through the mixed use of a questionnaire as a quantitative method and interviews as a qualitative method. The questionnaire was distributed based on purposive and convenience sampling methods, after undergoing three stages of pre-testing and a pilot test before the version was finalised to be used in the fieldwork. The semi-structured interviews, which worked as a supplementary method, involved fewer steps than the questionnaire survey due to the nature of the method, which allows exploration while the method is being conducted. SPSS version 16 was used to analyse the data for the quantitative method, which uses frequency, percentage, mean, cross-tabulation, chi-square, the Spearman test of correlation, factor analysis and the Mann-Whitney U test. With regard to the semi-structured interviews, manual coding based on thematic analysis was used. The two methods of data collection extend the richness of the study as the disadvantages of the questionnaire survey may be covered by the semi-structured interviews across the various stakeholders, comprising bankers, a *Shari'ah* specialist, an economist and cardholders.

Chapter 5

EXPLORING DEMOGRAPHIC PROFILES, PERCEPTIONS AND ATTITUDES TOWARDS DIMENSIONS OF CREDIT CARDS AND THEIR USAGE IN MALAYSIA

5.1. INTRODUCTION

This chapter presents the initial empirical analysis of the primary data collected via the questionnaire survey before delving into further empirical analysis of credit card selection, as presented in Chapter 6 and the impact of credit cards, as discussed in Chapter 7. This chapter provides descriptive statistics for selected variables with the objective of establishing the central tendency and frequency of the attitudes, perceptions, and opinions of the participants in relation to the defined dimensions of credit cards in Malaysia. It should be noted that the descriptive statistics used in this chapter include frequency, percentage distribution, and mean. In terms of the method of statistical analysis, non-parametric tests are used in this study, the reason for which is explained in Chapter 4. After the screening and cleaning process, this study utilises 507 completed questionnaire surveys. Hence, this is an independent sample, which fulfils the requirements for use of non-parametric tests.

This chapter is organised into several sections. This brief introductory section is followed by Section 5.2, which presents the demographic and socio-economic attributes of the cardholders participating in the study, while Section 5.3 offers the credit card profile, which presents information relating to the credit cards of the participating respondents, such as brand, type of card ownership, usage frequency and payment. Additionally, it also highlights general credit behaviour among cardholders. Section 5.4 focuses on the various dimensions relating to ICCs, which, among others, includes whether or not cardholders think ICCs should be made existent in the market and whether such an existence can influence customers to possess the cards and, in turn, lead to overspending. The section also investigates whether the respondents have ICC related knowledge.

5.2. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

This section describes the demographic backgrounds of respondents. The variables include gender, age, marital status, number of children/dependents, status in the family – whether the respondent is the head of the family or not, ethnicity, religion, education, income, employment sector, occupation, whether they have a car loan, and whether they have a housing loan. These variables are important as they offer background information in understanding how credit cards are selected, used, and how credit card use can affect cardholders.

Table 5.1: Distribution of Demographic Background

		Frequency	Percent	Mean
Gender	Female	230	45.5	
	Male	275	54.5	
	Total	505	100	1.54
Age (in Year/s)	Below 18	2	0.4	
	18-20	16	3.2	
	21-30	246	48.8	
	31-40	181	35.9	
	41-50	43	8.5	
	51-60	16	3.2	
	Total	504	100	3.59
Marital Status	Single	241	47.8	
	Married	247	49	
	Widowed	5	1	
	Divorced	11	2.2	
	Total	504	100	1.58
Number of Children/Dependents	0	256	51	
	1	63	12.5	
	2	75	14.9	
	3	58	11.6	
	4	27	5.4	
	5	14	2.8	
	6	4	0.8	
	7	3	0.6	
	9	2	0.4	
	Total	502	100	1.25
Head Family	Yes	179	35.5	
	No	325	64.5	
	Total	504	100	1.64
Ethnicity	Malay	456	90.5	
	Chinese	27	5.4	
	Indian	16	3.2	
	Other	5	1	
	Total	504	100	1.15
Religion	Islam	458	90.9	
	Christianity	11	2.2	
	Buddhism	20	4	
	Hinduism	13	2.6	
	Other	2	0.4	
	Total	504	100	1.19

Table 5.1 depicts the demographic backgrounds of 507 respondents[18] who participated in the study, which are detailed as follows:

Gender: As the findings demonstrate, males comprised 54.5% of the total sample, which is 10% higher than females with 45.5%. This result represents the reality of the working force

[18] However, some variables may not add up to the 507 due to listwise deletion.

in Malaysia, where men and women are economically active in contributing to the livelihood of the family, especially those living in the metropolitan city of Kuala Lumpur and the Selangor urban areas where the study was undertaken.

Age: About 85% of the respondents are in the age group of 21-40, while the lowest representation is with the age group below 18 with 0.4%. The latter is expected as 18 years of age is the minimum age approved for getting a credit card. However, it is also important to state that having a majority of the respondents coming from the 21-40 group is also an indication that this is the working part of the labour force. A further detailed examination of the age group categories show that the highest percentage is 21-30 years with 48.8% of respondents. This implies that the credit card market is high among individuals who are starting jobs, with their age normally in the early 20s.

Marital status: As the results in Table 5.1 show, the percentage of single respondents was only slightly lower than married respondents, 47.8% and 49%, respectively. The rest are widowers with 1% and divorcees with 2.2%. Hence, the single participants who participated in the study can be said to be almost equal in proportion with the married participants.

Number of children/dependents: In line with the marital status findings, which found that the percentage of singles was about the same as that of the married respondents, the respondents without children/dependents was also about the same as the respondents with children/dependents, 51% and 49%, respectively. Of those with children/dependents, 2 children/dependents showed the highest percentage with 14.9%, followed by 1 child/dependent with 12.5%, 3 children/dependents with 11.6%, and the percentage decreases gradually with an increased number of children/dependents. The maximum number of children/dependents was 9 with only 0.4% of the respondents. Hence, the majority of the sample population were without children/dependents, while those with children/dependents were highly concentrated on 1 to 3 children/dependents, which accounted for 39% of respondents. This again implies that not many respondents with children/dependents have more than 4, as those with children are only 49%.

Head family: Table 5.1 reports that participants who were not the family head was about two times higher than those who were, which was 64.5% compared to 35.5%. The high number of 'non-head' participants may indicate that many of the respondents are single and also married but with no children/dependents, as evidenced by the previous findings that 47.8% respondents are single and that 51% are without children/dependents.

Ethnicity: Ethnically, the sample is highly concentrated with Malays who comprise 90.5% of the participants. The rest are Chinese with 5.5%, Indians with 3.2%, and other ethnicities with 1.0%. This result shows that not many non-Malay respondents participated in the study, which is also determined by the demographic nature of the country.

Religion: The religious group result also shows consistency with the ethnic results where 90.9% of the participants were Muslims while others were Buddhists with 4%, Hindus with 2.6%, Christians with 2.2%, and others with 0.4%.

After the general profile, Table 5.2 depicts the findings relating to the socio-economic backgrounds of the participants, which can be summarised as follows:

Income: The income group of RM1,500-RM3,000 showed the highest percentage with 48.1%. This was followed by RM3,000-RM5,000 with 23%, RM1,001-RM1,500 with 11.4%, RM5,000-RM10,000 with 11%, no income with 2.8%, and above RM20,000 with 0.2%. It is interesting to find that there were non-income earners among the cardholders. Perhaps, they were supplementary cardholders, or those who were in jobs when they applied for credit cards but later experienced job loss. This result indicates that many participants have a low income as about 63% earn less than RM3,000 a month.

Education: Among the participants, those with a Diploma/Matriculation/A-Level/Certificate are 36% of the sample and 35% have Bachelor degrees. These two groups' academic qualifications are found to be far larger than the other academic qualification groups. Specifically, 1.8% have Primary school education, 13% of the participants have secondary school education, 10.5% have a Master's education, and 1.2% have a Professional qualification. Hence, the majority of participants have an average level of education with either Diploma/Matriculation/A-Level/Certificate or Bachelor, which, combined together, totals to 70.6% of the whole sample population. This would imply that the samples are informed samples.

Table 5.2: Distribution of Socio-economic Background

		Frequency	Percent
Income	No Income	14	2.8
	Below RM1,000	5	1
	RM1,001-RM1,500	57	11.4
	RM1,501-RM3,000	241	48.1
	RM3,001-RM5,000	114	22.8
	RM5,001-RM10,000	55	11
	RM10,001-RM20,000	14	2.8
	Above RM20,000	1	0.2
	Total	501	100
Highest Education Level	Primary School	9	1.8
	Secondary School	66	13.1
	Diploma/Matriculation/A-Level/Certificate	181	36
	Bachelor	174	34.6
	Master	53	10.5
	Doctorate	10	2
	Professional Qualification	6	1.2
	Other	4	0.8
	Total	503	100
Employment Sector	Government/Public Sector	175	34.9
	Private Sector	281	56.1
	Self-employment	27	5.4
	Unemployed	18	3.6
	Total	501	100
Occupation	Manager/Executive/Businessman	168	33.7
	Shopkeeper	17	3.4
	Professional	75	15
	Schoolteacher or academic	52	10.4
	Technician	33	6.6
	Clerk	122	24.4
	Factory worker	2	0.4
	Retired	3	0.6
	Student	14	2.8
	Other	13	2.6
	Total	499	100
Car Loan	Yes	323	64.7
	No	176	35.3
	Total	499	100
Housing Loan	Yes	244	48.6
	No	258	51.4
	Total	502	100

Employment sector: The findings indicate that most of respondents work in the private sector (56.1%), which is about 20% higher than those working in the government/public sector (34.9%), while 5.4% are in self-employment and 3.6% are unemployed. Hence, there is a larger number of respondents employed in the private sector as opposed to the government sector.

Occupation: According to the occupational backgrounds of the participants, the largest number of respondents worked as Manager/Executive/Businessman with 33.7%, while the second largest occupational group was Clerks (24.4%), followed by Professionals (15%), schoolteachers or academicians (10.4%), technicians (6.6%), shopkeepers (3.4%), students

(2.8%), others (2.6%), retired (0.6%), and factory workers (0.4%). Hence, the results fairly support the employment sector, which found that many respondents work in the private sector.

Car loan: It was found that about 65% of the total sample population have car loans. This indicates that the majority of the respondents in Malaysia borrow money for purchasing a car, which should therefore be considered as an essential area for financing.

Housing loan: The findings also reveal that there is a lower percentage of those having a housing loan (48.6%) than those who do not. If this is compared to the car loan findings, it is found that the number of respondents who own car loans is greater (64.7%) than those having housing loans (48.6%). This may indicate that Malaysians perceive that owning a car is more necessary than owning a house. It may also inform that a house is more expensive than a car, which requires much longer financial commitments and requirements, as the applications are much harder than for car loans.

5.3. CREDIT CARD PROFILE

Having noted the characteristics of the respondents through their socio-demographic backgrounds, it is also important to investigate the respondents' credit card profile. Hence, this section aims to present the findings relating to the credit card profile. Table 5.3 depicts the findings of the variables relating to the credit card profiles of the respondents.

Number of credit cards held: The largest credit card holding number is 1-card with 47.9%; followed by 2-cards with 30.9%, and 3-cards with 12.7%. A lower percentage is found for those with 4-cards and above. This shows that there are comparatively less people with single card ownership (47.9%) compared to multiple ownership (52.1%). However, it is important to note that, among the sample, one individual has 13-cards. Hence, the findings inform that many Malaysians are single cardholders.

Credit card brands: The findings in Table 5.3 demonstrate that the holders of credit cards with the Visa brand is almost equal to those that carry MasterCard, 45.3% and 46.3% respectively, while only 8.8% own card brands other than these two international, giant credit card associations. This clearly informs that the Malaysian credit card market is largely monopolised by these two giant credit card companies.

Table 5.3: Credit Card Profile

		Frequency	Percent
Credit Card Number	1	242	47.9
	2	156	30.9
	3	64	12.7
	4	25	5
	5	11	2.2
	6	5	1
	7	1	0.2
	13	1	0.2
	Total	505	100
Brands	Visa	340	45.3
	MasterCard	347	46.2
	American Express	64	8.5
	Other	2	0.3
	Total	751	100
Credit Card Issuers	Citibank	116	15.4
	Maybank	213	28.3
	HSBC	81	10.8
	BIMB	48	6.4
	RHB	26	3.5
	CIMB	121	16.1
	AmBank	52	6.9
	Public Bank	59	7.8
	OCBC	9	1.2
	Standard Chartered	27	3.6
	Other Issuer	53	7
	Total	752	100
Holding Type	CCC	349	69.5
	ICC	78	15.5
	MCC	75	14.9
	Total	502	100

Credit card issuer: According to the results shown in Table 5.3, the most popular credit card issuers appeared to be Maybank (28.3%), followed by the second most popular, which is CIMB (16.1%), and the third most popular, which is Citibank (15.4%). BIMB is ranked as the fifth most popular with 6.4%, ranked after AmBank with 6.9%. The least popular issuer is OCBC with 1.2% of cardholders. Maybank being the most popular issuer is expected as it is the top Malaysian bank and also the largest bank in Southeast Asia (Maybank, n.d.). It is also useful to note that the percentage owning Maybank cards was almost twice as high as those having Citibank cards, the third most popular credit card issuer, as ranked by respondents.

Holding type: About two-thirds (69.5%) of participants possess CCCs, which is far higher than ICC ownerships with only 15.5%. While, the ownerships of multi-type cards or those having both types of holdings is almost the same as ICC ownerships with 14.9%. This is an interesting find as although Malaysia is very eager to promote Islamic finance, the credit card taking does not evidence this.

In further analysing the data, the credit card ownership duration is also considered, and the result of this is presented in Table 5.4.

Table 5.4: Period of Credit Card Ownership

Year	Frequency	Percent	Mean
1	98	21.5	
2	109	24	
3	62	13.6	
4	45	9.9	
5	45	9.9	
6	25	5.5	
7	12	2.6	
8	8	1.8	
9	3	0.7	
10	21	4.6	
11	3	0.7	
12	6	1.3	
13	3	0.7	
14	5	1.1	
15	4	0.9	
18	2	0.4	
20	2	0.4	
24	1	0.2	
25	1	0.2	
Total	455	100	4.05

Holding period: The highest ownership period was 2-years with 24%, followed closely by 1-year with 21.5%, and 3-years with 13.6%. Generally the percentage of ownership decreased from 3-years onwards, except where a few pickups occur, specifically at the 10-year, 12-year, and 14-year period. Therefore, it can be concluded that the '3-year ownership period and less' represents the larger sample population, accounting for 59.1% altogether. This finding can be partially explained by age factors as the elderly above the age of 40 participating in the study only comprised 11.7% of the sample population (see Table 5.1).

In further profiling credit card related dimensions, findings relating to credit card usage and payment dimensions are presented in Table 5.5.

Usage Frequency: As can be seen in Table 5.5, the highest usage frequency was monthly with 37.4%, followed by weekly with 26.7%, less frequently with 15.6%, and fortnightly with 10.3%. Among the participants, only 8.3% identified that they use it on a daily basis and 1.8% participants never use credit cards. Perhaps, the results indicate that Malaysians use credit cards according to budget, which is upon salary receipt, and fits with the highest usage, monthly.

Table 5.5: Usage and Payment

		Frequency	Percent
Usage Frequency	Daily	42	8.3
	Weekly	135	27
	Fortnightly	52	10
	Monthly	189	37
	Less Frequently	79	16
	Never	9	1.8
	Total	506	100
Typical Monthly Payment	Entire Balance	118	24
	Between Minimum and Entire Balance	209	42
	Minimum Balance	157	32
	Less than Minimum Balance	12	2.4
	Total	496	100
Finance Charge	Never	55	11
	Seldom	109	22
	Sometimes	193	39
	Usually	119	24
	Always	21	4.2
	Total	497	100
Source of Payment	Salary	426	71
	Saving	89	15
	Investment/Rental Income	44	7.3
	Borrowing	19	3.2
	Balance Transfer	25	4.1
	Other	10	1.7
	Total	603	100

Typical monthly payment: According to the results depicted in Table 5.5, only 23.8% of the participants pay their monthly bills in full, while the other 76.2% are revolvers. The mean value of 2.13 also evidences this. It should, however, be noted that this result contradicts previously established findings in which more participants indicated that they use credit cards for convenience reasons. However, convenience may be interpreted by participants as also a tool for getting finances, in turn supporting the finding.

Finance charge: Table 5.5 shows that only 11.1% of the participants have never had finance charges. Hence, this finding is consistent with the previous findings, which show that only a very small group of participants pay their bill on time.

Source of payment: As can be seen, about three quarters of participants (70.6%) pay their credit card bill using their 'salary'. However, sadly, the rest 29.4% of participants are expected to have further negative financial consequences as 14.8% use 'savings', 7.3% use 'investment/rental income', 4.1% use 'balance transfer' and 1.7% use other means like borrowing from personal individuals.

In analysing credit card behaviour, the participants were invited to express their opinions on the question 'do you think it is a good idea or a bad idea for people to buy things on an instalment plan?' The findings are depicted in Table 5.6.

Table 5.6: Credit Behaviour

	Frequency	Percent
Good idea	173	35.3
Good in some way, bad in others	199	40.6
Bad idea	118	24.1
Total	490	100

As can be seen in Table 5.6, the majority of participants (40.6%) responded that it is 'good in some ways, bad in others'; while 35.3% of the participants state that it is a 'good idea' and 24.1% state it as a 'bad idea'. Hence, there are more participants who think positively about buying on credit as compared to those who believe that such buying is a 'bad idea'. This finding implies that more Malaysians favour making debt than those who do not.

Table 5.7 depicts responses from participants for the various statements built to determine their difficulties in credit card dealings.

Table 5.7: Experience relating to Credit Card Debt and the Knowledge of Charging Structure

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
I have difficulty without credit cards	44	8.8	156	31.3	100	20.1	173	34.7	25	5	498	2.96
I have difficulty in paying my bill in full	50	10	117	23.4	90	18	208	41.7	34	6.8	499	3.12
I am encouraged to incur more debt due to an increase in credit limit	40	8	91	18.2	86	17.2	215	43	68	13.6	500	3.36
In general, my credit card debt has increased over time	47	9.4	124	24.8	88	17.6	207	41.5	33	6.6	499	3.11
I do not understand the charging structure of credit cards	43	8.7	150	30.2	137	27.6	128	25.8	39	7.8	497	2.94

I have difficulty without credit cards: As can be seen in Table 5.7, there is a slightly lower percentage of respondents who agree that they have difficulty without credit cards (39.7%) than not having difficulty (40.1%). This suggests that 40% of cardholders have credit cards they do not need, which opens the door for the possibility of overspending.

I have difficulty in paying my bill in full: More respondents admitted that they have difficulty in paying the bill in full (48.5%) than those who do not have such difficulty (33.4%). Only 18% of participants responded 'neutral' to the statement. Hence, this finding gives an indication that more participants have financial problems, which may make them rely on credit cards for finance, which is further evidenced from the revolving status' findings gathered from 'typical monthly payment' data; as shown in Table 5.5, about 70% of respondents are revolvers.

I am encouraged to incur more debt due to an increase in credit limit: About 56.6% of participants agreed that a credit limit increase will encourage them to incur more debt, while only 26.2% disagreed. This shows that the act of limiting the credit limit given to cardholders can control the majority of them from lavish spending.

In general, my credit card debt has increased over time: More people, 48.1%, agreed that their debt has increased overtime than those who disagreed with 34.2%. This further informs that more respondents are getting into a more severe stage of financial troubles through having credit cards.

I do not understand the charging structure of credit cards: There are only slightly fewer respondents who agree that they do not understand the charging structure of credit cards than those who have an understanding, at 33.6% and 38.9% respectively. This finding informs that there is still a large number of participants who do not understand the charging structure of credit cards. This group may complicate and worsen their financial situation as they may not realise the debt accumulation of credit cards due to not understanding the credit card structure.

After the payment and usage related dimensions, it is also important to determine how frequently participants use their credit cards for various transactions. The transactions were divided into two broad categories: according to the type of purchase and according to the purpose of use. The former is divided into four categories, which include 'food, petrol and gas', 'discretionary items', 'consumer durable items', and 'luxury items', while the latter is divided into whether the card is used for 'work' or 'personal' purposes.

Table 5.8: Transactions Made by Malaysian Credit Cardholders

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Transaction Type (Q14)	N	%	N	%	N	%	N	%	N	%	N	Mean
Food, petrol and gas	53	10.6	96	19.1	138	27.5	154	30.7	61	12	502	3.15
Discretionary items	120	24	132	26.3	143	28.5	82	16.4	24	4.8	501	2.52
Consumer durables items	111	22.2	98	19.6	164	32.7	108	21.6	20	4	501	2.66
Luxury items	221	44.1	98	19.6	106	21.2	60	12	16	3.2	501	2.11
Work purpose	179	35.7	69	13.8	138	27.5	95	19	20	4	501	2.42
Personal Purpose	63	12.5	91	18.1	181	36.1	131	26.1	36	7.2	502	2.97

According to Table 5.8, the results for the first four items indicate that Malaysians use credit cards the most for 'food, petrol and gas', followed by 'consumer durables', 'discretionary purchases', and 'luxury purchase' as the least use. These findings were simplified based on the mean value. In addition, these findings were further checked with the percentage of those who never use credit cards, which is traced based on the 'never' column, which reports that 10.6% never use credit cards for 'food, petrol and gas', 22.2% for 'consumer durables' items, 24% for 'discretionary items', and 44.1% for 'luxury item'; hence, producing 89.4%, 87.8%, 86% and 56.9% for those who have used credit cards for the respective items. These are ranked and the results are similar to the ones produced through the mean values. These results, in a way, indicate that Malaysians use credit cards more for basic necessity rather than for other transactions, such as purchasing luxury items.

The last two items report that Malaysians use their credit cards less for 'work purpose' but more for 'personal purpose', where 64.3% have used their cards for 'work purpose' as compared to those who have used their cards for 'personal purpose' with 87.5%. Hence, this finding partly explains the previous findings where credit cards are found to be most used by cardholders for 'food, petrol and gas'.

5.4. PERCEPTIONS ON VARIOUS DIMENSIONS OF ISLAMIC CREDIT CARD USAGE

One of the major focuses of this study is to examine the issues related to ICCs. Hence, this section reports the findings relating to the ICC dimensions in revealing the issues.

Table 5.9: Opinion of ICCs being made Available in the Market

Should there be ICCs?			
		Frequency	Valid Percent
Valid	Yes	333	66.5
	No	66	13.2
	No Opinion	102	20.4
	Total	501	100.0
Mean	1.54		

In seeking the knowledge whether participants believe that there should be Islamic credit cards, Table 5.9 indicates the results to the question, which depicts that 66.5% of participants thought that ICCs should be made available, which is about 5 times higher than those opposing the existence of ICCs with only 13.2%; 20.4% of participants responded 'no opinion'. Hence, the results show that there is a strong demand for ICCs to be made available in the market. It should also be noted that there was a higher percentage of individuals who agreed that ICCs should be made existent, as compared to those who owned ICCs (see Table 5.3). Specifically, those who demanded ICCs to be made existent were 66.5%, as opposed to those who possessed ICCs with 15.5%.

In addition to the acceptance of ICCs, the respondents' perceptions were sought over a number of dimensions, such as 'whether they believe such existence would provide them convenience', 'whether ICC existence would make their holders overspend', and 'whether they believed the marketing of ICCs using Islamic motives are acceptable'. The findings of these issues and the specific statements used in the investigation are presented in Table 5.10.

Table 5.10: Perceptions concerning ICCs

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
ICCs provide convenience	9	1.8	57	11.3	152	30.2	229	45.5	56	11.1	503	3.53
ICCs encourage people to consume more than they need	27	5.4	106	21.1	167	33.2	169	33.6	34	6.8	503	3.15
ICCs encourage Muslims who do not need credit cards to possess the cards	24	4.8	80	15.9	216	43	143	28.5	39	7.8	502	3.91
The use of Islamic motives/factors to attract Muslims to use the card is unacceptable	30	6	99	19.7	209	41	135	26.9	32	6.4	502	3.08
ICC holders are more likely to meet their payment obligations than holders of CCCs	24	4.9	77	15.6	263	53.2	107	21.7	23	4.7	494	3.06

ICCs provide convenience: As depicted in Table 5.10, the participants who agreed that ICCs provide convenience was about four times higher than those in disagreement, where the former accounted for 56.6% and the latter 13.1%. Hence, this study strongly indicates that convenience is one of the main issues in explaining credit card use.

ICCs encourage people to consume more than they need: The respondents who agree (40.4%) that 'ICCs would encourage people to consume more than they need' were two times higher than the disagreeing respondents (26.5%). Hence, this result implies that the existence of ICCs would encourage more overspending.

ICCs encourage Muslims who do not need credit cards to possess the cards: There are also more respondents who agree that the existence of ICCs will encourage Muslims to possess cards than those who disagree: 36.3% compared with 20.7%. Therefore, the findings signify that the existence of ICCs would encourage Muslims to have cards that they do not need and, with such ownership, the possibility of overspending will exist.

The use of Islamic motives/factors to attract Muslims to use the card is unacceptable: According to the results presented in Table 5.10, those who agreed with the statement was about 10% higher than those who disagree, 33.3% than 25.7%. The largest respondents were in the neutral group (41%). The findings reveal that there were more respondents who did not accept the use of Islamic motives in attracting customers to credit cards. However, it is also important to note that the majority of respondents were still sceptical.

ICC holders are more likely to meet their payment obligations than holders of CCCs: There is a slightly greater tendency among cardholders to accept this statement compared to those who rejected it, which is 26.4% and 20.5%, respectively. Hence, the majority are still sceptical that the type of ownership will differentiate the payment behaviour between the cardholders. However, the fact that there is a slightly higher proportion of those in agreement that there is a higher tendency for ICC holders to pay their debt obligations is believed to be due to the marginal group of religious individuals who chose credit cards for religious reasons.

Another key aspect in determining how well customers accept ICCs is through knowledge examination. Hence, several knowledge variables are developed and the findings of the variables are presented in Table 5.11.

Table 5.11: Knowledge relating to ICCs

	Yes		No		Neutral		Total	
Variable	N	%	N	%	N	%	N	Mean
There is no interest charge with ICCs	122	24.4	144	28.9	233	46.7	499	2.22
I understand ICC structures	122	24.4	141	28.3	236	47.3	499	2.23
ICCs cannot be used for transactions contradicting Islamic teachings	271	54.1	64	12.8	166	33.1	501	1.79
Muslims are allowed to use CCCs	217	43.3	86	17.2	198	39.5	501	1.96
My knowledge of Islamic finance comes from formal education	186	37.2	154	30.8	160	32	500	1.95

There is no interest charge with ICCs: The results in Table 5.11 depicts that there is only a slightly lower percentage of respondents who agree that ICCs are free from interest than those who disagree, 24.4% compared to 28.9%. The majority of participants (46.7%) prefer not to take any side on the agreement levels. This result, in general, indicates that only one quarter of respondents have confidence in the Islamicness of ICCs, while the rest are still suspicious of ICCs. In particular, having such a large ‘neutral’ group is a clear indication of the scepticism around ICCs and their operational nature. Hence, the result implies that there is a high scepticism concerning Islamic banking products among customers.

I understand ICC structures: According to the results in Table 5.11, there are more participants who do not understand ICC structures than those who do, 28.3% as against 24.4%. In addition to those who do not understand, the majority of respondents (47.3%) are not sure whether they understand the structure or not. If this latter group is classified in those who do not understand, it will produce 75.6% of respondents who do not understand ICC structures. Hence, three quarters of the respondents do not understand ICC structures. This implies that the knowledge of Islamic products among Malaysians is still bad considering that Malaysia is at the forefront of Islamic finance.

ICCs cannot be used for transactions contradicting Islamic teachings: A better result compared to the previous two statements is found for this dimension, for which there is a large percentage of participants (54.1%) who agree that they cannot use ICCs to make prohibited transactions, while there are only 12.8% who disagree. Hence, this implies that the majority of respondents understand the teaching of Islam to not use Allah's given facilities for prohibited items.

Muslims are allowed to use CCCs: There are more respondents who accept that Muslims are allowed to use CCCs (43.3%) than those who reject this notion (17.2%). Therefore, the results show that there is a high agreement among respondents that Muslims can use CCCs, which can substantiate the high holding of CCCs among respondents (69.5% held CCCs as opposed to 15.5% with ICCs, see Table 5.3).

My knowledge of Islamic finance comes from formal education: In searching for the source of knowledge on ICCs, the respondents were asked to state their opinion on this statement to investigate whether their knowledge of Islamic finance comes from formal education or not. The results in Table 5.11 show that those stating that their knowledge of Islamic finance comes from formal education comprises 37.2% compared to 30.8% for those who stated 'no' to this statement. Hence, there is a slightly higher number of respondents who received their Islamic finance knowledge formally than those who did not.

5.5. CONCLUSION

The analysis of this chapter focuses on the backgrounds of respondents and various dimensions of credit cards. The results show that male participants were only about 10% higher than female. The majority of the respondents could be considered young and middle aged as around 85% of the sample population were in the age group of 21-40 years. In addition, married participants were about the same number with those of single participants, contributing to about the same percentage of those who have children/dependents with those who were without. About one-third of the respondents were the head of the family, thereby indicating that a large number of respondents are still single, which is also evidenced from the marital status findings in which about half of the respondents are single. Furthermore, around 90% of the respondents are Malays and Muslims.

The findings also demonstrate that the majority of respondents are in the low income group where 66.3% of the respondents earn less than RM3,000, while only 14% of participants had an income of more than RM5,000. The income findings were consistent with the education level, in which about 70.6% of participants have Diploma/Matriculation/A-level/Certificate and Bachelor, while only 12.5% have a Master's and or Ph.D. More respondents (56.1%) were found to be employees in the private sector compared to only 35% work in the government/public sector. The results also show that the three largest groups of respondents in terms of profession are the manager/executive/businessman, clerk and schoolteacher or academic. The findings also suggest that owning a car is more essential than owning a house.

Malaysian single credit cardholders (47.9%) are slightly less than the multiple holders[19] (52.1%). MasterCard and Visa were the dominant brands, while Maybank, CIMB, Citibank and HSBC were the top popular issuers of credit cards according to the ownership of the respondents. The market of ICCs (15.5%) is still far behind the CCC market (69.5%), while not many respondents held multi-type cards[20] (only 14.9%).

The study also found that many respondents are still very new to holding credit cards, whereby the ownership period of 3 years and less accounted for 59.1% of the participants. The highest frequency usage is monthly (37.4%). The findings also identified that about three quarters of Malaysians are revolving cardholders. In terms of the areas where they use their credit cards, the highest usage is for buying 'food, petrol and gas' as well as the use of credit cards being more for personal than work related matters.

It is also surprising to see that more respondents favour credit buying through instalment purchases (35.3%) than those who thought such purchases were negative (24.1%). Additionally, it was found that 40.1% of respondents state that they do not have difficulty without credit cards even though they possess credit cards. It is also found that more than

[19] Those having two or more cards.
[20] Those holding ICCs as well as CCCs.

half of the respondents do not understand the credit card charging structure. The responses from the cardholders on various debt related statements indicate that many are having financial difficulties and tend to overspend. These all signify a higher negative implication of credit card use.

The findings also show that two-thirds (66.5%) of respondents believe that ICCs should be made available. However, there were a very large number of respondents who were sceptical about ICCs being free from interest, where only one quarter accepted that ICCs were interest free. Furthermore, three quarters[21] of respondents did not understand the structures of ICCs. More than half of respondents accepted that ICCs cannot be used to transact on prohibited products. In addition, a higher percentage of respondents accepted that Muslims can use CCCs compared to those rejecting such usage, which may explain why there was a very high percentage of participants holding CCCs (69.5%). The study also found that there was about an equal proportion of participants between those who learned Islamic finance through formal education and those who did not.

The results in the preceding section show that although there was a very high number of respondents who admitted that ICCs provide convenience, there is a slightly greater tendency among them to accept that the ICC's existence would lead to unnecessary card ownership and overspending. The results indicate that a slightly higher number of respondents agreed that 'ICC holders are more likely to meet their payment obligations than holders of CCCs' compared to those who disagree. In addition, there is a slightly higher tendency among respondents to not accept the usage of Islamic motives by ICC issuers in attracting customers to the products.

Overall, although the demand for the existence of ICCs is high among respondents, there is still low usage of ICCs and a scepticism about their Islamicness still exists. In addition, the use of credit cards has greater negative implications for the respondents.

[21] This is calculated by adding those who say 'No' and 'Neutral' to the question where details can be referred to variable 2 in Table 6.11.

Chapter 6

SEARCHING FOR THE DETERMINANTS OF CREDIT CARD SELECTION: AN ANALYTICAL APPROACH

6.1. INTRODUCTION

Chapter 5 presents the profiles of the participants with an attempt to provide the general patterns relating to the various dimensions of credit card usage. Building on the findings in Chapter 5, among other aspects, this chapter explores the factors surrounding credit card selection through analytical statistical methods.

Since ICCs are a newer type of credit card in the credit card industry compared to CCCs, a question arises over what makes ICCs more attractive to customers than their CCC counterparts. Therefore, the main objective of this chapter is to examine the distinguishing factors between ICC holders compared to CCC holders. It is expected that ICCs are selected due to their attached religious significance, as they are based on Islamic *Shari'ah* principles.

Following this brief introduction, this chapter is further organized into four main sections. Section 6.2 investigates the selection factors that attract customers to possess credit cards. The factors are further divided into two main categories, particularly the factors determining credit card possession and selection factors based on credit card features. In the analysis, descriptive statistics and factor analysis are utilized. It is also worth mentioning that mean values are used in determining whether the factors of selection for ICC holders are different than those of CCC holders. While Section 6.3 presents the results in measuring the satisfaction and loyalty of the respondents, Section 6.4 focuses on evaluating their perceptions towards credit cards with the ultimate aim of determining whether ICC holders perceive ICCs as more Islamic than CCC holders, and whether CCCs are seen considered superior to ICCs by ICC holders. Section 6.5 continues to analyse whether the level of an individual's religious practices can influence the type of credit cards they hold. Section 6.6 further investigates whether socio-demographic background has a statistically significant impact on selecting either ICCs or CCCs. Lastly, Section 6.7 concludes the chapter by summarising the main findings gathered in the preceding sections.

It is useful to note that Section 6.3 to Section 6.5 utilises the same format in presenting the findings. It starts with discussing the descriptive statistics in terms of frequency percentage and mean, and is followed by a detailed cross-tabulation table for variables of significant association based on a chi-square test. At the end of each section, the results of the inferential statistics based on a Mann-Whitney U Test are presented for all the tested variables that act as a guide in reviewing the previous results of the chi-squared cross-tabulation analysis.

For the analysis of the differentiation between ICC and CCC holders, the total of respondents from 507 has decreased to 427 due to the deletion of the MCC holders, this is detailed in Table 5.3 of Chapter 5 where the sample size of 507 comprised 78 ICC holders, 349 CCC holders and 75 MCC holders. The MCC holders were taken out from being utilized in the analysis as it was beyond the scope of this study. It should also be noted that the total may not add up to 427 in some analysis due to listwise deletion.

6.2. EXPLORING CREDIT CARD SELECTION FACTORS

This section discusses credit card selection factors in two main parts. First, it investigates the factors that influence respondents to initially possess a credit card, while the second part explores the credit card selection factors through the embedded credit card features. The embedded credit card features are constructed by the credit card issuers to attract customers to choose their credit cards over their competitors' cards.

6.2.1. Factors Determining Credit Card Possession

Before delving further into the issue, it is important to locate the factors impacting credit card selection with the objective of finding whether the ownership of credit cards is made by a customer's personal choice or whether it is due to other external influencing factors.

Table 6.1: Factors Determining Credit Card Possession

	N	%
General Ads	63	9.6
Card Salesmen	79	12.1
Convenience	193	29.6
Finance	164	25.1
Institutional Relationship	40	6.1
Work Environment	80	12.3
Family and friends	34	5.2
Other Factor	14	2.1
Total	653[22]	100

Table 6.1 shows that the most important influential factor determining credit card ownership is for 'convenience' (29.6%), followed by 'finance' (25.1%). Other factors were much less

[22] Total observation is more than the total participating respondents of 507 as some of the respondents had selected more than one answer for this question, even when they were asked to select the most influential factor.

important than these two factors where ‘work environment’ only accounted for 12.3%, ‘card salesmen’ for 12.1%, ‘general ads’ for 9.6%, ‘institutional relationship’ for 6.1%, ‘family and friends’ for 5.2% and ‘other factors’ 2.1%. Therefore, the results suggest that the majority of the respondents use credit cards due to convenience and financial factors. Hence, these results imply that credit cards are possessed by customers’ personal choices and are less impacted by external factors like ‘work environment’, ‘card salesmen’ and ‘general ads’.

6.2.2. Credit Card Selection Factors

This section presents the results of the twenty-seven credit card selection factors which were identified in this study and were provided to the participants to express their perceptions with the aim of locating which factors were most valued in the selection process.

6.2.2.1. Descriptive statistics results for credit card selection factors

In an attempt to understand the importance of the twenty-seven credit card selection factors, Table 6.2 presents the detailed results of the descriptive statistics in terms of number, percentage, and mean for the identified twenty-seven factors.

Table 6.2 lists the findings on the twenty-seven credit card selection variables according to mean value ranking in order to identify the importance of the selection criteria. The findings for each of the selection factors are organized according to the main categories, as was originally established in the questionnaire, specifically, the factors adopted from the study of Gan and Maysami (2006) are categorized based on the study, while the newly added variables were categorized based on the knowledge developed from the literature. The following section provides detailed discussions.

(i) Convenience:

Local acceptance: 77.4% of the participants in the form of ‘important’ and ‘highly important’ expressed that ‘local acceptance’ was an important factor, while only 9.6% considered this as not being important.

