



SWITCHING INTENTION OF MUSLIM DEPOSITORS IN ISLAMIC DEPOSIT ACCOUNT

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ABSTRACT

Islamic finance has achieved remarkable growth all over the world. Without exception, Malaysia has also been enjoying rapid and robust development in Islamic finance. Despite the encouraging growth and the great acceptance of Islamic financial products, one controversy may reverse the perception about Islamic finance. The issue is that recently several Islamic banks introduced the concept of *bai' al-ṭinah* to be applied on deposit account which allows them to promise return to depositors. This strategy may encourage more Muslims to keep their money in Islamic banks. The use of this contract is in principle permissible in Malaysia, albeit admitted as controversial. Therefore, this study attempts to examine the switching intention of Muslim depositors if return on Islamic deposit account is not promised or guaranteed by Islamic banks. The Theory of Reasoned Action, in which intention could be the best determinant of individual behavior, is used as the basis of the study with a 375 participant sample. The findings showed that Muslim depositors do not really care about a promised return for deposit account practiced by several Islamic banks. For that reason, Islamic banks should not worry about introducing a promised-return based product for deposit accounts.

JEL Classification: D14, G21

Key words: Islamic deposit account, Promised return, Switching intention, Muslim depositors, Islamic banks

1. INTRODUCTION

Islamic finance is growing in size and importance within the financial systems (Duran and Lopez, 2012) and currently making its presence felt in more than 50 countries across the globe (Chong and Liu, 2009). Surprisingly, Islamic finance is also observed as growing very rapidly

and stronger in the western markets (Shah, Raza and Kurshid, 2012). In line with this scenario, Malaysia has also shown a robust development in Islamic banking, which has contributed to the growth of the Malaysian economy (Amin and Isa, 2008). This sector strengthens the country's position as the global hub in Islamic finance services (Kassim, Majid and Yusof, 2009). Establishing the *shari'ah* Advisory Council (SAC) at Bank Negara Malaysia¹ has been the strongest initiative and signal of the Malaysian government in its effort to promote Islamic finance in the world. SAC has been given the authority for the ascertainment of Islamic law in terms of the operations and activities conducted by the Islamic banks in Malaysia (Hasan, 2011).

According to Noor and Ahmad (2012), the Islamic banking system has emerged and grown rapidly in terms of size and number of players as a new reality in the world since the opening of the first Islamic bank in Egypt in 1963. Naser, Jamal and Al-Khatib (1999) stated that the Islamic banking services are not limited to be offered by Islamic banks only. International as well as local conventional banks are increasingly showing their interest in the Islamic banking system as well. Similarly on the customer side, the customers of Islamic banking products are not only Muslims. Abdullah, Sidek and Adnan (2012) argued that with the acceptance of Islamic financial products by non-Muslims in Malaysia, it is forecasted that Islamic banking would dominate the banking system in Malaysia in the future although at minimum their intention is to avoid congestion in conventional banks. Thus, the potential of this sector to attract these customers is likely to be high (Iqbal and Molyneux, 2005; Amin and Isa, 2008).

This study attempts to understand the decision making made by depositors when they deliberate whether they would switch from the existing Islamic bank if the bank makes not promised return to them. The understanding of customers' switching intention is very important for banking institutions in order to be able to attract more customers. Therefore, the switching intention in this study is pertaining to a depositor's intention to switch from Islamic bank A to Islamic bank B if Islamic bank A makes no promised return to the depositors. Moreover, Muslim depositors' intention to deposit their excess money is either due to profit-seeking motivation or strictly because of their desire to be true Muslims by observing that all their activities are in line with Islamic teaching or laws, including when it comes to where to place their money. If the intention is the latter, the strategy of Islamic banks to offer promised return is no longer valid.

To make thing worse, the introduction of controversial contract to materialize this strategy may create confusion and lower Muslims' faith or confidence in the level of *sharī'ah*-compliance of Islamic banks². This study will be focusing on the area of consumers' switching intention specifically the Muslim depositors in the Islamic banking system in Malaysia.

2. BACKGROUND OF THE STUDY

2.1 SWITCHING INTENTION

The banking industry is concerned with customers' switching behavior, which usually would reduce a bank's market share and profit (Ennew and Binks, 1996). According to Colgate (1999), the annual switching rate creates a loss of profits and increases new customer acquisition costs. Previous studies have investigated a combination of several factors that may cause customer switching (e.g., Colgate and Hedge, 2001; Gerrard and Cunningham, 2004; Clemes, Gan and Kao, 2007; Matthews and Murray, 2007). These studies are important to assist bank management in developing strategies to minimize the negative effects of defection and to maintain long-term customer relationships.