International acceptance: 72.2% of participants stated that ‘international acceptance’ of their credit cards played an important role in the holding of that particular card. As can be seen, this is about 5% lower than ‘local acceptance’. Therefore, ‘local acceptance’ is more important than ‘internal acceptance’, while only 12.4% considered the ‘international acceptance’ factor as being not important.

Table 6.2: Determinants of Credit Card Selection

	HU		U		Neutral		I		HI			
	N	%	N	%	N	%	N	%	N	%	N	Mean
Local Acceptance	15	3	33	6.6	65	13	249	49.7	139	27.7	501	3.9
International Acceptance	9	1.8	53	11	77	15.4	227	45.5	133	26.7	499	3.9
Internet/Online Transaction	17	3.4	52	10	89	17.8	223	44.6	119	23.8	500	3.8
Large Ticket Transaction	13	2.6	58	12	101	20.1	241	48	89	17.7	502	3.7
Safer than Cash	6	1.2	31	6.2	84	16.8	252	50.3	128	25.5	501	3.9
Insurance when Travel	7	1.4	28	5.6	124	24.9	234	47.1	104	20.9	497	3.8
Protection when Product Defect/Loss	10	2	28	5.6	143	28.5	219	43.6	102	20.3	502	3.8
Protection when Card Loss/Stolen	10	2	29	5.8	116	23.2	226	45.1	120	24	501	3.8
Automatic Direct Debit Payment in full	7	1.4	62	12	147	29.3	206	41	80	15.9	502	3.6
Zero Interest Instalment Plan	4	0.8	40	8	111	22.2	224	44.9	120	24	499	3.8
Facilitate Bill and Access to Statement	6	1.2	44	8.8	107	21.3	229	45.6	116	23.1	502	3.8
Supplementary Card	21	4.2	105	21	148	29.5	180	35.9	48	9.6	502	3.3
Free Short-term Credit	11	2.2	41	8.2	126	25.2	240	48	82	16.4	500	3.7
Immediate Credit	15	3	57	11	102	20.3	250	49.8	78	15.5	502	3.6
Cash Advanced	23	4.6	68	14	123	24.6	235	47	51	10.2	500	3.5
No Joining/Annual Fee	7	1.4	34	6.8	99	19.9	215	43.3	142	28.6	497	3.9
Paying Debt According to Budget	6	1.2	35	7.1	99	20	254	51.3	101	20.4	495	3.8
Discounts at Outlets	14	2.8	44	8.7	105	20.9	215	42.7	125	24.9	502	3.8
Road Show Promotion	22	4.4	63	13	129	25.7	203	40.5	84	16.8	501	3.5
Bonus and Reward	9	1.8	43	8.6	66	13.2	237	47.5	144	28.9	499	3.9
Commission Free on Traveller`s cheques	16	3.2	60	12	187	37.6	154	30.9	81	16.3	498	3.5
No Deposit on Car Hire	13	2.6	62	13	177	35.6	177	35.6	68	13.7	497	3.5
Status Symbol	57	11	138	28	128	25.5	144	28.7	34	6.8	501	2.9
Card Company	29	5.8	80	16	118	23.6	212	42.3	62	12.4	501	3.4
Islamic Brand	18	3.6	65	13	121	24.2	198	39.5	99	19.8	501	3.6
Issuing Bank	14	2.8	65	13	101	20.1	219	43.5	104	20.7	503	3.7
Shari'ah Board	13	2.6	61	12	118	23.6	185	36.9	124	24.8	501	3.7

Note: The total for some variables may not add up to 507 due to missing values; HU highly unimportant; U unimportant; I important; HI highly important.

Internet/online transactions: Credit cards which give Internet/online transaction opportunities were considered important by 68.4% of the participants, while only 13.8% indicated otherwise.

Large ticket transaction: Credit cards which facilitated large ticket transactions were considered as an important factor by 65.7% of the respondents, while 14.2% stated it was not important.

Therefore, all of the four sub-variables under the convenience factor were evaluated as important. The mean value on each of the four variables appears to be greater than 3.5, although lower than 4. The most important factor or criteria defined by the mean value is 'local acceptance' (3.93), followed by 'international acceptance' (3.85), 'Internet/online transactions' (3.75), and 'large ticket transaction' (3.67).

(ii) Protection:

Safer to carry than cash: 75.8% of the respondents opted for the criteria that, with reference to protection, the 'credit cards are safer than cash' factor was important, while 7.4% did not believe the factor was important.

Insurance when travel: 68% of the respondents considered the 'insurance on travel provided by the credit card issuers when transacting with credit cards' factor as important, while only 7% thought otherwise.

Protection when Product defect/loss: 63.9% of participants considered the 'protection' features against product defect/loss offered by credit cards as important, while only 7.6% perceived it as not important.

Protection when Card lost/stolen: 69.1% of participants considered given 'protection' when cards were lost/stolen as an important factor, while only 7.8% stated it was not important.

Therefore, among the four selection factors under the general criteria of 'protection', the participants valued 'safer than cash' (3.93) as the most important, followed by 'protection when card loss/stolen' with a mean of 3.83, 'insurance when travel' (3.8) and 'protection when product defect/loss' (3.75). It should be noted that the mean values are close to one another. It is also worth noting that the ranking of the items according to the mean values should be the same when the items are ranked according to percentage ranking.

(iii) Flexibility:

Automatic direct debit payment in full: More than half of the respondents (56.9%) chose the 'acceptance of automatic direct debit to pay their credit cards' as an important credit card feature. This comprised 15.9% who 'strongly agree', while 13.8% did not consider the factor important and the rest of the 29.3% of participants were neutral.

Zero interest instalment plan: 68.9% of participants considered credit cards permitting the purchase of goods and services on a 'zero interest instalment plan' as important, while only 8.8% stated it as not important. The mean value 3.83 also indicated that there were more participants who believed the factor important. This result indicates that the feature was strongly valued by customers.

Facilitate bill and access to statement: The use of credit cards that offer billing statements that allow cardholders to facilitate their spending was identified by more than half of the respondents (68.7%) as important, while only 10% considered it as not an important feature of credit cards. The remaining 21.3% were neutral on the matter.

Supplementary card: Slightly lower than half of respondents (45.5%) believed that having cards that provide supplementary cards was an important criteria, while 25.1% considered it as not important. The remaining 29.5% refused to take any side by sticking to the neutral group. Hence, this shows that having supplementary cards is not as important as the previous three factors under the general flexibility criteria.

According to the mean values, the 'zero interest instalment plan' was ranked the most important with 3.83, followed by 'facilitated bills and access to statement' with 3.81, 'direct debit payment' with 3.58, while the least important was the 'supplementary card' with 3.26.

(iv) Finance:

Free short-term credit: The use of credit cards to get the short-term credit feature revealed that the respondents who chose the factor as important was about 6 times higher (64.4%) than the participants who considered it as not important (10.4%). This implies that many cardholders value getting short-term credit from the use of credit cards.

Immediate credit: 65.3% of participants recognised that the availability of immediate credit is important in the use of credit cards, while only 14.4% thought that it was not important.

Cash advance: 57.2% of participants chose 'credit cards allowing cash withdrawal' as an important factor, while only 18.2% objected to the importance of the factor.

No joining/annual fee: About three quarters of the participants (71.9%) valued the importance of credit cards that have their joining and annual fees waived, while only 8.2% stated it as not important.

Pay debt according to budget: As for the revolving credit card features that give cardholders the opportunity for debt repayment in instalments, which can suit an individual's monthly budget, about three quarters of participants (71.7%) believed the factor to be important, while only 8.3% considered otherwise – suggesting a very large number of participants value the factor's importance.

Therefore, the highest ranked in importance in terms of mean values under the finance component factor was given to the ‘no joining/annual fee’ with a mean value of 3.91, followed closely by ‘pay debt according to budget’ (3.83), ‘immediate credit’ (3.64), ‘free-short term credit’ (3.68) and ‘cash advance’ (3.45).

(v) Promotion:

Discount at outlets: 67.6% respondents indicated that credit cards that get them discounts at accepting merchant outlets was important, while only 11.5% did not consider the factor to be important.

Road show promotion: 57.3% of participants considered getting a credit card due to road show promotions as important, while 17% considered otherwise.

Bonus and rewards: 76.4% of participants opted for bonus and rewards of credit cards as important criteria in their selection processes; this is the highest percentage compared to the two previous selection factors of ‘discount at outlets’ and ‘road show promotion’. Furthermore, only 10.4% of the participants considered the receipt of bonus and rewards from credit card use as not important.

Therefore, the mean value findings suggest that among the three sub-variables under promotion, ‘bonus and rewards’ was ranked the most important with a mean value of 3.93, followed by ‘discount at outlets’ (3.78) and ‘road show promotion’ (3.53).

(vi) Travel Economics:

Commission free on traveller’s cheques*:* There were more participants who stated that use of credit cards that allowed them to pay no commission on traveller’s cheques as important rather than those who stated not important, 47.2% and 15.2% respectively. While, the remaining 37.8% of participants were in the neutral group.

No deposit on car hire: Credit cards that acted as a guarantee for car hire where no deposit was asked from customers was recognized as important by almost half of the participants (49.3%), while 15.1% indicated that the factor was not important. The remaining 35.6% participants were still sceptical.

An examination on the mean values of the 'travel-economics' selection factors show that 'commission free on traveller's cheques' and 'no deposit on car hire' were rated as equally important with 3.45 mean value.

(vii) Reputation:

Status symbol: There was a slightly higher percentage of respondents who chose 'status symbol' as not important in selecting a credit card than those who considered it as important, 38.9% and 35.5%, respectively. This suggests that 'status symbol' is not that important in credit card selection, unlike all the other selection factors which were previously discussed.

Card company: 54.7% of participants stated that 'card company' like MasterCard and Visa as important in considering the choice of credit cards, while only 21.8% stated otherwise.

Islamic brand: In terms of having credit cards of an Islamic brand, 59.3% of participants considered the Islamic branding as important, while 16.6% considered the factor as not important.

Issuing bank: 64.2% of participants considered the credit card issuing banks as an important factor in their credit card selection process, while 15.7% thought otherwise.

Shari'ah board: 61.7% of participants valued the *Shari'ah* board as an important credit card feature, while 14.8% considered it as not important.

According to the mean values on the five selection factors of 'reputation', the most valuable factor rated by the participants was the '*Shari'ah* board' (3.69), followed by 'issuing bank' (3.66), 'Islamic brand' (3.59), 'card company' (3.40) and the least important was 'symbol status' with 2.92.

Overall, the twenty-seven selection variables can be ranked from the most to the least important factors through mean value findings as follows: local acceptance (3.93), safer than cash (3.93), bonus and rewards (3.93), no joining or annual fee (3.91), international acceptance (3.85), card loss/stolen (3.83), paying debt according to budget (3.83), facilitate bill and access to statement (3.81), insurance when travelling (3.8), discount at outlets (3.78), Internet/online transaction (3.75), protection on product defect/loss (3.75), *Shari'ah* board (3.69), free short-term credit (3.68), large ticket transaction (3.67), issuing bank (3.66), immediate credit (3.64), Islamic brand (3.59), automatic direct debit in full (3.58), road show promotion (3.53), cash advanced (3.45), no commission on travellers cheques (3.45), no deposit on car hire (3.45), card company (3.4), supplementary card (3.26) and status symbol (2.92).

6.2.2.2. Factor analysis of credit card selection factors

After identifying the card selection criteria or the identification factors, this section aims to provide a more robust analysis on the credit card selection criteria through factor analysis. Hence, this section, further investigates the selection factors utilising inferential statistics of the factor analysis, which aims to reduce the dimensions of variables used in the study while retaining their original information.

The procedure undertaken by the researcher in conducting the factor analysis was guided by Pallant (2007: 180-184) who divided factor analysis into three major steps: (1) “assessment of the suitability of the data for factor analysis”, (2) “factor extraction” and (3) “factor rotation and interpretation”. These steps, as advised by Pallant, have been applied in this study and are further described as follows.

The first step in factor analysis is to check the sample size, which should be large enough to have an acceptable sample size which, according to Pallant (2004: 175), is 100, while Field (2005: 640) stated that 300 samples would suit the requirements of the factor analysis. As this research gathered 507 usable questionnaires and utilised 427 in the factor analysis in comparing the behaviour of ICC holders against CCC holders, the study has fulfilled the requirements for conducting a factor analysis according to Field (2005: 639). Besides accounting for the sample size, Kaiser-Meyer-Olkin (KMO) can also be used as an alternative statistical tool to measure sampling adequacy in determining data factorability. Table 6.3 shows the results of the KMO for this study, which shows that the factorability of the data is near to perfect as the value is .092, which is very close to 1, the value of the perfect state.

Table 6.3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.902
Bartlett's Test of Sphericity	Approx. Chi-Square	6902.412
	Df	351.000
	Sig.	.000

In conducting the factor analysis in this study, the factorability of data is established through KMO and Bartlett’s test. The results in Table 7.3 depict that the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy value is .902, which is above the .6 benchmark and the Bartlett’s Test of Sphericity value records statistically significant at p-value .000, supporting the correlation matrix factorability. This indicates that factor analysis can be used as an analytical method.

After establishing the factorability of the data, factor extraction was immediately conducted. Factor extraction identifies interrelations among the tested variables. In other words, it simply produces a reduced number of variables in component dimensions. As according to Pallant (2007: 181), “factor extraction involves determining the smallest number of factors that can be used to best represent the interrelations among the set of variables.” In extracting the factors, this study chose principal component analysis. It is the most commonly used technique and is recommended by Field (2009) and Pallant (2007). The researcher used the eigenvalue rule or Kaiser’s criterion in determining the number of factors to be retained, which is also the most commonly used approach. Any factor with an eigenvalue of 1 and above was retained as a principal component. In other words, an Eigenvalue of 1 is used as the benchmark. The components, which go beyond the benchmark value of 1 are considered to constitute major components. The Kaiser Criterion is the most common method in determining the number of principles components. Alternatively, the scree test and parallel analysis can be used.

Finally, the data is rotated and interpreted. The factors are rotated to improve the interpretability (Field, 2005: 644) as the loadings pattern is presented in an easier way. In rotating, this study uses an orthogonal (uncorrelated) factor solution instead of an oblique (correlated) factor solution as it is assumed that there is no relationship between the underlying variables (Field, 2005: 644). Orthogonal rotation (varimax) is used if the underlying factors have no correlation to one another. However, both orthogonal and oblique correlations usually produce similar results (Pallant, 2007).

Table 6.4 lists twenty-seven factors, which have been extracted to seven factor components, as the Eigenvalue is greater than 1. The following are total initial Eigenvalues of the acceptable seven factors: the first factor is 9.9, the second factor is 2.0, the third factor is 1.8, the fourth factor is 1.4, the fifth factor is 1.3, sixth factor is 1.1 and the seventh factor is 1.1. Respectively, after the rotation, 11.47% of the variance is explained by the first factor, 10.77% by the second factor, 10.73% by the third factor, 9.38% by the fourth factor, 9.15% by the fifth factor, 9.14% by the sixth factor and 8.28% by the seventh factor. Overall, these seven factors explain 69% of the total variation. This further implies that the twenty-seven variables can be reduced to seven variable components, which is the objective of factor analysis.

After the identification of the component factors, in this case being seven, a rotated component matrix is attempted to produce the distribution of the selection factors among the seven component factors.

Table 6.4: Total Variance Explained on the Twenty-seven Credit Card Selection Factors

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.894	36.644	36.644	9.894	36.644	36.644	3.098	11.473	11.473
2	1.996	7.392	44.036	1.996	7.392	44.036	2.909	10.772	22.245
3	1.807	6.694	50.730	1.807	6.694	50.730	2.897	10.731	32.976
4	1.396	5.170	55.900	1.396	5.170	55.900	2.533	9.380	42.356
5	1.330	4.925	60.825	1.330	4.925	60.825	2.471	9.152	51.508
6	1.111	4.115	64.940	1.111	4.115	64.940	2.468	9.140	60.648
7	1.077	3.987	68.927	1.077	3.987	68.927	2.235	8.279	68.927
8	.913	3.382	72.309						
9	.760	2.814	75.123						
10	.675	2.500	77.622						
11	.601	2.227	79.849						
12	.590	2.183	82.033						
13	.549	2.033	84.065						
14	.489	1.812	85.878						
15	.428	1.585	87.462						
16	.401	1.484	88.946						
17	.376	1.391	90.337						
18	.366	1.356	91.693						
19	.349	1.293	92.987						
20	.311	1.151	94.137						
21	.293	1.086	95.223						
22	.274	1.015	96.239						
23	.236	.875	97.114						
24	.219	.813	97.927						
25	.212	.787	98.714						
26	.202	.749	99.463						
27	.145	.537	100.000						

Extraction Method: Principal Component Analysis.

Table 6.5 depicts the rotated component matrix for seven components and twenty-seven variables. The first component includes five items, mainly related with ‘reputation’, with loadings ranging from .48 to .79, with an Eigenvalue and variance of 9.9 and 11.47%, respectively. Therefore, this factor category can be named as the ‘Reputation Factor’. The second factor can be known as the ‘Finance Factor’ as it includes four items relating to ‘finance’ with loadings .60 to .80 with an Eigenvalue and variance of 2.0 and 10.77, respectively. The third factor related to ‘protection’ items, and, therefore, can be named as the ‘Protection Factor’, includes four items with loadings .62 to .78 with an Eigenvalue and variance of 1.8 and 10.73%, respectively. The fourth factor is the ‘Convenience Factor’, as it relates to 'convenience'. It includes four items with loadings .49 to .84 with an Eigenvalue and variance of 1.40 and 9.38%, respectively. The items under the fifth factor are related to 'flexibility' issues and, therefore, can be considered as 'Flexibility Factors'. It includes three items with loadings .63 to .68 with an Eigenvalue and variance of 1.3 and 9.15%, respectively. The sixth factor is the 'Promotion Factor', which includes three items with loadings .72 to .75 with an Eigenvalue and variance of 1.11 and 9.14%, respectively. The seventh or the last factor is the 'Facilities Factor', which includes four items with loadings .44 to .74 with an Eigenvalue and variance of 1.1 and 8.28%.

Table 6.5: Rotated Component Matrix[a] on the Twenty-seven Credit Card Selection Factors

Variable	Component							Communality of Each Variable
	1	2	3	4	5	6	7	
Convenience: Local Acceptance	.182	-.006	.105	**.811**	.231	.066	.099	.770
Convenience: International Acceptance	.186	.038	.146	**.841**	.210	.019	.101	.819
Convenience: Internet and Online Transaction	.117	.223	.306	**.609**	.083	.237	.081	.598
Convenience: Large Ticket Transaction	.108	.309	.437	**.494**	.014	.235	-.035	.599
Protection: Safer than Cash	.113	.096	**.661**	.309	.017	.112	.218	.616
Protection: Insurance when Travel	.076	.179	**.783**	.142	.198	.114	.194	.760
Protection: Product Defect/Loss	.213	.160	**.740**	.094	.289	.202	.095	.762
Protection: Card Loss/Stolen	.224	.024	**.623**	.145	.444	.094	.097	.675
Flexibility: Direct Debit Payment	.161	.084	.244	.103	**.633**	.234	-.153	.583
Flexibility: Zero Interest Plan	.106	.200	.205	.216	**.684**	.148	.244	.689
Flexibility: Facilitate Bill n Statement	.099	.238	.276	.244	**.626**	.138	.145	.634
Flexibility: Supplementary Card	.228	**.595**	.172	.029	.139	.268	-.083	.535
Finance: Free Short-term Credit	.117	**.690**	.061	.100	.182	-.051	.424	.719
Finance: Immediate Credit	.048	**.801**	.128	.118	.164	.097	.182	.744
Finance: Cash Advance	.138	**.743**	.112	.047	.085	.234	.054	.650
Finance: No Joining/Annual Fee	.109	.172	.013	.259	.481	.060	**.560**	.657
Finance: Pay Debt According Budget	.108	.371	.037	.171	.375	.214	**.437**	.557
Promotion: Discounts at Outlets	.095	.212	.124	.193	.285	**.724**	.250	.775
Promotion: Road Show (Instant Approval/Gift)	.186	.257	.187	.071	.107	**.754**	.093	.730
Promotion: Bonus and Rewards	.161	.112	.171	.118	.200	**.754**	.275	.766
Travel Economics: Traveller's cheques - Commission Free	.236	.118	.325	.057	.056	.326	**.684**	.757
Travel Economics: Car Hire-No Deposit	.232	.105	.302	.046	-.031	.234	**.743**	.765
Reputation: Status Symbol	**.483**	.404	.119	.065	-.254	.338	-.103	.604
Reputation: Card Company	**.722**	.256	.107	.181	-.085	.193	.101	.685
Reputation: Islamic Brand	**.790**	.025	.110	.098	.165	.103	.238	.742
Reputation: Issuing Bank	**.753**	.083	.136	.235	.169	.076	.054	.684
Reputation: *Shari'ah* Board	**.780**	.123	.140	.053	.246	.055	.163	.737
Eigenvalue	9.894	1.996	1.807	1.396	1.330	1.111	1.077	
% of Variance	11.473	10.772	10.731	9.380	9.152	9.140	8.279	
Cumulative %	11.473	22.245	32.976	42.356	51.508	60.648	68.927	

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 11 iterations.

These seven components resulted in the total cumulative explanatory power of 69%. The last column in Table 6.5. indicates that each item shows a communality value of more than .3, which, according to Pallant (2007: 196), indicates that the item fits well with other items in its components. The twenty-seven items are therefore distributed to be re-classified into seven suitable component factors, as depicted in Table 6.6, where the seven components can be viewed in the first column and the twenty-seven selection factors in the second column. Moreover, in order to determine whether any difference exists in the selection factors between ICC and CCC holders, the mean value of each holding type was calculated using the SPSS statistical package version 16 and the results can be found in the rest of the column in the same Table 6.6. In other words, Table 6.6 presents the distribution of the twenty-seven factors according to their suitable factor components, which, overall, produced seven factor components.

Table 6.6: Selection Factors Listed According to Component Factors based on Factor Analysis and the Respective Mean Values

		Mean Value							
		ICC		**CCC**		**Average**		**Difference (ICC – CCC)**	
Component Factor	Selection Factor	SF	CF	SB	CF	SF	CF	SF	CF
1. Reputation	1. Status Symbol	2.69	3.35	3	3.47	2.85	3.41	-0.31	-0.12
	2. Card Company	3.04		3.47		3.26		-0.43	
	3. Islamic Brand	3.72		3.53		3.63		0.19	
	4. Issuing Bank	3.47		3.69		3.58		-0.22	
	5. *Shari'ah* Board	3.85		3.67		3.76		0.18	
2. Finance	1. Supplementary Card	3.33	3.56	3.27	3.53	3.30	3.55	0.06	0.04
	2. Free Short-term Credit	3.65		3.71		3.68		-0.06	
	3. Immediate Credit	3.67		3.67		3.67		0	
	4. Cash Advance	3.6		3.45		3.53		0.16	
3. Protection	1. Safer than Cash	3.83	3.72	3.97	3.86	3.90	3.79	-0.14	-0.14
	2. Insurance when Travel	3.7		3.82		3.76		-0.12	
	3. Product Defect/Loss	3.67		3.78		3.73		-0.11	
	4. Card Loss/Stolen	3.68		3.88		3.78		-0.2	
4. Convenience	1. Local Acceptance	3.62	3.59	3.96	3.84	3.79	3.72	-0.34	-0.25
	2. International Acceptance	3.56		3.91		3.74		-0.34	
	3. Internet and Online Transaction	3.65		3.8		3.73		-0.15	
	4. Large Ticket	3.54		3.71		3.63		-0.17	
5. Flexibility	1. Automatic Direct Debit Payment	3.67	3.73	3.55	3.75	3.61	3.74	0.11	-0.03
	2. Zero Interest Plan	3.79		3.87		3.83		-0.07	
	3. Facilitate Bill and Statement	3.72		3.84		3.78		-0.12	
6. Promotion	1. Discounts at Outlets	3.82	3.78	3.8	3.77	3.81	3.78	0.02	0.01
	2. Road Show	3.6		3.54		3.57		0.07	
	3. Bonus and Rewards	3.92		3.97		3.95		-0.05	
7. Facilities	1. No Joining/Annual Fee	3.71	3.58	3.94	3.7	3.83	3.64	-0.22	-0.12
	2. Paying Debt According Budget	3.73		3.86		3.80		-0.13	
	3. Commission Free on Traveller's cheques	3.49		3.51		3.50		-0.02	
	4. No Deposit on Car Hire	3.38		3.5		3.44		-0.11	

Notes: SF stands for selection factor; CF stands for component factor; Average stands for average mean value, which is calculated with the addition of mean value for ICC with CCC and the total result is divided by 2; Difference stands for the difference of the mean value where the mean value of ICC is subtracted from the CCC (negative sign shows that the ICC holders perceive the factor as being less important than CCC holders).

According to the average mean value of the seven component factors, as depicted in Column 8 of Table 7.6, the respondents value 'protection' as the most important component factor

(3.79), followed by ‘promotion’ (3.78), ‘flexibility’ (3.74), ‘convenience’ (3.72), ‘facilities’ (3.64), ‘finance’ (3.55) and ‘reputation’ (3.41) as the least important.

Therefore, the null hypothesis 1 is accepted – *Hypothesis 1: Malaysian credit card selection factors are not much different than in other countries* [see Butt *et al.* (2010), Gan and Maysami (2006) and Meidan and Davo (1994) for comparison].

With respect to ICC holders, for which the results can be seen in column 4, ‘promotion’ was ranked the first important factor with a mean of 3.78. This is followed by ‘flexibility’ (3.73), ‘protection’ (3.72), ‘convenience’ (3.59), ‘facilities’ (3.58), ‘finance’ (3.56) and ‘reputation’ (3.35) as the least important factor. However, for CCC holders, the results of which can be found in column 6, ‘protection’ (3.86) turned out to be the most important factor, followed by ‘convenience’ (3.84), ‘promotion’ (3.77), ‘flexibility’ (3.75), ‘facilities’ (3.70), ‘finance’ (3.53) and ‘reputation’ (3.47). These results for ICCs and CCCs are more efficiently summarised in Table 6.7 in a comparative manner.

Table 6.7: Ranking of Component Factors According to Level of Importance

	ICC		CCC		(ICC + CCC)/2	
	Component Factor	**Mean Value**	**Component Factor**	**Mean Value**	**Component Factor**	**Mean Value**
1	Promotion	3.78	Protection	3.86	Protection	3.79
2	Flexibility	3.73	Convenience	3.84	Promotion	3.78
3	Protection	3.72	Promotion	3.77	Flexibility	3.74
4	Convenience	3.59	Flexibility	3.75	Convenience	3.72
5	Facilities	3.58	Facilities	3.7	Facilities	3.64
6	Finance	3.56	Finance	3.53	Finance	3.55
7	Reputation	3.35	Reputation	3.47	Reputation	3.41

As can be seen from Table 6.7, the results of the component factors show differences in terms of the importance of ranking between ICC and CCC holders for the first four factors but not for the last three factors, which show similarities, where ‘facilities’ were ranked at a higher level, followed by ‘finance’ and ‘reputation’ as the least important. It is also worth noting that CCC holders rated twenty of the twenty-seven selection factors as more important than ICC holders, as the mean values of these factors were higher with CCCs than ICCs. However, the other six selection factors, which included ‘Islamic brand’, ‘*Shari’ah* board’, ‘supplementary card’, ‘direct debit payment’, ‘discount at outlets’ and ‘road show (instant approval/gift)’ were considered more important by ICC holders. Only one selection factor (‘immediate credit’) was considered equally important by ICC and CCC holders. This suggests that CCC holders are more demanding than ICC holders. Further discussion for each of the twenty-seven factors according to the seven component factors follows shortly.

As can be seen in Table 6.6, CCC holders perceive the 'reputation' component as much more important than ICC holders, with mean values of 3.47 and 3.35, respectively. Further investigation on each selection factor under 'reputation' found that three factors had a greater mean value than CCC holders. Their mean values for CCC holders and ICC holders are as follows: (1) 'status symbol' with a respective mean value of 3.00 as against 2.69, (2) 'card companies' with respective mean values of 3.47 as against 3.04, and (3) 'issuing bank' with mean values of 3.69 and 3.47, respectively. These findings suggest that 'status symbol', 'card company' and 'issuing bank' are factors that are perceived more important by the holders of CCCs than ICCs.

However, the other two selection factors under the 'reputation' heading, indicate a higher mean value with ICC holders, namely 'Islamic brand', with a mean value of 3.72 for ICCs and 3.53 for CCCs, and '*Shari'ah* board', with mean values of 3.85 for ICCs and 3.67 for CCCs. These two factors carry religious elements and are mainly related to *Shari'ah* governance issues in Islamic banking. Therefore, these two selection factors are perceived as being more important to ICC holders than CCC holders. Further investigation on the mean value on each of the twenty-seven selection factors for ICC holders found that the '*Shari'ah* board' ranked second after 'bonus and rewards' with the highest mean value of 3.92; while 'Islamic brand' ranked as the sixth highest mean value. However, CCC holders ranked '*Shari'ah* board' at seventeenth and 'Islamic brand' at twenty-first. Hence, the findings suggest that the religious factor has an impact on credit card selection.

Therefore, the null hypothesis 2 is accepted – *Hypothesis 2: Religious factors are considered to be more important by ICC holders than CCC holders.*

As for the second factor component of 'finance', ICC holders perceive that this component is more important than CCC holders do with only a slight difference in the mean value of 3.56 for ICC holders and 3.53 for CCC holders, producing only a .03 value of difference. Therefore, in this aspect, the finance factor can be considered as equally important to both holders. A further evaluation on four of the selection factors found that cash advance and supplementary cards were more important to ICC than CCC holders (mean values of 3.60 than 3.45 and 3.33 than 3.27, respectively). These findings contradict the selection factor of ‘free-short term credit’, in which CCC holders considered it more important than ICC holders, with mean values of 3.71 and 3.65, respectively. As for the fourth selection factor (‘immediate credit’), there is no difference found in the level of importance perceived by CCC holders and ICC holders, whereby their mean value indicated the same figure of 3.67.

With regards to ‘protection’, Table 6.6 indicates that the mean value attributed to this component by CCC holders is 3.86, which is higher than the 3.72 score given by ICC holders, implying that the factor was perceived as more important by CCC holders than their Islamic counterparts. A further look into each mean value of the selection factors of ‘safer than cash’, ‘insurance when travel’, ‘protection when product defect/loss’ and ‘protection when card loss/stolen’, found that all factors indicated a higher mean value with CCCs, implying that the factors are perceived as being more important by CCC holders than by ICC holders.

In respect of the ‘convenience’ component, Table 6.6 also indicates consistent findings with the previous findings of the ‘protection’ component whereby CCC holders consider this component as more important than ICC holders. An evaluation on each selection factor such as ‘local acceptance’, ‘international acceptance’, ‘Internet and online transaction’ and ‘large ticket transaction’ also found that the factors had a higher mean value for CCCs, implying that each selection factor is being perceived as more important by CCC holders than ICC holders.

Similar to the ‘convenience’ component, ‘flexibility’ is also perceived as being more important by CCC holders with a mean value of 3.75, compared to ICC holders with a mean value of 3.73. However, there was only a very slight difference in the mean value of .02. The findings on the three selection factors within this component indicates that ‘zero interest plan’ and ‘facilitate bill and statement’ have higher mean values for CCC holders. Only ‘direct debit payment’, has a higher mean value for ICC. Therefore, only ‘direct debit payment’ is perceived as being more important to ICC holders.

In contrast with the findings of ‘promotion’ and ‘flexibility’, which were perceived as more important by CCC holders, the component ‘promotion’ was found to be more important to ICC holders. However, the mean value difference between the two types of holders is only .01, whereby the mean value of ICCs is 3.78 compared to 3.77 for CCCs. After further examination on the selection factors indicated that ‘discounts at outlets’ and ‘road show (instant approval/gift)’ were more important to ICC holders compared to ‘bonus and rewards’, which was perceived as more important to CCC holders.

Finally, 'facilities' as a component appears to be considered more important by CCC holders with a mean value of 3.70 than ICC holders with a mean value of 3.58. As presented in Table 6.6, all of the four 'facilities' selection factors, including 'no joining/annual fee', 'paying debt according to budget', 'commission free on traveller's cheques' and 'no deposit on car hire' are perceived as more important to CCC than ICC holders

Overall, referring to Table 6.6, in terms of mean value comparisons between ICC holders and CCC holders of the seven listed component factors, five component factors: 'reputation', 'protection', 'convenience', 'flexibility' and 'facility', are perceived as being more important by CCC holders. Only 'finance' and 'promotion' are valued as more important to ICC holders. However, it can also be seen that 'finance', 'flexibility' and 'promotion' are rated almost equally important by ICC holders and CCC holders as their mean difference is very small with less than 0.04 for each case, unlike the rest of the other four factors with a higher value difference.

It is also important to note that both ICC holders as well as CCC holders rated 'reputation' as the least important among the seven component factors, and it is where 'Islamic brand' and '*Shari'ah* board' are located.

6.3. GAUGING SATISFACTION AND LOYALTY: THE DESCRIPTIVE PERSPECTIVE AND INFERENTIAL ANALYSIS BETWEEN CONVENTIONAL AND ISLAMIC CREDIT CARDHOLDERS

To further investigate factors surrounding credit card selection among customers, four variables are used in measuring their satisfaction and loyalty: 'satisfaction level', 'I have no qualms about switching credit card companies due to poor service'[23], 'I will stop using ICCs and start using CCCs with lower charges and better offers', and 'Muslims should use ICCs even if their charges are higher than CCCs'. These variables are analysed from the holding type perspective and their findings are discussed as follows.

Table 6.8 depicts the results for the satisfaction variable. It indicates that 46.8% of participants were satisfied with their credit cards, while only 11.1% were unsatisfied. Hence, more people are satisfied with their credit cards. However, it is also important to note that the other 42.5% of participants were indecisive in which they were neither satisfied nor dissatisfied with their credit cards, which represents rather a large part of the sample, as high as those who were satisfied.

[23] This variable is adopted from Gan *et al.* (2005).

This satisfaction level is further analysed to see how different the ICC holders' satisfaction levels were compared to CCC holders'. The results, which are based on the cross-tabulation and its chi-square, are presented in Table 6.9.

Table 6.8: Satisfaction Level[24]

		N	%
Valid	Extremely Dissatisfied	17	3.5
	Dissatisfied	37	7.6
	Neutral	206	42.1
	Satisfied	187	38.2
	Extremely Satisfied	42	8.6
	Total	489	100
Mean	3.41		

Table 6.9: Cross-tabulation Results between Holding Type and Satisfaction Level

			Satisfaction Level					
			Extremely Dissatisfied	Dissatisfied	Neutral	Satisfied	Extremely Satisfied	Total
Holding type	CCC	Count	9	22	140	146	22	339
		%	2.7%	6.5%	41.3%	43.1%	6.5%	100.0%
	ICC	Count	4	6	36	20	9	75
		%	5.3%	8.0%	48.0%	26.7%	12.0%	100.0%
	Total	Count	13	28	176	166	31	414
		%	3.1%	6.8%	42.5%	40.1%	7.5%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.869[a]	4	.064
Likelihood Ratio	8.795	4	.066
Linear-by-Linear Association	1.282	1	.258
N of Valid Cases	414		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 2.36.

Table 6.9 shows that ICC holders are less satisfied than CCC holders. This can be seen as the largest percentage with ICCs in the neutral group (48%), while the largest percentage with CCCs is in the accepting group (49.6%). Moreover, the accepting group for ICCs only carries 38.7%, which is about 11% lower than the CCC accepting group. Hence, this shows that ICC holders are much more comfortable to remain safe by not taking any inclination, which shows them being less satisfied than the CCC holders. The Pearson chi-square p-value at .064 proves a statistically significant association at 10% prevailing between different types of card-holding in relation to their satisfaction.

The results of the satisfaction are further substantiated with a mean comparison between CCC holders and ICC holders with their satisfaction level in Table 6.10.

[24] This satisfaction level is for the whole sample of the study. The satisfaction level of ICC and CCC holders can be found in Table 6.10.

Table 6.10: Satisfaction Level between ICC and CCC Holders

		ICC		CCC	
	Satisfaction Level	N	%	N	%
Valid	Extremely Dissatisfied	4	5.3	9	2.7
	Dissatisfied	6	8	22	6.5
	Neutral	36	48	140	41.3
	Satisfied	20	26.7	146	43.1
	Extremely Satisfied	9	12	22	6.5
	Total	75	100	339	100
Mean		3.32		3.44	

Table 6.10 shows that the mean value for the satisfaction level for ICCs is 3.32, which is lower than what it is for CCCs 3.44. This implies that ICC holders are less satisfied with their credit cards, hence, confirming the preceding cross-tabulation results.

Therefore, the null *Hypothesis 3: ICC holders are less satisfied than CCC holders* is accepted.

Further observation on the five satisfaction scale categories also found that the percentage of the dissatisfied group for ICCs is 13.3% which is greater than what it is for the CCC holders with 9.2%. As for the satisfied groups, ICCs have a lower percentage with 38.7% than CCCs with 49.6%. These results inform that dissatisfaction in credit cards is higher among ICC holders than CCC holders. However, it is important to note that the 'extremely satisfied' group for ICCs is 12%, which is greater than CCCs with 6.5%, which may suggest the difference is made by a small number of religious motivated individuals who are satisfied with ICCs as they can avoid *riba'*.

In addition to this satisfaction, three further variables are used to determine the loyalty of cardholders, for which the results are presented in the following paragraphs.

Table 6.11: Cardholders' Loyalty

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
I have no qualms about switching credit card companies due to poor service	12	2.4	37	7.4	91	18.2	247	49.5	112	22.4	499	3.82
I will stop using ICC and start using CCC with lower charges and lower offers	41	8.2	106	21.2	192	38.5	123	24.6	37	7.4	499	3.02
Muslims should use ICC even if their charges are higher than CCC	28	5.6	83	16.7	223	44.9	121	24.3	42	8.5	497	3.13

Based on the results in Table 6.11, the following conclusions can be established:

In relation to flexibility in terms of switching credit card companies due to poor service, about three quarters of respondents (71.9%) agreed to switch credit card companies due to poor service, while only 9.8% rejected the idea of switching. Hence, this result implies that offering good service is imperative in ensuring customer loyalty.

With regards to the statement that switching to CCCs from ICCs is due to lower charges and better offers, there is only a slightly higher number of agreeing respondents (32%) than disagreeing respondents (29.4%) while the majority (38.5%) were in the neutral group. Therefore, this finding shows some loyalty towards ICCs as there is not a high percentage of difference between the 'agreeing' and 'disagreeing' groups, unlike the first variable's findings, which found a very high willingness to switch credit cards due to poor service with 71.9%. It should, therefore, be noted that the first statement is a general statement that does not distinguish between ICCs and CCCs.

The participants were asked about their opinion concerning the statement that, regardless of the charge, Muslims should use ICCs even if their charges are higher than CCCs. The results show that there are 10% more respondents in the agreeing group (32.8%) than the disagreeing group (22.3%) while the majority (44.9%) are in the neutral group. Hence, the findings confirm the previous findings, which indicate that a certain loyalty exists among respondents who hold ICCs. In fact, the results show an even higher agreement to holding ICCs, even at a higher charge than CCCs. However, it is essentially important to consider the 'neutral' group, which indicates pragmatism in addition to the established loyalty.

Thus, the results show a tendency to be more loyal when dealing with ICCs, albeit not strongly, as the result for the first statement involving general statements regarding poor services found that a very high percentage of cardholders would not be loyal if they received poor service by credit card companies, since 71.9% of the participants showed their willingness to switch. However, for the second statement when ICCs were included, the level of loyalty among respondents was higher. Additionally, there were more respondents agreeing with the last statement that 'Muslims should use ICCs even if their charges are higher than CCCs' showing that the loyalty level is even higher when the word 'Muslims' is injected into the statements. Hence, there is a trend among respondents to be loyal to ICCs despite being given a higher charge and receiving poor service.

The loyalty among respondents is further investigated through the perspective of ICC holders in comparison to CCC holders by utilising cross-tabulation and chi-square tests. The results show that two of the first variables, as indicated in Table 6.11, have a significant relationship. The results of the significant variables are discussed as follows.

Table 6.12: Cross-tabulation Results between Holding Type and Possibility to Switch Credit Cards due to Poor Service

			I have no qualms about switching credit card companies due to poor service					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	8	22	49	181	81	341
		%	2.3%	6.5%	14.4%	53.1%	23.8%	100.0%
	ICC	Count	2	8	26	32	10	78
		%	2.6%	10.3%	33.3%	41.0%	12.8%	100.0%
	Total	Count	10	30	75	213	91	419
		%	2.4%	7.2%	17.9%	50.8%	21.7%	100.0%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.358[a]	4	.001
Likelihood Ratio	17.867	4	.001
Linear-by-Linear Association	10.647	1	.001
N of Valid Cases	419		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 1.86.

Table 6.12 indicates almost a full significant association at a p-value of .001 between holding type and the statement that ‘I have no qualms about switching credit card companies due to poor service’. As can be seen, across the two holding types, the highest percentage of respondents is with the ‘accepting group’, while the smallest percentage is in the ‘rejecting group’. The neutral group comes second after the accepting group. Therefore, the results suggest a very high probability for both ICC holders and CCC holders to switch credit cards due to poor services offered. However, comparing between the two holders, CCC holders have a higher inclination to switch credit cards compared to ICC holders as its ‘accepting group’ carries 76.9%, which is higher than the 53.8% for ICCs.

A further investigation using the Mann-Whitney U Test as a non-parametric test was conducted with the objective of relating the holding type to switching, loyalty, and satisfaction. The results in Table 6.14 show that there is a significant difference between the two holding types in relation to their agreement towards loyalty at p-value .000. As can be seen, CCC holders have a higher mean ranking value than ICC holders, which implies that CCC holders have a greater tendency to switch to competitors with better service offers than ICC holders. In other words, ICC holders are less likely to change suppliers due to poor service offers compared to CCC holders. This can be explained by the religious factor, which is believed to lower the percentage of those who accepted the statement, hence, favouring the ICC industry, which is still in its infancy. Therefore, the findings of the Mann-Whitney U test substantiated the results established through the use of the Pearson chi-square test, as previously presented.

Table 6.13: Cross-tabulation Results between Holding Type and Possibility to cancel ICCs and use CCCs with Lower Charges and Greater Benefits

			I will stop using ICCs and start using CCCs with lower charges and better offers					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	16	68	142	87	28	341
		%	4.7%	19.9%	41.6%	25.5%	8.2%	100.0%
	ICC	Count	17	17	24	16	4	78
		%	21.8%	21.8%	30.8%	20.5%	5.1%	100.0%
	Total	Count	33	85	166	103	32	419
		%	7.9%	20.3%	39.6%	24.6%	7.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.013[a]	4	.000
Likelihood Ratio	21.704	4	.000
Linear-by-Linear Association	13.227	1	.000
N of Valid Cases	419		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.96.

The cross-tabulation analysis presented in Table 6.13 shows full significant associations at p-value .000 between holding type and the statement ‘stopping to use ICCs and start using CCCs with lower charges and better offers’. However, for CCC holders, the accepting group (33.7%) is higher than their rejecting group (24.6%); this finding is contradictory with ICCs as the rejecting group (43.6%) is higher than the accepting group (30.7%). Therefore, there is a higher tendency for ICC holders to keep using ICCs even at a higher cost than CCC holders. The results again suggest that, initially, ICC holders hold ICCs for religious factors. Although the neutral position is higher, the ‘neutral’ position is higher for CCC holders than for ICC holders.

The two variables also show statistically significant differences at p-value .001 based on the Mann-Whitney U test, as depicted in Table 6.14, which shows that CCCs have a higher mean ranking value than ICCs. Therefore, the results suggest that CCC holders are less loyal than ICC holders. Therefore, these findings are consistent with the previous results, further supporting the importance of religious factors in the holding of ICCs among ICC holders.

In further exploring the issues, the Mann-Whitney U test was run again on all of the satisfaction and loyalty variables and the results can be found in Table 6.14.

Table 6.14: Mann-Whitney U Test Results between Holding Type and Satisfaction and Loyalty Variables

Variable		N	Mean Rank	Z	Asymp. Sig.
1. Satisfaction Level	CCC	339	210.76		
	ICC	75	192.75		
	Total	414		-1.274	.203
2. I have no qualms about switching credit card companies due to poor service	CCC	341	219.66		
	ICC	78	167.78		
	Total	419		-3.697	.000
3. I will stop using ICCs and start using CCCs with lower charges and better offers	CCC	341	218.72		
	ICC	78	171.88		
	Total	419		-3.224	.001
4. Muslims should use ICCs even if their charges are higher than CCC	CCC	340	207.93		
	ICC	77	213.71		
	Total	417		-.401	.688

Table 6.14 shows the results of the Mann-Whitney U test between the two holding types across all four variables in determining the satisfaction and loyalty between ICC holders and CCC holders, which can be interpreted as follows:

As for the satisfaction level, the mean ranking value for ICCs is 192.75, which is lower than CCCs with 210.76, thereby indicating that ICC holders are less satisfied than CCC holders. However, the p-value .203 reveals that there is statistically no significant difference between the two holding types across satisfaction levels.

The other two variables of 'I have no qualms about switching credit card companies due to poor service'[25] and 'I will stop using ICCs and start using CCCs with lower charges and better offers' show a significant difference at 1% with the holding type. The mean ranking value for ICCs was lower than CCCs in both cases, hence, indicating that ICC holders are more loyal than CCC holders. Overall results imply that ICC holders are more loyal than CCC holders.

Therefore, hypothesis 4 is accepted as ICC holders are found to be more loyal than CCC holders – *Hypothesis 4: ICC holders are more loyal than CCC holders.*

In conclusion, although the results suggest that the satisfaction level among ICC holders is less than CCC holders, the three loyalty variables reveal that ICC holders are more loyal than CCC holders.

[25] This variable was adopted from Gan and Maysami (2005).

6.4. PERCEPTIONS ON VARIOUS DIMENSIONS OF ISLAMIC CREDIT CARDS

An exploration to determine whether consumers choose ICCs for religious factors is fulfilled by measuring how they perceive ICCs as Islamic. For this, this section analyses how ICC holders and CCC holders perceive ICCs with the objective of locating whether ICC holders perceive ICCs as more Islamic than CCC holders. It is hypothesized that 'ICC holders perceive ICC more Islamic than CCC holders', which influences their decision making in selecting and holding ICCs rather than CCCs. For this reason, despite ICC holders perceiving that ICCs are inferior to CCCs due to market conditions and the facilities provided, they still hold ICCs. Hence, another hypothesis is tested in this section, that 'ICC holders perceive CCCs superior to ICCs'.

6.4.1. PERCEPTION OF ISLAMIC CREDIT CARDS: THE DESCRIPTIVE AND INFERENTIAL PERSPECTIVES

This section utilises six established statements from the questionnaire to explore the perception of ICCs, which are: 'ICC concept is acceptable', 'ICCs involve *riba*', ICCs are against the justice aspect of Islamic financial transactions', 'ICCs create money and credit', 'ICCs lead to debt-based system' and 'ICCs are in line with Islamic philosophy'. These statements are derived from and are related to Islamic moral economy and the essential principles of Islamic finance in an aspirational sense.

The results of the descriptive statistics on the six statements, which offer a general overview of the perceptions among respondents, are presented in Table 6.15.

Table 6.15: Cardholders' Perceptions concerning the Islamicness of ICCs

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
ICC concept is acceptable	22	4.4	78	15.5	217	43.1	112	22.2	75	14.9	504	2.72
ICCs involve *riba'*	53	10.6	96	19.1	219	43.6	113	22.5	21	4.2	502	2.91
ICCs are against the justice aspect of Islamic financial transactions	42	8.4	95	19	243	48.5	104	20.8	17	3.4	501	2.92
ICCs create money and credit	14	2.8	55	11	182	36.3	223	44.4	28	5.6	502	3.39
ICCs lead to debt-based system	20	4	57	11.5	145	29.3	226	45.7	47	9.5	495	3.45
ICCs are in line with Islamic philosophy/teachings	19	3.8	64	12.9	202	40.6	181	36.4	31	6.2	497	3.28

Table 6.15 provides the overall results on the Malaysian cardholders' perceptions of the various dimensions relating to ICCs, which can be summarised as follows:

The first statement that the 'ICC concept is acceptable' is aimed at investigating the controversial nature of ICCs. As depicted in Table 6.15, 37.1% of participants agreed that the ICC concept is acceptable, which is greater than those who disagreed with 19.9%, producing about 17% more respondents deeming the ICC concept acceptable. However, having 43.1% of the population being neutral indicates that ICCs are rather a controversial issue and that the majority of participants are not sure about the existence and acceptability of ICCs.

Part of the controversy concerning ICCs is that their structure may involve *riba'*, which is explored by the second statement that 'ICCs involve *riba*'; 26.7% of the participants agreed that ICCs were still not free from interest as opposed to the 29.7% who disagreed. However, the highest group with 43.6% were the neutral group. Therefore, the results show that many respondents were still sceptical about ICCs, and that they are not convinced that ICCs are free from *riba'*.

In an attempt to locate the perceptions of the participants on the controversial aspects of ICCs, the participants were also asked to reveal their opinions on the statements that 'ICCs are against the justice aspect of Islamic financial transactions'. There were slightly less respondents (24.2%) who agreed with the statement than the disagreeing respondents (27.4%). However, as before, the majority of the participants were in the 'neutral' position with 48.5%. This again substantiates the conclusion that the participants may have been sceptical about ICCs.

With regards to the statement that 'ICCs create money and credit', an obviously higher percentage of respondents agreed (50%) with the statement compared to those who objected (13.8%). However, the sceptical participants remain around 36%, which further substantiates the issues that remain with ICCs.

In relation to the statement that 'ICCs lead to a debt-based system', the results depict that there were more agreeing respondents (55.2%) than disagreeing respondents, who were only 15.5%. This result directly evidences the difficulty people have with the entire concept of ICCs, as the majority of the respondents think that the way it works is indistinguishable to CCCs. Further considering the fact that about 30% of the participants remained 'neutral', the magnitude of the problem becomes even more visible.

In the last statement, the participants were asked about their opinions concerning the statement that 'ICCs are in line with Islamic philosophy' to determine if the respondents considered the underlying principles of ICCs as Islamic. The results indicate that 42.6% of the participants agree, while 16.7% oppose the statement. Thus, 42.6% consider ICCs as being in line with Islamic philosophy. However, about 41% of the participants remained neutral. Thus, when the scepticism of these is added to the opposing participants, it makes about 58%. This can be interpreted as 42.6% consider ICCs in their format as complying with Islamic philosophy, while 58% of the participants are not happy with the substance, and, therefore, expressed an oppositional or neutral position to the other statements above.

Therefore, the above results are summarised as follows:

More Malaysian cardholders were found to accept ICCs as more respondents accepted the ICC concept (refer to the first variable) and trusted that they were in line with Islamic philosophy (refer to the last variable). However, a large number of participants remain sceptical about ICCs and their various attributes.

Two of the statements ('ICCs involve *riba*', 'ICCs are against the justice aspect of Islamic financial transactions'), show a very high number of respondents in the neutral group, which is about 50%. There is a slightly lower percentage of respondents in the agreeing group than in the disagreeing group, which implies that the majority of the respondents consider that ICCs have *riba* and bring injustice, similar to that of CCCs.

While for the other two statements ('ICCs create money and credit', 'ICCs lead to debt-based system'), the results show that about half of the respondents agreed with the statements with a small percentage in the disagreeing group, which is less than 20% – implying that there is a high belief among the respondents that ICCs are creating a debt-based system similar to CCCs. Thus, another controversial aspect of ICCs is revealed by this.

Therefore, although there is a tendency among respondents to accept the ICC concept, the overall findings also suggest that there is still a high belief that ICCs would bring negative debt implications as brought by CCCs.

In distinguishing the perceptions of the two main groups (ICC holders and CCC holders) in relation to ICC holding, cross-tabulation tests between holding type and the perception statements were conducted. It was found that all six perception variables were significantly related with the two holding types at below the 5% level. These results are further discussed as follows.

Table 6.16: Cross-tabulation Results between Holding Type and 'ICC Concept is Acceptable'

			ICC concept is acceptable					
			strongly disagree	disagree	neutral	agree	strongly agree	Total
Holding type	CCC	Count	15	50	168	74	39	346
		%	4.3%	14.5%	48.6%	21.4%	11.3%	100.0%
	ICC	Count	4	13	23	18	20	78
		%	5.1%	16.7%	29.5%	23.1%	25.6%	100.0%
	Total	Count	19	63	191	92	59	424
		%	4.5%	14.9%	45.0%	21.7%	13.9%	100.0%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.965[a]	4	.005
Likelihood Ratio	14.091	4	.007
Linear-by-Linear Association	4.348	1	.037
N of Valid Cases	424		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 3.50.

Table 6.16 indicates a significant association between holding type and the statement that the 'ICC concept is acceptable' at the 1% level with p-value .005. It is found that the two holding types of CCCs and ICCs have more respondents in the accepting group than those in their rejecting group, 32.7% than 18.8% and 48.7% than 21.8%, respectively. The large number of neutral individuals again provides evidence of the existence of sceptical respondents. In addition, the ICC holders who opted for the 'agreeing' position is rather large (48.7%) considering that the rejecting group and the neutral group of the ICC holding also produces a rather large group of respondents (about 51.3%) who are of the view that the ICC concept is not necessarily Islamic per se. Furthermore, having a large number of CCC holders remain neutral (48.6%) can be used to explain why they are refraining from having ICCs.

In addition, the Mann-Whitney U Test results in Table 6.22 indicate a significant difference at the 5% level with p-value .043 with the mean ranking value for the ICC group ranked higher than that of the CCC, 236.51 and 207.09, respectively. This implies that there is a higher acceptance of the ICC concept among ICC holders than CCC holders. This is as expected, which explains that the holding of ICCs is due to their holders accepting the concept. However, it is also worth noting that the level of acceptance of the ICC concept among ICC holders does not provide an encouraging result for the Islamic financial industry. This is evidenced from the large number of ICC holders who are still not happy with ICCs in terms of acceptability, considering those who rejected it and the neutral group towards the statement.

Table 6.17: Cross-tabulation Results between Holding Type and 'ICCs involve *riba*'

			ICC involves *riba*'					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	29	60	169	71	15	344
		%	8.4%	17.4%	49.1%	20.6%	4.4%	100.0%
	ICC	Count	17	19	17	20	5	78
		%	21.8%	24.4%	21.8%	25.6%	6.4%	100.0%
	Total	Count	46	79	186	91	20	422
		%	10.9%	18.7%	44.1%	21.6%	4.7%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.122[a]	4	.000
Likelihood Ratio	24.128	4	.000
Linear-by-Linear Association	3.749	1	.053
N of Valid Cases	422		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 3.70.

The results of the Pearson chi-square test based on cross-tabulation in Table 6.17 show a full significant association between holding type and the statement that 'ICCs involve *riba*' at p-value .000. As for CCC holders, it is found that the percentage of respondents in the rejecting group is only slightly higher than the accepting group, 25.8% and 25%, respectively, with a very high proportion in the neutral group, 49.1%. With respect to ICC holders, the neutral group shows its lowest percentage with 21.8%, while its rejecting group (46.2%) is much higher than its accepting group with 32%. This finding suggests that ICC holders have a greater tendency to believe that ICCs are free from *riba'* compared to CCC holders. The high neutral groups in CCC holders, together with the accepting position, can be used to explain why they do not possess ICCs in the first place. As for ICC holders, the accepting group and the neutral group are 53.8% indicating that the majority of the people are either in the accepting group or remain neutral, which is not necessarily an encouraging result.

To further investigate the preceding test, the Mann-Whitney U Test was conducted between the two aforementioned variables of the holding type and 'ICCs involve *riba*' and the result is shown in Table 6.22. It shows a significant difference between CCCs and ICCs across agreement levels of the statement at alpha of less than 10% with p-value .093. The mean ranking value for CCCs is 216, which is higher than ICCs with 191.67, suggesting a higher acceptance level that 'ICCs involve *riba'* among CCC holders than ICC holders. Therefore, the findings from the Mann-Whitney U Test supports the Pearson chi-square test results as previously discussed. It also supports the findings that the 'ICC concept is acceptable', as presented in Table 6.16, where there is a lower tendency among CCC holders in accepting the ICC concept than ICC holders. Hence, both findings suggest a higher acceptance level towards ICC among ICC holders than CCC holders.

Table 6.18: Cross-tabulation Results between Holding Type and 'ICC is against the Justice Aspect of Financial Transactions'

			ICC is against the justice aspect of Islamic financial transactions					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	24	65	173	70	12	344
		%	7.0%	18.9%	50.3%	20.3%	3.5%	100.0%
	ICC	Count	15	12	26	20	5	78
		%	19.2%	15.4%	33.3%	25.6%	6.4%	100.0%
	Total	Count	39	77	199	90	17	422
		%	9.2%	18.2%	47.2%	21.3%	4.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.820[a]	4	.002
Likelihood Ratio	15.149	4	.004
Linear-by-Linear Association	.670	1	.413
N of Valid Cases	422		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 3.14.

Table 6.18 indicates an almost full significant association between holding type and the statement that 'ICCs are against the justice aspect of Islamic financial transactions' at p-value .002. With regards to the holding type, there are more respondents who rejected the statement that ICCs do not comply with the justice notion of the Islamic moral economy than those who accepted (25.9% than 23.8% for CCC and 34.6% than 32% for ICC, respectively), indicating a tendency from both holding types to favour ICCs. However, considering the large percentage of respondents remaining neutral in both categories, together with a sizeable number of 'agreeing' individuals, one cannot be confident with the result that the majority of the participants are in favour of ICCs; in contrast, the results indicate that they are rather sceptical.

An inspection of the Mann-Whitney U Test results in Table 6.22, show an insignificant difference between the two holder types in relation to this statement across their groups at p-value .687. However, the mean ranking value of 212.56 with CCCs is higher than ICCs with 206.82, implying a greater tendency among CCC holders to believe that ICCs are like CCCs in that they also have elements of injustice in financial transactions. Hence, the findings are consistent with the previous results in this section.[26]

Table 6.19: Cross-tabulation Results between Holding Type and 'ICCs Create Money and Credit'

			ICCs create money and credit					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	6	35	139	148	16	344
		%	1.7%	10.2%	40.4%	43.0%	4.7%	100.0%
	ICC	Count	7	6	20	38	7	78
		%	9.0%	7.7%	25.6%	48.7%	9.0%	100.0%
	Total	Count	13	41	159	186	23	422
		%	3.1%	9.7%	37.7%	44.1%	5.5%	100.0%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.520[a]	4	.002
Likelihood Ratio	14.982	4	.005
Linear-by-Linear Association	.049	1	.825
N of Valid Cases	422		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.40.

Table 6.19 depicts a significant association between the holding type and the statement that 'ICCs create money and credit' at the 1% level with p-value .002. It was found that both holding types have more respondents who agree that ICCs are creating money and credit similar to CCCs than those who disagree: 47.7% as against 11.9% for CCCs, and 57.7% as against 16.7% for ICCs, respectively. Having the scepticism of the neutral group to add to such an acceptance level shows that the majority of the participants do perceive ICCs as another instrument in creating money and credit in the economy.

To further substantiate this result, the Mann-Whitney U Test was conducted and the results in Table 6.22 show an insignificant difference between CCCs and ICCs across the agreement levels of the statement at p-value .287, with a mean ranking value of 223.81 for ICC holders being higher than the result for CCC holders with 208.71. This implies a higher tendency among ICC holders to accept that ICCs are creating money and credit than CCC holders. This finding is also consistent with other findings, as great scepticism among ICC holders concerning the Islamicness of their credit cards has already been established.

[26] Even though the result of Mann-Whitney U Test is not significant, it is still being reported to differentiate the level of agreement between CCC and ICC holders since the chi-square test's result shows a significant association between the two variables.

Table 6.20: Cross-tabulation Results between Holding Type and 'ICCs lead to Debt-based System'

			ICCs lead to debt-based					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	7	34	112	157	29	339
		%	2.1%	10.0%	33.0%	46.3%	8.6%	100.0%
	ICC	Count	10	13	14	30	10	77
		%	13.0%	16.9%	18.2%	39.0%	13.0%	100.0%
	Total	Count	17	47	126	187	39	416
		%	4.1%	11.3%	30.3%	45.0%	9.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.568[a]	4	.000
Likelihood Ratio	23.078	4	.000
Linear-by-Linear Association	5.110	1	.024
N of Valid Cases	416		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 3.15.

In further scrutinizing the compliance of ICCs with Islamic principles, the relationship between ICCs and their operation leading to a debt based system is examined. The findings in Table 6.20 indicate a full significant association between holding type and the statement that 'ICCs lead to a debt based-system' at p-value .000. The majority of respondents from both CCCs and ICCs were found to be in the acceptance group, 54.9% with CCCs and 52% with ICCs. While the rejecting group for CCCs was 12.1% and ICCs at 29.9%. Thus, these findings also imply that the majority of the participants are concerned with ICCs converging towards or mimicking the CCCs, and, therefore, having similar consequences.

Further investigation using the Mann-Whitney U Test in Table 6.22 demonstrates that there is no significant difference between CCCs and ICCs across agreement levels in relation to the statement that 'ICCs lead to a debt-based system' at p-value .195. However, the mean ranking value of 211.91 for CCCs is higher than that of ICCs with 193.48, implies that there is a greater acceptance among CCC holders that ICCs create a debt-based system than ICC holders. This may be evidence as to why CCC holders have refrained from using ICCs, as perhaps they do not see any difference between the two in terms of consequences.

Table 6.21: Cross-tabulation Results between Holding Type and 'ICCs are in Line with Islamic Philosophy'

			ICCs are in line with Islamic Philosophy					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	13	41	145	126	16	341
		%	3.8%	12.0%	42.5%	37.0%	4.7%	100.0%
	ICC	Count	3	9	23	31	11	77
		%	3.9%	11.7%	29.9%	40.3%	14.3%	100.0%
	Total	Count	16	50	168	157	27	418
		%	3.8%	12.0%	40.2%	37.6%	6.5%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.642[a]	4	.020
Likelihood Ratio	10.115	4	.039
Linear-by-Linear Association	3.967	1	.046
N of Valid Cases	418		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.95.

In an attempt to cross check the findings in this section, the respondents were asked to reveal their opinion on a statement suggesting that ICCs were in line with Islamic philosophy. Table 6.21 indicates a significant association between holding type and the statement that 'ICCs are in line with Islamic philosophy' at the 1% level with p-value .020. It was found that there were more respondents who agree than those who disagree with the statement, 41.7% as against 15.8% for CCCs, and 54.6% as against 15.6% for ICCs, respectively. Thus, there is an inconsistency between the answers given. In terms of consequences and structures, the majority of the respondents in both groups were sceptical about ICCs as explained so far; however, in terms of a straight position in relation to the Islamicity of the ICCs, the majority agreed that it was Islamic. Again, this paradox can be explained by the fact that the participants may consider ICCs in terms of their form as Islamic, but when it comes to the substance issues as above, they express their concerns.

An examination of the results through the Mann-Whitney U Test in Table 6.22 shows a significant difference between the two holding types across the agreement levels that 'ICCs are in line with Islamic philosophy' at a 5% level with p-value .036. The mean ranking value of 234.01 for ICCs was higher than CCCs with 203.97. This implies that ICC holders have a greater tendency to accept ICCs than those of CCC holders.

Overall, all six variables ('ICC concept is acceptable', 'ICCs involve *riba*', ICCs are against the justice aspect of Islamic financial transactions', 'ICCs create money and credit', 'ICCs lead to a debt-based system' and 'ICCs are in line with Islamic philosophy') were found not only to be significantly related through the Pearson chi-square cross-tabulation test but also through the Mann-Whitney U test, which provides statistically significant results in understanding the participants' positions in respect to the various attributes and consequences of ICCs.

Table 6.22: Mann-Whitney U Test Results between Holding Type and ICC Perception Variables

Variable		N	Mean Rank	Z	Asymp. Sig. (2-tailed)
1. ICC concept is acceptable	CCC	346	207.09		
	ICC	78	236.51		
	Total	424		-2.028	.043
2. ICCs involve *riba'*	CCC	344	216.00		
	ICC	78	191.67		
	Total	422		-1.680	.093
3. ICCs are against the justice aspect of Islamic financial transactions	CCC	344	212.56		
	ICC	78	206.82		
	Total	422		-.400	.689
4. ICCs create money and credit	CCC	344	208.71		
	ICC	78	223.81		
	Total	422		-1.065	.287
5. ICCs lead to a debt-based system	CCC	339	211.91		
	ICC	77	193.48		
	Total	416		-1.295	.195
6. ICCs are in line with Islamic philosophy	CCC	341	203.97		
	ICC	77	234.01		
	Total	418		-2.101	.036

Hence, the overall findings based on the Pearson chi-square and Mann-Whitney U Test suggest that ICC holders perceived ICCs as more Islamic than those of CCC holders. Hence, this supports the hypothesis of the study.

Therefore, the null hypothesis 5 is accepted – *Hypothesis 5: ICC holders perceive ICCs as more Islamic than CCCs.*

6.4.2. PERCEPTIONS OF ISLAMIC CREDIT CARDS IN COMPARISON TO CONVENTIONAL CREDIT CARDS: THE DESCRIPTIVE AND INFERENTIAL ANALYSIS

This section utilises eight statements to explore the perceptions of ICCs in comparison to CCCs in determining whether respondents perceive CCCs as more superior than ICCs through the identified dimensions. The findings of the descriptive statistics for the eight variables are presented in Table 6.23.

Table 6.23: Comparison between ICCs and CCCs

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
CCCs provide a higher credit limit than ICCs	22	4.4	59	11.9	224	45.2	167	33.7	24	4.8	496	3.23
CCCs offer better bonus/rewards than ICCs	14	2.8	65	13.1	239	48.2	154	31	24	4.8	496	3.22
Charges for CCCs are lower than ICCs	21	4.2	81	16.3	287	57.9	90	18.1	17	3.4	496	3
Requirements for approval of CCCs are easier than for ICCs	12	2.4	70	14.2	242	49	151	30.6	19	3.8	494	3.19
Having CCCs is more prestigious than ICCs	40	8.1	128	25.9	206	41.6	96	19.4	25	5.1	495	2.87
CCCs have wider acceptance compared to ICCs	20	4	51	10.3	174	35.2	221	44.6	29	5.9	495	3.38
The terms and conditions of CCCs are easier to understand than those for ICCs	14	2.8	71	14.3	252	50.9	146	29.5	12	2.4	495	3.14
ICCs provide religious satisfaction, which is not the case with CCCs	13	2.6	58	11.7	211	42.7	159	32.2	53	10.7	494	3.37

Table 6.23 presents the results in determining whether ICCs or CCCs were perceived as being better in terms of certain attributes and dimensions by the participants:

As for the statement that ‘CCCs have a higher credit limit than ICCs’, the results indicate that 38.5% of cardholders agreed that CCCs provide a higher credit limit while only 16.3% disagreed. The majority of participants (45.2%), however, remained neutral.

Regarding the statement that ‘CCCs offer better bonus/rewards than ICCs’, 34.8% of the participants agreed and 15.9% disagreed. The majority, 48.2%, of the participants, however, preferred not to take any position on any side, hence, indicating their scepticism.

As to the statement that ‘charges for CCCs are lower than ICCs’, 21.5% of respondents agreed that the charges for CCCs are lower when compared to ICCs, while 20.5% disagreed. As before, however, more than half of the participants (57.9%) remained neutral.

With regards to the statement that ‘requirements for approval of CCCs are easier than for ICCs’, the results in Table 6.23 show that 34.4% of the participants agree that CCCs have easier requirements while 16.6% disagreed. However, again a large percentage of the participants (49%) remained neutral.

On another dimension concerning whether ‘having CCCs is more prestigious than ICCs’, the results show that a greater percentage disagreed (34%) than agreed (24.5%). However, the percentage of those who remained neutral is higher than the other positions.

In respect of the statement that ‘CCCs have wider acceptance compared to ICCs’, about half of the participants agreed (50.5%), while only 14.3% disagreed. This result substantiated that

CCCs are recognized all over the world, while the ICC's market share is very small. However, those having ICCs should not have any problems in using their cards.

In further comparing the various attributes and dimensions of both credit cards, the participants were asked to express their opinion on 'The terms and conditions of CCCs are easier to understand than those for ICCs'. The results in Table 6.23 show that 31.9% agreed while 17.1% of the participants disagreed with the statement. The rest of the participants, about 50.9%, remained undecided. However, there is a tendency that CCCs have easier terms and conditions.

As a last statement, the religiosity aspect of credit card holding was examined through the opinions of the participants, and they were asked to state their opinion on whether 'ICCs provide religious satisfaction, which is not the case with the CCCs'. The results in Table 6.23 show that 42.9% of the participants agreed that ICCs can give them religious satisfaction while only 14.3% disagreed. However, even in the case of such a statement, 42.7% of the participants remained neutral.

Overall, as the discussion in this section so far indicates, in the case of six statements out of eight, the findings are in favour of CCCs, and only two of the statements favour ICCs in terms of 'prestige' and 'religious satisfaction'. Hence, the overall results strongly suggest that more respondents think that CCCs are better than ICCs in the identified dimensions and attributes.

Further exploration on the eight variables to determine whether any association exists between the two holding types was conducted through chi-square cross-tabulation tests. The analysis was further substantiated with the Mann-Whitney U test. The chi-square test results indicate that four of the eight variables have a significant association while the other four have no significant differences. The results of the variables with significant associations were presented together with the results of the Mann-Whitney U test results as follows:

Table 6.24 shows a statistically significant association between holding type and the statement that 'CCCs provide a higher credit limit than ICCs' at the 10% level with p-value .066. It is found that the accepting groups from both CCCs and ICCs are greater than their rejecting group (35.5% than 14.1% and 44.9% than 20.5%, respectively). An inspection on the Mann-Whitney U Test results in Table 6.28 show a statistically insignificant difference between the holding of CCCs and ICCs across the agreement levels of the statement.

However, the results show that the mean ranking value of ICCs is 216.22, which is higher than that of CCCs with 207.34. Although insignificant, the findings imply that ICC holders believe that CCCs offer a higher credit limit to customers than ICCs. This can be positively interpreted as this result favours ICCs as a lower credit limit that can avoid a higher debt impact.

Table 6.24: Cross-tabulation Results between Holding Type and 'CCCs provide a higher Credit Limit than ICCs'

			CCCs provide a higher credit limit than ICCs					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	11	37	170	107	14	339
		%	3.2%	10.9%	50.1%	31.6%	4.1%	100.0%
	ICC	Count	6	10	27	29	6	78
		%	7.7%	12.8%	34.6%	37.2%	7.7%	100.0%
	Total	Count	17	47	197	136	20	417
		%	4.1%	11.3%	47.2%	32.6%	4.8%	100.0%

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.810[a]	4	.066
Likelihood Ratio	8.367	4	.079
Linear-by-Linear Association	.032	1	.858
N of Valid Cases	417		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 3.18.

Table 6.25: Cross-tabulation Results between Holding Type and 'Charges for CCCs are lower than for ICCs'

			Charges for CCCs are lower than for ICCs					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	13	52	209	58	7	339
		%	3.8%	15.3%	61.7%	17.1%	2.1%	100.0%
	ICC	Count	5	15	35	15	8	78
		%	6.4%	19.2%	44.9%	19.2%	10.3%	100.0%
	Total	Count	18	67	244	73	15	417
		%	4.3%	16.1%	58.5%	17.5%	3.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.615[a]	4	.002
Likelihood Ratio	13.861	4	.008
Linear-by-Linear Association	.868	1	.351
N of Valid Cases	417		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.81.

Table 6.25 shows significant associations between holding type and the statement that 'charges for CCCs are lower than ICCs' at the 1% level with p-value .002. Regarding CCCs, its accepting group is almost no different to the rejecting group (19.2% and 19.1%, respectively), while for ICCs, the accepting group (29.5%) is much larger than its rejecting group with (25.6%). The Mann-Whitney U Test results in Table 6.28 show an insignificant difference between the two variables across their groups at p-value .513. However, the mean ranking value for ICCs (216.15) is higher than that of CCCs with 207.35. This suggests a higher acceptance level among ICC holders than that of CCC holders towards CCCs having lower charges than ICCs. This gives small approval to ICCs that their holders choose to hold them due to religious reasons.

Table 6.26: Cross-tabulation Results between Holding Type and 'Requirements for Approval of CCCs are Easier than for ICCs'

			Requirements for Approval of CCCs are easier than for ICCs					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	6	42	180	99	12	339
		%	1.8%	12.4%	53.1%	29.2%	3.5%	100.0%
	ICC	Count	5	10	30	27	5	77
		%	6.5%	13.0%	39.0%	35.1%	6.5%	100.0%
	Total	Count	11	52	210	126	17	416
		%	2.6%	12.5%	50.5%	30.3%	4.1%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.848[a]	4	.043
Likelihood Ratio	8.704	4	.069
Linear-by-Linear Association	.028	1	.866
N of Valid Cases	416		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 2.04.

The findings in Table 6.26 show a significant association between holding type and 'requirements for approval of CCCs are easier than for ICCs' at the 5% level with p-value .043. For both CCCs and ICCs, their accepting group was greater than their rejecting group (32.7% than 14.2% and 41.6% than 19.5%). In addition, the Mann-Whitney U Test in Table 7.28 indicates a higher mean ranking value for ICCs (215.40) than CCCs (206.93). This means that ICC holders have an increased tendency to believe that CCCs have much easier requirements for approval than ICCs than those of CCC holders.

Table 6.27: Cross-tabulation Results between Holding Type and ‘Having CCCs are more Prestigious than ICCs’

			Having CCCs are more prestigious than ICCs					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	16	96	146	65	15	338
		%	4.7%	28.4%	43.2%	19.2%	4.4%	100.0%
	ICC	Count	15	11	26	19	7	78
		%	19.2%	14.1%	33.3%	24.4%	9.0%	100.0%
	Total	Count	31	107	172	84	22	416
		%	7.5%	25.7%	41.3%	20.2%	5.3%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.694[a]	4	.000
Likelihood Ratio	24.241	4	.000
Linear-by-Linear Association	.002	1	.968
N of Valid Cases	416		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 4.13.

Table 6.27 shows a full statistically significant association between the holding type and the statement that ‘having CCCs are more prestigious than ICCs’ at p-value .000. There are more respondents holding CCCs who disagreed with the statement than those who agreed (33.1% than 23.6%). However, those ICC holders are equally distributed between the disagreeing, neutral, and agreeing group with 33.3% in each group. Further observation of the Mann-Whitney U Test results in Table 6.28 found the mean ranking value of ICCs with 212.15 to be higher than CCCs with 207.66. Although the results show no statistically significant difference between the two variables, the mean ranking value findings inform that ICC holders have a greater tendency to believe that ‘CCCs are more prestigious than ICCs’.

It should be noted that the other four variables show no statistically significant difference based on cross-tabulation with chi-square analysis, and, therefore, they were not examined further in this section. These variables or statements are: ‘CCCs offer better bonus/rewards than ICCs’, ‘CCCs have wider acceptance compared to ICCs’, ‘the terms and conditions of CCCs are easier to understand than those for ICCs’ and ‘ICCs provide religious satisfaction, which is not the case with CCCs’.