However, the factors influencing the decision to switch banks can be numerous and complex (Clemes et al., 2007). According to Stewart (1998), the factors related to switching behavior are charges and their implementation; facilities and their availability; provision of information and confidentiality; and services issues relating to customer treatment. Other than that, Levesque and McDougall (1996) stated that pricing problems and inconvenient location are the main factors in customer switching. Besides, Gerrard and Cunningham (2000) state that the Asian banking market is influenced by service failures, pricing, and inconvenience, leading to customers' intention to switch banks.

2.2 BAI' AL-'ĪNAH

To promise return on deposit, one possible way is to apply the most controversial contract called *bai' al-'īnah*. *Bai' al-'īnah* refers to a contract that involves sale and buy back transactions of an asset by the seller. In these transactions, the seller sells an asset to the buyer at a deferred price and immediately after that, buys back the asset on cash basis at generally lower price (Ali et al., 2008; Dusuki and Abdullah, 2011). According to Manan and Kamaluddin (2010), the sale and buy

back contract involves a sale contract between two contracting parties and followed by a promise (*wa'd*) by the original seller to buy back the asset on a different date if the buyer decided to sell the asset to the original seller. Thus, the price in the second contract is different from the price in the first contract. Besides, the importance given in the second contract is the promise by the original seller to buy back the asset from the buyer based on agreed terms and conditions. To illustrate, Bank A³ uses the concept of *bai' al-ṭinah* in Islamic general investment account that allows the bank to promise return to the depositors. General Investment Account-i is one of the deposit accounts.

Bai' al-ṭinah concept is controversial in the Islamic financial system (Dusuki and Abozaid, 2007; Dusuki and Abdullah, 2011; Hosen and Nahrawi, 2012). It has been accused as the back door of *ribā* for several reasons. The primary one is very often the intention in embarking into this contract is not to obtain or get ownership transfer of certain goods; rather it is to get cash. This can easily be seen from the fact that most of the time, the use of money (actual products to be obtained by customers) is totally different from the underlying goods transacted under the contract⁴. The National *Sharī'ah* Council (NSC) of Indonesia has not legalized *bai' al-ṭinah* concept in their Islamic products and services in their Islamic banking system as *bai' al-ṭinah* has a great deal of *khilāf* (controversy). This concept contains the virtues of *maṣlahāt* and *muḍarāt*, which would surface from the fatwa (legalization) with the endorsement of the *bai' al-ṭinah* concept. Moreover, the majority of Middle East countries have rejected *bai' al-ṭinah* in Islamic financial transactions as according to them this concept is forbidden under Islamic law (Dusuki and Abdullah, 2011; Hosen and Nahrawi, 2012). The *sharī'ah* advisory boards of different banks may have different opinions or pass different rulings in certain issues. In addition, the majority of *sharī'ah* scholars namely *Ḥanafī*, *Mālikī*, and *Ḥanbalī* disallow this concept. *Shāfi'ī* school also discourages the practice of *bai' al-ṭinah* although the school of thought acknowledges its validity (Dusuki and Abdullah, 2011; International *Sharī'ah* Research Academy for Islamic Finance [ISRA], 2012).

3. PREDICTORS OF SWITCHING INTENTION

3.1 ATTITUDE

A person who holds strong beliefs that positively value outcomes as a result from performing the behavior will have a positive attitude

toward the behavior. Conversely, a person who holds strong beliefs that negatively value outcomes as a result from the behavior will have a negative attitude. It has also been argued that attitude toward switching intention influences the switching decision (Desbarats, 1983). According to this argument, a person holding a favorable attitude toward switching is likely to switch. Attitude towards switching has also been associated with consumers' switching intentions (Bansal and Taylor, 2002). In other words, if a customer has control over his or her ability to switch, then a positive attitude toward switching would result in a strong intention to switch. However, if the customer does not have control over his or her ability to switch, then even with a positive attitude towards switching, the chances to successfully switch would reduce (Bansal and Taylor, 2002).

3.2 SUBJECTIVE NORMS

People who believe that most referents with whom they are motivated to comply think they should perform the behavior will perceive social pressure to do so; conversely, people who believe that most referents with whom they are motivated to comply would disapprove of their performing the behavior will have a subjective norm that puts pressure on them to avoid performing the behavior (Ajzen, 1985). In the marketing context, various sources, such as friends, family, advertising and news groups can influence the consumer, and the composition of a group of important others is likely to vary based on the context of the behavior (Lim and Dubinsky, 2005). In an organizational context, for instance, the referent group might be peers, superiors, and subordinates (Taylor and Todd, 1995). In a consumer context, the purchase decision is likely to be influenced primarily by family and non-family referents (Ryan and Bonfield, 1980).

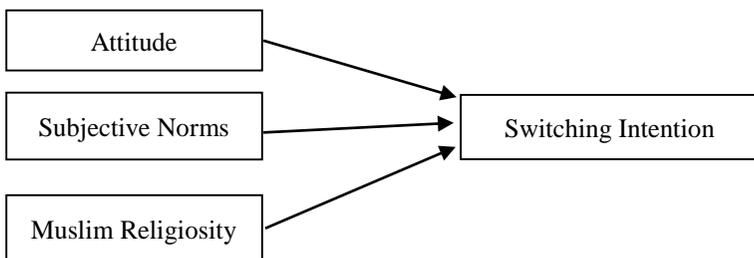
3.3 MUSLIM RELIGIOSITY

Different religions such as Islam, Christianity, Buddhism, and Hinduism have different beliefs (Rehman and Shabbir, 2010). This study focuses on Muslim religiosity namely Islam. Islam is not only about religion in the narrow definition of ritual, but it is a complete way of life (*Al-Dīn*). In other words, Islam guides Muslims in every aspect of life, not just in specific acts of worship (Alam, Mohd and Hisham, 2011). For instance, rules against involvement in *ḥarām* (forbidden) activities such as consuming alcohol and gambling are clearly mentioned in the Holy Quran. Islam is *shumūl* (perfect) and *kāmil* (comprehensive). Even how and what to trade, how to interact

with others, and what can and cannot be consumed are clearly guided by Islam. However, these norms might vary depending on the different religiosity levels and degrees of observation. In addition, the number of Muslims in Malaysia who understand and show concern for the Islamic teachings and practices has increased recently (Alam et al., 2012). Therefore, this spiritual factor can influence Muslim consumers more than any other factors. It is widely acknowledged that Muslim religiosity has a strong influence on people's belief, personal identity, and value systems. Muslim religiosity is highly personal in nature. Therefore, its impacts on consumer behavior depend on an individual's level of religious commitment or the importance placed on religion in his or her life (Lotfizadeh, 2013). Many previous studies have identified that religiosity is a significant determinant of consumer attitudes and practices. In other words, religiosity could be important in shaping the customer's decision when making the banking selection. According to Vitell and Paolillo (2003), as religiosity is a significant determinant of both idealism and relativism, it is indirectly a significant determinant of consumer ethical beliefs and practices.

4. PROPOSED THEORETICAL FRAMEWORK AND HYPOTHESES

FIGURE 1
Proposed Theoretical Framework



The underpinning theory used in this study is Theory of Reasoned Action (TRA). The development of the theoretical framework takes place in parallel with the development of the evaluation framework and involves deconstructing elements of practice to identify possible theoretical explanations. Figure 1 shows the proposed theoretical framework for this study.

Many studies have shown the significant effect of attitude on intention (Taylor and Todd, 1995; Shih and Fang, 2004), including that attitude has a direct positive impact on intention to use an online

trading system (Gopi and Ramayah, 2007). Furthermore, attitude has a significant impact on intention to use diminishing partnership for Islamic home financing (Taib, Ramayah and Razak, 2008). Besides, there is likely to be a negative relationship between favorable attitude and switching intention (Jayawardhena, 2004). According to Bansal and Taylor (1999), the more favorable the attitude toward switching, the stronger should be the consumer's intention to switch between service providers. Thus, the hypothesis for this study is as follows:

H1: Attitude is negatively related to the switching intention towards not promised return on Islamic deposit account.

Many studies conducted in Malaysia have shown that subjective norms are an important predictor of intention to use (Yuliharsi, 2004; Gopi and Ramayah, 2007). Abduh, Duasa and Omar (2011), Amin et al. (2011), and Taib et al. (2008) have reported that subjective norms are an important predictor of intention to use Islamic banking products. According to Bansal and Taylor (1999), the more unfavourable are the subjective norms, the stronger should be the consumer's intention to switch between service providers. Hence, in this study, the hypothesis is as follows:

H2: Subjective norms are negatively related to the switching intention towards not promised return on Islamic deposit account.