Table 6.28: Mann-Whitney U Test Results between Holding Type and Perception Variables of ICCs in Comparison to CCCs

Variable		N	Mean Rank	Z	Asymp. Sig. (2-tailed)
1. CCCs provide a higher credit limit than ICCs	CCC	339	207.34		
	ICC	78	216.22		
	Total	417		-0.634	0.526
2. CCCs offer better bonus/rewards than ICCs	CCC	339	207.28		
	ICC	78	216.47		
	Total	417		-0.657	0.511
3. Charges for CCCs are lower than ICCs	CCC	339	207.35		
	ICC	78	216.15		
	Total	417		-0.654	0.513
4. Requirements for approval of CCCs are easier than for ICCs	CCC	339	206.93		
	ICC	77	215.4		
	Total	416		-0.608	0.543
5. Having CCCs are more prestigious than ICCs	CCC	338	207.66		
	ICC	78	212.15		
	Total	416		-0.313	0.754
6. CCCs have wider acceptance compared to ICCs	CCC	338	211.99		
	ICC	78	193.4		
	Total	416		-1.324	0.185
7. The terms and conditions of CCCs are easier to understand than those for ICCs	CCC	338	212.63		
	ICC	78	190.6		
	Total	416		-1.595	0.111
8. ICCs provide religious satisfaction, which is not the case with CCCs	CCC	337	206.37		
	ICC	78	215.03		
	Total	415		-0.61	0.542

Overall, as five out of the eight statements show that ICC holders perceive CCCs as superior than ICCs, it is concluded that CCCs are superior to ICCs.

Hence, the null hypothesis 6 is accepted – *Hypothesis 6: ICC holders perceive CCCs superior than ICCs.*

It should be noted that even though the results revealed that ICC holders perceived CCCs are superior, they still hold ICCs instead of CCCs. Therefore, it is concluded that ICC holders' selections have been mainly driven by religious factors, while other factors are considered as less important. This is important to identify, as in most of the dimensions and attributes, CCCs seem to be doing better as explained through the perceptions of the individuals. Thus, the only way ICC holding can be explained is through religious conviction, which is explored further in the following section.

6.5. MEASURING THE IMPACT OF RELIGIOUS PRACTICE ON CREDIT CARD SELECTION

It was mentioned before that the selection of ICCs instead of CCCs can be explained by an individual's level of religious practices. It is expected that those with a higher level of religious practice, might tend to select ICCs, while those with lower religious practice levels will select CCCs. The importance of religious practice in impacting credit card selection is rather important to consider against the fact that even a great number of ICC holders perceive that CCCs have better attributes and features, as discussed above.

This section, therefore, explores the religious commitments of the respondents in explaining credit card selection and loyalty issues. Religious commitment is expressed in two categories: a participant's attachment to the pillars of Islam and participants' feelings about social duty as part of their religious experience. There were only four of the five pillars of Islam utilised in this section: the first pillar of Islam, which is shahadah or testifying one's Muslimness, was not measured as Muslim participants are assumed to have satisfied the shahadah. Therefore, the remaining four pillars tested in this study: prayers, compulsory alms giving or *zakat*, fasting and pilgrimage (*hajj*). With regards to social obligation or duty, it was examined through one factor only, 'helping others in difficulty', in order to limit the length of the study. This factor is also considered the most desirable factor, which can determine how strong the desire of an individual is to perform their social duties, including and implying social justice. The results of the descriptive statistics for the five variables are depicted in Table 6.29, which shows the degree of the participants' own religious commitments through the measure of satisfaction.

Table 6.29: Religious Commitments

	Very Unsatisfied		Unsatisfied		Neutral		Satisfied		Very Satisfied		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
Performance of daily prayer, five times a day	16	3.5	50	10.9	51	11.2	237	51.9	103	22.5	457	3.79
Zakat payment	6	1.3	38	8.3	74	16.2	232	50.7	108	23.6	458	3.87
Ramadan fasting	4	0.9	26	5.7	50	10.9	236	51.5	142	31	458	4.06
Hajj/pilgrimage	7	1.5	26	5.7	76	16.7	232	50.9	115	25.2	456	3.93
Helping people in difficulties	3	0.7	27	5.9	65	14.2	254	55.3	110	24	459	3.96

The results in Table 6.29 depict the following results:

(i) Performance of compulsory daily prayers: 74.4% of the participants were satisfied and 14.4% were dissatisfied.

(ii) *Zakat* payment: 74.3% of the participants were satisfied and only 9.6% were unsatisfied.

(iii) Fasting during *ramadan*: 82.5% of the participants were satisfied, while only 6.6% were dissatisfied.

(iv) *Hajj*/Pilgrimage: 76.1% of the participants were satisfied, while only 7.2% were dissatisfied.

(v) Helping people in difficulties: 79.3% of the participants were satisfied, while only 6.6% were dissatisfied.

Hence, all five variables in determining the level of religious commitment among respondents, show a higher number of respondents in the satisfied group than the dissatisfied group. This implies that the majority of participating Muslims are religiously observant in performing obligatory religious duties and also like to help others as an act of social duty, which shows that they are concerned with their relationship both with Allah (vertical ethicality) as well as human beings (horizontal ethicality). This is also evident from the mean value findings in Table 7.29, where all variables indicated a value of above 3.70, which implies that more respondents are satisfied with their own religious performances. The highest mean being with '*ramadan* fasting' with 4.06, followed by 'helping people in difficulties' with 3.96, *hajj* with 3.93, *zakat* payment with 3.87 and 'performance of daily prayers' with 3.79. However, it is also important to note that the results of the daily prayers' is not as high as expected, as it is supposed to have the highest mean due to the fact that it is the second most important after *shahadah* in the five pillars of Islam.

The five variables are further explored using cross-tabulation with chi-square analysis to examine whether ICC holders have better religious commitments than CCC holders with the objective of understanding if religiosity is the main factor determining ICC holding. Of the five variables in exploring the religious commitments, namely, *'salat or daily prayers'*, '*zakat'*, '*ramadan* fasting', '*hajj* or pilgrimage' and 'helping people in difficulties', only two of the last variables show significant associations with the two holding types. The results of the significant variables are detailed as follows.

Table 6.30: Cross-tabulation Results between Holding Type and *Hajj*

			Hajj/pilgrimage (or intention to perform *hajj*/pilgrimage)					
			Very Unsatisfied	Not Satisfied	Neutral	Satisfied	Very Satisfied	Total
Holding type	CCC	Count	5	11	51	171	69	307
		%	1.6%	3.6%	16.6%	55.7%	22.5%	100.0%
	ICC	Count	2	8	9	31	27	77
		%	2.6%	10.4%	11.7%	40.3%	35.1%	100.0%
	Total	Count	7	19	60	202	96	384
		%	1.8%	4.9%	15.6%	52.6%	25.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.729[a]	4	.008
Likelihood Ratio	12.641	4	.013
Linear-by-Linear Association	.008	1	.929
N of Valid Cases	384		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 1.40.

Table 6.30 shows a statistically significant association between the holding type and '*hajj* or intention to perform *hajj*' at 1% with p-value .008. It was found that both ICC holders and CCC holders indicated satisfaction in their commitment to *hajj*, with the combined results for those who were satisfied being at 78.2% with CCCs and 75.4% with ICCs. Those who were not satisfied, however, were at 5.2% with CCCs and 13% with ICCs. This generally suggests that ICC holders are more satisfied in their *hajj* than CCC holders.

A further investigation using the Mann-Whitney U Test (results shown in Table 6.32) indicates a non-significant difference between the two variables across their groups at p-value .360. However, the mean ranking value of ICC holders is 237.53, which is higher than for CCC holders with 224.16. This implies that the individual's inclination for *hajj* is higher among ICC holders, as compared to CCC holders, thus, supporting the Pearson chi-square finding.

Table 6.31 shows the results of cross-tabulation between the holding type and the statement of 'helping people in difficulty'. The results demonstrate that there is a significant association at the 5% level with p-value .046. The finding is quite similar with the finding for *hajj* where the 'satisfied group' for both ICCs and CCCs dominates over the 'unsatisfied group' (80.6% with ICCs and 79.9% with CCCs than 7.8% with ICCs and 10.5% with CCCs, respectively). This implies that ICC holders help people more than CCC holders. The Pearson chi-square test results, however, show a statistically significant relationship at 10% but not at 5% with p-value .097.

Table 6.31: Cross-tabulation Results between Holding Type and Religious Practice of 'Helping People in Difficulty'

			Helping people in difficulty					
			Very Unsatisfied	Not Satisfied	Neutral	Satisfied	Very Satisfied	Total
Holding type	CCC	Count	2	14	46	182	65	309
		%	.6%	4.5%	14.9%	58.9%	21.0%	100.0%
	ICC	Count	1	5	9	34	28	77
		%	1.3%	6.5%	11.7%	44.2%	36.4%	100.0%
	Total	Count	3	19	55	216	93	386
		%	.8%	4.9%	14.2%	56.0%	24.1%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.667[a]	4	.046
Likelihood Ratio	9.155	4	.057
Linear-by-Linear Association	1.513	1	.219
N of Valid Cases	386		

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is .60.

In searching for systematic evidence, the Mann-Whitney U Test was conducted, and the results are depicted in Table 6.32, which show that statistically there is no significant difference between the variables. However, the Mean Ranking Value for ICCs is 249.98, which is higher than the CCCs mean ranking value of 222.57. This implies that ICC holders are moved with further religious reasons to help others in comparison to the CCC holders. Hence, this result further supports the cross-tabulation findings as reported above. All five variables are further tested using the Mann-Whitney U Test; the results can be found in Table 6.32.

Table 6.32: Mann-Whitney U Test Results between Holding Type and Religious Practices/Commitments

Variable: How satisfied are you with your practices/intentions in respect of the following?		N	Mean Rank	Z	Asymp. Sig.
1. Performance of daily prayers, five times a day	CCC	307	190.86		
	ICC	77	199.06		
	Total	384		-.634	.526
2. *Zakat* payment (or your intention to pay *zakat* when you have the ability)	CCC	308	189.49		
	ICC	77	207.05		
	Total	385		-1.351	.177
3. Fasting during *ramadan*	CCC	308	190.78		
	ICC	77	201.86		
	Total	385		-.859	.391
4. *Hajj*/Pilgrimage (or your intention to perform *hajj*/pilgrimage)	CCC	307	190.13		
	ICC	77	201.95		
	Total	384		-.915	.360
5. Helping people in difficulty	CCC	309	188.83		
	ICC	77	212.26		
	Total	386		-1.835	.067

The Mann-Whitney U Test results in Table 6.32 indicate that ‘helping people in difficulty’ has a significant difference with the holding type at 10% with p-value .067. The result shows that the mean ranking value is higher with ICCs than CCCs, which implies that the level of religious commitments among ICC holders is higher than CCC holders.

Therefore, the null hypothesis 7 is accepted – *Hypothesis 7: ICC holders have a greater level of religious practice/commitment than CCC holders.*

Thus, it is considered that ICC holders are more religiously inclined, and, therefore, perhaps is the reason why they have taken up ICCs, which is substantiated by the results in this section.

6.6. EXPLORING THE IMPACT OF DEMOGRAPHIC CHARACTERISTICS ON CREDIT CARD HOLDING TYPE

Chapter 5 has presented the results of the descriptive statistics for the eleven demographic variables (gender, age, marital status, number of children/dependents, head of family, ethnicity, religion, education, income, employment sector and job)**,** while this section investigates the demographic variables in relation to the two holding types (ICCs and CCCs). The analysis of the Pearson chi-square based on cross-tabulation is utilised, which found two of the variables (ethnicity and religion) have a significant relationship. The significant variables are discussed in detail as follows.

Table 6.33 shows that credit card holding type is statistically significantly related to ‘ethnicity’ at the .012 p-value level. It is found that the ICC holding is dominant among Malays with 98.7% in contrast with the non-Malays with only 1.3%. CCC holding is also seen as being very high among Malays with 88.8% rather than non-Malays with 11.2%. Hence, this shows that the utilization of credit cards, either ICCs or CCCs, is very high among Malays in contrast with non-Malays. However, in interpreting the results, the ethnic distribution of the sample should be taken into consideration.

Table 6.33: Cross-tabulation Results between Holding Type and Ethnicity

			Ethnicity		
			Malay	Non Malay	Total
Holding type	CCC	Count	308	39	347
		% within Holding type	88.8%	11.2%	100.0%
		% within Ethnicity	80.0%	97.5%	81.6%
	ICC	Count	77	1	78
		% within Holding type	98.7%	1.3%	100.0%
		% within Ethnicity	20.0%	2.5%	18.4%
	Total	Count	385	40	425
		% within Holding type	90.6%	9.4%	100.0%
		% within Ethnicity	100.0%	100.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	7.406[a]	1	.007		
Continuity Correction[b]	6.284	1	.012		
Likelihood Ratio	10.535	1	.001		
Fisher's Exact Test				.004	.002
Linear-by-Linear Association	7.388	1	.007		
N of Valid Cases	425				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.34.

b. Computed only for a 2x2 table

In expanding the analysis, if we look at the distribution of ethnicity in relation to credit card holding, we find that 88.8% of Malay participants and 97.5% of non-Malays have CCCs, while 20% of Malay participants and 2.5% of non-Malay respondents have ICCs. This shows that the ownership of ICCs is small compared to CCCs, which implies that the credit card market is still largely dominated by CCCs.

Table 6.34: Cross-tabulation Results between Holding Type and Religion

			Religion		
			Islam	Other Religion	Total
Holding type	CCC	Count	310	37	347
		% within Holding type	89.3%	10.7%	100.0%
		% within Religion	80.1%	97.4%	81.6%
	ICC	Count	77	1	78
		% within Holding type	98.7%	1.3%	100.0%
		% within Religion	19.9%	2.6%	18.4%
	Total	Count	387	38	425
		% within Holding type	91.1%	8.9%	100.0%
		% within Religion	100.0%	100.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.883[a]	1	.009		
Continuity Correction[b]	5.779	1	.016		
Likelihood Ratio	9.749	1	.002		
Fisher's Exact Test				.007	.003
Linear-by-Linear Association	6.867	1	.009		
N of Valid Cases	425				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.97.

b. Computed only for a 2x2 table

Table 6.34 shows that holding type is significantly related to religion at the 5% level with p-value .016. The results show that 89.3% of CCC holders are Muslims and 10.7% of them are non-Muslims. As to the distribution of ICCs, 98.7% of the holders are Muslims and the rest are non-Muslims. Thus, as can be seen, ICCs are more popularly held by Muslims, while, as expected, for non-Muslim participants CCCs are more popular. This result is expected, as the findings so far indicate that ICC holding is mostly due to religious factors. However, it is expected that there is a larger percentage difference between Muslims holding ICCs than those with CCC holdings.

Hence, the findings of this section suggest the acceptance of the null hypothesis 8 – *Hypothesis 8: It is expected that there is significant relationship between the holding type with religion and ethnicity.*

6.7. CONCLUSION

This chapter aimed to analyse the various factors and issues impacting credit card selection and credit card satisfaction among other issues.

As the discussion in the preceding sections indicate, the results revealed that the initial factors to possessing a credit card were most influenced by 'convenience' and 'finance'**.**

Among the twenty-seven features of credit cards that attracted customers to select a specific type of credit card, it was found that the three most important factors considered by respondents were 'local acceptance', 'safer than cash' and 'bonus and rewards', with the same mean value of 3.93. While 'status symbol' was the least important of all the factors with a mean value of 2.92, far lower than the second lowest factor of 'supplementary card' with 3.26 mean.

Factor analysis has divided the twenty-seven credit card attributes into seven component factors, which ranked 'protection' as the most important component factor, followed by 'promotion', 'flexibility', 'convenience', 'facilities', 'finance' and 'reputation', ranked from the most to least important. It is important to note that ICC holders are attracted the most to the 'promotion' factor, while 'protection' was the most important for CCC holders.

It should also be mentioned that the examination on the twenty-seven selection factors according to the two holding types determined that religious variables are valued as more important by ICC holders than CCC holders. Specifically, the '*Shari'ah* board' was ranked second by ICC holders but was ranked seventeenth by CCC holders, while the 'Islamic brand' was ranked sixth highest by ICC holders but twenty-first by CCC holders. It is also worth mentioning that of the twenty-seven selection factors, only seven selection factors had a higher mean for ICC holders, compared to the other nineteen selection factors where the mean values for which were higher for CCC holders, while the other one variable was equally valued by ICC holders and CCC holders (see Table 6.6 for details). Hence, these results imply that ICC holders have less preference in credit card features than CCC holders as most of the selection factors were rated lower. Therefore, credit card issuers can satisfy ICC holders much more easily than CCC holders. The lower preferences concerning credit card attributes and dimensions among ICC holders are believed to be influenced by religious factors.

Moreover, the findings show that even ICC holders are less satisfied than CCC holders with their credit cards, while their loyalty is much higher than CCC holders. As expected, ICC holders do perceive ICCs as being more Islamic than CCC holders, despite their belief that CCCs are generally superior to ICCs. This can be explained by the religious factor, as the religious commitments of ICC holders are also found to be higher than CCC holders. The results of cross-tabulation and chi-square analysis have reported that ethnicity and religion also have a significant relationship with the holding type of ICCs and CCCs.

Hence, the overall results suggest that for some ICC holders, their holding of ICCs have been influenced by religious factors. This can also be detected by their satisfaction, loyalty, perception and religious commitments. Hence, religion does play a role in selecting a credit card for a proportion of Malaysian cardholders. Therefore, it can be concluded that the hypotheses of the study have been supported.

Chapter 7

ANALYSING THE FINANCIAL AND SOCIAL IMPACT OF CREDIT CARDS

7.1. INTRODUCTION

Chapter 6 discussed the issues surrounding credit card selection factors, which identified that the religious factor is important to a marginal group of ICC holders, and that this group of individuals are not concerned so much about the costs as adhering to religious teachings, which is deemed essential and ensures their loyalty towards ICCs.

This chapter is a continuation of the last chapter in investigating whether ICCs have fulfilled the aspiration of the Islamic financial spirit at large. In other words, it is important to distinguish if ICCs can control the existing negative impact brought upon by CCCs, even if not by much, but at least whether or not it can moderate such consequences.

In achieving this objective, this chapter analyses the possible impacts of the use of ICCs and CCCs through established variables with the main objective of investigating whether ICCs have lower negative impact than CCCs. It is expected that CCC holders are more adversely affected than ICC holders as the latter hold the cards due to the religious factor, which influences their credit card dealing. Hence, it is expected that ICCs can lower negative credit card exposure compared to their CCC counterparts.

This chapter is structured in three main sections: Section 7.2 presents the findings of analysis between the revolving status with demographic/socio-economic backgrounds, credit card number, holding type and general attitudes towards debt. The following three sections investigate the impact of credit cards from the perspective of the holding type. In particular, Section 7.3 presents the findings of the analysis between holding type and the variables of credit card profile (which include usage and payment behaviour) and credit behaviour. Section 7.4 presents the findings of the analysis between holding type and perception statements relating to issues of credit cards. Section 7.5 analyses and discusses the findings of the marketing strategies' variables from the perspective of holding type. These three latter sections are presented in the same format, where each section has three major parts. The first part presents the results of the descriptive statistics for all the variables in focus. Next, it discusses the cross-tabulation with its Pearson chi-square findings. This part provides detailed cross-tabulation results for variables having a significant relationship, while variables with no significant relationship are stated in brief, with the exception of those worth further exploration – this is to reduce the length of the thesis. The third part discusses the findings based on the inferential statistics of the Mann-Whitney U Test. This part, unlike the second part, presents the results for all the variables in detail regardless of having significance or not as the produced results are sizable, given the constraints. Moreover, this kind of presentation is useful in revising the previous cross-tabulation findings. The final section, Section 7.6, summarises the previous sections by presenting the main findings.

7.2. EXPLORING THE DETERMINANTS OF REVOLVERS

One of the attractive features of credit cards is that customers can enjoy their credit offer as long as the minimum monthly amount, as stipulated in the bill, is paid. However, this facility does not come without charge. Customers who pay less than the full bill amount, also known as revolvers, are subjected to a higher debt through credit card various charges, and the charges will accumulate until the full bill payment is made. Those who pay monthly bills in full or the non-revolvers, can use the facility for free. Hence, the credit cards have a negative impact in the case of defaulters or revolvers in the sense that it is a tool of debt making, which can create a debt based system. Noting this brief introduction, it is worth mentioning that in Chapter 5, it was established that out of 496 respondents, only 23.8% were non-revolvers, whilst 76.2% were revolvers who have contributed to the creation of the debt-based economy.

Further analysis of the revolving status (whether non-revolvers or revolvers) was taken across sixteen variables which included the socio-demographic characteristics, number of credit cards held, holding type and general attitude towards debt. Detailed findings are presented and discussed as follows.

Table 7.1 shows the results of the cross-tabulation analysis with associated Pearson chi-square findings between revolving status across sixteen variables: gender, age, marital status, number of children/dependents, head family, ethnicity, religion, education, income, employment sector, occupation, car loan and housing loan, number of credit cards held, holding type and general attitude towards debt. As can be seen from the results, five of the sixteen independent variables, namely, education, income, car loan, credit card number and holding type and credit behaviour, show a statistically significant association with the revolving status; these are discussed according to their significance levels as follows.

Table 7.1: Cross-tabulation Results between Revolving Status and Various Socio-Demographic Variables, Credit Card Number, Holding Type and General Attitude towards Debt

		Revolving Status						Chi-Square Test Results		
		Non-revolvers		Revolvers		Total		Chi-square	d.f.	ρ
		N	%	N	%	N	%			
Gender	Female	55	24.4%	170	75.6%	225	100%	.026	1	.873
	Male	63	23.4%	206	76.6%	269				
Age	20 and below	7	43.8%	9	56.3%	16		7.606[a]	4	.107
	21-30	46	19.2%	193	80.8%	239				
	31-40	49	27.4%	130	72.6%	179				
	41-50	11	25.6%	32	74.4%	43				
	51-60	4	25.0%	12	75.0%	16				
Marital Status	Single	54	21.8%	194	78.2%	248		.851	1	.356
	Married	63	25.7%	182	74.3%	245				
Number of Children/Dependents	0	54	21.8%	194	78.2%	248		2.596[a]	4	.627
	1	16	25.8%	46	74.2%	62				
	2	17	23.0%	57	77.0%	74				
	3	14	24.6%	43	75.4%	57				
	4 and more	16	32.0%	34	68.0%	50				
Head Family	Yes	47	26.9%	128	73.1%	175		1.208	1	.272
	No	70	22.0%	248	78.0%	318				
Ethnicity	Malay	107	24.0%	338	76.0%	445		.000	1	1.000
	Non Malay	11	22.9%	37	77.1%	48				
Religion	Islam	106	23.7%	341	76.3%	447		.000	1	1.000
	Other Religion	11	23.9%	35	76.1%	46				
Education	Secondary school and below	13	17.6%	61	82.4%	74		11.589[a]	3	.009
	Diploma/Matriculation/A-Level	31	17.7%	144	82.3%	175				
	Bachelor	48	28.1%	123	71.9%	171				
	Postgraduates	22	35.5%	40	64.5%	62				
Income	RM1,000 and below	6	35.3%	11	64.7%	17		24.716[a]	5	.000
	RM1,001-RM1,500	14	25.9%	40	74.1%	54				
	RM1,501-RM3,000	34	14.3%	203	85.7%	237				
	RM3,001-RM5,000	36	31.9%	77	68.1%	113				
	RM5,001-RM10,000	21	38.9%	33	61.1%	54				
	Above RM10,000	5	33.3%	10	66.7%	15				
Employment Sector	Government	43	25.1%	128	74.9%	171		.138	1	.711
	Non-Government	74	23.2%	245	76.8%	319				
Occupation	Professional	72	24.8%	218	75.2%	290		.309	1	.578
	Non-Professional	44	22.2%	154	77.8%	198				
Car Loan	Yes	64	20.2%	253	79.8%	317		5.851	1	.016
	No	52	30.4%	119	69.6%	171				
Housing Loan	Yes	60	24.8%	182	75.2%	242		.151	1	.698
	No	57	22.9%	192	77.1%	249				
Credit Card Number	1	66	27.7%	172	72.3%	238		8.847[a]	3	.031
	2	35	23.2%	116	76.8%	151				
	3	14	22.2%	49	77.8%	63				
	4 and more	3	7.0%	40	93.0%	43				
Holding Type	CCC	84	24.6%	257	75.4%	341		.404	1	.525
	ICC	22	28.9%	54	71.1%	76				
Credit Behaviour	Good Idea	29	17.0%	142	83.0%	171		10.271[a]	2	.006
	Good in some way, bad in others	48	24.5%	148	75.5%	196				
	Bad Idea	39	33.3%	78	66.7%	117				
	Total	116	24.0%	368	76.0%	484				

Note: (*) Other cells underneath this cell are left blank to indicate having the same value of 100%.

The results in Table 7.1 show that the variables with a highly significant relationship at a 1% level are education, income and credit behaviour.

Education: Education is found to have a highly significant relationship with revolving status at the 1% level with p-value .009. As can be seen from Table 7.1, the percentage of non-revolvers increases with the level of education; informing that those with a higher education level have a higher possibility not to revolve. As for the revolvers, their percentage decreases when the level of education increases. This implies the tendency to revolve increases when the level of education decreases. This suggests that education plays an important role in influencing the mind-set of respondents in relation to their financial behaviour. This negative relationship between education and the tendency to revolve is further affirmed by the findings of the Spearman correlation in Table 1 of Appendix D, which shows a highly negative significant correlation at a correlation coefficient of -.147 and p-value .001.

Income: Income shows a full statistically significant association with the revolving status at p-value .000. As for non-revolvers, the highest percentage of 38.9% came from the income group of RM5,001-RM10,000 while the lowest percentage of 14.3% was for the income group of RM1,501-RM3,000. As for revolvers, the income group of RM1,501-RM3,000 showed the highest percentage with 85.7%, followed by RM1,001-RM1,500 with 74.1%, RM3,001-RM5,000 with 68.1%, above RM10,000 with 66.7% and RM1,000 and below with 64.7%. The least percentage was RM5,001-RM10,000 with 61.1%. Therefore, disregarding the income group of RM1,000 and below, a trend can be seen in which those with an income below RM3,000 have a higher tendency to revolve than those in higher income groups of above RM3,000. To support this result, the Spearman correlation test results in Table 2 Appendix D found a highly significant negative correlation between the two variables at correlation coefficient -.132 with p-value .003. Hence, this affirms that the higher the income level of an individual, the lower the tendency to revolve. This finding is consistent with education levels related findings, where it was found that the higher the education level, the lower the tendency to revolve. It is normal that the level of education is represented through income level in that an individual with a higher salary has a higher education level.

Credit behaviour: Credit behaviour is found to be highly statistically significantly related with the revolving status at the 1% level with p-value .006. The results show a positive relationship between general credit behaviour and the tendency to revolve. With regards to the revolvers, the highest percentage comes from those who think that making instalment purchases is a ‘good idea’ with 83%. This is followed by the second highest percentage of 75.5% with those who think that making instalment purchases is ‘good in some ways, bad in others’ and the lowest percentage of 66.7% being with those who think that this is a ‘bad idea’. This contrasts with the non-revolvers for which the lowest percentage was ‘good idea’ with 17%, followed by ‘good in some ways, bad in others’ with 24.5%, and ‘bad idea’ with 33.3%. Therefore, the findings are consistent with our expectation that revolvers should have a positive attitude towards debt, which is represented through their thinking that instalment purchases are good. The Spearman correlation test in Table 3 of Appendix D_indicates a highly negative correlation with a correlation coefficient of -.145 with p-value .001, which affirms that revolvers have a positive attitude towards making instalment purchases.

The results also show that variables of significant relationship at the 5% level are car loans and credit card number, which are explored further below:

Car loan: Car loans are found to be statistically significant with their revolving status at the 5% level with p-value .016. A higher percentage of revolvers with car loans are shown than those without car loans. The percentages are 79.8% and 69.6%, respectively. Therefore, the results suggest a greater tendency among car loaners to be revolvers.

Credit card number: The credit card number shows a statistically significant relationship with the revolving status at the 5% level with p-value .031. Interestingly, a clear pattern is found in both non-revolvers and revolvers in that the percentage of non-revolvers decreases when the number of credit cards increases. As for revolvers, it increases when the number of credit card increases. This suggests that the tendency to revolve gets higher when an individual holds a greater number of credit cards.

It should be noted that the other eleven variables show no statistically significant relationships. However, it is worth noting their percentage differences, which could be interpreted as follows:

Gender: The results show that males are more likely to revolve than females.

Age: As the findings in Table 7.1 indicate, those aged 21-30 have the highest tendency to revolve than the other age groups. It can be implied that the younger the age groups, the greater the tendency to revolve than the older age groups. The findings of age 20 and below depict the lowest tendency to revolve (with the lowest percentage 56.3%). This can be disregarded as they may be supplementary cardholders.

Marital Status: Those who are single have a higher tendency to revolve. This is quite unexpected as it was expected that married individuals are more likely to be revolvers due to their financial commitments through increased responsibilities. Therefore, this finding leads to several other questions. Does a single person have a low and unstable income compared to married couples? Do they live beyond their means and spend lavishly? Are married couples without children/dependents, so they can save more by living together? These are all related to consequence and impact related issues.

Number of children: It was found that those without children/dependents have the greatest tendency to revolve, namely, 78.2% of this sub-sample. Those with children/dependents have a lower percentage of defaulting, specifically 74.2% with 1 children/dependents, 77% with 2 children/dependents, 75.4% with 3 children/dependents and 68% with 4 and more children/dependents. This finding is consistent with marital status, as it was established that single respondents have a higher tendency to revolve than married respondents. Disregarding the percentage finding of respondents with 1 child/dependent, there is a decreasing percentage of revolvers when the number of children/dependents increases.

Head of family: The findings show that respondents who are not the head of family are found to have a higher tendency to revolve.

Ethnicity: The findings in Table 7.1 demonstrate that non-Malays have an increased tendency to revolve compared to Malays. Perhaps the religious teachings have influenced Muslims to be more cautious about making debt.

Religion: Muslims are found to have a higher tendency to revolve. This is inconsistent with the findings of ethnicity for which a slightly higher percentage of revolvers from non-Malays than Malays was found. This is due to the fact that the majority of Malays are expected to be Muslims. Besides religious adherence, Muslims should also act more strictly towards debt and make better debt payments than non-Muslims.

Employment sector: Non-government respondents are more likely to be revolvers than government respondents with respective percentages of 76.8% than 74.9%. Perhaps, government respondents have more stable incomes, which enable full payment.

Occupation: The results show that non-professionals have a higher tendency to revolve than professionals, 77.8% and 75.2%, respectively. The findings are in line with the employment sector finding, where the non-government respondents are more likely to be revolvers than those from government sectors.

Housing loan: As can be seen in the findings in Table 7.1, those without housing loans (77.1%) are more likely to revolve than those with housing loans (75.2%). This might be explained by the fact that those with housing loans have more stable incomes, enabling loan approvals and easing their ability to make credit card payments. This finding seems to be consistent with the employment sector and occupation findings.

Holding type: The results in Table 7.1 show that the tendency to revolve is lower among ICC holders than CCC holders, as shown by the percentage of revolvers with ICCs being 71.1%, which is about 4% lower than CCC holders with 75.4%. It is believed that the Islamic teachings have encouraged ICC holders to have better credit card payments compared to CCC holders.

It should be noted that although this section has provided justification for some findings, which are different from what was hypothesized, they do not have any meaningful interpretations in statistical terms due to the insignificant relationships revealed in the findings.

Hypothesis 9: Revolvers tend to be males, younger age, single, higher number of children/dependents, head of family, Malays, non-Muslims, lower educated, lower income, non-government sector worker, non-professional, having car loan, having housing loan, higher number of credit cards held, CCC holders and having positive attitude towards credit.

The results indicate that five variables are significant determinants of revolving status, namely education, income, car loan, number of credit cards held and credit behaviour. Specifically, the revolvers are those with lower education background, lower income, car loan, a higher number of credit cards and positive attitude towards debt. Therefore, based on this five significant variables, the null hypothesis 9 is accepted.

7.3. COMPARING THE FINANCIAL AND SOCIAL IMPACT BETWEEN ISLAMIC AND CONVENTIONAL CREDIT CARDHOLDERS

This section discusses the analysis of the impacts of credit cards from the perspective of Islamic and conventional credit cardholders in the objective to determine which group of cardholders receives more impact from the use of credit cards. In investigating this, the section is further divided into three sub-sections, which are detailed in the presentations as follows.

7.3.1. Credit Card Profile and Credit Behaviour Vis a Vis Holding Type

This section further explores the impact of credit card use through holding type perspectives based on usage and payment profile as well as credit behaviour. These involve eleven variables, which are detailed in Table 7.9. The main objective is to determine whether different impact areas exist between ICC holders and CCC holders. It is expected that ICC holders, due to the religious factors and practices, have less impact from credit card use. In achieving the objective, a cross-tabulation with chi-square analysis was conducted. The findings are presented as follows:

Table 7.2: Cross-tabulation Results between Holding Type and Credit Card Number

			Credit Card Number						
			1	2	3	4	5	6	Total
Holding type	CCC	Count	185	101	40	12	6	4	348
		%	53.2%	29.0%	11.5%	3.4%	1.7%	1.1%	100.0%
	ICC	Count	54	21	3				78
		%	69.2%	26.9%	3.8%	.0%	.0%	.0%	100.0%
	Total	Count	239	122	43	12	6	4	426
		%	56.1%	28.6%	10.1%	2.8%	1.4%	.9%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.654[a]	5	.040
Likelihood Ratio	16.377	5	.006
Linear-by-Linear Association	10.951	1	.001
N of Valid Cases	426		

a. 5 cells (41.7%) have expected count less than 5. The minimum expected count is .73.

Table 7.2 depicts a significant association between holding type and 'credit card number' at p-value .04. With regards to 1-card holding, the holding among ICC holders (69.2%) is greater than CCC holders (53.2%). While for other holding number (2-cards and onwards), the results evidence that the percentage with CCCs outweighs those of ICCs, which implies that CCC holders have a greater tendency to be multiple credit cardholders than ICC holders. An inspection of the maximum number of credit cards held according to the holding type shows 3-cards for ICCs and 6-cards for CCCs. Hence, this result informs that CCC holders possess more credit cards than ICC holders. This also implies that ICC holders have a lower propensity to overspend than CCC holders.

The Mann-Whitney U Test results in Table 7.9 further supports the notion that ICC holders have a lower number of credit cards compared to CCC holders, which can be inferred from the mean ranking value being lower with ICCs (178.71) than with CCCs (221.30).

Table 7.3 shows a statistically significant association between holding type and 'usage frequency' at the 10% level with p-value .075. The most frequent usage for both ICC holders and CCC holders is 'monthly', with the former having a slightly higher percentage (41%) than the latter with 38.5%. With regards to the second most frequent usage, it is 'less frequently' for ICCs with 24.4%, whilst it occurs 'weekly' for CCCs with 27.3%. It is also important to state that those who 'never' use their credit cards are higher among ICCs with 2.6% than CCCs with 1.4%. Hence, the overall results suggest that ICC holders have a lower usage frequency than CCC holders.

Table 7.3: Cross-tabulation Results between Holding Type and Usage Frequency

			Usage Frequency						
			Daily	Weekly	Fortnightly	Monthly	Less Frequently	Never	Total
Holding type	CCC	Count	26	95	38	134	50	5	348
		%	7.5%	27.3%	10.9%	38.5%	14.4%	1.4%	100.0%
	ICC	Count	6	17	2	32	19	2	78
		%	7.7%	21.8%	2.6%	41.0%	24.4%	2.6%	100.0%
	Total	Count	32	112	40	166	69	7	426
		%	7.5%	26.3%	9.4%	39.0%	16.2%	1.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.999[a]	5	.075
Likelihood Ratio	11.115	5	.049
Linear-by-Linear Association	3.743	1	.053
N of Valid Cases	426		

a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 1.28.

In further examining the issue, the Mann-Whitney U Test results in Table 7.9 show a significant difference between the two variables across their groups at 5% with p-value .034, instead of 10% as found in the Pearson chi-square test. The mean ranking value for ICCs (239.15) was higher than CCCs (207.75). Therefore, this finding supports the previous cross-tabulation results where ICC holders have a lower usage frequency than CCC holders.

Table 7.4: Cross-tabulation Results between Holding Type and Typical Monthly Payment

			Typical Monthly Payment				
			Entire Balance	Between Minimum and Entire Balance	Minimum Balance	Less than Minimum Balance	Total
Holding type	CCC	Count	84	139	112	6	341
		%	24.6%	40.8%	32.8%	1.8%	100.0%
	ICC	Count	22	30	19	5	76
		%	28.9%	39.5%	25.0%	6.6%	100.0%
	Total	Count	106	169	131	11	417
		%	25.4%	40.5%	31.4%	2.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.170[a]	3	.067
Likelihood Ratio	6.035	3	.110
Linear-by-Linear Association	.060	1	.807
N of Valid Cases	417		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 2.00.

Table 7.4 shows a significant association between holding type and ‘typical monthly payment’ at the 10% level with p-value .067. There are more ICC holders who pay their credit card in full (‘entire balance’) with 28.9% than CCC holders with 24.6% of the participants. This affirms that there are fewer revolvers among the ICC holders than CCC holders as was expected. A further investigation on those who pay ‘less than minimum balance’, found that ICCs have a larger percentage with 6.6% than CCCs with 1.8%. This finding is unexpected as Islamic teachings stress the importance of repaying debt but the latter findings indicate that a higher problem occurs among ICC holders. It should be noted that ICC holders are the least expected to have problems with non-payments or breaching contracts.[27] However, the findings contradict this principle.

The mean ranking value findings based on the Mann-Whitney U Test in Table 7.9 indicate a non-significant difference between the two holding types across the levels of ‘typical monthly payment’ at p-value .624. However, the mean ranking value informs that less revolvers exist among ICC holders than CCC holders, as the mean ranking value for ICCs (203.24) is lower than CCCs (210.28). This finding suggests a lower debt impact with ICCs than CCCs, although this is not significant as evidenced from the Mann-Whitney U Test findings.