Most people with intrinsic religiosity live their religion, treat religion as an end unto itself, and participate in religious activities. They are less likely to engage in unethical behavior. Those with extrinsic religiosity turn to God but do not turn away from self, use their religion, and promote their business interests. According to Chen and Tang (2012), religiosity is negatively related to unethical behavior intentions. Erol and El-Bdour (1989) and Haron, Ahmad and Planisek (1994) claimed otherwise as according to them, religiosity is not important for customers in dealing with Islamic banks. Amin et al. (2011) also stated that religiosity is not significant to the intention to use. Religiosity is the role of obligation in affecting one's choices and activities. Islamic banks need to adhere to Islamic principles, values, and goals when offering Islamic products (Sulaiman, 2003). Thus, the greater the adherence to *shari'ah* principles, the greater the possibility of an individual using Islamic deposit account. Therefore, the hypothesis is as follows:

H3: Muslim religiosity is negatively related to the switching intention towards not promised return on Islamic deposit account.

5. METHODOLOGY

Four states from the Northern and East Coast Regions were selected, namely Perlis and Kedah for the Northern Region and Terengganu and Kelantan for the East Coast Region. These four states have the sense of the way life in which the Muslim people are reasonably strong in religiosity due to social life and surroundings. Moreover, these states have Muslim people who have deeper Islamic knowledge and stronger Islamic identity. Besides, these states are rich in Malay culture that is inherent in the lifestyles of people as well as different from other Malaysian states in economic and social development. Also, this infers that these states are the most Islam-saturated states. According to the Department of Statistics Malaysia (2010), these four states have the highest number of Muslim population in Malaysia. Table 1 shows the percentage of Muslim population for all states in Malaysia (Department Statistics of Malaysia, 2010).

Table 1
The Statistics of Muslim Population in All States of Malaysia

States	Percent
Johor	58.2
Kedah*	77.2
Kelantan*	95.2
Melaka	66.1
Negeri Sembilan	60.3
Pahang	74.9
Perak	55.3
Perlis*	87.9
Pulau Pinang	44.6
Sabah	65.4
Sarawak	32.2
Selangor	57.9
Terengganu*	96.9
Wilayah Persekutuan Kuala Lumpur	46.4

Note: *Sample states.

According to Hair et al. (2010), the minimum requirement for sample size is to have five (i.e., number of respondents) times 24 items. However, the more acceptable sample size is ten times 24 items, which will give a sample size of 240 that is deemed appropriate for this study. In order to reduce the number of non-response error, a total of 400 respondents were sampled in the study.

This study focused on Islamic banks⁵ (full-fledged Islamic banks, Islamic subsidiary, and Islamic cooperative bank) in Perlis, Kedah, Terengganu, and Kelantan. Respondents were randomly selected among the Islamic banks' customers who visited the banks during the chosen period. The researcher had obtained permission from the Bank Branch Manager to conduct the survey at the respective bank. The questionnaires were distributed to the bank customers who queued up while waiting for their turn to obtain the service from the bank. The questionnaires were distributed during working hours.

5.1. CONSTRUCT MEASUREMENT

All items to measure the variables in this study were adapted and adopted from previous validated instruments so that the focus was on deposit account in Islamic banks. The wording of scales was modified in order to suit with not promised return on deposit account in the Islamic bank context.

Attitude measure consisted of 5 items adapted from Alam et al. (2012). The Cronbach's alpha value was .91. The items were measured using a 5-point Likert scale from strongly disagree to strongly agree. The items are: I choose not promised return on Islamic deposit account because it is *sharī'ah*-compliant; Not promised return on Islamic deposit account is based on fairness, justice, and equality; Depositing money in Islamic deposit account holds the spirit of Islam in me; I like not promised return on Islamic deposit account because it has no interest (*ribā*); Having not promised return on Islamic deposit account would bring peace of mind in me.

Subjective norms measure consisted of 4 items. These items were adapted from Alam et al. (2012) with a Cronbach's alpha of .86. The items were measured using a 5-point Likert scale from strongly disagree to strongly agree. In order to suit the context of this study, only 4 items were taken from the original items. The items are: I choose not promised return on Islamic deposit account based on recommendation from friends and relatives; Most people who are important to me support me to deposit money via not promised return on Islamic deposit account; People who I listen to could influence me to choose not promised return on Islamic deposit account; Most of my friends/colleagues who have chosen not promised return on Islamic deposit account agree that Islamic banking is better than conventional banking.

Muslim religiosity measure consisted of 10 items. These items, which were first developed by Worthington et al. (2003), were

adopted from Mokhlis (2009) using the Religious Commitment Inventory (RCI-10) to measure the degree of religiosity. The scale was divided into two parts namely interpersonal dimension that measured the cognitive aspects of religiosity and intrapersonal dimension that measured the behavioral aspects of Muslim religiosity. The Cronbach's alpha for both parts were .85 and .68, respectively. According to Mokhlis (2009), RCI is a good measurement of Muslim religiosity as well as the most established and validated scale as it avoids sectarian language and does not evoke resentment among the respondents by raising sensitive matters related to the religion. These items were measured using a 5-point Likert scale from 1 (not at all true of me) to 5 (totally true of me). The items are: Religion is especially important to me because it answers many questions about the meaning of life; I often read books and magazines about my faith; I spend time trying to grow in understanding of my faith; My religious beliefs lie behind my whole approach to life; Religious beliefs influence all my dealings in life; It is important to me to spend periods of time in private religious thought and prayer; I make financial contributions to my religious organization; I enjoy spending time with others of my religious affiliation; I enjoy taking part in activities of my religious organization; I keep myself well-informed about my local religious group, and I have some influence in the decisions.

6. FINDINGS

Table 2 shows respondents' profiles in detail. In terms of gender the majority were females (235 respondents or 62.7 per cent), and 140 respondents (37.3 per cent) were males. A total of 237 respondents (63.2 per cent) were married compared to single (123 respondents or 32.8 per cent).

The respondents were mostly between 18 to 30 years old, which is around 42.9 per cent. This percentage appears to be in line with the findings of previous banking studies (Erol and El-Bdour, 1989; Metawa and Almossawi, 1998). According to Metawa and Almossawi (1998), investigating the perception and behavior of customers and depositors within this age group is likely to have far-reaching influence on the Islamic banking policies. This may be plausible since banks normally regard clients within this age category as relatively less risky especially in advancing products and services (Greuning and Bratanovic, 1999).

Considering that the respondents had time to indulge in banking, this indicates that the majority of them are highly relevant for deposit account in Islamic banks. The age distribution is followed

by 31 to 40 years old (107 respondents or 28.5 per cent), 41 to 50 years old (71 respondents or 18.8 per cent) and 51 to 60 years old (36 respondents or 9.6 per cent).

Table 2
Respondents' Profile (n = 375)

Demographic	Categories	Frequency	Percent
Gender	Male	140	37.3
	Female	235	62.7
Marital Status	Single	123	32.8
	Married	237	63.2
	Divorced	11	2.9
	Widowed	4	1.1
Age	18-30 years old	161	42.9
	31-40 years old	107	28.5
	41-50 years old	71	18.8
	51-60 years old	36	9.6
	61 years old and above	0	0
Highest Education Level	SPM	123	32.8
	Certificate	29	7.7
	Diploma/Degree	208	55.5
	Master Degree/PhD	15	4.0
Occupation	Government	211	56.3
	Private Sector	114	30.4
	Self-employed	21	5.6
	Unemployed	29	7.7
Monthly Income	RM1000 and below	51	13.6
	RM1001-RM3000	190	50.7
	RM3001-RM5000	111	29.6
	RM5001-RM7000	19	5.1
	RM7001-RM9000	3	0.8
	RM9001 and above	1	0.3

As for highest education level, the majority of respondents were diploma/degree holders (208 respondents or 55.5 per cent), followed by SPM (123 respondents or 32.8 per cent), Certificate (29 respondents or 7.7 per cent) and Master Degree/PhD (15 respondents or 4.0 per cent). In terms of occupation, the highest frequency was in the public sector (211 respondents or 56.3 per cent) compared to the private sector (114 respondents or 30.4 per cent), unemployed (29 respondents or 7.7 per cent) and self-employed (21 respondents or 5.6 per cent).

For monthly income of respondents, the income range RM1001 to RM3000 is represented by the highest number of

respondents (190 respondents or 50.7 per cent). It was followed by RM3001 to RM5000 (111 respondents or 29.6 per cent), RM1000 and below (51 respondents or 13.6 per cent) and RM5001 to RM7000 (19 respondents or 5.1 per cent).