[27] It should be noted that the credit card contract requires their holders to meet at least the monthly minimum payment, any lesser amount and non-payments will be considered as a breach of contract and subject of further legal actions by the respective financial institution.

Table 7.5: Cross-tabulation Results between Holding Type and Credit Behaviour

			Credit Behaviour			
			Good Idea	Good in some way, bad in others	Bad Idea	Total
Holding type	CCC	Count	128	142	68	338
		%	37.9%	42.0%	20.1%	100.0%
	ICC	Count	20	25	30	75
		%	26.7%	33.3%	40.0%	100.0%
	Total	Count	148	167	98	413
		%	35.8%	40.4%	23.7%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.518[a]	2	.001
Likelihood Ratio	12.400	2	.002
Linear-by-Linear Association	10.184	1	.001
N of Valid Cases	413		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.80.

Table 7.5 shows an almost fully statistically significant association (at p-value .001) between holding type and general credit behaviour, which was examined through the statement that 'do you think it is a good idea or a bad idea for people to buy things on an instalment plan?' It was found that the majority of ICC holders (40%) believed that buying on instalment is 'bad' while the majority of CCC holders (42%) thought that buying on instalment had both good and bad aspects. The ICC group (26.7%) is also seen to have a lower percentage of those who think that buying on instalment is good than the CCC group with 37.9%. However, for the group that thinks that buying on instalment is 'bad', a contradictory result occurred as ICCs have a higher percentage (40%) than CCCs with 20.1%. Therefore, the results suggest that ICC holders are more pessimistic in taking debt than CCC holders. This finding is as expected as Islamic teachings discourage individuals from creating unnecessary debts.

Further exploration using the Mann-Whitney U Test in Table 7.9 also shows an almost fully statistically significant difference between the two variables at p-value .002. In terms of mean ranking, it ranked ICCs at 243, which is higher than CCCs with 199.01, implying that ICC holders have more of a tendency to believe that buying on instalments is bad compared to CCC holders. Therefore, this supports the Pearson chi-square and the cross-tabulation findings.

Table 7.6: Cross-tabulation Results between Holding Type and 'I have Difficulty without Credit Cards'

			I have difficulty without credit cards					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	27	101	68	130	16	342
		%	7.9%	29.5%	19.9%	38.0%	4.7%	100.0%
	ICC	Count	11	34	14	14	4	77
		%	14.3%	44.2%	18.2%	18.2%	5.2%	100.0%
	Total	Count	38	135	82	144	20	419
		%	9.1%	32.2%	19.6%	34.4%	4.8%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.321[a]	4	.006
Likelihood Ratio	14.849	4	.005
Linear-by-Linear Association	11.012	1	.001
N of Valid Cases	419		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 3.68.

As the findings in Table 7.6 show, there is a statistically significant relationship between holding type and the statement that 'I have difficulty without credit cards' at a 1% level with p-value .006. It was found that the majority of ICC holders (58.5%) rejected that they would have more difficulty without credit cards than those who accepted (23.4%). In contrast with CCC holders, more respondents accepted that they would have difficulty without credit cards, namely, 42.7% as opposed to 37.4%, respectively. Therefore, the results suggest that more respondents from among ICC holders consider themselves to not face any difficulty when having no credit card compared to CCC holders. This finding seems to support the belief that there would be Muslims who do not need credit cards but would use credit cards with the availability of ICCs.

A further look into the Mann-Whitney U Test results, as presented in Table 7.9, indicates a lower mean ranking value for ICCs (169.41) than CCCs (219.14), which implies that credit cards are more needed by CCC holders than by ICC holders. Therefore, the findings support the cross-tabulation test results. The results evidence a significant difference at p-value .002.

Table 7.7: Cross-tabulation Results between Holding Type and 'I Have Difficulty in Paying My Credit Card Bill in Full'

			I have difficulty in paying my credit card bill in full					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	33	74	58	151	27	343
		%	9.6%	21.6%	16.9%	44.0%	7.9%	100.0%
	ICC	Count	8	23	20	22	4	77
		%	10.4%	29.9%	26.0%	28.6%	5.2%	100.0%
	Total	Count	41	97	78	173	31	420
		%	9.8%	23.1%	18.6%	41.2%	7.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.950[a]	4	.062
Likelihood Ratio	8.991	4	.061
Linear-by-Linear Association	4.493	1	.034
N of Valid Cases	420		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.68.

In further enquiring concerning the personal financial implications of credit cards, Table 7.7 shows a significant association between holding type and the statement that 'I have difficulty in paying my credit card bill in full' at a 10% level with p-value .062. The ICC group seem to have more respondents that reject the statement than those who accept it, 40.3% as compared to 33.8%, respectively. In contrast, more CCC holders are in the accepting group, 51.9%, as compared to the rejecting CCC holding participants, 31.2%. This implies that CCC holders have more difficulty in paying credit card bills in full compared to ICC holders who have less difficulty.

This finding is further substantiated with the Mann-Whitney U Test results, as shown in Table 7.9, which evidences a significant finding at p-value .020 level indicating that there is a significant difference between the holding type in relation to the statement of having difficulty in paying in full, as the mean ranking value for ICCs are found to be lower than CCCs, 182.78 and 216.72, respectively. This implies that ICC holders have less difficulty than CCC holders in paying credit card bills in full, which supports the cross-tabulation findings.

Table 7.8: Cross-tabulation Results between Holding Type and 'I am encouraged to incur More Debt due to an Increase in Credit Limit'

			I am encouraged to incur more debt due to an increase in credit limit					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	26	60	46	161	51	344
		%	7.6%	17.4%	13.4%	46.8%	14.8%	100.0%
	ICC	Count	7	19	24	18	9	77
		%	9.1%	24.7%	31.2%	23.4%	11.7%	100.0%
	Total	Count	33	79	70	179	60	421
		%	7.8%	18.8%	16.6%	42.5%	14.3%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.483[a]	4	.000
Likelihood Ratio	21.770	4	.000
Linear-by-Linear Association	7.370	1	.007
N of Valid Cases	421		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.04.

In terms of investigating the impact of credit cards on individual debt, the significance difference between holding type and constructed variable was considered. Table 7.8 depicts that there is a statistically full significant association between holding type and 'I am encouraged to incur more debt due to an increase in credit limit' at p-value .000. As the results indicate, more CCC holders are in agreement with the statement than ICC holders. The percentage of those agreeing with ICC holders is 35.1%, which is only about 2% higher than its rejecting group with 33.8%. However, a bigger percentage difference exists for CCC holders, with its accepting group, 61.6% as opposed to 25% of the rejecting group. Therefore, the findings suggest a stronger agreement among CCC holders that an increase in credit limit will lead to more credit card debt compared to ICC holders, which also suggests a more lavish spending tendency among CCC holders than ICC holders. Hence, there is a lower negative debt impact on ICC holders compared to CCC holders. However, caution should be taken for the findings relating to ICC holders as the difference between the accepting and rejecting group is rather small, indicating an increased tendency towards debt among ICC holders as well.

In terms of examining the statistical significance of the difference, the Mann-Whitney U Test results in Table 7.9 further support the above results by indicating a lower mean ranking value for ICCs (174.88) than CCCs (219.09), implying a lower tendency of credit card debt as a result of increased credit limits among ICC holders than CCC holders. Thus, the Mann-Whitney U Test results provide evidence of a significant difference between the two credit card groups at .009 levels in terms of their behaviour towards credit card debt.

Table 7.9: Mann-Whitney U Test Results of Holding Type across Usage and Payment Profile and Credit Behaviour

Variable		N	Mean Rank	Impact	Z	Asymp. Sig. (2-tailed)
1. Credit card number	CCC	348	221.30	√√		
	ICC	78	178.71	√		
	Total	426			-3.089	.002
2. Usage Frequency	CCC	348	207.75	√√		
	ICC	78	239.15	√		
	Total	426			-2.125	.034
3. Typical Monthly Payment	CCC	341	210.28	√√		
	ICC	76	203.24	√		
	Total	417			-.490	.624
4. Finance Charge	CCC	344	216.44	√√		
	ICC	75	180.45	√		
	Total	419			-2.442	.015
5. Credit Behaviour	CCC	338	199.01	√√		
	ICC	75	243.00	√		
	Total	413			-3.087	.002
6. I have difficulty without credit cards	CCC	342	219.14	√√		
	ICC	77	169.41	√		
	Total	419			-3.399	.001
7. I have difficulty in paying my credit card bill in full	CCC	343	216.72	√√		
	ICC	77	182.78	√		
	Total	420			-2.324	.020
8. I am encouraged to incur more debt due to an increase in credit limit	CCC	344	219.09	√√		
	ICC	77	174.88	√		
	Total	421			-3.024	.002
9. In general, my credit card debt has increased over time	CCC	343	216.48	√√		
	ICC	77	183.86	√		
	Total	420			-2.246	.025
10. I do not understand the charging structure of credit cards	CCC	343	210.13	√√		
	ICC	76	209.43	√		
	Total	419			-.047	.963
11. Purchase on luxury item	CCC	345	213.34	√√		
	ICC	77	203.27	√		
	Total	422			-.692	.489

*df = 2 for all variables
a. Kruskal Wallis Test
b. Grouping Variable: Type of Holding
Note: √√ represents a higher expected negative impact due to credit card use; √ represents a lower expected negative impact due to credit card use.

The Mann-Whitney U Test findings in Table 7.9, in relation to the two holding types across eleven variables of credit card profiles and credit behaviour are presented in Table 7.9. Statistically, their relations are summarised:

Five variables show significant differences between the credit card holding type at the 1% level – ‘credit card number’ (p-value .002), ‘finance charge’ (p-value=.015), ‘credit behaviour’ (p-value=.002), ‘I have difficulty without credit cards’ (p-value=.001) and ‘I am encouraged to incur more debt due to an increase in credit limit’ (p-value=.002)

The three variables found to have significant differences in relation to credit card holding type at 5% are ‘usage frequency’ (p-value=.034), ‘I have difficulty in paying my credit card bill in full’ (p-value=.020), and ‘in general, my credit card debt has increased over time’ (p-value=.025).

In the case of the following variables, credit card holding type do not show any statistically significant differences: ‘typical monthly payment’ (p-value=.624), ‘I do not understand the charging structure of credit cards’ (p-value=.963), and ‘purchase on luxury items’ (p-value=.489).

Even though all these eleven variables show variations in the significance levels, the mean ranking as a result of Mann-Whitney U Test report a similar pattern, where ICCs are found to have a lesser negative impact than CCCs.

Therefore, the null hypothesis 10 is accepted – *Hypothesis 10: ICC holders have a lower negative debt impact compared to CCC holders.*

It should be noted that the impact level for each of the variables in Table 7.9 can be referred to in the column entitled ‘impact’. The level of impact can be evaluated from the number of ticks with one tick (√) representing a lower impact while two ticks (√√) represent a higher impact. Arbitrary impact levels are established according to the results developed from the answers given to the statements.

7.3.2. CREDIT CARD ISSUES AND HOLDING TYPE

This section further explores the negative impacts associated with credit cards from the perspectives of the two holding types through five established statements relating to issues of credit cards: ‘credit card charges are reasonable’, ‘credit cards lead to overspending’, ‘credit cards lead to undersaving’, ‘credit cards give more benefits/rewards to high income than those of lower income cardholders’ and ‘credit cards undermine Islamic moral economy values’. The findings are presented in Table 7.10. The results and their discussions are presented below.

Table 7.10: Credit Card Issues

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
Credit card charges are reasonable	48	9.6	170	34.1	141	28.3	122	24.4	18	3.6	499	2.78
Credit cards lead to overspending	7	1.4	62	12.4	76	15.2	257	51.5	97	19.4	499	3.75
Credit card lead to undersaving	13	2.6	55	11	92	18.4	244	48.9	95	19	499	3.71
Credit cards give more benefits/rewards to high income than lower income cardholders	18	3.6	64	12.8	143	28.6	215	43	60	12	500	3.47
Credit cards undermine Islamic moral economy values	17	3.4	88	17.7	214	43.1	141	28.4	37	7.4	497	3.19

As can be seen in Table 7.10, with regards to the statement that ‘credit card charges are reasonable’, 28% of the participants agreed while 43.7% of the respondents disagreed. This implies that more respondents thought that credit card charges are not reasonable.

Regarding the statement that ‘credit cards lead to overspending’, it was found that 70.9% of the participants agreed, while only 13.8% disagreed, which suggests a strong influence of credit cards on overspending among participants.

In relation to the statement that ‘credit cards lead to undersaving’, 67.9% of the participants agreed that credit cards cause undersaving and only 13.6% thought otherwise. Hence, in supporting the previous findings immediately above, the findings further support that credit cards may influence their holders to overspend.

It was found that 55% of the participants think that ‘credit cards give more benefits/rewards to high income than those of lower income cardholders’, as opposed to only l6.4% of them who disagreed.

According to the findings in Table 7.10, 35.8% of the participants agreed that ‘credit cards undermine Islamic moral economy values’ while 21.1% disagreed.

Therefore, the overall findings indicate a strong signal that more participants thought that credit cards brought negative implications due to their unreasonable charges, leading to overspending and undersaving, increasing the gap between the poor and the rich, as well as undermining Islamic moral economic values.

In order to determine how different ICC holders' perceptions are in relation to these five variables to those of CCC holders, a cross-tabulation with chi-square analysis was utilised. The results reveal that three of the variables have significant relationships with the holding type. These significant variables are discussed in detail:

Table 7.11: Cross-tabulation Results between Holding Type and 'Credit Cards Lead to Overspending'

			Credit cards lead to overspending					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	7	38	46	178	72	341
		%	2.1%	11.1%	13.5%	52.2%	21.1%	100.0%
	ICC	Count		15	16	35	12	78
		%	.0%	19.2%	20.5%	44.9%	15.4%	100.0%
	Total	Count	7	53	62	213	84	419
		%	1.7%	12.6%	14.8%	50.8%	20.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.709[a]	4	.069
Likelihood Ratio	9.565	4	.048
Linear-by-Linear Association	3.485	1	.062
N of Valid Cases	419		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 1.30.

Table 7.11 shows a significant association between holding type and the statement that 'credit cards lead to overspending' at a 10% level with p-value .069. There are a greater percentage of CCC holders (73.3%) who agree with the statement than ICC holders with 60.3%. While for the disagreeing group, a smaller percentage is seen from CCC holders with 13.2% than ICC holders with 19.2%. An inspection on mean ranking value from the Mann-Whitney U Test results in Table 8.14, indicate that CCCs have 215.46, and ICCs have 186.14 in mean ranking, thereby implying that the level of acceptance among CCC holders is higher than ICC holders towards believing that credit cards lead individuals to overspend. Hence, p-value .037 shows a statistically significant difference between the two variables at the 5% level.

Table 7.12: Cross-tabulation Results between Holding Type and 'Credit Cards Lead to Undersaving'

			Credit cards lead to undersaving					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	9	31	56	176	69	341
		%	2.6%	9.1%	16.4%	51.6%	20.2%	100.0%
	ICC	Count	1	13	20	32	12	78
		%	1.3%	16.7%	25.6%	41.0%	15.4%	100.0%
	Total	Count	10	44	76	208	81	419
		%	2.4%	10.5%	18.1%	49.6%	19.3%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.139[a]	4	.058
Likelihood Ratio	8.673	4	.070
Linear-by-Linear Association	4.275	1	.039
N of Valid Cases	419		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 1.86.

Table 7.12 shows significant associations between holding type and the statement that 'credit cards lead to undersaving' at 10% with p-value .058. A very large percentage of CCC holders (71.8%) have agreed that credit cards can cause overspending as compared to only 11.7% who disagreed. As for ICC holders, 56.4% of respondents agreed compared to 18% of disagreeing respondents. Examination of findings suggests a greater tendency for CCC holders to accept the statement. Further investigation in terms of mean ranking using the Mann-Whitney U Test in Table 7.14 show that CCCs have a higher mean ranking value with 216.01 than ICCs with 186.14. Therefore, this result supports the conclusion made under the cross-tabulation results that CCC holders are more inclined to accept that credit cards lead to undersaving. The p-value result of .022 indicates a significant difference between the two holding types across the statement agreement levels.

Table 7.13: Cross-tabulation Results between Holding Type and 'Credit Cards Undermine Islamic Moral Economy Values'

			Credit cards undermine Islamic moral economy values					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	7	59	148	100	27	341
		%	2.1%	17.3%	43.4%	29.3%	7.9%	100.0%
	ICC	Count	8	14	34	17	5	78
		%	10.3%	17.9%	43.6%	21.8%	6.4%	100.0%
	Total	Count	15	73	182	117	32	419
		%	3.6%	17.4%	43.4%	27.9%	7.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.427[a]	4	.009
Likelihood Ratio	10.640	4	.031
Linear-by-Linear Association	5.561	1	.018
N of Valid Cases	419		

The relationship between holding type and the statement that 'credit cards undermine Islamic moral economy values' is examined and the results are depicted in Table 7.13, which shows a statistically significant relationship at p .009 level. The majority of respondents from both CCCs and ICCs, around 44% for each holding group, are neutral towards the statement, meaning a very high number of respondents who are not sure whether using credit cards do undermine an individual's Islamic values. As for CCC holders, those who disagreed with the statement are greater than those who agreed, 37.2% than 19.4%. This is different from ICC holders, where agreeing respondents are equal to disagreeing respondents, with 28.2% for each group. Hence, the findings indicate respondents from CCCs have a greater tendency to agree that using credit cards will undermine the values of Islamic moral economy while ICC results suggest that their respondents tend to remain sceptical towards the issue. Further examination using the Mann-Whitney U Test in Table 7.14 shows a significant difference between the two holding types across their agreement levels of the statement at p-value .040. The mean ranking value for CCC is 215.50 and ICC is 185.97. Hence, CCC holders are more inclined to agree that credit cards undermine Islamic moral economic values than those of ICC holders. This, therefore, supports the cross-tabulation findings.

The five variables are further tested using the Mann-Whitney U Test and their results are depicted in Table 7.14.

Table 7.14: Mann-Whitney U Test Results of Holding Type across Perceptions as Impact Variables

Variable		N	Mean Rank	Impact	Z	Asymp. Sig.
1. Credit card charges are reasonable	CCC	341	204.12	√√		
	ICC	78	235.71	√		
	Total	419			-2.166	.030
2. Credit cards lead to overspending	CCC	341	215.46	√√		
	ICC	78	186.14	√		
	Total	419			-2.086	.037
3. Credit cards lead to undersaving	CCC	341	216.01	√√		
	ICC	78	183.72	√		
	Total	419			-2.287	.022
4. Credit cards give more benefits/rewards to high income cardholders than those of lower income	CCC	342	214.40	√√		
	ICC	78	193.41	√		
	Total	420			-1.460	.144
5. Credit cards undermine Islamic moral economy values	CCC	341	215.50	√√		
	ICC	78	185.97	√		
	Total	419			-2.059	.040

a. Grouping Variable: Type of Holding

Note: √√ represents a higher negative impact due to credit card use; √ represents a lower negative impact due to credit card use.

The results of the Mann-Whitney U Test in Table 7.14 indicate that the holding type indicates significant differences in the case with four of the five variables, namely, ‘credit card charges are reasonable’ with p-value .030, ‘credit cards lead to overspending’ with p-value .037, ‘credit cards lead to undersaving’ with p-value .022, and ‘credit cards undermine Islamic moral economy values’ with p-value .04. However, in the case of one variable, ‘credit cards give more benefits/rewards to high income cardholders than those of lower income cardholders’, no significant difference can be established between the two holding types. An inspection on the mean ranking values of all five variables show a consistent result, where it is suggested that ICCs have a lower impact compared to CCCs. Hence, overall, it is concluded that the results regarding the issues of credit cards reveal that ICC holders perceive a less negative impact from credit card use than those of CCC holders. One such example supporting this is the fact that there is lower usage of ICCs compared to CCCs, hence, their limited impact.

Therefore, this result further supports the result in Section 7.3 where the null hypothesis 10 is accepted – *Hypothesis 10: ICC holders have a less negative debt impact compared to CCC holders.*

7.3.3. Marketing Issues Vis a Vis Holding Type

This section further explores the credit card impact through marketing strategies used by credit card companies. There are four variables used in achieving the objective. The details of the variables with the results of the descriptive statistics are presented in Table 7.15.

Table 7.15: The Results of Descriptive Statistics on Marketing Related Issues

	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
Variable	N	%	N	%	N	%	N	%	N	%	N	Mean
Credit card companies use aggressive strategies and misleading advertisements in marketing their cards	11	2.2	45	9	120	24	250	50.1	73	14.6	499	3.66
There is no difference between marketing strategies used by ICC and CCC issuers	10	2	68	13.7	207	41.6	183	36.7	30	6	498	3.31
Issuers of ICCs do not adequately explain their distinctive features	12	2.4	78	15.7	199	40	174	34.9	35	7	498	3.29
ICC marketing strategy is based on product features rather than Islamic ethical values	12	2.4	50	10	197	39.6	194	39	45	9	498	3.42

The findings, as presented in Table 7.15, depict the descriptive statistics relating to marketing strategies, which are summarised as follows:

Concerning the statement that 'Credit card companies use aggressive strategies and misleading advertisements in marketing their cards', the results in Table 7.15 show a larger percentage of agreeing respondents (64.7%) than disagreeing respondents (11.2%).

The results indicate that 42.7% of the respondents agreed with the statement that 'there is no difference between marketing strategies used by Islamic and conventional credit card issuers', while 15.7% of the participants disagreed.

Regarding the statement that 'issuers of ICCs do not adequately explain their distinctive features', the results depict that 41.9% of respondents agreed with the statements and only 18.1% disagreed.

Lastly, for the statement that 'ICC marketing strategy is based on product features rather than Islamic ethical values', about half of the participants agreed (48%) compared to 12.4% who disagreed.

It is also important to note that in the case of each statement, there is a large 'neutral' group indicating that an important number of the participants are either sceptical or do not have a firm understanding.

In addition to these general results, the four marketing strategy variables are further examined with the analysis of cross-tabulation and chi-square.

Table 7.16: Cross-tabulation Results between Holding Type and 'There is no difference between marketing strategies used by ICC and CCC issuers'

			There is no difference between marketing strategies used by ICC and CCC issuers					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding Type	CCC	Count	3	44	146	128	19	340
		%	.9%	12.9%	42.9%	37.6%	5.6%	100.0%
	ICC	Count	5	13	31	23	6	78
		%	6.4%	16.7%	39.7%	29.5%	7.7%	100.0%
	Total	Count	8	57	177	151	25	418
		%	1.9%	13.6%	42.3%	36.1%	6.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.568[a]	4	.014
Likelihood Ratio	9.881	4	.042
Linear-by-Linear Association	3.086	1	.079
N of Valid Cases	418		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 1.49.

Table 7.16 indicates a significant association between holding type and the statement that 'there is no difference between marketing strategies used by Islamic and conventional credit card issuers' at p-value .014. As can be seen, 43.2% of CCC holders and 37.2% of ICC holders have agreed with the statement, while only 13.8% and 23.1% of CCC and ICC holders disagreed with the statement, respectively. The findings suggest that CCC holders have a higher inclination to believe that both ICCs and CCCs employ the same marketing strategies in promoting their credit cards than ICC holders. It is important, however, to note that, in both cases, about 42% and 39% of the respondents remained neutral, which has important implications.

Further testing using the Mann-Whitney U Test in terms of mean ranking is shown in Table 7.19, which indicates a higher mean ranking value for CCCs (211.24) than ICCs with 204.60. This supports the cross-tabulation finding, suggesting that CCC holders have a higher tendency to accept that no difference exists between the marketing strategy of ICCs and CCCs than ICC holders. However, the Mann-Whitney U Test shows no significant difference at p-value .144.

Table 7.17: Cross-tabulation Results and 'Issuers of ICCs Do Not Adequately Explain Their Distinctive Features'

			Issuers of ICCs do not adequately explain their distinctive features					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	5	45	148	118	24	340
		%	1.5%	13.2%	43.5%	34.7%	7.1%	100.0%
	ICC	Count	4	19	27	21	7	78
		%	5.1%	24.4%	34.6%	26.9%	9.0%	100.0%
	Total	Count	9	64	175	139	31	418
		%	2.2%	15.3%	41.9%	33.3%	7.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.743[a]	4	.019
Likelihood Ratio	10.444	4	.034
Linear-by-Linear Association	4.030	1	.045
N of Valid Cases	418		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 1.68.

The cross-tabulation results in Table 7.17 indicate a significant association between holding type and the statement that 'issuers of ICCs do not adequately explain their distinctive features' at p-value .019. The percentage of respondents who agree is greater than those who disagree for both CCCs and ICCs, 41.8% to 14.7% and 35.9% to 29.5%, respectively. The Mann-Whitney U Test was utilised to further investigate the significance of the difference between holding type in relation to the statement in question. As depicted in Table 7.19, the Mann-Whitney U Test shows a significant difference at 10% with p-value .063. The mean ranking value for CCCs is higher than ICCs, with a respective value of 214.46 up from

187.88, which suggests that more CCC holders accept ICC issuers. This does not adequately explain the ICC's distinctive features. This grants credit to ICCs as their holders have less tendency to agree with the statement than CCC holders.

Table 7.18: Cross-tabulation Results between Holding Type and 'Islamic Credit Cards Marketing Strategy Is Based On Product Features Rather Than Islamic Ethical Values'

			ICC marketing strategy is based on product features rather than Islamic ethical values					
			Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Holding type	CCC	Count	8	26	144	136	26	340
		%	2.4%	7.6%	42.4%	40.0%	7.6%	100.0%
	ICC	Count	2	16	20	26	14	78
		%	2.6%	20.5%	25.6%	33.3%	17.9%	100.0%
	Total	Count	10	42	164	162	40	418
		%	2.4%	10.0%	39.2%	38.8%	9.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.744[a]	4	.000
Likelihood Ratio	20.370	4	.000
Linear-by-Linear Association	.003	1	.953
N of Valid Cases	418		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 1.87.

Cross-tabulation results in Table 7.18 indicates a significant association between holding type and the variable that 'ICC marketing strategy is based on product features rather than Islamic ethical values'. As for CCCs, 47.6% of respondents accepted the statement as opposed to the 10% who rejected this statement while 51.2% of ICC holders accepted the statement and 23.1% rejected. Thus, both groups have shown a higher percentage of respondents to accept the statement. Further Mann-Whitney U Test results appear in Table 8.19, indicating that the Mean Ranking Value for CCCs is 208.98, which is lower than ICCs with 211.78. This implies that ICC holders have a greater tendency to believe that ICC marketing is based more on product features rather than Islamic ethical values than CCC holders. This is, indeed, not a good indication in fulfilling the spirit of Islamic finance as the marketing of ICCs should also educate consumers regarding ethics in dealing with debt instruments. However, the Mann-Whitney U Test indicates an insignificant difference at p-value .844, which is evidenced from the very close mean values.

Table 7.19: Mann-Whitney U Test Results of Holding Type across Marketing Strategy Variables

Variable (Questionnaire item)		N	Mean Rank	Z	Asymp. Sig. (2-tailed)
1. Credit card companies use aggressive strategies and misleading advertisements in marketing their cards	CCC	341	211.24		
	ICC	78	204.60		
	Total	419		-.473	.636
2. There is no difference between marketing strategies used by ICC and CCC issuers	CCC	340	213.36		
	ICC	78	192.66		
	Total	418		-1.460	.144
3. Issuers of ICCs do not adequately explain their distinctive features	CCC	340	214.46		
	ICC	78	187.88		
	Total	418		-1.862	.063
4. ICC marketing strategy is based on product features rather than Islamic ethical values	CCC	340	208.98		
	ICC	78	211.78		
	Total	418		-.197	.844

a. Grouping Variable: Type of Holding

As can be seen in Table 7.19, none of the four established statements show a significant difference at the 5% level based on the Mann-Whitney U Test results. However, the results provide useful information where three of the first established statements show that ICCs are ranked lower in terms of mean ranking than CCCs, indicating that ICC holders perceive credit card marketing strategies less negatively than CCC holders. However, the last statement has discredited ICCs to some extent, in which it suggests that ICC holders have the tendency to believe that ICCs were marketed based on product features rather than Islamic ethical values compared to CCC holders. Overall results still suggest that ICC holders perceive marketing strategies less negatively than CCC holders. Hence, this result gives some favour to ICCs.

7.4. EXPLORING RESPONSIBLE STAKEHOLDERS FOR WIDESPREAD CREDIT CARD DEBT FROM THE PERSPECTIVES OF CARDHOLDERS

This section aims to explore at what level the three main stakeholders, namely, cardholders, credit card companies, and the government through its policy implementation, are responsible for the widespread credit card debt from the perspective of the participating cardholders.

Table 7.20 shows that the majority of respondents (58.8%) perceive themselves, ‘cardholders’, as ‘the most responsible’ for credit card debt increase. While, the second most responsible party by the participants is believed to be the ‘credit card company’ and the least responsible party is the government through its implementation policies. Therefore, the findings indicate that cardholders are self-aware in the sense that they realise that the negative credit card impact is mainly due to their own irresponsible financial behaviour.

Table 7.20: Parties Responsible for Widespread Credit Card Debt

		Frequency	Percent
Cardholder	The Most Responsible Party	284	58.8
	The Second Most Responsible Party	106	21.9
	The Least Responsible Party	93	19.3
	Total	483	100
Credit Card Company	The Most Responsible Party	111	23
	The Second Most Responsible Party	284	58.9
	The Least Responsible Party	87	18
	Total	482	100
Government Policies	The Most Responsible Party	98	20.3
	The Second Most Responsible Party	93	19.3
	The Least Responsible Party	291	60.4
	Total	482	100

A cross-tabulation with chi-square analysis was also conducted to determine whether any differences exist between ICC holders and CCC holders in perceiving at what level the three parties are responsible in credit card debt proliferation. However, no significant relationship between the variables could be established. Hence, ICC holders' perception on the degree to which each of the three parties is responsible in debt wide-spreading is similar to CCC holders.

7.5. CONCLUSION

In an attempt to investigate the impact of credit cards through various dimensions, this chapter conducted a series of tests.

In the initial part of the research, it was found that five variables have statistically significant relationships with revolving status. Specifically, the tendency to revolve increases when the level of education and income decreases, having a positive attitude towards debt, and having car loans as well as a higher number of credit cards. Although the other ten variables, which include gender, age, marital status, number of children/dependents, head family, ethnicity, religion, employment sector, occupation and housing loan ownership show no significant association, the tendency to revolve is seen to be much higher among males, the younger age groups, single respondents, those having no children/dependents, not the head of the family, non-Malays, Muslims, non-government employees, non-professionals and no housing loans.

Further investigation based on the chi-square test through the cross-tabulation analysis conducted on credit card impact between the two holding types with eleven variables related to usage, payment, and credit behaviour, show that seven of the variables have a significant association, namely, 'credit card number', 'usage frequency', 'typical monthly payment', ‘credit behaviour’, ‘I have difficulty without credit cards’, ‘I have difficulty in paying my credit card bill in full’ and ‘I am encouraged to incur more debt due to an increase in credit limit’. The other four variables with no significant relationship are ‘finance charge’, ‘in general, my credit card debt has increased over time’, ‘I do not understand the charging structure of credit cards’ and ‘purchase on luxury items’. However, the Mann-Whitney U Test results on all the eleven variables suggest a lesser debt implication with ICCs than CCCs.

The impact of credit cards is further explored with five established statements relating to the issue of credit cards. Chi-square cross-tabulation found that three variables, namely, ‘credit cards lead to overspending’, ‘credit cards lead to undersaving’ and ‘credit cards undermine Islamic moral economy values’ have a significant relationship across ICC and CCC holdings while statements like ‘credit card charges are reasonable’ and ‘credit cards give more benefits/rewards to high income cardholders than those of lower income’ show no significant associations. Further testing using the Mann-Whitney U Test shows that all the variables indicate that ICCs have a less negative impact than CCCs.

The credit card impact is further explored utilising four marketing issues in the form of the following statements: ‘credit card companies use aggressive strategies and misleading advertisements in marketing their cards’, ‘There is no difference between the marketing strategies used by ICC and CCC issuers’, ‘Issuers of ICCs do not adequately explain their distinctive features’ and ‘ICC marketing strategy is based on product features rather than Islamic ethical values’. Based on chi-square tests, only the first variable fails to show any significant relationship while the three last variables are statistically significantly related. While the Mann-Whitney U Test results for the first three statements found that ICC holders have less agreement than CCC holders, the last statement indicates a higher agreement with ICCs, which signals that ICCs are marketed utilising product features and less Islamic ethical values, hence, this has discredited some of the values of ICC issuers.

The findings also report that cardholders are self-aware in the sense that they have placed themselves as the most responsible party in credit card debt proliferation compared with credit card companies and the government through its policy implementation.

Overall, it is concluded that CCCs produce a much larger negative impact than ICCs. In addition, the results suggest that ICC holders are more motivated by religious ethics than the CCC holders.

Chapter 8

SEARCHING FOR THE PERCEPTIONS OF VARIOUS STAKEHOLDERS ON CREDIT CARD RELATED ISSUES: INTERVIEW ANALYSIS

8.1. INTRODUCTION

This chapter aims to further explore credit card holding related issues through the perceptions and opinions of bankers, acting as the supply side, and various other stakeholders, which include cardholders, economists, credit counselling staff, and a *Shari'ah* specialist. In doing so, the analysis, is based on semi-structured interviews which allow participants some flexibility when responding, thus, adding greater depth to the findings gathered from the questionnaire survey presented in the preceding chapters. Thus, it is expected that the discussion and information provided in this section can help to give further meaning to the results established in Chapters 5, 6 and 7.

It is important to note that the question design used in this study only involves the main issues, which need further investigation, as it is a supplement to the quantitative work carried out through the questionnaire survey, which, in turn, is the main fieldwork method in collecting data for this study. It should be noted that, in the analysis of the interview data, the coding method utilised is explained in great detail in Chapter 4 (the Research Methodology).

This chapter is organised into two sections: Following this brief introduction section, Section 8.2 presents the interview findings with bankers. Section 8.3 presents the findings of the interviews with other stakeholders, specifically cardholders, economists and a *Shari'ah* specialist.

8.2. ANALYSING THE SEMI-STRUCTURED INTERVIEWS WITH BANKERS

While this research managed to interview nine bankers active in the sector, this section presents the interview findings with seven bankers, as the responses from the other two bankers were excluded as they were beyond the research scope. Of the two excluded bankers, one was a product developer, responsible for structuring ICCs, and the other was a *Shari'ah* specialist who was involved in the development of Islamic financial products inclusive of ICCs in one of the top banks in Malaysia.

It is also worth noting that each of the bankers interviewed for this study works at different financial institutions that issue credit cards in Malaysia, this strategy aims to avoid bias from dominating the results. Thus, it is expected that this should strengthen the findings through the diversified backgrounds of the participating financial institutions.

To provide a general view, the basic backgrounds of the seven participating bankers/banks can be inferred from Table 8.1 as follows:

Table 8.1: Basic Background of Bankers Participating in the Study

Banker	Bank Type	Card Type	Size**	Work Place	Bank Type
Banker 1#	International	CCC	Big	Headquarters	C
Banker 2	International	CCC + ICC	Big	Headquarters	C+I
Banker 3	National	CCC + ICC	Medium	Headquarters	C+I
Banker 4*	National	CCC	Medium	Headquarters	C
Banker 5	National	CCC + ICC	Medium	Headquarters	C+I
Banker 6	National	CCC	Small	Branch	C+I
Banker 7	National	ICC	Medium	Headquarters	I

Notes: (#) This banker participated via email communication due to time constraints, unlike other bankers who conversed via face-to-face, semi-structured interviews; (*) This financial institution specialised in card offering unlike others that had a diversified range of financial products; (**) The sizes of the financial institutions are classified into three categories: small, medium, and big; bank type represents the type of bank in which C refers to conventional banks without ICCs , C+I refers to conventional banks that besides CCCs also offer ICCs through their window, while I stands for full-fledged Islamic banks that only offer ICCs.

As can be seen in Table 8.1, in terms of the affiliated institutions of each interviewee, only two of the banks are large international financial institutions. Of these two, one offers only CCCs and the other issues both ICCs and CCCs. Four of the other affiliated banks are medium-sized banks, while the remaining bank is small. One of the participant's responses was based on his experiences working at the branch, and is, therefore, far too small in comparison with the other participating banks. The size of the banks was established based on several criteria, including the number of branches, assets, market capitalization, and the number of customers through the information gathered from secondary data. This includes the annual reports and the websites of the banks concerned.

The first question put to the bankers related to the credit card market. From the conversation, the market of credit cards seems to be divided into two major patterns, specifically the pre-service and post-service tax introduction. Therefore, the question was amended from the general question design before the interview took place to produce a more focused debate. The amended question can be seen in Table 8.2: 'How was your credit card market before and after the service tax imposition?' Basically, the responses for the question can be classified into three main themes as follows:

Table 8.2: Focused Coding for Question 1 (overview on credit card market before and after service tax introduction)

Question 1: How was your credit card market before and after the service tax imposition?	
Focused coding	
1	Satisfactory but affected slightly after the service tax introduction
3	Good and no obvious effect
2	Good but affected badly after the service tax introduction
Theme	Imposition of service tax affected the credit card market in various degrees.

Table 8.2 shows the findings for the credit card market before and after the imposition of service tax by the Malaysian government, which took effect in January 2010. The government introduced service tax as a tool to curb credit card debt. According to the responses gathered from the bankers, the findings can be generalised into three main themes, as can be inferred from Table 8.2: (i) “Satisfactory but affected a bit after the service tax introduction”; (ii) “Good and no obvious effect”; and (iii) “Good but affected badly after the service tax introduction”. These three themes led to the understanding that the imposition of service tax affected the credit card market of the involved financial institutions in various degrees.

After establishing the general theme for Question 1, each of the focused coding was explored further to search for further information, such as is presented in Table 8.2.1 to Table 8.2.3. The supporting information for each theme follows shortly after each respective table.

Table 8.2.1: Focused Coding Number 1 for Question 1 (institution in which credit card market used to be satisfactory but affected slightly after service tax introduction)

Satisfactory but affected slightly	
Banker 2	Account closure + Persuasion to retain cards + low annual salary requirement

Table 8.2.1 provides the responses of the banker for the credit card market that was satisfactory before the service tax but was slightly affected after its introduction. There was only one bank found to be in this category, namely, the bank of Banker 2. The information gathered, allows the researcher to summarise the data into three main criteria: account closure, persuasion to retain cards, and low annual salary requirement. Each of these criteria is further discussed as follows:

Account closure: Banker 2 commented that there were plenty of calls received to cancel cards starting December 2009 when the government announced its intention to implement service tax. He stated that "The demand for credit cards was very satisfactory before the government service tax as every year the bank was issuing more and more credit cards. [However], now, the credit card base was increasing at a slower rate compared to previous years".

Persuasion to retain cards: It was also identified by the interviewee that the bank tried to persuade customers to retain their cards when requests to cancel cards were received. Most of the card cancellations were made through phone calls. This persuasion strategy helped to reduce the number of cancellations.

Low annual salary requirement: Banker 2 also stated that their credit card market was good as the requirement for the applicant's annual income was low, only being in between RM18,000 to RM20,000. Hence, financial requirement still provides a facilitatory environment.

Table 8.2.2: Focused Coding Number 2 for Question 1 (institutions for which the credit card market is good and still maintain their market after the credit card service tax)

Good and no obvious effect	
Banker 1	Big institution + Competitive Offer + Efficient service
Banker 4	New offer of balance transfer + Appeal Marketing Strategy
Banker 7	Opportunity to diverse cards + Majority cardholders not calculative

Table 8.2.2 highlights the reasons for banks which are of the opinion that market performance remained good, even after the service tax introduction. The reasons gathered from the participating bankers for this were:

Big institution: Banker 1 noted that her bank had not been affected. This was due to the bank being a big, internationally well-known institution; hence, the credit card service tax policy did not affect their customer loyalty. There were only a few cases of card cancellation counted, which she considered normal. Moreover, in response to the tax, she stated that a number of alternative loyalty measures were offered, and, as a large bank, it had the financial strength to do so.

Competitive offer: Banker 1 stated that her bank offered competitive credit cards as it was a big international bank. It provided great credit card programmes through benefits and rewards associated with the type of credit cards the customers held. In response to the credit card service tax, credit cardholders were able to use their earned points to pay the credit card service tax.

In addition, Banker 4 stated that they had recently advertised a great offer of balance transfer at 0% for 12 months. She said that the offer was made in response to the service tax to attract customers to choose their credit cards, besides also offering the credit card service tax redemption points to offset the payment. Hence, their product was not affected to a great degree, as she believed the mentioned factors help to maintain the market share of their credit card. They also received some new applications, which, she indicated, might have stemmed from other applicants cancelling their credit card from other institutions.

Appeal marketing strategy: Banker 4 stated that in response to the tax service, her bank used a strategic marketing approach. It is important to note that the bank marketed its credit card with a subsidised service tax. In reality, the subsidy could only be attained through the accumulated use of credit cards. This type of marketing strategy could mislead the customers, thus, also misleading the researcher, as it was mistakenly understood that the RM50 service tax was automatically paid by the bank on behalf of its cardholders. This was first noted when reading the big advertisement billboard on the way to conducting the interview, which read "... subsidised ... service tax".

Card diversification: Banker 7 stated that its ICC offered diversifications to customers in addition to CCCs available in the market. This difference probably assisted in maintaining its market share. This indicated that religious affiliation played an important role.

Customers were not calculative: Banker 7 estimated that about 90% of its customers were not calculative. The interviewee suggested that if they did not really care about the pricing of credit cards, they would not be bothered by the service tax, although it cost them more. She also added that almost all of its credit cardholders were Malays.

Table 8.2.3: Focused Coding Number 3 for Question 1 (institution which credit card market used to be good but later affected badly with the service tax introduction)

Good but affected badly	
Banker 5	Closure of account + Marketing department restructure
Banker 6	Closure of account

Table 8.2.3 outlines the reasons for the credit card market, which was good before the service tax imposition but was badly affected after its implementation. The reasons given for the affected market conditions by the participants were:

Account closure: Banker 5 stated that their credit card market deteriorated about 80% due to the tax service. He further explained that they started to receive the closure of accounts in December 2009, and which reached its peak in January 2010. However, it slowed down afterwards. He expected that the slowed cancellation of credit cards would end at the end of the year. However, the cancellation rate was expected to rise towards the anniversary when the recharging took effect.

Moreover, Banker 6 added that many cardholders had cancelled cards. He estimated that there were about 20 cardholders closing accounts each day. As these cancellations happened at a bank branch level in eastern Malaysia, it can be estimated that there must have been a very high cancellation rate of credit cards for the bank as a whole, across Malaysia.

Marketing Department Restructure: Banker 5 stated that their marketing department, which used to be at headquarters, no longer exists. There was a restructuring of the marketing department, and, as a result, the staff members at headquarters were sent to branch offices as the potential for the marketing of credit cards was forecasted to decline due to the contraction in the credit card market.

Table 8.3: Focused Coding for Question 2 (impact of credit card market due to the tax service)

Question 2: What implication does the service tax have on the credit card industry?	
Focused Coding	
1	Reduction in number of credit cards held
Theme	Credit card service tax had reduced the number of credit cards in circulation

Another specific question asked regarding the impact of the service tax was 'What implication does the service tax have on the credit card industry?' As can be inferred from Table 8.3, there was only one theme established upon reviewing the responses from all the bankers for this question. Noting this, there is no further focus coding table provided as the issue is very clear – that the credit card service tax resulted in the reduction of the numbers of credit cards in circulation. However, it is important to note several findings. One of the findings is that all bankers agreed that the service tax could make 'multiple cardholders' reduce the number of credit cards they held. On top of that, Banker 2 stated that he believed that the maximum number of credit cards that a cardholder could hold was ‘two or three cards’, while Banker 6 believed it would be ‘one or two cards’. Overall, it was concluded that the purpose for credit card number reduction was to avoid and reduce credit card service tax payment. It is noted that the cardholder saves RM50 for each cancelled, principal credit card, but only RM25 for each supplementary card cancelled.

Table 8.4: Focused Coding for Question 3 (measuring market competitiveness between ICC and CCC)

Question 3: From your experience working at the current bank, which market is better, ICC or CCC?	
Focused Coding	
1	CCCs
Theme	The market for CCCs is better than ICCs

Table 8.4 depicts the findings gathered from an important question aiming to determine whether ICCs have a good future potential to compete with the mainstream CCCs to address the comparative issues of the two credit card markets. The question was only asked to the bankers who worked at financial institutions which issue ICCs as well as CCCs. Hence, in this study, only three banks were qualified to participate. Of the three, only two banks responded to the question. Both responding bankers indicated that the market for CCCs was better than ICCs.

Table 8.4.1: Focused Coding Number 1 for Question 3 (CCCs are better than ICCs)

CCC	
Banker 2	Based on statistics + Lack of knowledge in Islamic banking + ICCs are new in the market + CCCs have wider acceptance
Banker 5	CCCs are well established + Customers applied for ICCs but still maintain CCCs + Only very few cases of shifting cards from CCCs to ICCs when ICCs were made available

Table 8.4.1 provides focused coding for the first statement in Table 8.4. These factors were given by two bankers as to why the market for CCCs was claimed to be better than ICCs. It is important to note that both bankers were from banks with both credit card type issuances, and, hence, their view indicates the realities of the market. The bankers stated a number of factors as to why the market share of ICCs was smaller than that of the CCCs, which are as follows:

(i) Lack of knowledge of Islamic banking;

(ii) ICCs are still new;

(iii) CCCs have wider acceptance;

(iv) CCCs are well established;

(v) Due to the wider acceptance of CCCs, although cardholders opened ICC accounts, they still maintained their CCCs.

Banker 5 stated that when his bank issued ICCs, only a few customers shifted to CCCs. Certain others opened ICC accounts but still maintained their previous CCCs. This could be because the credit cardholders may have used ICCs as a means to add to their credit card portfolios. However, the statements indicate that the remaining majority do not really care about the existence of ICCs.

In addition, Banker 5 responded that he believed that their ICCs are not really Islamic. He said, "They just put the name on it. Actually they are the same. How can it be Islamic as everything is about the same, even the owner of the bank is not a Muslim?" He also added, purely as a frank response, that if any customer asked which ICCs to choose, he would sincerely advise them to get an ICC from pure Islamic banks, specifically from Bank Rakyat and BIMB. However, it was not clear whether or not he considered the products of these institutions as 'Islamic'.

Table 8.5: Focused Coding for Question 4 (overview on the payment behaviour of credit cardholders)

Question 4: Could you please describe payment pattern and behaviour of your credit cardholders?	
Focused Coding	
1	Full payment
2	Payment between full amount to minimum amount
3	Less than minimum to no payment
Theme	Payment behaviour of credit cardholders cannot be generalised as it varies from full payment to no payment

In order to understand the impact of credit cards on their holders, it is important to know how customers pay their credit card statement. This was investigated by the use of Question 4 which was aimed at describing the payment behaviour of credit cardholders. The coded responses are depicted in Table 8.5. As can be seen, the findings suggest that the payment patterns, as perceived by the participants, can be divided into three major categories: (i) full payment; (ii) payment between the full and minimum amount; and, (iii) less than the minimum and or no payment.

Table 8.5.1: Focused Coding for Number 1, 2 and 3* for Question 4 (for all payment patterns: full, between full and minimum and less than minimum to no payment)

Payment Patterns: Full, between full and minimum amount and less than minimum to no payment	
Banker 1	Ethnic + Attitude + Salary + Age + Principle
Banker 2	Ethnic + Age
Banker 3	Age + Salary
Banker 4	Ethnic + Salary + Principle
Banker 5	Age + Ethnic + Salary + Principle
Banker 6	Ethnic
Banker 7	No obvious factor

Notes: *This table has combined all the focused codings as the attributes for each of the payment patterns are basically the same and is believed can be explained and compared more effectively in the combined table.

As can be observed in Table 8.5.1, the payment patterns of cardholders can be divided into three: those who make 'full payment', 'between full and minimum' and 'less than minimum to no payment'. The respondents were questioned about the various attributes of people in each of these categories. Their attributes are listed and described as follows.

(i) Ethnicity:

With regards to full payment, Bankers 1, 3, 5 and 6 said that Chinese members had a tendency to pay their debt in full.

With regards to payment between the full and minimum, Bankers 1, 2, 4, 5 and 6 pointed out ethnicity as an important attribute in determining cardholder payment behaviour. They suggested that Malays were the majority in this group. Banker 4 further commented that this was probably because Malays were the largest ethnic group in Malaysia. Thus, Malaysian's being the majority, their behaviour is better represented by a median position or the most observed phenomena.

With regards to no payment, Bankers 1, 3, 4, 5 and 6 agreed that the Malays were the majority that faced problems in paying the credit card bill.

(ii) Age:

With regards to full payment, Bankers 1, 3, 4, 5 and 6 stated that convenience users who made full payment when receiving their credit card bills were mostly from an older age range of above 40.

With regards to payment between the full and minimum, Bankers 1, 2, 3 and 5 agreed that users below 30 were the majority in this group. However, they were content that the largest target market was coming from this group, as these people had just started to work.

With regards to no payment, Bankers 1, 2, 3, 5 and 6 also were in agreement in stating that cardholders below 30 were more risky than the older age groups. Banker 7, however, stated that they were all the same, regardless of age.

(iii) Paying the Principle:

With regards to full payment, Banker 1 said that certain cardholders who adhered strictly to their principle of staying away from debt always made full payment. These were regardless of age and ethnicity. However, it was stated that these strict cardholders comprised only a very small number of cardholders.

With regards to payment between the full and minimum payment, Banker 1 stated that there were many high income cardholders who paid less than the full amount, from those that logically could pay in full. According to Banker 4, the majority of cardholders were in this group as she stated that "this is how our company makes money". This suggests that some cardholders have a tendency to create debt although they can avoid it. Therefore, high income individuals do not necessarily pay the full amount as it depends on their principles and attitudes towards debt.

With regards to no payment, Bankers 4 and 5 stated that there were cases of no payment due to job loss, although those cardholders used to make full payment.

Therefore, it can be generalised that individuals' principles towards debt can influence their payment patterns.

(iv) Salary:

With regards to full payment, Bankers 1 and 3 stated that high income group cardholders had a tendency to make full payment, as opposed to lower income cardholders.

With regards to payment between the full and minimum, Bankers 1 and 4 stated that regardless of income group cardholders, there were more revolvers than convenience users.

With regards to no payment, Bankers 1, 3 and 5 noted that those with income at starting level had a tendency to be in this group. Furthermore, Banker 3 stated that there were cardholders who had just started to use a card for only a few months with the repayment of credit cards being made two or three times. This group then failed to make payment later. However, according to Bankers 4 and 5, there were cardholders who defaulted due to job loss.

(v) Career:

Career as a factor was highlighted by Banker 1, as she stated that many of the problematic cardholders the bank dealt with were teachers. She further commented that teachers should be good examples to others.

(vi) No obvious factor:

Banker 7 commented that, in his view, there was no difference between cardholders in age, gender, ethnicity, *etc.*, as he stated that, regardless of various attributes, "they are the same and their behaviour changes month to month".

To investigate the further impact of possessing credit cards on cardholders, a question regarding bank actions concerning delayed payments was forwarded to the bankers, for which the findings can be found as follows.

Table 8.6: Focused Coding for Question 5 (overview on actions taken by banks against credit cardholders who cannot pay credit card bills)

Question 5: What action does your company take against credit cardholders who default on payments?	
Focused Coding	
1	First stage
2	Second stage
3	Third stage
Theme	Three stages of actions by credit card companies towards cardholders who default in payment

Table 8.6 indicates the findings on how banks react against cardholders who cannot pay their credit card bills. The banks' reactions can be categorised into three major stages: (i) First stage; (ii) Second stage; and (iii) Third stage.

Table 8.6.1: Focused Coding Number 1 for Question 5 (first stage actions taken by banks against credit cardholders who cannot pay credit card bills)

First stage	
Banker 1	Calls + Short Message Service (SMS) + letter
Banker 2	Calls
Banker 3	Calls + Letter
Banker 4	Call + SMS + field officer
Banker 5	Call + SMS + letter
Banker 7	Letter

Table 8.6.1 summarises the actions that would be taken by banks to cardholders not paying in the first stage. This was the earliest stage, which was within the first three months of non-payments. The actions were as follows: phone calls, SMS, and a letter. These acted as a reminder to the missed payments and to notify the cardholders that immediate payment was required.

The responses indicated that field officers may also be involved in the first stage. For instance, Banker 4 explained that a field officer would be sent to investigate if no response was received from cardholders after calls, letter and SMS. The question of when to send the officers into the field was dependent on the severity of the case, which was evaluated by the amount owed. The results of previous investigations indicated that in most of the cases, non-payment occurred, as found by the field officer, due to changes of address, job loss, and health conditions. The cardholders were advised to pay through the field officer if they met.

Table 8.6.2: Focused Coding Number 2 for Question 5 (second stage actions taken by banks against credit cardholders who cannot pay credit card bills)

Second stage	
Banker 1	Block account + Advice + Debt restructuring
Banker 2	Block account
Banker 3	Advice + Debt restructure
Banker 4	Block account + Letter of demand + Advice + Debt restructuring
Banker 5	Block account + Field officer + Advice + Debt restructuring
Banker 7	Advice

Table 8.6.2 shows the second stage of actions taken by banks against cardholders that missed payments by more than three months, which are:

Blocking account: Bankers 4 and 5 stated that cards with a 3-month-lapse of payments will automatically be blocked.

Letter of demand: According to Bankers 4 and 5, after three months of non-payments, banks sent a letter asking the cardholder to pay the amount owed in full.

Field officer: Banker 5 said that field officers would be sent to find and advise the cardholders to pay. According to what was mentioned in the interviews, he and his friends had bad experiences with the customers in the field. They had been chased away with a *parang*[28] and scolded by harsh words. Some of them had also been trapped and were claimed to be disturbing girls when performing their duties to collect debt. In reality these persons wanted to avoid paying their debts.

Advice: Bankers 1, 3, 4 and 5 stated that in an effort to collect debt, they would call the cardholders for a consultation session. In the session, the collection officer tried to persuade cardholders to repay and investigate the reason for default. A follow up would be held, if necessary, according to the case, especially to those who still did not repay their debt after the consultation.

Debt restructure: Bankers 1, 3, 4 and 5 informed that they would offer a debt restructure to some clients after investigating their financial positions. However, Banker 7 (from an Islamic bank) mentioned that there was no debt restructuring offered to their cardholders. The cardholders, therefore, had to make payment in accordance with their stated contracts.

According to Banker 5, there were two schemes available: These two were a fixed repayment scheme, also known as a reducing balance scheme (RBS), and a term loan. For the RBS, the officer would make a proposal to the cardholder after they had investigated all the financial constraints faced by the cardholder, including housing expenses, loans, credit cards, and education fees. The proposal was based upon the balance left after all the necessary deductions. The bank was more considerate when they encountered medical cases in negotiating the repayment (this medical case scenario was also supported by Banker 3 and

[28] A *parang* is a knife-like tool, normally bigger than knife, used by Malaysians as a weapon or to chop down trees and or to cut wood.

Banker 4). The cost of proposals, which ranged from RM70-RM150, would be charged to the customer.

Under RBS, the minimum interest rate offered to cardholder was 15%. If the customer failed to make payment even one time, they would be charged at a normal rate of 17.5%. The charges accrued even before the proposal took effect. In other words, the reduction of interest rate in the proposal would be cancelled. In addition, the cardholder had to wait a year prior to request for another proposal. The maximum time offered under RBS to repay the debt was 36 months. There was also a late charge fee under this scheme. The bank allowed customers four days to make payment each month from the due date before imposing the late charge.

The term loan was longer than the RBS, and could act for a period of 5-6 years with 10% being the lowest rate offered under this scheme. Similar to RBS, if the customers default payments, the interest rates would be counted as normal.

Table 8.6.3: Focused Coding Number 3 for Question 5 (third stage actions taken by banks against credit cardholders who cannot pay credit card bills)

Third Stage	
Banker 2	Collection agency
Banker 3	Non-Performing Loan (NPL) + Letter + Bankruptcy
Banker 4	NPL + Summon + Negotiation
Banker 5	NPL + Bankruptcy

Table 8.6.3 presents the third stage of actions by banks on cardholders who still did not pay their bills after 5 months. The actions involved were:

Negotiation: Banker 4 said that they would try to persuade the cardholder to repay the debt through reasonable talk.

Summon: Bankers 3, 4 and 5 said that banks tried everything in their power to avoid bringing any case to court. They tried hard to persuade customers to pay. Banker 4 said her bank also reoffered credit cards to blacklisted customers when they recovered the debt. In other words, her bank tried not to lose customers to other competitors, only the very bad customers would be listed out.

Non-performing loan (NPL): According to Bankers 3, 4 and 5, accounts with uncollected debts for five months would be considered as non-performing loans. According to Banker 5, if cardholders made payment after the debt had been classified as a NPL, the banks would consider it as other profit margin.

Collection Agency: Banker 2 said that his bank would send credit card accounts with no payments after six months to an agency for collection.

Bankruptcy: The cardholders would be charged as bankrupt if the amount owed reached RM30,000. However, according to Banker 5, the cardholders were smart in that they tried not to reach the RM30,000 amount. He added, "If the customer pays a small amount like RM50, we still cannot charge them, as it is not RM30,000".

The following question investigates the link of religiosity to card selection from the bankers' perspectives. The findings on whether the religious factor had any effect in attracting customers towards a specific credit card was presented in Table 8.7 and a further explanation for each factor is further explained in the respective sub-table, namely, Table 8.7.1 and Table 8.7.2.

Table 8.7: Focused Coding for Question 6 (overview on whether religiosity has any influence on customer decision in selecting a credit card)

Question 6: Throughout your experience, does religiosity have any influence on credit card selection?	
Focused Coding	
1	Religiosity has no effect
2	Religiosity has effect
Theme	There is no concrete result as to the impact of religiosity, both positions can have influence

Table 8.7 indicates the findings on whether the religious factor has any influence in selecting a credit card. As the general theme and the coded answers show, some bankers believe that the religious factor has no influence among customers in selecting credit cards, while some bankers believe the religious factor has an influence. The reasons provided for each factor was further analysed through coding methods as follows.

Table 8.7.1: Focused Coding Number 1 for Question 6 (religiosity has no influence on customers in selecting credit cards)

Religious has no effect	
Banker 1	Big bank + Competitive offer
Banker 2	Competitive offer
Banker 3	Competitive offer
Banker 4	Competitive offer
Banker 5	Competitive offer

Table 8.7.1 shows the views of bankers who stated that religion had no effect upon selecting a credit card. These bankers believed that other factors are more important in selecting credit cards than the religious factor. The factors that were given by them can be divided as follows:

Big bank: According to Banker 1, the credit cards issued by her bank were internationally known and widely accepted as the bank itself was a largely recognised bank, enabling them to structure competitive credit cards. Throughout her experience, she believed that religion did not play any particularly significant role as she believed that the customer would go for the competitive card offered by her large competitive bank.

Competitive offer attached with credit cards: Bankers 1, 4 and 5 explained that many customers looked at what they offered, including loyalty and reward programmes. Banker 4 said that they should know what their customers wanted and update their marketing strategy to attract customers. She added, “If you’re really religious, you also look at other things.” It is also interesting to note that Banker 4 was a non-Muslim and has work experience in the credit card segment of her bank for about 20 years. Therefore, she is considered very credible and her comments are believed to represent the market’s sentiment.

Table 8.7.2: Focused Coding Number 2 for Question 6 (religiosity has influence on customers in selecting credit cards)

Religious has effect	
Banker 3	Rigidly follow religious instruction

Table 8.7.2 mainly supports Banker 3’s position that the religious factor has an influence on credit card selection. Banker 3 stated that this only applied to a few people who followed their religion strictly. In addition, he suggested that most of the customers did not really care about the religious factor when it came to choosing and using credit cards.

Hence, the analysis in this section suggests that most of the interviewees stated that religion was not an important factor in card holding, specifically only one banker stated that the religious factor is important in selecting credit cards, however, he also qualified his statement by identifying it for those who have 'strict religious practices'. It is also important to note the interesting statement from the Chinese banker who responded, "even if you're religious, you also look at other things" implying that rationality also determines selection.

8.3. FINDINGS FROM THE SEMI-STRUCTURED INTERVIEWS WITH VARIOUS STAKEHOLDERS

While the preceding chapter presents the results of semi-structured interviews with bankers, this section presents the results of the interview analysis with the other stakeholders. Specifically, the stakeholders in this section comprise ten cardholders, a member of staff from a credit counselling body, an economist, and a *Shari'ah* specialist. Their backgrounds are detailed in Table 8.8.

Table 8.8: Basic Backgrounds of Stakeholders other than Bankers

Participant	Holding Type	Period of Card Use (Year)	Job	Age (Year)	Gender
Cardholder 1	CCC	15	A pensioner	Above 56	Female
Cardholder 2	CCC	20	A Professor	Above 56	Male
Cardholder 3	CCC	1	Unemployed	33	Female
Cardholder 4	CCC*	14	Government staff	39	Female
Cardholder 5	ICC	14	Lecturer (IPTS)#	40	Male
Cardholder 6	ICC	9	Engineer	34	Male
Cardholder 7	CCC + ICC	8	Businessman	37	Male
Cardholder 8	CCC + ICC	8	Self-employment	33	Male
Cardholder 9	CCC*	20	Professional	Above 50	Male
Cardholder 10	CCC	2	Assistant officer	23	Male
Economist 1	N.A.	N.A.	N.A.	N.A.	N.A.
Credit Counselling Staff 1	N.A.	N.A.	N.A.	N.A.	N.A.
Shari'ah specialist 1	N.A.	N.A.	N.A.	N.A.	N.A.

Notes: N.A. stands for not applicable as the information should remain unanimous; CCC* denotes CCC-holder who previously hold an ICC; lecturer (IPTS)# denotes lecturer working in private sector education.

As can be seen in Table 8.8, ten cardholders participated in the study: six of them held CCCs, with two having experience in holding ICCs; these two, due to certain dissatisfaction cancelled their ICCs; two are ICC holders; and the other two are MCC-holders (those holding both ICC as well as CCC). The holding periods of credit cards were varied, ranging from 1 year as the minimum to 20 years as the maximum, producing a mean of 11.1 years. The job backgrounds also showed that there was diversity. These were from the self-employed to the professional as well as a pensioner, which helps to overcome any potential bias. The age also shows a good mixture of respondents, with 23 years old being the minimum age to above 56 as the highest age. As can be seen, there were only three female respondents, which may imply a male bias. However, as this study identified the interviewers through a convenience basis, given the various constraints faced in this study, gender distribution was not a main concern. Besides credit cardholders, this study was also able to attract an economist, a credit counselling staff member, and a *Shari'ah* specialist to participate in the study.

The first question asked to the cardholders in this section was related to the need to use a credit card. This question is considered important as it was able to help determine whether the customer really needed to use a credit card, or if they just held it for other reasons, which could lead to overspending.

Table 8.9: Focused Coding for Question 1 (Overview of the necessity issue of credit cards)

Question 1: Do you think that a credit card is a necessity?	
Focused Coding	
1	Necessity (This answer given by cardholder)
2	Not a necessity (This answer given by cardholders)
3	Depends on circumstances (This answer given by other than cardholders,
Theme	Credit card is necessity for some cardholders, but it is not a necessity for some others. While, for stakeholders other than credit cardholders, their responses basically arrive at an answer of 'depending on individual circumstances'.

Table 8.9 depicts the analysis of the coding for the questions related to the necessity of the credit card. As can be seen, the results can be divided into two major findings, by cardholders and other stakeholders including an economist, a credit counselling staff member and a *Shari'ah* specialist. With respect to the cardholders, two divergent answers can be seen, where some of them noted that credit cards were a necessity whereas some disagreed. The other stakeholders, however, considered that credit cards were a necessity 'depending on circumstances'. Further discussions of each can be found as follows.

Table 8.9.1 details the views from respondents who argued that credit cards were a necessity. The reasons given for this were: travel, a zero interest instalment plan, a requirement for car booking, work, easy credit, small payments, emergency cases, safety, reputation savers, avoiding burdening others, high value transactions, convenience, to suit monthly expenditure, easy advance cash, requirement for hotel booking (especially when using Internet hotels), and the demand from the public for ICCs. Some of these factors are further clarified as follows.

Table 8.9.1: Focused Coding Number 1 for Question 1 (credit card is a necessity)

Necessity	
Cardholder 1	Travel + zero interest instalment plan + Requirement for car booking
Cardholder 2	Work + easy credit
Cardholder 4	Small payment
Cardholder 5	Emergency cases + large value transaction
Cardholder 6	Emergency cases + Work + zero interest instalment + Requirement for hotel booking
Cardholder 7	Safety + Reputation saver + Avoid burdening others
Cardholder 9	High value transaction + convenience + travel + to suit monthly expenditure
Cardholder 10	Easy cash advance + convenience + Safety
Economist	Travel + work + Requirement for hotel booking, especially made through Internet
Shari'ah specialist	Demand from public for ICCs

Reputation saver: Cardholder 7 stated that credit cards had the potential to save his reputation, as he could secretly borrow from credit cards without having to seek help from other individuals, which would retard his reputation. He is a businessman; hence, reputation is crucial. He stated that the credit limit for each of his credit cards was about RM4,000. Therefore, owning four credit cards enabled him to borrow up to RM16,000 without interest for a month. In further support of the reputation issue, Cardholder 7 added that the credit cards helped in terms of avoiding burdening other individuals through personal borrowing.

Moderate monthly expenditure: Credit cards were also perceived as helping to 'moderate monthly expenditure'. For instance, Cardholder 9, a convenience user, mentioned that he used credit cards to spread payment and make sure that he would be exempt from paying interest and annual fees. He preferred using credit cards for interest free instalment plans, where he could spread large payments into several small payments without having any additional charges. Therefore, credit cards were very beneficial to him.

Easy cash advance: This is an important feature of credit cards, which makes it a necessity for some individuals. For example, Cardholder 7 noted that normally he was desperate for cash. Therefore, the credit card was very useful for him as he would use credit cards to withdraw cash. He explained that he did not only withdraw cash from ATMs but also from several shops around Kuala Lumpur. The shop would give him the money but transacted it as a purchase transaction at a charge. He gave an example where the shopper made the purchase transaction as RM100 but gave him RM90. The different price was taken by the shop as profit. However, this did not matter as the charge was far cheaper in comparison to withdrawing cash from ATMs.

Demand from public: The necessity of ICCs is an issue as well, which was commented upon by the *Shari'ah* specialist. The specific question forwarded to him was, 'noting the negative impact brought by credit cards, why do *Shari'ah* scholars approve ICCs and allow them to be marketed to the public?' The *Shari'ah* specialist did not directly answer the question, but instead responded with a question, "Do you want to let the people indulge in *riba'* without offering them a solution?" He further explained that the public would still use credit cards even if there were no ICCs. Therefore, they have to allow the institutions to issue ICCs, otherwise the public will opt for CCCs. Therefore, ICCs should be made available in the market to avoid individuals from making the big sin of *riba'* dealing.

Table 8.9.2: Focused Coding Number 2 for Question 1 (credit card is not a necessity)

Not a Necessity	
Cardholder 3	Unsolicited
Cardholder 8	Promoted by credit card salespeople

In further analysing the various positions, Table 8.9.2 provides reasons as to why the cardholders said that a credit card was not a necessity for them. The reasons were the unsolicited cards and the promotions.

According to Cardholder 3, the card was automatically approved and was sent to her home address after she applied for a car loan. She went to the bank to return the card but was persuaded by a banker to keep the card when the banker said, "it is ok if you do not want to use the card, just keep it".

Table 8.9.3: Focused Coding Number 3 for Question 1 (Overview of Opinion on the Necessity Issue of Credit Cards)

Depend on Circumstances	
Economist	Work nature
Credit counsellor	Work nature

Table 8.9.3 shows the results gathered from the economist and credit counsellor regarding the necessity of credit cards. This shows that there is no easy solution to answer the question as it

depends on individual circumstances. The economist, for example, explained that the circumstances depended upon ‘work nature’ – whether the work requires individuals to use credit cards or not. He said that a credit card might become a necessity for some people who travel a lot. He added, “If you want to book a hotel for example, you need a credit card ... for some people they do not need to use [a] credit card at all, for these people it is better for them not to hold credit cards”.

After presenting the perceptions on the necessity of the credit card, a straightforward question also was asked of the cardholders concerning whether the use of credit cards led to overspending. The answers to this question were coded in Table 8.10.

Table 8.10: Focused Coding for Question 2 (overview of credit cards lead to overspending)

Question 2: Do you think that credit card use leads to overspending?	
Focused Coding	
1	Yes
2	No
Theme	Some people overspend on credit cards, while others do not

Table 8.10 summarises the findings on the overspending issue from the perspective of the stakeholders. Their views can be broadly classified into two sectors: credit cards lead to overspending and credit cards do not lead to overspending.

Table 8.10.1: Focused Coding Number 1 for Question 2 (credit cards lead to overspending)

Overspending	
Cardholder 2	Supplementary cardholder
Cardholder 3	Readily Use + Temptation to spend
Cardholder 4	Readily Use
Cardholder 7	Temptation to spend
Cardholder 8	Temptation to spend
Cardholder 10	Temptation to spend + Readily use
Economist	Readily Use

Table 8.10.1 summarises the findings of those participants who stated that credit cards could lead to overspending. The reasons given by them are listed below:

Supplementary cardholder: Cardholder 2 said that his credit cards were overcharged due to the supplementary cardholder's usage. He did not realise the amount had increased dramatically as he did not check. He only found out when he received the statements.

Readily use: According to the economist, credit cards will contribute to overspending. Someone without credit cards can prevent unnecessary purchases. He said, "Of course credit card ownership will increase spending. Let's say you see something and you feel that you want to buy. You can buy it easily if you have a credit card. But if you don't have a credit card, you may change your mind not to buy".

Temptation to spend: Cardholders 3 and 10 stated that with credit cards in their hands, they felt tempted to spend, even when window shopping.

Table 8.10.2: Focused Coding Number 2 for Question 2 (credit card does not lead to overspending)

No overspending	
Cardholder 1	Self-discipline
Cardholder 5	Self-discipline
Cardholder 6	Self-discipline
Cardholder 9	Self-discipline

Table 8.10.2 provides the reason as to why the respondents did not overspend on their credit cards. All of them (Cardholder 1, 5, 6 and 9) stated that they had strict self-discipline. Cardholders 5 and 6 explained that they had to discipline themselves due to religious factors. Islam does not like overspending. In addition, individuals who overspend normally create more trouble among themselves.

The cardholders were also requested to share any special experiences in dealing with credit cards. The findings on the special experiences can be generally divided into two groups, good and bad experiences. These are presented in Table 8.11.

Table 8.11: Focused Coding for Question 3 (overview of experience throughout credit card use)

Question 3: Do you have any special experience throughout your credit card dealing?	
Focused Coding	
1	Good experience
2	Bad experience
Theme	Experiences are varied

Table 8.11 summarises the experiences of the respondents with credit card use. The experiences can be categorised into either good or bad.

Table 8.11.1: Focused Coding Number 1 for Question 3 (good experience of credit card use)

Good experience	
Cardholder 1	Convenience
Cardholder 2	Easy to get credit card
Cardholder 4	Efficient service
Cardholder 9	No annual fee + No interest

Table 8.11.1 outlines the reasons as to why the respondents said that they had good experience with credit cards. The reasons are as follows: convenience; ease of getting credit and an efficient service, no annual fee, and no interest charge within the statement period.

Cardholder 4 was impressed and satisfied with the Citibank service. When talking about her experience, Cardholder 4 stated that when she redeemed her credit card points, she received the gift within only 3 days, rather than the 21 days as stated.

Cardholder 9 used to travel a lot and he preferred, and enjoyed, using a credit card because it benefited him, as he avoided the annual fee and interest payment by being a convenience user.

Table 8.11.2: Focused Coding Number 1 for Question 3 (bad experience of credit card use)

Bad experience	
Cardholder 2	Overspend by supplementary cardholder + Difficulty in closing account
Cardholder 3	Interest high + Debt difficulty
Cardholder 4	Miss minimum payment
Cardholder 5	Fraud case
Cardholder 6	Annual fee charge
Cardholder 7	Interest high + Debt difficulty
Cardholder 10	Cannot control spending habit

Table 8.11.2 depicts the statements of those respondents who had 'bad experiences' throughout their credit card usage. The experiences include:

Overspending by supplementary cardholders: According to Cardholder 2, his supplementary cardholder spent too much without notifying him of the large amount.

Difficulty in closing account: Cardholder 2 complained that too many questions were asked when he wanted to cancel his Citibank credit card. The banker tried to persuade him not to cancel the card. Therefore, he kept the card as he did not want to bother with the process.

Cardholder 4 also complained about the difficulty of closing the credit card account.

Debt difficulty: In less than a year, Cardholder 3 had been dragged down with credit card problems due to job loss. She had to join a credit counselling (AKPK) programme to settle the debt and to stop legal action being taken against her. In addition, Cardholder 7 had an experience of having to pay a RM20,000 lump sum in respect of his original debt of RM8,000. In addition, Cardholder 8 had to pay about RM15,000 resulting from a RM9,000 debt.

All cardholders (Cardholders 3, 7 and 8) complained that their debt difficulties were contributed to largely by high interest, especially for a cash advance.

Miss minimum payment: Cardholder 4 stated that the bank had called her several times, including late at night, asking her to meet the minimum payment. She should have paid RM315 as a minimum payment but mistakenly paid RM300. She expressed her dissatisfaction and said the bank should look at her good record. She added, “I am never late in paying minimum payment and thousands had been spent through the credit card used. The bank should review my previous record; this would not happen if it was Citibank”. Therefore, she moved to a Citibank credit card, indicating trust in a big brand.

Fraud case: Cardholder 5 noted that his credit card was charged at a petrol station that he never visited.

Annual fee charge: Cardholder 6 stated that he was not supposed to be charged with an annual fee as he was a loyal cardholder. Unsatisfied, he cancelled the card, but the bank kept calling him to make new card offers. He stated that “just let me go to switch to other cards easily, the bank should not bother me and appealed [to] me to use the card from the same bank”.

Cannot control spending habit: Cardholder 10 stated he fully utilised his credit card limit during the first month after he received the card. He just paid the minimum repayments every month to the bank. He said, “I can’t control my spending habit. Within a month, my outstanding came to limit already". Implying that he fully utilised his credit limit in one month after receiving the credit card.

In figuring out which type of credit card was most preferred by the cardholders, a comparative question was forwarded to the cardholders, in which the questions and the findings can be found as follows.

Table 8.12: Focused Coding for Question 4 (overview of the competitiveness of ICCs in comparative to CCCs)

Question 4: Throughout your experience, which type of credit cards do you think is better, Islamic or conventional?	
Focused Coding	
1	CCC
2	ICC
3	Indecisive
Theme	Respondents have varied opinion; some think that CCCs are better, others think ICCs are better, while the rest are not sure.

Table 8.12 shows the responses received from respondents regarding which type of credit card is better. Generally, the answers can be classified into three broad categories: (i) CCC; (ii) ICC and (iii) Indecisive.