Table 3
Cross Loadings

	ATT	RG	SI	SN
ATT1	0.794*	0.349	0.389	0.551
ATT2	0.756*	0.268	0.321	0.463
ATT3	0.806*	0.278	0.407	0.548
ATT4	0.810*	0.367	0.369	0.542
ATT5	0.862*	0.392	0.450	0.675
RG1	0.352	0.664*	0.197	0.196
RG10	0.193	0.645*	0.209	0.237
RG2	0.299	0.763*	0.340	0.239
RG3	0.344	0.777*	0.308	0.305
RG4	0.277	0.748*	0.285	0.202
RG5	0.244	0.735*	0.302	0.245
RG6	0.345	0.751*	0.289	0.326
RG7	0.376	0.727*	0.260	0.236
RG8	0.359	0.803*	0.317	0.334
RG9	0.266	0.780*	0.246	0.244
SI1	0.443	0.310	0.875*	0.385
SI2	0.474	0.308	0.873*	0.425
SI3	0.392	0.365	0.831*	0.380
SI4	0.314	0.307	0.817*	0.337
SN1	0.481	0.267	0.231	0.652*
SN2	0.518	0.269	0.240	0.728*
SN3	0.417	0.178	0.299	0.728*
SN4	0.500	0.245	0.334	0.705*
SN5	0.600	0.308	0.457	0.816*

Note: * indicates loadings greater than 0.5. ATT: Attitude; RG: Muslim Religiosity; SI: Switching Intention; SN: Subjective Norms.

To assess the model, this study used the SmartPLS M3 2.0 software (Ringle, Wende, and Will, 2005) to estimate the parameters in the outer and inner models. The objective of PLS is to maximize the variance explained in the dependent variables. Construct validity signifies how well the results obtained from the use of the measures fit the theories around which the test is designed (Sekaran, 2003). In this study, two methods are used to determine construct validity: convergent and discriminant validity. First, the respective loadings and cross loadings from Table 3 were examined to identify the

possibility of problems with any particular items. As Hair et al. (2010) have suggested, the cut off value of 0.5 was used. Table 3 shows that all the items measuring a particular construct loaded highly on the construct whereas they loaded lower on the other constructs, therefore establishing construct validity. Values with asterisk (*) in Table 3 are loadings for items that are above the recommended value of 0.5.

Table 4
Results of the Measurement Model

Construct	Items	Loadings	AVE ^a	CR ^b
Attitude	ATT1	0.794	0.650	0.903
	ATT2	0.756		
	ATT3	0.806		
	ATT4	0.810		
	ATT5	0.863		
Subjective Norms	SN1	0.652	0.530	0.849
	SN2	0.728		
	SN3	0.728		
	SN4	0.705		
	SN5	0.816		
Muslim Religiosity	RG1	0.664	0.549	0.924
	RG2	0.763		
	RG3	0.777		
	RG4	0.748		
	RG5	0.735		
	RG6	0.751		
	RG7	0.727		
	RG8	0.803		
	RG9	0.780		
	RG10	0.645		
Switching Intention	SI1	0.875	0.721	0.912
	SI2	0.873		
	SI3	0.831		
	SI4	0.817		

Note: ^a Average variance extracted (AVE) = (summation of the square of the factor loadings)/{(summation of the square of the factor loadings) + (summation of the error variances)} ^b Composite reliability (CR) = (square of the summation of the factor loadings)/{(square of the summation of the factor loadings) + (square of the summation of the error variances)}

Next, convergent validity is examined to further support construct validity. This is the level to which multiple items measuring the same concept are in agreement. According to Hair et al. (2010), the factor loadings, composite reliability and average variance should

be extracted to assess convergent validity. The loadings for all items in this study were significant as they exceeded the recommended value of 0.5 suggested by Hair et al. (2010). The average variance extracted (AVE) reflects the overall amount of variance in the indicators accounted for by the latent construct. These ranged from 0.53 to 0.72, exceeding the Hair et al. (2010) recommended value of 0.5. Composite reliability (CR) values depict the degree to which the construct indicators indicate the latent construct. These ranged from 0.85 to 0.92, again exceeding the Hair et al. (2010) recommended value. Gotz, Liehr-Gobbers and Krafft's (2010) explanation in which the composite reliability is similar to that of Cronbach's alpha, is a measure of reflective construct reliability and includes the actual factor loadings, whereas the alpha uses equal weighting. The following Table 4 shows the results of the measurement model.

Table 5 shows the results from bootstrapping analyses. Standard beta, standard error and one-tailed *t*-values were presented. Based on one-tailed *t*-values, three hypotheses were tested and 2 of the 3 hypotheses were supported and 1 was unsupported.

Table 5
Path Coefficients and Hypotheses testing

Hypotheses	Relationship	Standard Beta	SE	<i>t</i> -value	Decision
H1	Attitude → Switching Intention	0.183	0.069	2.669**	Supported
H2	Subjective Norms → Switching Intention	0.060	0.077	0.783	Not Supported
H3	Muslim Religiosity → Switching Intention	0.176	0.048	3.648***	Supported

n = 375: **p* < .05, ***p* < .01, ****p* < .001

Table 6 summarizes the findings of the hypotheses testing. Based on the results, two hypotheses (H1 and H3), which are attitude and Muslim religiosity were accepted and negatively related with switching intentions. The H2 hypothesis, which is subjective norms negatively related with switching intention, was rejected.

Table 6
Result Summary of All of the Hypotheses

	Hypotheses	Results
H1	Attitude negatively related to the switching intention towards not promised return on deposit account in Islamic banks.	Supported
H2	Subjective norms negatively related to the switching intention towards not promised return on deposit account in Islamic banks.	Not Supported
H3	Muslim religiosity negatively related to the switching intention towards not promised return on deposit account in Islamic banks.	Supported

7. DISCUSSION AND FINDINGS

In this study, attitude negatively related to switching intentions ($\beta = 0.183$, $p < 0.069$); the findings align with those of Taylor and Todd (1995), Shih and Fang (2004), Gopi and Ramayah (2007), and Taib et al. (2008). Intentions are influenced by an individual's attitudes toward an action. If Muslim depositors had strongly held beliefs and positive feelings about not promised return for deposit accounts in Islamic banks, these impacted their banking intentions. Muslim depositors in Malaysia tend to be more trusting that the operations and system of Islamic banks are truly in accordance with Islamic principles. Not promised return towards deposit accounts in Islamic banks is based on being *sharī'ah*-compliant; therefore, it is appropriate for Islamic banks to practice. The practice of *bai' al-īnah* in which a bank promises a return is a controversial matter and close to *ḥarām*. Thus, when a deposit account in an Islamic bank is practiced in accordance with principle of the Islamic financial system, strict Muslim depositors are more likely to deposit their money with such banks. However, in order to differentiate between Islamic and conventional banks, Islamic banks should avoid too many similarities with conventional banks as far as they can. In other words, conventional banks can promise return but Islamic banks are not mandatory to offer the same promised-return.

This study found that several Islamic banks must avoid practicing *bai' al-īnah* which allows them to promise returns. As the findings imply, the Islamic banks need to work on improving bank depositors' attitude, which may vary and need to be observed over time. Thus, attitude is a key determinant of depositors in order to patronize the deposit account in Islamic banks.

Result for hypothesis 2 showed that subjective norms negatively related with switching intentions ($\beta = 0.060, p < 0.077$). The previous studies have shown mixed results. Taib et al. (2008) found subjective norms more influential predictors of the intention to use Islamic financing. However, Chau and Hu (2001) found subjective norms to have no direct impact on intention to use information technology. In contrast, Venkatesh and Davis (2000) as well as Teo and Pok (2003) reported a significant relationship between subjective norms and behavioral intention. How much individuals feel social pressure to do something will influence their intention to do something. In this study, other people's perceptions did not impact the respondent's intentions with respect to deposit accounts. Rather the most important thing is the feeling of the individual depositor. The promised return should not be the sole objective of Islamic banks in order to maximize profit in which lesser priority be given to social responsibility, promotion of Islamic norms and values.

In terms of perception, the Muslim depositors did not accept the promised return due to *sharī'ah* non-compliance. They were unlikely to believe that the promised return brings justice, equality and societal well being. As a result, they are more likely to use the ideal view of deposit account in Islamic banks. People view Islamic banks as free from *ribā* in every aspect of banking business. This implies that there is no interest charge imposed by the banks on their deposit products. Unlike Islamic banks, conventional banks provide interest income to their depositors. The deposited funds in conventional deposit facilities are secured to earn a fixed interest rate regardless of the bank performance. Conventional banks still have to reward depositors with interest income although the bank is operating at a loss. In contrast, if the bank generates more profit than expected, only a fixed portion of that profit is rewarded to the depositors. This means that such deposits promise a fixed return to depositors once they have chosen them. As such, the return for deposit account is particularly guaranteed in the context of conventional banks.