Table 8.12.1: Focused Coding Number 1 for Question 4 (CCCs are better than ICCs)

CCC	
Cardholder 1	No choice
Cardholder 2	Convenience
Cardholder 4	Competitive
Cardholder 9	Cheaper
Cardholder 10	Wider acceptance

Table 8.12.1 provides the factors listed by those who argued that CCCs were better than ICCs. The factors are as follows.

No choice: According to Cardholder 1, she wanted to use an ICC to avoid *riba',* but the option was not available to her. Her age was over limit when she applied for an ICC. Due to this, she did not have any option other than to continue using her existing CCC.

Convenience: Cardholder 2 stated that it did not matter what type of credit cards they had. The most important for him was that the card could be used for the convenience of his work.

He said, “Type of a credit card does not matter, the matter is convenience”. Now, he only uses a Maybank credit card as previously he had bad experiences of large debt with his former credit cards. To avoid the same thing happening, he directed the bank to make a prompt monthly payment by direct debiting from his savings account.

Competitive: Cardholder 4 believed that CCCs were more competitive and better in various aspects as they were older than ICCs and more established. She also reiterated that the services offered by CCC providers were far better than that of Islamic banks.

Cardholder 4 actually had experience having an ICC but later cancelled the account due to dissatisfaction. Recalling her experience, she said she was being bothered too much, even late at night as the credit card people tried to collect payment. She added that she only missed the required minimum payment one time and it was actually done mistakenly as she overlooked the amount, which led her to pay a lower than the stated minimum payment. Therefore, she cancelled the ICC account and opened a credit card account with another bank, specifically a Citibank CCC. She believed that Citibank offered the best credit card in the Malaysian market.

Cheaper: Cardholder 9 stated that he had good experience with CCCs as they were cheaper than ICCs. He actually used to have an ICC but had closed the account. He mentioned that he was charged even when he did not use the card. He not only had a problem with ICCs but also with a housing loan from the same Islamic bank. He expressed his dissatisfaction and felt anger towards the Islamic bank.

Wider Acceptance: Cardholder 10 said that it was inconvenient that ICCs could not be charged at certain places. For this, he believed that CCCs were better for him. However, he also said that ICCs have positive implications: “ICCs can prevent credit cardholders using them to charge for unhealthy activities, which can lead to social problems in this country”.

Table 8.12.2: Focused Coding Number 2 for Question 4 (ICCs are better than CCCs)

ICC	
Cardholder 5	No *riba’*

Table 8.12.2 provides the main reasons offered as to why ICCs were better: ‘no *riba’*’. Cardholder 5 and 6 followed religious rules strictly; therefore, ICCs were a better choice for

him, outweighing other negative claims made on ICCs. This result corresponded to the earlier response by bankers, as only one individual banker expressed the importance of religion.

Table 8.12.3: Focused Coding Number 3 for Question 4 (those who are not sure whether ICCs or CCCs are better)

Indecisive	
Cardholder 6	CCCs are better given the 'small scale of ICCs' and 'limited knowledge and understanding of ICCs'. However, ICCs are better due to having 'no *riba'*
Cardholder 7	Depending on offered features
Cardholder 8	No knowledge

Table 8.12.3 shows the arguments of those who have not yet decided which type of credit card is better. These are as follows:

CCC is better given the 'scale of ICCs is still small' and there is still 'limited knowledge and understanding of ICCs' among customers. However, ICCs are better due to no involvement with riba': Cardholder 6, despite holding an ICC, did not clearly state whether ICCs or CCCs were better. He provided reasons for supporting both ICCs and CCCs.

Small scale of ICCs: Cardholder 6 stated that ICCs were still being offered on a small scale. The offering of CCCs was far greater than ICCs; hence, CCCs had monopolised the market. He suggested that the government should further promote ICCs for better growth.

Limited knowledge and understanding of ICCs: Cardholder 6 commented that the customers still did not understand, nor have enough knowledge about ICCs; this is a barrier to patronise ICCs.

No riba': However, for the *'no riba'* factor, he stated that ICCs are better.

Depending on offered features: Cardholder 7 (a multiple user with both types of cards – Islamic and conventional) stated that each has its pros and cons; the best procedure is to look at what features suit ones individual needs. He said that for some people who were looking for *takaful*, ICCs were a better choice and not conventional cards. For cash withdrawals, he said ICCs had a lower charge of RM15, compared to RM50 for CCCs; therefore, ICCs are better in this respect, and, therefore, he recommends ICCs for cash withdrawal transactions. He also mentioned that international banks are much better than local banks. He further explained that international banks like HSBC are more efficient; its ATMs were rarely out of service as opposed to those owned by local banks which were always out of service. This saved him time when performing a transaction at an international bank as there were fewer people.

No knowledge: Cardholder 8, who had both an ICC and CCC, stated that he did not care about the type of credit card. Therefore, he used both as they were both credit cards. To him, they made no difference.

Overall, of the nine cardholders who responded to Question 4, five cardholders responded that CCCs were better than ICCs and only one cardholder clearly said that ICCs were better due to having no *riba'*, while the other three cardholders can be categorised in the neutral position. However, taking into account the advantages of CCCs, the other three can be counted as being among those who said that CCCs were better, therefore, making eight respondents to CCCs being better than only one favouring ICCs.

8.4. CONCLUSION

This chapter presents the results of the coding and thematic analysis conducted with the data gathered through semi-structured interviews. The sample included various stakeholders, which included bankers, cardholders, a *Shari'ah* scholar, an economist, and a credit counselling counsellor. The findings gathered basically indicated the following:

Overall, the credit card market was considered good before the service tax was introduced, however, this contracted afterwards. Furthermore, at the institutional level, the service tax affected the market in various degrees. Of the six participants coming from individual banks, one respondent considered that the market before the tax imposition was satisfactory but was affected after the tax introduction. The statements from the participants indicated that three banks that had a very good credit card market received a small closure of accounts upon the service tax introduction. However, one of the participating bankers stated that the impact was considered negligible, while two other banks' credit card market had been affected very badly after the announcement of the service tax. These badly affected banks were found to have no strategic marketing strategy improvement after the service tax announcement. The banks were not promoting as eagerly as other banks did, as stated by one of the bankers. He said that his bank does not encourage the use of debt through credit cards. In doing this, the credit card credit limit was shared by the number of credit cards held, which, he claimed, that it was not like that of the other banks which gave a full, maximum credit limit regardless of the number of credit cards held.

The analysis shows that service tax adversely affected the market of bank 5. This bank issued ICCs as well as CCCs, but was found to be not as competitive as other less affected banks. Its market was affected more than the full fledged Islamic bank with sole ICC issuance. In this aspect, the findings suggested that there would probably be a clear divergent or separation of banking institutions, where one will specialise in issuing CCCs and the other focus on ICCs.

Regarding the market of ICCs in comparison to CCCs, all the responding bankers concluded that CCCs were better than ICCs. Among the reasons given were that CCCs are older, well established, and more widely accepted. Complementing the result of the bankers, the interviews with cardholders showed that six cardholders stated that CCCs were better, while only one responded that ICCs were better due to religious reason, hence, leading to the overall result that CCCs are superior to ICCs.

Responding to the payment patterns among cardholders, which were found to vary from no to full payment, it is interesting to pinpoint several findings including that those with more tendency to revolve were young adults below the age of 30, Malays, and teachers. While, in collecting payments from the problematic cardholders, three stages of collection were conducted: the first stage involved the light reminding of customers to pay via letter, sms, call, and field officer. The second stage involved more serious debt collection, i.e., letters of demand, advice and debt restructuring. The third stage, which is the highest stage, encompasses legal actions, including summons, bankruptcy filings, collection agencies and also losses to the bank as the debt is classified as a NPL. Therefore, the impact of credit cards not only applies to the credit cardholders in terms of debt (as the defaulters will be pursued by the banks to force them to pay), but also to the bank, which has to bear the cost of debt collection, including hiring officers to collect the debt. Moreover, the field officer who is responsible for meeting the problematic customers also encounters problems in collecting debt.

Another impact found from the field is ‘cooperative’ fraud between credit cardholders and merchants, particularly in relation to cardholders who are short of cash and withdraw money through unauthorised means. The cardholders will take the cash from shops, which actually make a purchase like transaction. Therefore, both the cardholder and the shop benefited from the transactions, in the sense that cardholders pay a lower charge for the cash withdrawal, which make a purchase like transaction, while the shop profits from ‘the free money’, which is the difference of cash given to customer and what was charged on paper.

With respect to the selection of credit cards, it is found that cardholders use credit cards for various reasons, which include travel, zero interest instalment, safety, and financial reasons. As for the religious factor, it is found that it is not largely important but important to a small minority of cardholders, especially through the interviews conducted, which found that a few cardholders were more religious than the majority others.

The findings also indicated that there were cardholders who previously used ICCs and shifted to CCCs due to dissatisfaction. This was further supported by bankers who responded that religion was only important to strictly religious individuals. While the ICC market was found to be small in comparison to the CCC market, it is still further supported as the religious factor is important to a small group of customers and the findings are consistent with the preceding questionnaire's survey findings.

The analysis shows that some credit cardholders have credit cards which they do not need that have been brilliantly marketed by credit card issuers, and, thus, they overspend. The study also found that one young cardholder had fully utilised his credit card within a month after activating. This indicates lavish spending and a long-term debt implications to cardholders. The study also established that self-discipline is important to control credit card debt.

Overall, the study suggests that credit cards have both financial and social impacts.

CHAPTER 9

AN INTERPRETATIVE DISCUSSION AND CONTEXTUALISATION OF THE FINDINGS

9.1. INTRODUCTION

This chapter aims to develop an interpretative discussion out of the main findings from Chapters 5 to 8, through an integrative manner by contextualising them within this research and the available body of knowledge. The findings are also compared with previous key literature in order to determine the similarities or differences within the existing key literature. It also identifies the contributions made to the literature.

9.2. THE OVERVIEW OF FINDINGS

The discussions in Chapter 6 and Chapter 7 conclude that all ten null hypotheses established for this research have been accepted. However, an exception exists with hypothesis 9, which was partly rejected with the reasons for rejection being explained accordingly in Chapter 6. In addition, Chapter 8 presented the findings of the semi-structured interviews, which seem to further support the established hypotheses. Thus, to develop a comprehensive understanding of the study in the Malaysian context, this section discusses the findings of Chapter 6 to Chapter 8 in an integrative manner.

9.2.1. The Malaysian Credit Card Market

The findings of the questionnaire survey show that the market share of ICCs is still very small as compared to CCCs. This can be seen from the holdings of ICCs with 15.5% as compared to CCCs with 69.5% (see Table 5.3) within the sample of credit card holders for the study. The market, credit cardholders, is largely dominated by Malays and Muslims, and, therefore, only one non-Malay and one non-Muslim were found to possess ICCs (see Table 6.33 and Table 6.34). However, the result, which shows an extremely high number of Muslims holding ICCs compared to non-Muslims, is expected as the product itself is born from the Islamic banking movement, which comes from the religion of Islam. As for the large number of Malay participants, this was also expected as Malays are the largest ethnic group in Malaysia. In addition, the Malaysian Constitution normally refers to Muslims as Malays, although this is not always true. However, it is also important to note that the participants in this study largely comprise Muslims and Malays, which is about 90% (refer Table 5.1), which is the reality of the Malaysian market.

The results of the questionnaire survey indicate consistency with the semi-structured interviews since the responses also show that only a very few non-Muslims possess ICCs. The findings from the interviews, based on two bankers who worked at banks that issued both ICCs and CCCs, found that CCCs were far better for various factors including: 'being in the market for much longer', and, hence, 'being well-established'; 'lack of knowledge about Islamic banking among customers'; and a 'wider acceptance' (see Table 8.4.1). Furthermore, a banker from a fully fledged Islamic bank also responded that his bank only had very few non-Muslims. With respect to feedback from cardholders; of the six cardholders who responded, only one stated that ICCs were better as they are free from *riba''* (see Table 8.12.2) while the other five cardholders responded that CCCs were better giving reasons such as: 'over the age to apply for ICCs', 'convenience', 'competitiveness', 'small scale offers of ICCs', 'limited knowledge and understanding towards ICCs', and 'cheaper' and 'wider acceptance' (see Table 8.12.1). It is worth noting that there was another cardholder who also responded that ICCs were better for having no *riba'';* however, he also said that CCCs were also better as they had a much 'larger scale' and also because of the 'lack of knowledge of ICCs, in particular, and Islamic banking in general'. Hence, he was classified in the 'neutral group' (see Table 8.12.3). In this view, Islamic banking in general has to adopt new marketing strategies in attracting non-Muslim customers to their products, and to also further research in investigating the factors making such a hindrance imperative. It should be noted that in the recent years, in particular, the Malaysian citizens of Chinese ethnicity have developed a positive attitude towards Islamic banking; therefore, a number of Islamic bankers from Malaysia have articulated the idea that their customers also comprise the Chinese. In considering that, compared to ethnic Malays, Chinese citizens are well-off, so it is not surprising that due to financial gain they may move into Islamic banking. However, in retail banking, it may still take some time for such a move happen, as the ethnic and cultural divide between Malays and other ethnic communities is a reality, which needs to be bridged, including in Islamic finance.

In reflecting on the results, the small market of ICCs should be considered reasonable as ICCs are just about a decade old,[29] whereas CCCs started their presence in Malaysia in the

[29] Since Bank Islam Card by BIMB was introduced in 2002.

mid 1970s. Due to being a niche market, financial institutions issuing ICCs were also found to be far fewer than CCC issuers. However, the joining of Maybank, Malaysia’s largest and most convenient bank, to Islamic banking and the ICC market through the issuance of the Al-Aiman in 2005 may accelerate the growth of ICCs much faster than was previously observed.

From another perspective, considering that ICCs have been a decade old in the Malaysian market, if the resources and time had been efficiently utilised by the Malaysian suppliers, it would have been possible to see a greater acceptance of ICCs than found in this study. However, it is also worth considering the negative perceptions on ICC pricing. Moreover, the scepticism over the ‘Islamicness’ of ICCs and the convenience or quality service of banks offering ICCs should also be accounted for as a hindrance to their growth.

The semi-structured interviews further revealed that the credit card market as a whole has contracted with the credit card service tax that was implemented in January 2010. The findings show that the business of credit card issuers with no strategic marketing promotion in response to the service tax implementation were badly affected (Table 8.2.3) while banks with a strategic marketing approach, for example, providing better offers such as low charges on balance transfer, managed to maintain their market (Table 8.2.1). It is also important to note that there were some account closures for the issuers with the maintained market. However, the banks considered the account closure rate as normal. It should also be noted that the participating fully-fledged Islamic banks still maintained their credit card market even though no special promotion was made due to the credit card tax implementation (refer Table 8.2.2). This implies that the imposition of the credit card service tax would produce a separation between fully fledged Islamic and conventional banks, as the religiously oriented customers will stick to the fully fledged Islamic banks, while others will hold CCCs by conventional banks. Hence, conventional banks offering ICCs through their windows would have a higher closure rate on ICC accounts compared to their CCC accounts.

Overall, this study, reveals that the ownership of CCCs far outweighs ICCs. The semi-structured interviews that were undertaken have further revealed that there was a contraction in the overall credit card market and that there will probably be a separation between ICC offerings that were expected to be monopolised by fully-fledged Islamic banks while the offerings of CCCs would remain monopolised by conventional issuers (see Chapter 8). Meanwhile, the conventional issuers with ICC issuances experienced a much higher contraction in their ICC markets than their CCC markets, which was influenced by the new levied credit card service tax.

9.2.2. Religious Attitude and Credit Card Holding

An exploration into credit card selection among respondents indicates that religious factors are more important to ICC holders than to CCC holders. This is evident from the two Islamic factors, which showed a higher mean rank or importance for ICCs than CCCs, namely, the '*Shari'ah* board' and 'Islamic brand' (refer to Table 6.6). Hence, this study suggests that religious factors play an important role in credit card selection. Further supporting this is the loyalty of ICC holders, which was found to be stronger than CCC holders despite having less satisfaction. This can only be explained by religious affiliation that attracts individuals to feel that they are fulfilling their religious obligation by not dealing with *riba'* linked products. Those using ICCs were also found to have higher religious commitments through established benchmarks of religious practice (Table 6.29), thus, they seem to be willing to sacrifice other benefits in fulfilling their religious instructions, which is evident by the rating given to the selection factors where most of the factors were rated lower by ICC holders than CCC holders (Table 6.6). As expected, the results of the perception of ICC holders towards ICCs also revealed that they perceived ICCs to be more Islamic than CCC holders (Table 6.22). Interestingly, it is further revealed that ICC holders thought that, in general, CCCs are superior to ICCs given their holding of ICCs (Table 6.28). Therefore, this result further defines why the loyalty among ICC holders is higher even though they have less satisfaction. This further supports the important role played by religious factors, in addition to the findings shown through the higher religious commitments among ICC holders.

In detailing the discussion on the perception analysis of this study, the results relating to the factors of ICC holding found that ICC holders perceived ICCs to be more Islamic than CCC holders as expected (Table 6.22). This determination is made through the analysis of six established variables, which found that five variables favour ICCs as ICC holders put more trust on the Islamicness of ICCs compared to CCC holders. Only one variable indicated that CCC holders thought ICCs to be more Islamic than CCCs (refer Table 6.22). Hence, the findings suggest that ICC holders perceive ICCs to be more Islamic than CCC holders, which may indicate that their holding of ICCs was influenced by such perceptions informed through religious identity, which is also described in the features of ICCs.

Furthermore, the ICC holders' holding of ICCs due to religious factors is also proven through another set of findings relating to comparative statements in determining whether ICCs are perceived inferior to CCCs. In such a comparison of perceptions based on certain dimensions, the results found that even the ICC holders perceive CCCs as being more superior than ICCs according to the five features stated in the statements: namely, 'credit limit', 'bonus/rewards', 'financial charges', 'approval requirement' and 'prestige'. However, in the case of three other features, specifically 'wider acceptance', 'terms and conditions' and 'religious satisfaction', the ICC holders perceived CCCs to be inferior to ICCs (refer to Table 6.26 for the detailed results). Therefore, the results suggest that there are ICC holders who are strict in their religious adherence to the point where they hold the religious cards, even if it costs them more in order to fulfil the religious instructions to avoid *riba'* (otherwise, having an ICC is not a religious duty). These strictly religious individuals are described by the proportion of those in the 'very satisfied group', refer to Table 6.10. This shows that the percentage of those in the extremely satisfied group of ICC holders (12%) is higher than CCC holders (6.5%), despite the fact that the percentage of the satisfied group of ICC holders (38.7%) is much lower than the CCC holder group (49.6%). To further support this result, the result of the selection factors also reveal that the rating on the level of importance on the credit card selection factors given by ICC holders is lower than CCC holders (Table 6.6). Moreover, religious practice results show a higher level of religious practice among ICC holders as compared to CCC holders (Table 6.32). Hence, this finding supports the preceding finding where it is established that ICC holders are more loyal than CCC holders due to their religious adherence.

The findings of the semi-structured interviews with cardholders also revealed that religious factors do play an important role to a small group of individuals where it was found that 28.6% or two of the seven responded cardholders, specifically Cardholder 5 and 6 claimed, that their holding of ICCs instead of CCCs was to avoid *riba'* (refer Table 8.12.1 to Table 8.12.3).

In addition, the semi-structured interviews with bankers revealed that only one banker (Banker 3) responded that religion was an important factor in credit card selection for strictly religious individuals (refer Table 8.7.2). However, it should also be noted that this Banker 3 also considered credit card competitiveness to be an important factor in credit card selection and almost all interviewed bankers agreed (see Table 8.7.1). Hence, from the bankers' perspective, the pricing of products plays an important role in attracting customers. However, focusing on religious factors, it can still be concluded that religion plays an important role for a few strictly religious individuals.

This religiously motivated patronage and loyalty can be easily exploited due to their strong desire to follow religious instructions without accounting for other factors despite their disadvantage. For instance, individuals with such motivation are willing to accept Islamic products even at a higher cost. The findings of the semi-structured interview with Cardholder 6 further support this, as, despite his claim that ICCs were still offered on a smaller scale, in addition to the credit card market being monopolised by CCCs, he still chose to hold ICCs to avoid *riba'* (Table 8.12.3). Noting this negative possibility, it is hoped that the ICC issuers will not take the opportunity to exploit this group of strictly religious individuals.

It should be noted that ICC issuers may charge higher than CCC issuers as the issuing of ICCs may involve additional costs like a structuring fee, however, a reasonable charge is expected. It is important to state that similar problems have been observed in Islamic banking and finance products, such as Islamic mortgages, which customers perceived as tending to be more costly than their conventional counterparts. Thus, it seems that the industry considers that there should be higher costs for being religious. However, it is expected that with the sophistication of the industry, the competition will be able to bring an optimality to the market. This will be helped by individual religious clients developing a civil society understanding in demanding the right products with the right cost conditions in addition to *Shari'ah* compliancy.

Overall, 'the religion' factor is an important determining factor for ICC holders to possess ICCs, even if it means that they do not agree with the economic and financial consequences of ICCs.

It should also be noted that since the 1970s, there has been an emerging Islamic identity in Malaysia alongside other Muslim countries, and it is very much normal that people are moving towards the Islamic versions of financial and economic products. However, pragmatic and unstructured development in the industry does not provide much hope in terms of fulfilling the aspirations of ordinary Muslims who like to fulfil their religious duties by taking up Islamic finance products, including ICCs.

9.2.3. Factors Determining Credit Card Selection Beyond the Religious Factors

Besides pinpointing religious factors, which influence the selection of credit cards, it is also important to note several other factors that are important, as highlighted by Malaysian cardholders. Despite the fact that religious factors are rated as being more important by ICC holders than CCC holders, the most highly valued factor by ICC holders is ‘bonus and rewards’, as compared to ‘*Shari’ah* board’, which is ranked second. Hence, the pricing factor is considered more important than the religious factor among ICC holders. The details of selection factors, which have been ranked according to the level of importance between ICC holders and CCC holders, can be found in Appendix C. In detail, as can be referred to in Appendix C, for the four most important factors, the results of ICC holders show ‘bonus and rewards’ (3.92), ‘*Shari’ah* board’ (3.85), ‘safer than cash’ (3.83), and ‘discount at outlets’ (3.82). However, for CCC holders these were ‘safer than cash’ (3.97), ‘bonus and rewards’ (3.97), ‘local acceptance’ (3.96) and ‘no joining/annual fee’ (3.94). All these were ranked from the highest to the lowest importance. Therefore, it is shown that the religious factor was measured through the ‘*Shari’ah* board’ being valued very highly by ICC holders among the twenty-seven selection factors, where it was ranked second in the list after ‘bonus and rewards’, as compared to being ranked at eighteenth by CCC holders with a mean value of 3.67. However, the most valued factor for ICC holders was still the pricing related factor, which is ‘bonus and reward’.

Further investigation on the ranking over the seven main factors given by the two holders (refer to Table 6.7) found that ICC holders considered ‘promotion’ as the most important, followed by ‘flexibility’, ‘protection’, and ‘convenience’. These were quite different than CCC holders who valued ‘protection’ as the most important, followed by ‘convenience’, ‘promotion’ and ‘flexibility’. The results imply that ICC holders can be lured more easily compared to CCC holders who are more security wise. However, the lowest three factors in importance were ranked similar by ICC holders and CCC holders. Specifically, ‘facilities’ were valued to be higher than ‘finance’, while ‘reputation’ was considered the least important. It is worth noting that, although the three lowest ranked factors were ranked similar by ICC holders and CCC holders, their mean values showed differences. That is, where CCC holders valued ‘facilities’ and ‘reputation’ much higher than ICC holders, ICC holders valued ‘finance’ much higher than CCC holders. It is also important to note that the religious factors of *Shari’ah* board and Islamic brand were classified in the reputation component factor, which is the lowest rank according to factor component (see Table 6.6).

Therefore, in this aspect, it is also true that customers are not so concerned about religious factors, but what matters more to them is actually the pricing of products. It should also be noted that the semi-structured interviews' findings have pinpointed several important factors on considering the necessity of credit cards like 'convenience', 'work', 'travel', 'hotel booking', 'emergency cases', 'zero interest instalment plan', 'reputation saver' and 'finance' factors. These factors, all in all, can be classified as 'convenience', 'protection' and 'finance' related factors, instead of religious factors, which were not mentioned by the interviewees (see Table 8.9.1).

Overall, this study was able to deduce that the preference of ICC holders on the selection factors was not as high as CCC holders, which also implies that ICC holders are not as demanding as CCC holders. For example, according to the factor component results, as seen in Table 6.7 in Chapter 6, the most important factor for ICC holders is 'promotion' with a mean value of 3.78. However, for the CCC holders it is the 'protection' factor with a higher mean value with 3.86. Moreover, the least important factor, which is the same for ICC holders and CCC holders, is 'reputation', which reported a lower mean value with ICC holders at 3.35, which scored higher for CCC holders at 3.47. Hence, it is concluded that ICC holders have a lower preference in valuing credit card features than CCC holders. This also may imply that ICC holders can be satisfied much more easily than CCC holders. Such results may have been contributed by the religious factors, as discussed in Section 9.2.2. However, if the analysis only considers ICC holders, it is revealed that the pricing related factors are the most highly valued.

9.2.4. The Impact of Credit Cards on Malaysians and the Influence of Religiosity

This research also attempted to find the impact of credit cards. The findings reveal that although Malaysians do not use credit cards very frequently, more than three-quarters of Malaysians (76%) are revolvers (see Table 5.5). The findings also show that most credit card transactions are made more for basic necessities and personal use rather than for overspending on luxury purposes (see Table 5.8). Therefore, the findings suggest that the reason for Malaysians being revolvers is not so much due to lavish spending but more due to financial reasons. This finding is further backed by the result of the factors of credit card possession which reveals that 'finance' is the second most important factor after convenience as the most important factor. It is also important to note that the percentage of respondents for each factor is close to each other, particularly, 25.1% for 'finance' and 29.6% for ‘convenience’ (see Table 6.1 for details). Hence, this implies that Malaysians use credit cards almost equally for finance and convenience.

Further results demonstrate that Malaysians tend to rely on credit cards for financial reasons, which explains the number of credit cards held by Malaysians. Specifically, it is found that the higher the number of credit card holding increases the tendency to revolve (refer Table 7.1). This further shows that there is a reliance on credit cards to support daily necessities. To further explore this, the income level of the respondents is considered where about half of the respondents (48.1%) are in the income bracket of RM1,500-RM3,000 (Table 5.2). Since, the samples are from Kuala Lumpur and Selangor, the respondents were categorised in the low income category. Only 13.8% of the respondents earned more than RM5,000 as high income earners (see Table 5.2). Furthermore, it is also revealed that revolvers were those from lower education and lower income groups (see Table 7.1). Therefore, education and income levels are important determinants in revolving. Furthermore, being credit card revolvers implies that more Malaysians have a higher debt level. As a macroeconomic consideration, such an increased Malaysian household debt, which was reported to be increasing, will further deteriorate the robustness of the Malaysian financial system. Although the government has recently taken a step in controlling the debt by increasing the minimum annual salary to RM24,000 (which previously was at RM18,000) starting from 16 March 2011, this is not an effective solution to those who are already in credit card debt. It is also important to note that the new minimum requirement for a credit card application of RM24,000 is the same as in the early 1990s when the purchasing power was much higher (refer Chapter 3 for details). Therefore, it is recommended that the government raises the minimum financial requirement for taking up credit cards further by considering the inflationary factor. Therefore, the government should develop more effective policies for those who are already in credit card debt, which can be in the form of restructuring those debts or through extending the length of payment at no interest charge. In addition, the government’s implementation of a service tax of RM50 for every principal card and RM25 for every supplementary card (which was first announced in October 2009 and was effectively implemented in January 2010) will add to the financial burden on those already in debt. While this may discourage credit card taking in the long-run, the immediate effect in the short-run is that it increases debt among existing cardholders in financial difficulties while the service tax gives further income to the government. Moreover, the self realisation and consciousness among respondents that credit card debt proliferation is due to their self behaviour implies that respondents are rational as they voted themselves as the main cause for credit card debt (see Table 7.20). Thus, overall, the discussions support that credit card debt among Malaysians is mainly due to financial difficulty.

It is also found that positive credit behaviour will increase the possibility of having credit card debt (see Table 7.1), which suggests a positive relation with overspending. This can be evidenced in Table 5.7 where 56.6% of participants agreed that an increase in credit limit would encourage them to incur more debt as opposed to the 26.2% who disagreed. In support of these questionnaire survey findings, the findings of the semi-structured interviews also show that more respondents admitted that 'credit cards lead to overspending' than those rejecting (see Table 8.10.1 and Table 8.10.2). It is also surprising to reveal that an interviewee had fully utilised his credit limit within one month of receiving his credit card. The consistent findings show the data gathered is reliable.

In further reflecting on the financial difficulties faced among the cardholders, having a car loan can also be an important cause for Malaysians to be indebted with credit cards. Perhaps the higher financial commitment among car loaners, which causes a higher credit card debt can be explained by the low and flexible credit card minimum required repayment.

In terms of the credit card practices of ICC holders in comparison to CCC holders, was found that ICC holders are more in control of their financial behaviour than CCC holders in terms of credit card use, making payment, as well as debt experience (see Table 7.9). Hence, the findings suggest a lower negative debt impact on ICC holders than CCC holders.

In further examining the debt consequences of credit card holding, the findings of credit card charging structure also found that CCC holders have a slightly lower understanding than ICC holders. The results in Table 7.10 show that the credit card issues related to the five aspects of 'charging', 'overspending', 'undersaving', 'increasing gap between the poor and the rich' and 'Islamic values' also show that CCC holders are affected more negatively than ICC holders. Therefore, it can be inferred that religiously inclined individuals are more prudent in their financing. This can be explained not only by their spending culture but also by the importance of the impact of religion on this cultural form. Islamic teaching discourages people to overspend their resources while spending in a social dimension is encouraged. Therefore, religiously inclined individuals, as the findings of this study indicates, seem to be practising the financial behavioural norms of Islam in a much greater way than CCC holders.

However, it should also be noted that although ICCs seem to attract faithful individuals and have less negative impact than CCCs, the findings also suggest that credit cards have resulted in overspending, consumerism, as well as the proliferation of debt among Malaysian holders, which is not desired by the Islamic moral economy.

In conclusion, cardholders who have a lower education, lower income, positive attitude towards debt as well as having a car loan face more financial difficulties than those in the opposite groups. It is a logical position that lower education generates lower income, hence, a reliance on credit cards to support financial need. Therefore, considering the household debt debate within the country and also taking into account the secondary data alongside the findings of this study, it can be inferred that credit cards affect Malaysians in a more negative way rather than being advantageous. However, it is also important to note that the religious level of an individual can act as a control in preventing debt proliferation.

Besides creating financial difficulties, it is also revealed from the semi-structured interviews that credit cards can also result in social troubles. For instance, the collection of debt can be broadly divided into three major steps where in each of the steps, cardholders in debt will be put under a higher level of pressure by collection officers to make them pay their debt (see Table 8.6). This not only gives financial pressure but also places emotional pressure on those in financial difficulties. This contradicts Islamic teachings, which teach mankind to ease those in difficulty where it is stated in the Qur'an (Al-baqarah: 280), "and if someone is in hardship, then [let there be] postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew". Other difficulties of credit cards revealed from the semi-structured interviews with cardholders through their bad experiences include 'overspend by supplementary cardholders', 'difficulty to close account' and 'unintentionally miss minimum payment' (refer Table 8.11.2).

With respect to the contribution to the literature, this study was able to show the lower negative impact of ICCs compared to CCCs. One of the findings that evidence this, *inter alia,* is a higher percentage of respondents among ICC holders who pay their monthly bill in full compared to CCC holders. Therefore, although there has been much controversy over the issuance of ICCs, as it was claimed to be a proponent of *riba'*, the findings give small favours to ICCs as the impact brought through debt creation is not similar but slightly lower to that of CCCs. For this, it is desirable that ICCs should be continually allowed to circulate in the market as long as CCCs exist, and they should also be less criticised than CCCs. The response from a *Shari'ah* specialist is in support of this, as he stated that "people demand for credit cards, do you want to let the use of CCCs by not allowing [the] requested financial institutions to issue ICCs" (refer Table 8.9.1 for a more detailed discussion). It should be noted that this pragmatic perception has been the main attitude in the Islamic banking and the finance industry. However, it is also worth noting that taking into consideration the high number of revolvers from ICC holders at 71.1% and CCC holders at 75.4% (see Table 7.1) and considering the impact of the credit card use where the results reveal that Malaysians tend to rely on credit cards to support their needs, credit cards whether Islamic or conventional, are creating debt trouble for the majority of Malaysians. This implies that credit cards impact Malaysia in much more negative ways than their benefits. Therefore, consistent efforts to prevent credit cards from being widely used in Malaysia should be undertaken continuously.

9.2.5. The Holding of Islamic Credit Cards and the Role of Marketing Strategies

In terms of credit card marketing issues, as can be seen in Table 7.15, it appears that CCC holders agreed that credit card companies utilise aggressive and misleading strategies. There are also more respondents who agreed that the issuers of ICCs do not adequately explain the ICC's distinctive features. Thus, it can be concluded that the holding of CCCs may have been influenced by the strategic marketing of CCC issuers and the lack of explanation of ICC features by ICC issuers. The findings also demonstrate that ICC holders agreed more with ICCs being marketed more through selling their product features rather than Islamic ethical values than CCC holders, which implies that ICC issuers are competing with CCC issuers in terms of products and less in terms of the Islamic finance base value.

It cannot be denied that product features are important in promotion when selling a product, but as ICCs are based on Islamic values, their issuers should also stress the importance of controlling debt when promoting their products as the Islamic high ideals, as articulated by maqasid al-*Shari'ah* or the objectives of *Shari'ah*, namely, human well-being, have to be kept in perspective. Otherwise, the result of the ICCs would be similar to the experience of the CCCs where the debt will be widened with the use of credit cards. This should be a reminder to the financial institutions issuing ICCs. In their ethicality, they should not be exploiting religious features, like placing pictures of religious places (i.e., the *Kaaba*) on credit cards, to promote lavish spending on their cards for profit; the participants raised such issues as well. It seems that the industry entirely mimics their conventional counterparts in also branding their products by allowing short-term profit expectations to determine their strategy. Therefore, it is suggested that in the future ICC issuers should also consider promoting Islamic ethical values in dealing with debt instruments, as this can differentiate their ethical existence and concerns to that of their conventional counterparts. However, the results indicate that the powerful market conditions result in a compromise for Islamic finance, in general, and ICCs, in particular, in terms of converging towards conventional finance as well as CCCs in specific.

9.3. IDENTIFYING THE CONTRIBUTION OF THE RESEARCH THROUGH CONTEXTUALISING WITHIN THE EXISTING LITERATURE

This section aims to further develop the discussion by contextualising the findings of this study within the existing key body of knowledge. This is done through a number of issues, as discussed below.

9.3.1. Credit Card Selection

With regards to the credit card selection variables, unlike many other previous studies such as Butt *et al.* (2010), Gan and Maysami (2006), Barker and Sekerkaya (1992), which considered the selection factors altogether, this study segregated the credit card selection factors into two categories: 'factors determining credit card possession', which include internal and external influences, and the 'selection factors associating credit card embedded features, such as charges, bonus and protection offered to those holding credit cards'. Therefore, this study should be considered as more comprehensive than previous literature.

In respect of the decision to possess a credit card, the results show that the influence to own a credit card is mostly made by personal choice, through internal influences rather than external factors. This is based on the findings of factors concerning credit card possession, which revealed that among the most influential factors that attracted customers to possess a credit card were 'convenience' with 29.6% and 'finance' with 25.1%. Some other less influential factors were the external factors, which included 'work environment' with 12.3%, 'card salesmen' with 12.1%, 'general ads' with 9.6%, 'institutional relationship' with 6.1% and 'family and friends' with 5.2% and 'other factor' with 2.1% (refer Table 6.1).

It should be noted that the findings in this study in relation to the 'convenience' factor are similar to Barker and Sekerkaya (1992), as in their study on Turkish credit cardholders, this factor appears as the most important factor. Barker and Sekerkaya (1992) examined the ‘convenience’ factor through two parts: ‘ease of payment’, which resulted as being the most important factor producing 64% and ‘risk of carrying cash’, which was ranked as the second most important, producing 58%. However, a slightly different result than the findings of this study appears for the ‘finance’ factor, as in our study, the ‘finance’ factor is found as almost as important as the ‘convenience’ factor. However, Barker and Sekerkaya (1992) found the ‘finance’ factor to be the third most important factor, producing 24%, determining credit card holding, which was determined through ‘the need for credit’. This indicates that in their study, in selecting to owning a credit card, ‘convenience’ was far more important than ‘finance’. Unlike the findings in this study, which indicate that Malaysians select credit cards due to the almost equally important factors between ‘convenience’ and ‘finance’. In this aspect, it is concluded that more Malaysians are attracted to possess credit cards for financial constraint than the Turkish.

In terms of credit card selection as their embedded features, of the twenty-seven selection factors analysed according to mean values, this study found that ‘local acceptance’, ‘safer than cash’ and ‘bonus and rewards’ are very highly important and equally valued variables among the respondents. This is followed by ‘no joining/annual fee’. The least important factor was found to be ‘status symbol’, for which the mean value is far below that of the second lowest important factor of ‘supplementary card’. This implies that ‘status symbol’ is the least important in selecting a credit card. Those factors between the most and the least important include ‘international acceptance’, ‘protection when card is lost or stolen’, ‘pay debt according to budget’, ‘facilitate bill and access to statement’, ‘insurance when travelling’, ‘discount at outlets’, ‘Internet/online transaction’, ‘protection when product is defective or lost’, ‘*Shari’ah* board’, ‘free short-term credit’, ‘large ticket transaction’, ‘issuing bank’, ‘immediate credit’, ‘Islamic brand’, ‘automatic direct debit in full’, ‘road show promotion’, ‘cash advance’, ‘commission free on travellers check’, ‘no deposit on car hire’ and ‘card company’. These are ranked from the most to the least in importance. Thus, these results suggest that Malaysian cardholders highly value ‘convenience’ and ‘protection’ related factors.