The results of testing for the third hypothesis found that Muslim religiosity negatively related with switching intentions ($\beta = 0.176, p < 0.048$). It is widely acknowledged that Muslim religiosity has a strong power on people's belief, personal identity, and value systems. Metwally (1996) found that the most important factor in determining attitudes of Muslims toward the Islamic banking system was religiosity. However, Erol and El-Bdour (1989) and Haron et al. (1994) claimed otherwise. They found that religiosity was unimportant for Islamic bank customers. Amin et al. (2011) also stated

that religiosity is insignificant in the intention to use Islamic personal financing. However, Muslim religiosity is very personal in nature, and thus, its effects on consumer behavior depend upon an individual's level of Muslim religiosity or the significance placed on religion in life. Furthermore, Muslim religiosity is an important cultural factor to study because it is one of the most universal and influential social institutions that significantly influences values and behavior at both the individual and societal levels. Thus, the degree of Muslim religiosity is likely to have an important influence on Muslim depositors' ethical beliefs and will be reflected in their daily conduct and commitment. This study has focused on Muslim religiosity, in part, because Islam is not only about religion in the narrow sense of ritual but a complete way of life (*al-Dīn*). In other words, Islam guides Muslims in every aspect of life, not just in specific acts of worship.

8. CONCLUSION

Considering the plan to apply controversial *bai' al-ṭinah* contract in deposit account offering by Islamic banks, allowing them to offer promised return may tarnish the image or perception about the *sharī'ah* compliance of Islamic financial products which is currently slowly getting better. This study examined the customers' intention to switch account when promised return on deposits is offered by Islamic banks. Four states in Malaysia have been chosen to be the sample sources and PLS was employed for data analysis. The findings in this study confirmed that the most important factor affecting the decision to switch from one deposit account to another is religiosity, rather than whether or not the return is promised. This study also contributes to the existing academic research in terms of opening up an area of study besides rendering valuable input for industry practitioners to improve current regulations and practices related to the operational and practical aspects of deposit accounts. This study concludes that Muslim depositors do not really care about a promised return for deposit accounts by Islamic banks. Therefore, the results confirmed the irrational decision that several Islamic banks made in promising a return to depositors because earning through *sharī'ah*-compliant ways is considered to be an act of worship. For that reason, Islamic banks should not worry about not introducing a promised-return based product for deposit accounts⁶.

Because of several limitations in this study, several points need to be addressed in future research. Having mentioned the limitations identified throughout the research process, we would like

to make suggestions and recommendations for future research in order to enhance this study or as the basis for new, similar studies of other products or services. Since this study has covered Malaysian Islamic banking institutions in four specific states, future study should examine Islamic banks in other states of Malaysia to better generalize about the entire Islamic banking system in Malaysia. This expanded area will enable the results to better represent the deposit accounts in Islamic banks across Malaysia. Furthermore, respondents from different countries could be surveyed and cross-cultural comparisons carried out. Larger samples could also be used in future studies to improve the accuracy and reliability of the findings. Because it used purposive sampling technique, this study has a limited ability to generalize its findings. Another reason for the limited generalizability is that this study only examined Muslim depositors. Possibly, future research could examine non-Muslim depositors even though from an Islamic perspective.

Nevertheless, as part of limitations, this study faced a problem to target the most appropriate respondents, specifically those Muslim depositors from Islamic banks that practiced a promised return for deposit accounts. However, due to secrecy regulations imposed on banking institutions, this study could only gather a sample of general Muslim depositors without knowing the type of deposit account that they are holding. Second, because of time and costs constraints, the scope of this study is limited to a sample from the Muslim depositors within four states in Malaysia. This study would have been more rigorous if the sample had included respondents from the other states.

ENDNOTES

1. Central Bank of Malaysia.
2. Due to limited knowledge, many Muslims accused the current practices of Islamic banks in product offering as not more than just a gimmick, changing the name to be more Islamic but intrinsically, they are similar or exactly the same as in conventional banks. Nevertheless, the blame should go back to Islamic banks for their failure to reverse this perception after more than 30 years of commencement of the first Islamic bank in Malaysia.
3. <http://www.bank.com.my>. The name of the bank cannot be revealed.
4. The proponents of *al-‘inah* counter-argued that intention is not a pillar of Islamic transactions and therefore, cannot be used to overrule the validity of the contract.
5. Follow the Bank Negara Malaysia lists.
6. Although this may be an apparently successful strategy to accumulate more deposits if Islamic banks really advertise the benefits of promised

return, most probably it will only be effective in the short run. Even though they may also employ *tawarruq* contract instead, we believe banks should not act to this extent to limit and possibly remove the bad perception about Islamic financial products among customers.

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