Further tests using factor analysis on the twenty-seven selection factors produced seven component factors, namely, ‘reputation’, ‘finance’, ‘protection’, ‘convenience’, ‘flexibility’, ‘promotion’ and ‘facilities’. The grouping of the selection factors according to the seven component factors were almost similar to that which were produced by Gan and Maysami (2006). Some differences existed where four of the selection factors were placed in different component groupings in this study compared to Gan and Maysami (2006). These four selection factors are: 'Supplementary card' is categorised in 'finance' in this study, but under 'flexibility' in Gan and Maysami (2006); three other selection factors, namely, 'no joining/annual fee', 'commission free traveller's checks' and 'no deposit for car hire' were listed in 'facilities' in this study, but for Gan and Maysami (2006) the 'no joining/annual fee' was placed under 'economics'[30] while the latter two selection factors were under 'travel-economics' component factor. However, the other thirteen selection factors remained in the same component factors as in Gan and Maysami (2006). It should be noted that the observed differences between the results of this study and the Gan and Maysami (2006) can be explained by the specific economic and social context differentialities of the countries in question.

With regards to the ten selection factors added to Gan and Maysami (2010) and utilised in this study to fit the Malaysian context, the results of the factor analysis have produced the following results: 'Internet/online transaction' and 'large ticket transaction' are placed under 'convenience'; 'safer to carry than cash' is placed under 'protection'; 'direct debit payment' under 'flexibility'; 'free short-term credit' and 'immediate credit' are under 'finance'; 'pay debt according to budget' is under 'facilities'; 'Islamic brand', 'card issuer' and '*Shari'ah* board' are categorised under 'reputation'.

Thus, the results in this study based on the factor components show that 'protection' is the most important factor component, followed by 'promotion', 'flexibility', 'convenience', 'facilities', 'finance', and the least important factor was 'reputation' (refer Table 6.6 in Chapter 6). However, Gan and Maysami (2006) found that 'convenience and protection' was the most important factor, followed by 'flexibility', 'economics', 'promotion', 'reputation' and 'travel-economics' as the least important factor. Hence, the results in this study demonstrate that Malaysians value the factor components not equal, but quite similar to the Singaporeans, as evidenced by Gan and Maysami's (2006) study.

[30] It should be noted that our study uses 'finance' instead of 'economics' as used in Gan and Maysami (2006), while Butt *et al.* (2010) replace it with economy.

9.3.2. Loyalty

This study also extends the literature further by comparing the loyalty between ICC holders and CCC holders. In doing so, this study utilised three variables in determining loyalty. Two of the variables were newly established, while another variable was adopted from Gan and Maysami (2005). It should be noted that even though the variable has been adopted, this study still has originality since the study of Gan and Maysami (2005) was conducted in the CCC monopolized market without ICC existence, unlike this study in Malaysia where both cards are marketed. The results on all three variables based on the mean ranking value of the Mann-Whitney U Test results found a higher loyalty level among ICC holders than CCC holders (refer Table 6.14). Hence, an important contribution of this study suggests that ICC holders are more loyal than CCC holders. Such a conclusion should also be considered as filling the gap in the literature.

9.3.3. Religious Practice as a Determining Factor for Credit Card Holding

This study was also able to show that ICC holders have higher religious practice levels than CCC holders, unlike the one by Shahwan *et al.* (2008) who found that an individual's religious strength does not influence them to have ICCs. Specifically, the religiosity index is found to be statistically positively related to CCC holding. Therefore, in this context, it contributes to the literature. In determining this, Shahwan *et al.* (2008) calculated the religiosity index of Muslim participants to find the relationship, unlike this study, which uses the Mann-Whitney U Test, which was able to evidence that ICC holders' choice on ICCs is somehow due to their religious awareness and personal religious performance. Hence, this study established that the ICC holders' performance of their religious deeds was higher than that of CCC holders, which influence their ICC holding (see Table 6.32).

9.3.4. Credit Card Impact

This study, which was based on the questionnaire survey analysis of credit card impact in terms of possible financial complications revealed a serious state as about three quarters (76.2%) of the participants are revolvers while only 23.8% are convenience users. In addition, this study, unlike other credit card based studies conducted in Malaysia [e.g. Dan-Singh and Othman (1995), Mansor (2004), Choo *et al.*, (2005), Shahwan and Mohd-Dali (n.d.), Mohd-Dali and Hamid (n.d.) and Shahwan *et al.*, (2008)], was able to deduce that there was a slightly lower percentage of revolvers among ICC holders with 75.4% compared to CCC holders with 71.1% (see Table 7.1). Hence, this research extends the credit card literature compared to previous research in explaining the behaviour of ICC holders in determining the impact of credit cards compared to CCC holders.

In relating the results of this study with studies in other countries, it can be mentioned that this contradicts a Saudi Arabian study by Abdul-Muhmin and Umar (2007) as it found less revolvers (31.7%) and more convenience users (68.3%) as opposed to this study, which consisted of about three quarters of revolvers, as was discussed. In addition, it is also unlike the Singaporean study conducted by Gan *et al.* (2005) who found that their respondents had a greater tendency to save, while their holding of multiple cards is explained through the individual cardholders' rational behaviour, which is to benefit from the cards' offers. This implies that Malaysians have more serious issues of credit card negative implications as compared to Saudi Arabia and Singapore, as the findings suggest that the use of credit cards are costly to most Malaysians at large, which is proven through their revolving status and income level.

9.4. CONCLUSION

This chapter attempted to bring together the major findings from the preceding chapters with the aim of integrating the understanding. Although the ICC market share is still small in comparison to CCCs, the findings in this study indicate that a number of ICC holders choose ICCs due to religious reasons. Furthermore, they are found to be more loyal and their religious performance is also better than those of CCC holders. These religiously aware individuals appear to contribute to the growth of the Islamic banking industry or at least maintain the share market. However, this group only comprises a small portion of the larger market, specifically the 15.5% of respondents with the ownership of ICCs as opposed to the large share of CCC ownership with 69.5% (see Table 5.3).

The results that examine the impact of credit cards further supports that ICC holders behave in more Islamic ways when using credit cards, and their religious commitment, which is better than that of CCC holders, further supports the findings, hence, indicating that ICCs have a less negative impact than CCCs, which is also proven by the study.

Therefore, this study offers a new perspective where it has determined credit card selection factors and impacts through segregating ICC holders from CCC holders, in which it has identified that religion does play an important role in selection among existing ICC holders and that the impact from credit card use is greater among CCC holders. However, further refinement through conducting further studies similar to this one is important in determining whether religion is an important factor among groups who have already selected Islamic products to further substantiate this study.

Overall, this study adds to the literature in banking patronage as it is able to deduce that religious factors are important to a small group of Malay Muslim customers in the selection of Islamic banking products, particularly ICCs. The religious elements also determine the impact of credit cards, especially in terms of debt problem, where a lesser impact on ICC holders is found as compared to CCC holders. Hence, these findings offer some support to the existence of ICCs. It is also concluded that ICC holders view ICCs more positively than CCC holders, with some of them being more loyal and willing to bear more cost in adhering to the religion.

As closure to this discussion chapter, it is useful to review all of the hypotheses put forward as well as the decisions reached as a result of the analyses conducted. These are simplified and organized in Table 9.1 as follows.

Table 9.1: The Review of the Study

Hypothesis	**Decision**
Hypothesis 1: Malaysian credit card selection factors are not much different to those in other countries	Accept H_0
Hypothesis 2: The religious factors are perceived as more important by ICC holders than CCC holders	Accept H_0
Hypothesis 3: ICC holders are less satisfied than CCC holders.	Accept H_0
Hypothesis 4: ICC holders are more loyal than CCC holders.	Accept H_0
Hypothesis 5: ICC holders perceive ICCs to be more Islamic than CCC holders do.	Accept H_0
Hypothesis 6: ICC holders perceive CCCs to be superior to ICCs.	Accept H_0
Hypothesis 7: ICC holders have a greater level of religious practices or commitments than CCC holders.	Accept H_0
Hypothesis 8: There is a significant relationship between the cardholding type and religion as well as ethnicity, specifically, the majority of ICC holders are Malays and Muslims.	Accept H_0

Hypothesis	**Decision**
Hypothesis 9: Revolvers tend to be head of the family, single males, young age, have higher number of children/dependents, Malays, non-Muslims, have a lower education level, lower income earners, non-government sector workers, non-professional, have car loans, have housing loans, have a higher number of credit cards, CCC holders and have a positive attitude towards credit.	Accept H_0 except for three of the variables, namely number of children/dependents, head of family and Malay as the revolvers tend to be those without children/dependent, not head of family and non-Malays. However, it is important to note that these variables show no statistically significant difference. While the five significant variables with the revolving status include education, income, credit behaviour, car loan and credit card number.
Hypothesis 10: ICC holders have a less negative debt impact compared to CCC holders.	Accept H_0

CHAPTER 10

CONCLUSION

10.1. INTRODUCTION

This chapter provides an overview of the entire research beginning from the motivation of the study and the undertaken research process including collecting the primary data in realising the research aim. It also briefs the findings and concludes whether the research aim and objectives have been materialised. It also suggests some recommendations in expanding the research and recommends refinements to related policies in existence, and also outlines interested parties that would benefit from this research.

10.2. RESEARCH OVERVIEW

This research is motivated to investigate the difference between the attitudes of ICC holders and CCC holders. In doing so, it also aims to determine whether the selection of ICCs was made based on religious factors. In addition, it aims to determine whether ICCs had a negative impact akin to that of CCCs, specifically in proliferating a debt-based economic system.

In collecting the data to answer the research aim, questionnaire and interview surveys were used. It was found that the ICC selection process was more due to the religious factors, and that the impact of ICCs was slightly less than that of CCCs where ICC holders behaved in a more religious manner than CCC holders. This can be seen from several findings, which, among others, include credit card usage and payment behaviour, religious practice, perception and loyalty, as well as satisfaction among ICC holders. Despite ICC holders being less satisfied than CCC holders, it could generally be seen that ICCs could control the debt effect to a lower level than CCCs.

Therefore, this research recommends that ICCs should be criticised less compared to CCCs and should be made available in the market as long as CCCs exist.[31] However, it is important to note that the findings also suggest that both ICCs and CCCs cause overspending. In

[31] Generally, Islamic banking should invest in ICCs with care due to their possible debt related complications that may arise. However this study reveals that there is a slightly less negative impact of ICCs as compared to CCCs. In addition, due to the widespread use of CCCs in Malaysia market, there exists a need to market ICCs to safeguard Muslims from indulging in riba.

addition, in view of the Malaysian situation where household debt has raised a serious concern with credit card debt forming a part of increased household debt and the possible link of the household debt to the financial system instability, credit cards, either ICCs or CCCs, should not be aimed as a form of business. In other words, concentrated efforts for financial stability that benefit all parties are required. Hence, resorting to debit cards and charge cards would be the best instead of credit cards.

10.3. IMPACT AND IMPLICATIONS OF THE RESEARCH

As the results and the discussions indicate, there are a number of stakeholders in the credit card industry and this research has implications for all the stakeholders. The following section focuses on how this research can be useful to each of the following stakeholders:

(i) Government:

The government needs to formulate a more effective policy to control credit card debt as this study informed that credit card companies are creative in mitigating the effects of credit card contraction received through government policies. Specifically, although the government has implemented a service tax policy to control credit card debt, it is aware that some of the credit card issuers have been innovative and aggressive in attracting customers, hence, the government should really be responsive to the market, which is driven by the issuers' aggressiveness in making profit out of revolvers. For instance, in offsetting the negative effect of the credit card service tax policy, one of the banks has distributed two credit cards at one service tax cost. It is believed that the bank has an in-built internal system to inform if their cardholders with two cards only hold one card instead of two in reality. If they get caught, it is believed that they cannot be summoned as the government does not detail out the service tax policy regarding building an internal governance system and assuming it as one instead of two. Hence, it is suggested that the government should always update their policy. In doing so, the government should be actively seeking and checking what credit card companies are doing and whether they are in compliance with the implemented policies.

(ii) Consumer educators:

As this study informs of the tricks of credit card companies, such as misleading advertisements and charging structures, the study, therefore, assists the consumer educators and provides evidence in educating the public.

(iii) Credit card issuers:

This study can be used by credit card issuers to know their customers better, especially through the results of the selection factors where ICC holders were found to value religious factors more highly than CCC holders. Therefore, this can be used as guidance in structuring credit card features and effectively targeting the specific market.

(iv) Islamic banking and finance Industry:

The study also acts as an informant, especially for *Shari'ah* scholars who have been subjected to criticism in allowing the circulation of ICCs, where the findings can be used to show that at least ICCs have a slightly less negative impact than CCCs.

(v) Customers:

Having said that, ICCs have a less negative impact, this study also acts as an informant to customers, and, hence, through studies like this, the scepticism among customers towards ICCs can be reduced, if not fully eliminated.

(vi) More promotion and facilities for ICC issuers:

Despite Malaysia being very eager to promote Islamic finance, the ICC taking does not evidence this. Therefore, steps should to be taken to investigate the factors impeding the growth and necessary measures need to be taken to improve the condition. Perhaps, factors like fewer issuers and the industry being in its infancy have affected the market. However, these cannot be used as an excuse to hinder further growth of the Islamic banking industry in general.

It is also interesting to note that the results of the study have led the researcher to promote ICCs slightly better than CCCs as, at an early stage of the research, the researcher fully objected to the existence of ICCs as it was believed that they proliferate a debt-based economic system as much as their CCC counterparts. However, the findings of the study indicate that there is a slightly lower impact on ICCs as opposed to CCCs, and taking into consideration that credit cards are widely used by Malaysians, ICCs should be offered as long as CCCs exist. However, this is only useful as a short-term solution as credit cards are not supposed to be a business tool to make money, as it can create a disaster through lavish spending and the creation of a debt-ridden society, which is not good for society or the health of the financial system.

10.4. FUTURE RESEARCH

Despite the limitations encountered, as discussed in Chapter 4, this study is significant as it is one of the pioneer studies, and can be a catalyst and guidance for future research in assessing and comparing the negative impacts of ICCs in relation to CCCs. Specifically, the study can be used to evaluate whether the Islamic banking industry is different and upholds a moral economy unlike conventional banking.

There are a number of ways in which this study could have been conceptualised beyond the contents of the study, such as the inclusion of secondary data analysis in measuring the credit card holding behaviour to investigate the level of impacts from credit card use. However, this study remained within the micro dynamics of capturing the perceptions of the individuals in their everyday life as they see, perceive, relate, and articulate. In this section, therefore, it is reflected as to what can be done in the future to contribute to the foundation established by this study. The possible areas of expanding the research are discussed as follows:

(i) Inclusion of Multiple Credit Card (MCC) Holders: During analysis, a greater tendency for MCC holders to spend more lavishly than ICC holders and CCC holders was detected. However, as the focus of the study was to examine the patterns related to ICC holders and CCC holders, the analysis excluded the MCC holders. Therefore, further study to determine whether the holding of MCC holders in their portfolio as a method to extend credit use will be an interesting topic to research, as this may reveal that their ICC holding may not necessarily be due to religious reasons. Perhaps, the holding may be due to the benefit of offers promoted with the cards or maybe these holders might be opportunists aiming to benefit in a very rationale manner from any available credit opportunities. In other words, analysing the motivations of people using both ICCs and CCCs is also another worth topic to research on.

(ii) Segregating secondary data on debt outstanding between ICCs and CCCs: The question of whether ICCs have a larger debt implication than CCCs can only be answered precisely with available secondary data. Currently, BNM, as the central bank of Malaysia, provides secondary data of outstanding credit card debt as a whole, where no separation is made between ICCs and CCCs. In this respect, it might be advisable for BNM to segregate the data in the future. If this is not possible, perhaps individual banks can be approached and, based on anonymity, may be willing to provide the data as further analysis using secondary data would provide strong evidence to differentiate between debt implications made by ICCs as opposed to CCCs. Such a study would help to substantiate the conclusions reached in this study through the perceptions of the participants through micro data analysis.

It is also important to note that, although semi-structured interviews with bankers from collection departments were conducted, they still could not provide the data separately as they dealt with problematic cardholders as a whole, which combined both ICC holders and CCC holders. Hence, segregated data would be very meaningful and informative for the industry as well as for conducting research with secondary data.

(iii) Additional Determining Factor: Another possible question to ask customers to determine whether they choose ICCs due to religious factor is ‘Are you influenced to have an ICC due to the use of the Islamic word?’ The inclusion of this question would add further colour to the research field.

(iv) Focusing only on ICC holders: Research that only focuses on ICC holders to identify their attitudes and behaviour in relation to their religious practice and its impact on their financial and economic choices and also on choosing ICCs, would provide a conceptual insight into their world in relation to the existence of credit cards, despite the fact that most of the participants agreed with the availability of credit cards.

(v) Study on ‘Switchers’: Although this study found that ICC holders were more loyal to holding their credit cards, the semi-structured interviews revealed that there were two cardholders who switched to CCCs due to dissatisfaction with ICCs. Hence, it is also useful to conduct further research on ‘switchers’ and find out what are the contributing factors. It is expected that the ‘switcher’ religious strength is not as strong as those sticking on holding ICCs.

(vi) Study based on career and ethnic group: There also exists among bankers the statement that there are more revolvers among Malays, and at least one banker who states that Malays are not calculative, while another banker states that she dealt mostly with teachers in recovering debt. Therefore, a focused and detailed study according to career and ethnicity as well as the level of financial literacy can offer a useful insight.

(vii) Comparing the behaviour of cardholders living in rural and urban areas: It is also considered worth to do a research on cardholders that live in rural and urban areas. This study is conducted to compare whether the residential status of cardholders contribute to the differences in their usage behaviours.

10.5. EPILOGUE

This empirical research aims to explore the behaviour of credit cardholders in order to determine whether ICC holders behave in different ways than those of CCC holders with the ultimate goal to examine whether the impact brought by the ICCs is as much as that of CCCs, thereby making it possible to evaluate the Islamicness of ICCs. Hence, it also determines whether the religious related factors have been significant in ICC holding.

In achieving the study aim and objectives, the primary data was collected in Malaysia through two methods: the questionnaire survey, which gathered cardholders' responses, and the semi-structured interviews, which involved bankers, cardholders, *Shari'ah* specialists and an economist.

The analysis showed that religious factors have a determining power in the selection of ICCs among ICC holders, as ICC holders have a direct correlation established through various means between their religious practice levels and their credit cardholding. In addition, it is established with evidence that the propensity to create debt is limited for ICCs as compared to CCCs as ICC holders are still attached to Islamic moral economic values to a certain degree, and, therefore, their propensity to go into debt seems to be tamed. However, it should also be mentioned that credit cards, whether Islamic or conventional, create debt based economic systems, which are detrimental to the economy as well as to society.

Thus, taking into account the aim and objectives of the study, and the established results produced through a thorough method and the research process as detailed in the research methodology and empirical analysis within the light of the foundational chapters, it can be concluded that this research has successfully fulfilled the aim and objectives set at the beginning of the research.

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APPENDICES

APPENDIX A: QUESTIONNAIRE SURVEY

School of Government and International Affairs
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E-mail: nazimah.hussin@durham.ac.uk

A Survey of Credit Cards in Malaysia

Dear Participant,

This survey is designed to study the role of credit cards in Malaysia. The information you provide will assist us to understand the effects of credit cards on our society. Therefore, choosing the answers that reflect your own experience is highly important as it will impact the results of the study. For questions that seek your opinion, please choose the best answer if no obvious answer is available. Your cooperation in answering all the questions is highly important and very deeply appreciated.

You are not required to provide your name, as this study is to be analyzed in general, with no implications to any individual who takes part in this study.

Thank you very much for your contribution in this study,

Nazimah Hussin
Ph.D. Student
Durham University, UK

For Researcher Use Only:

Distribution: Branch Code: __/__/__/__

Distribution No:___/___/___

Date: ___/___/2009 Respondent Number: __/__/__/__

Time: ________ A.M. /P.M.

PLEASE CHOOSE ONE ANSWER EXCEPT FOR QUESTIONS WITH OTHER INSTRUCTIONS.

PLEASE CHOOSE AN ANSWER ACCORDING TO YOUR BEST JUDGEMENT.

PLEASE ANSWER ALL QUESTIONS.

SECTION A:

1. How many credit cards do you have? _____

2. Credit card brand(s): ***(You may tick more than one box)***
   ☐Visa ☐MasterCard ☐American Express
   ☐Others (Please state): _____

3. The issuer of your credit card(s): ***(You may tick more than one box)***
   ☐ Citibank ☐ Maybank ☐ HSBC ☐Bank Islam ☐RHB
   ☐ CIMB ☐ AmBank ☐ Public Bank ☐OCBC ☐Standard Chartered
   ☐Others (Please state): _____

4. Type of credit cards: ***(You may tick more than one box)***
   ☐Conventional credit card ☐Islamic credit card

5. The most important factor that has influenced you to possess a credit card:
   ☐ General card advertisements such as newspapers, television, Internet, pamphlets
   ☐ Card salesmen
   ☐ Personal preference because of convenience factor
   ☐ Personal preference because of financial reasons
   ☐ Relationship with the existing bank
   ☐ Work environment
   ☐ Family and friends
   ☐ Other source (Please specify): _____

6. How long have you used credit card? ______year(s)

7. How often do you use your credit card?
   ☐Daily
   ☐Weekly
   ☐Fortnightly
   ☐Monthly
   ☐Less frequently
   ☐Never, **please go to Section B**

8. The most typical monthly payment of your credit card bill:
   ☐ Entire Balance / Full payment
   ☐ Between minimum and entire balance
   ☐ Minimum balance
   ☐ Less than minimum balance

9. How often do you pay credit card finance charges?

Never	***Seldom***	***Sometimes***	***Usually***	***Always***
1	**2**	**3**	**4**	**5**
☐	☐	☐	☐	☐

10. Source of payment for your credit card bill. ***(You may tick more than one box)***
- ☐ Salary
- ☐ Savings
- ☐ Investment or rental income
- ☐ Borrowing
- ☐ Balance transfer
- ☐ Others (please specify): _____

11. How satisfied are you with your credit card?

Extremely	**1**	**2**	**3**	**4**	**5**	**Extremely**
Dissatisfied	☐	☐	☐	☐	☐	**Satisfied**

12. Do you think it is a good idea or a bad idea for people to buy things on the instalment plan?

☐ Good idea ☐ Good in some way, bad in others ☐ Bad idea

13. Please state your opinion on the following statements according to your experience.

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
(a) I have difficulty without credit cards	☐	☐	☐	☐	☐
(b) I have difficulty in paying my credit card bill in full	☐	☐	☐	☐	☐
(c) I am encouraged to incur more debt due to an increase in credit limit	☐	☐	☐	☐	☐
(d) In general, my credit card debt has increased over time	☐	☐	☐	☐	☐
(e) I do not understand the charging structure of credit cards	☐	☐	☐	☐	☐

14. How often do you use your credit card(s) for the following purposes?

	Never (1)	Seldom (2)	Sometimes (3)	Usually (4)	Always (5)
(a) Food, petrol and gas	☐	☐	☐	☐	☐
(b) Payment for discretionary purchases such as restaurant meals and entertainment	☐	☐	☐	☐	☐
(c) Payment for consumer durables such as furniture, kitchen equipment, computers and flat screen televisions	☐	☐	☐	☐	☐
(d) Purchase of luxurious items such as jewellery	☐	☐	☐	☐	☐
(e) Using for business/work purposes	☐	☐	☐	☐	☐
(f) Using for personal purposes	☐	☐	☐	☐	☐

SECTION B:

15. How important are these factors to your credit card selection?

Convenience (Factor 1)	Highly Unimportant (1)	Not Important (2)	Neutral (3)	Important (4)	Highly Important (5)
(a1) Wide acceptance locally	☐	☐	☐	☐	☐
(a2) Wide acceptance abroad	☐	☐	☐	☐	☐
(a3) Internet purchases and online payment	☐	☐	☐	☐	☐
(a4) Useful for large price/ticket transactions	☐	☐	☐	☐	☐
Protection (Factor 2)					
(b1) Safer to carry than cash	☐	☐	☐	☐	☐
(b2) Insurance provision when travelling	☐	☐	☐	☐	☐
(b3) Protection against loss or defects of products purchased using card	☐	☐	☐	☐	☐
(b4) Protection when card is lost or stolen	☐	☐	☐	☐	☐
Flexibility (Factor 3)					
(c1) Automatic payment in full by direct debit from bank account	☐	☐	☐	☐	☐
(c2) Zero interest instalment facilities	☐	☐	☐	☐	☐
(c3) Facilitates paying bills electronically and access to statement	☐	☐	☐	☐	☐
(c4) Availability of supplementary cards	☐	☐	☐	☐	☐

Finance (Factor 4)					
(d1) Short-term credit without charge	☐	☐	☐	☐	☐
(d2) Provides immediate credit	☐	☐	☐	☐	☐
(d3) Possibility of cash advance	☐	☐	☐	☐	☐
(d4) No joining or annual fee	☐	☐	☐	☐	☐
(d5) Paying debt according to budget/affordability	☐	☐	☐	☐	☐
Promotion (Factor 5)					
(e1) Special discounts in selected outlets	☐	☐	☐	☐	☐
(e2) Road show with instant application approval or gift promotion	☐	☐	☐	☐	☐
(e3) Bonus and rewards	☐	☐	☐	☐	☐
Travel Economics (Factor 6)					
(f1) Commission free traveller's cheques	☐	☐	☐	☐	☐
(f2) No deposit is required for car hire	☐	☐	☐	☐	☐
Reputation (Factor 7)					
(g1) Status symbol	☐	☐	☐	☐	☐
(g2) Credit card company such as Visa, MasterCard	☐	☐	☐	☐	☐
(g3) Islamic brand name such as Al-Taslif, Bank Islam Card	☐	☐	☐	☐	☐
(g4) Reputation of card issuers such as Maybank, Citibank	☐	☐	☐	☐	☐
(g5) Reputation of *Shari'ah* board	☐	☐	☐	☐	☐

SECTION C:

16. (a) Do you think there should be Islamic credit cards? ☐ Yes ☐ No ☐ No opinion

(b) Do you have any experience of having Islamic credit cards? ☐ Yes ☐ No

(c) Do you have any experience of having conventional credit cards? ☐ Yes ☐ No

17. Your opinion of the Islamic credit card:

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
(a) As a concept it is not acceptable	☐	☐	☐	☐	☐
(b) It involves *riba'*	☐	☐	☐	☐	☐
(c) It is against the justice aspect of Islamic financial transactions	☐	☐	☐	☐	☐
(d) It encourages people to consume more than they need	☐	☐	☐	☐	☐
(e) It creates money and credit	☐	☐	☐	☐	☐
(f) It leads to debt-based system	☐	☐	☐	☐	☐
(g) The use of Islamic motives/factors to attract Muslims to use the card is unacceptable	☐	☐	☐	☐	☐
(h) It provides convenience	☐	☐	☐	☐	☐
(i) It is in line with Islamic philosophy/teachings	☐	☐	☐	☐	☐
(j) It encourages Muslims who do not need credit cards to possess the cards	☐	☐	☐	☐	☐

18. Information of credit cards and Islamic finance

	Yes	No	Neutral
(a) There is no interest charge with Islamic credit cards	☐	☐	☐
(b) I understand the Islamic credit card structures such as *bai al-inah* and *tawarruq*	☐	☐	☐
(c) Islamic credit cards cannot be used for transactions contradicting Islamic teachings such as purchase of liquor	☐	☐	☐
(d) Muslims are allowed to use conventional credit cards	☐	☐	☐
(e) My knowledge of Islamic finance comes from a formal education at college, university, etc.	☐	☐	☐

19. Comparison between conventional and Islamic credit cards

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
(a) Conventional credit cards provide a higher credit limit than Islamic credit cards	☐	☐	☐	☐	☐
(b) Conventional credit cards offer better bonus/rewards than Islamic credit cards	☐	☐	☐	☐	☐
(c) Charges for conventional credit cards are lower than Islamic credit cards	☐	☐	☐	☐	☐
(d) Requirements for approval of conventional credit cards are easier than for Islamic credit cards	☐	☐	☐	☐	☐
(e) Having conventional credit cards is more prestigious than Islamic credit cards	☐	☐	☐	☐	☐
(f) Conventional credit cards have wider acceptance compared to Islamic credit cards	☐	☐	☐	☐	☐
(g) The terms and conditions of conventional credit cards are easier to understand than those for Islamic credit cards	☐	☐	☐	☐	☐
(h) Islamic credit cards provide religious satisfaction, which is not the case with the conventional credit cards	☐	☐	☐	☐	☐
(i) Islamic credit cardholders are more likely to meet their payments obligations than holders of conventional cards	☐	☐	☐	☐	☐

20. Marketing issues

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
(a) Credit card companies use aggressive strategies and misleading advertisements in marketing their cards	☐	☐	☐	☐	☐
(b) There is no difference between marketing strategies used by Islamic and conventional credit card issuers	☐	☐	☐	☐	☐
(c) Issuers of Islamic credit cards do not adequately explain their distinctive features	☐	☐	☐	☐	☐
(d) Islamic credit card marketing strategy is based on product features rather than Islamic ethical values	☐	☐	☐	☐	☐

21. Credit card issues

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
(a) Credit card charges are reasonable	☐	☐	☐	☐	☐
(b) Credit cards lead to overspending	☐	☐	☐	☐	☐
(c) Credit cards lead to undersaving	☐	☐	☐	☐	☐
(d) Credit cards give more benefits/rewards to high income cardholders than those of lower income	☐	☐	☐	☐	☐

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
(e) Credit cards undermine Islamic values	☐	☐	☐	☐	☐

22. Possibility of switching credit cards

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
(a) I have no qualms about switching credit card companies due to poor service	☐	☐	☐	☐	☐
(b) I will stop using Islamic credit cards and start using conventional credit cards with lower charges and better offers	☐	☐	☐	☐	☐
(c) Muslims should use Islamic credit cards even if their charges are higher than conventional credit cards	☐	☐	☐	☐	☐

23. In your opinion, which of the following bear most responsibility for the problems of credit card debt among cardholders?

Please rank: **1 = the most responsible party**
2 = the second most responsible party
3 = the least responsible party
(Note: Each number can be used only one time)

Party	Write1, 2 or 3 according to your rank
Cardholder	
Credit card company	
Government policies	

24. How satisfied are you with your practices/intentions in respect of the following? ***(Non-Muslims can omit/skip this question)***

	Very Unsatisfied (1)	Not Satisfied (2)	Neutral (3)	Satisfied (4)	Very Satisfied (5)
(a) Performance of daily prayer, five times a day	☐	☐	☐	☐	☐
(b) *Zakat* payment (or your intention to pay *zakat* when you have the ability)	☐	☐	☐	☐	☐
(c) Fasting during *ramadan*	☐	☐	☐	☐	☐
(d) *Hajj*/Pilgrimage (or your intention to perform *hajj*/ pilgrimage)	☐	☐	☐	☐	☐
(e) Helping people in difficulties	☐	☐	☐	☐	☐

SECTION D:

25. Gender

- ☐ Female
- ☐ Male

26. Age (in years)

- ☐ Below 18
- ☐ 18-20
- ☐ 21-30
- ☐ 31-40
- ☐ 41-50
- ☐ 51-60
- ☐ Over 60

27. Marital status

- ☐ Single
- ☐ Married
- ☐ Widowed
- ☐ Divorced

28. Number of children/dependents

- ☐ None
- ☐ 1
- ☐ 2
- ☐ 3
- ☐ Others: _____ (please specify)

29. Are you the head of the family?

- ☐ Yes
- ☐ No

30. Ethnicity

- ☐ Malay
- ☐ Chinese
- ☐ Indian
- ☐ Other: _____ (please specify)

31. Religion

- ☐ Islam
- ☐ Christianity
- ☐ Buddhism
- ☐ Hinduism
- ☐ Other :_____ (please specify)

32. Highest education level

- ☐ Primary school
- ☐ Secondary school
- ☐ Diploma/Matriculation/A-Level
- ☐ Bachelor
- ☐ Master
- ☐ Doctorate
- ☐ Professional Qualification
- ☐ Others:_____ (please specify)

33. Monthly income

- ☐ No income
- ☐ Below RM1,000
- ☐ RM1,001 - RM1,500
- ☐ RM1,501 - RM3,000
- ☐ RM3,001 - RM5,000
- ☐ RM5,001 - RM10,000
- ☐ RM10,001 - RM20,000
- ☐ Above RM20,000

34. Which sector are you employed?

- ☐ Government / Public Sector
- ☐ Private sector
- ☐ Self-employment
- ☐ Unemployed

35. Occupation

- ☐ Manager or Executive
- ☐ Shopkeeper
- ☐ Professional (lawyer, medical doctor etc.)
- ☐ School teacher or academic
- ☐ Technician
- ☐ Clerk
- ☐ Factory worker
- ☐ Retired
- ☐ Student
- ☐ Civil Servant
- ☐ Others:_____ (please specify)

36. Do you have any car financing?

- ☐ Yes
- ☐ No

37. Do you have any mortgage/housing loan?

- ☐ Yes
- ☐ No

If you have any comments concerning credit cards, please write in this box:

Thank you very much for your assistance.

If you are interested in the findings of the research, please email me at nazimah_hussin@yahoo.com by writing 'Credit Card Findings' as the subject.

APPENDIX B: SEMI-STRUCTURED INTERVIEWS

Set 1: Questions for the bankers

Q1: How is your credit card market performing?

Q2: What implication does the service tax have on the credit card industry?

Q3: From your experience working at the current bank, which market is better, ICC or CCC?

Q4: Could you please describe the payment pattern and behaviour of your credit cardholders?

Q5:What action does your company take against credit cardholders who default on payments?

Q6: From your experience, does religiosity have any influence on credit card selection?

Set 2: Questions for the other stakeholders

Q1: Do you think that a credit card is a necessity?

Q2: Do you think that credit card use leads to overspending?

Q3: Do you have any special experience in your credit card dealings?

Q4: From your experience, which type of credit card is better, ICC or CCC? Please explain.

APPENDIX C: SELECTION FACTORS BETWEEN ICC HOLDERS AND CCC HOLDERS

	ICC		CCC	
	Selection Factor	MV	Selection Factor	MV
1	Bonus and Rewards	3.92	Safer than Cash	3.97
2	*Shari'ah* Board	3.85	Bonus and Rewards	3.97
3	Safer than Cash	3.83	Local Acceptance	3.96
4	Discounts at Outlets	3.82	No Joining/Annual Fee** (Finance)	3.94
5	Zero Interest Plan	3.79	International Acceptance	3.91
6	Paying Debt According Budget	3.73	Protection when Card Loss/Stolen	3.88
7	Islamic Brand	3.72	Zero Interest Plan	3.87
8	Facilitate Bill and Statement	3.72	Paying Debt According Budget	3.86
9	No Joining/Annual Fee	3.71	Facilitate Bill and Statement	3.84
10	Insurance when Travel	3.7	Insurance when Travel	3.82
11	Ptotection when Card Loss/Stolen	3.68	Internet and Online Transaction	3.8
12	Immediate Credit	3.67	Discounts at Outlets	3.8
13	Protection when Product Defect/Loss	3.67	Protection when Product Defect/Loss	3.78
14	Automatic Direct Debit Payment	3.67	Free Short-term Credit	3.71
15	Free Short-term Credit	3.65	Large Ticket	3.71
16	Internet and Online Transactions	3.65	Issuing Bank	3.69
17	Local Acceptance	3.62	*Shari'ah* Board	3.67
18	Cash Advance	3.6	Immediate Credit	3.67
19	Road Show (Instant Approval/Gift)	3.6	Automatic Direct Debit Payment	3.55
20	International Acceptance	3.56	Road Show (Instant Approval/Gift)	3.54
21	Large Ticket Transaction	3.54	Islamic Brand	3.53
22	Commission Free on Traveller's Cheques	3.49	Commission Free on Traveller's Cheques	3.51
23	Issuing Bank	3.47	No Deposit on Car Hire	3.5
24	No Deposit on Car Hire	3.38	Card Company	3.47
25	Supplementary Card	3.33	Cash Advance	3.45
26	Card Company	3.04	Supplementary Card	3.27
27	Status Symbol	2.69	Status Symbol	3

Note: MV is mean value, ranked from highest to lowest in importance

APPENDIX D: SPEARMAN CORRELATION

TABLE 1: CORRELATION RESULTS BETWEEN REVOLVING STATUS AND EDUCATION

Correlations[a]

			REVOLVING STATUS	EDUCATION
Spearman's rho	REVOLVING STATUS	Correlation Coefficient	1.000	-.147**
		Sig. (2-tailed)	.	.001
	EDUCATION	Correlation Coefficient	-.147**	1.000
		Sig. (2-tailed)	.001	.

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

a. Listwise N = 482

TABLE 2: CORRELATION RESULTS BETWEEN REVOLVING STATUS AND INCOME

Correlations[a]

			REVOLVING STATUS	INCOME
Spearman's rho	REVOLVING STATUS	Correlation Coefficient	1.000	-.132**
		Sig. (2-tailed)	.	.003
	INCOME	Correlation Coefficient	-.132**	1.000
		Sig. (2-tailed)	.003	.

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

a. Listwise N = 490

TABLE 3: CORRELATION RESULTS BETWEEN REVOLVING STATUS AND CREDIT BEHAVIOUR

Correlations

			REVOLVING STATUS	CREDIT BEHAVIOUR
Spearman's rho	REVOLVING STATUS	Correlation Coefficient	1.000	-.145**
		Sig. (2-tailed)	.	.001
		N	496	484
	CREDIT BEHAVIOUR	Correlation Coefficient	-.145**	1.000
		Sig. (2-tailed)	.001	.
		N	484	490

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

END OF THE THESIS