

Proposing Decomposed Theory of Planned behaviour into Islamic mortgage: Consumers intention and acceptance

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Abstract

This study investigates the factors that are responsible for a consumer's intention to use Islamic mortgage. Furthermore, this research has proposed the decomposed theory of planned behaviour (DTPB). DTPB's literature along with that related to Islamic mortgage acceptance is revisited so as to find out the factors that are pivotal for consumers' involvement with Islamic mortgage. Furthermore, it is revealed that acceptance for opting for an Islamic mortgage is measured not only by the attitude, perceived behavioural control, subjective norm and pricing but as well by peers, perceived relative advantage, self-efficacy and perceived compatibility. The current research proposed DTPB and it can be used as a guide of reference by research scholars, policymakers and Islamic bank decision makers.

Key words: DTPB, Pakistan, Islamic mortgage, Housing

Introduction

Housing need is vital among all human necessities. It is not possible for most people to acquire a house as to own a property is a long-standing obligation and therefore it is usually not possible for an individual to acquire property by making a one-off payment and purchase requires a mortgage and such an individual who is in search of an inexpensive mortgage (Taib, Ramayah, & Razak, 2008). For an individual who intends to opt for an interest-free housing mortgage, they may seek those products, which are permitted or allowed under Islamic principles (Shahwan, Mohammad, & Rahman, 2013).

Islamic or interest-free mortgages are mainly of two types, which are debt-base and equity-based (Shaikh, Noordin & Alsharief, 2018). One of the main debt-based contracts for housing, which is widely accepted in Malaysia is bay' bi'thaman ajil, (BBA) (Shaikh & Noordin, 2018).

In spite of the acceptance of debt-based mortgage there exists criticism on the permissibility of such mortgage as it is argued to be surrounded by the uncertainty that results in imposing a burden that may lead the consumer to default (Razak, Mohammed, & Tarique, 2015). Following the repercussions and uncertainty arising from debt-based mortgages gives rise to the more fair and consumer-friendly product, which is a diminishing partnership (DP) equity-based mortgage (Usmani, 2002).

On the same note, taking into consideration DP home financing as a better substitute to BBA, equity-based product turns out to resolve the problems associated with the debt-based mortgage (Shaikh et al., 2018).

Moreover, debt-based products are also criticized for converging the conventional loans, where banks try to secure the debt by transferring the risk to consumer (Azhar Rosly & Afandi Abu Bakar, 2003). In the Malaysian context, debt-based mortgage product like BBA is more popular and offered by most of the Islamic banks (Shahwan et al., 2013).

This study compares and contrasts acceptance for DP home financing. Considering the observation of Amin, Rahman, & Razak (2016) consumers most likely may not opt for interest-free but interest-based conventional mortgage because the latter financing source allows a lower rate of interest and a short-term to pay back, which is an ideal situation for an individual. Consequently, it is therefore significant to conduct research for determining the factors that are responsible for consumer acceptance for interest-free home financing products.

Consumers Acceptance towards Islamic Bank

Consumers' acceptance for conventional banks is higher in contrast to interest-free bank despite the fact that as a banking industry it is now more developed than it was decades ago (Thambiah, Eze, & Ismail, 2011; Ahmad & Haron, 2002).

Moreover, the study of paramount importance, reveals that participants consider that products, which are interest-free are not promoted in a way as desired (Ahmad & Haron, 2002). In a similar vein, it was claimed by Haque, Tarofder, Rahman, & Raquib (2009), that most participants of their study had little knowledge of the products and services of Islamic banking.

Amoako-Gyampah (2007), in this pursuit maintains that no intention to use technology may affect its adoption by halting the implementation of a system or a product effectively. In other words, it is predicted that for a certain product or service to be acknowledged it should be mediated by a system user.

Additionally, without interest for a new system among the users or future users, a product itself may not lead the institutions to completely gain the reward from the system (Davis & Venkatesh, 1996). That being said, for products and services of Islamic bank to become accepted may hinge on the enthusiasm of consumers to embrace it.

Framework for customers' acceptance towards Islamic mortgage

For the purpose of this study, theoretical framework is drawn upon Taylor and Todd's (1995b) decomposed theory of planned behaviour (DTPB). Figure 1 shows original DTPB with all the exogenous and endogenous variables. According to Shih & Fang (2004) the use of DTPB has been applied mainly in the Information and Communication Technology (ICT) domain.

In the authors' opinion to choose between the theories of behaviour, DTPB is considered after drawing upon a comparison between the models of theory of reasoned action (TRA), theory of planned behaviour (TPB), and DTPB. TPB and DTPB share a similarity in a way that both the theories have been derived

from TRA. DTPB is the first choice because TPB failed to explain how an individual belief in performing a particular behaviour leads to engaging in such behaviour (Taylor & Todd, 1995). Further, DTPB as mentioned earlier, is a combination of a variety of theories such as TPB, diffusion of innovation (DOI) theory, and technology acceptance model (TAM) (Davis, Bagozzi, & Warshaw, 1989; Rogers & Shoemaker, 1983; Taylor & Todd, 1995b).

Moreover, DTPB is more useful in circumstances where much in-depth knowledge is involved. It is also preferable when considering the strongest predictive power and explaining the relationship between the unobserved endogenous and unobserved exogenous variables (Taylor & Todd, 1995).

Thus, adapting DTPB will be appropriate in predicting the customer's acceptance of the Islamic mortgage. The research framework evidently illustrates that behavioural intention towards Islamic mortgage acceptance is dependent on the attitude of an individual, subjective norm and perceived behavioural control in using the product. We adapted the two latent variables related to an individual's attitude, namely perceived relative advantage and perceived compatibility, whereas excluded perceived ease of use as the nature of this study is different than that of IT as adapted in the context of a study on using DTPB (Maizaitulaidawati & Asmak, 2013).

Therefore, it seems inappropriate to use all the original constructs of DTPB put forward by (Taylor & Todd, 1995a). In a similar vein, the subjective norm is decomposed to "superior influence" and "peers influence". To the authors understanding, peer influence seems to be more suitable in the context of Islamic home financing than superior influence, which might work well in an organizational setting (Maizaitulaidawati & Asmak, 2013).

Thus, the subjective norm is decomposed to peers influence in the context of this study besides perceived behavioural control that has been originally broken down to three latent constructs, namely, resources facilitating conditions, technology facilitating conditions and self-efficacy.

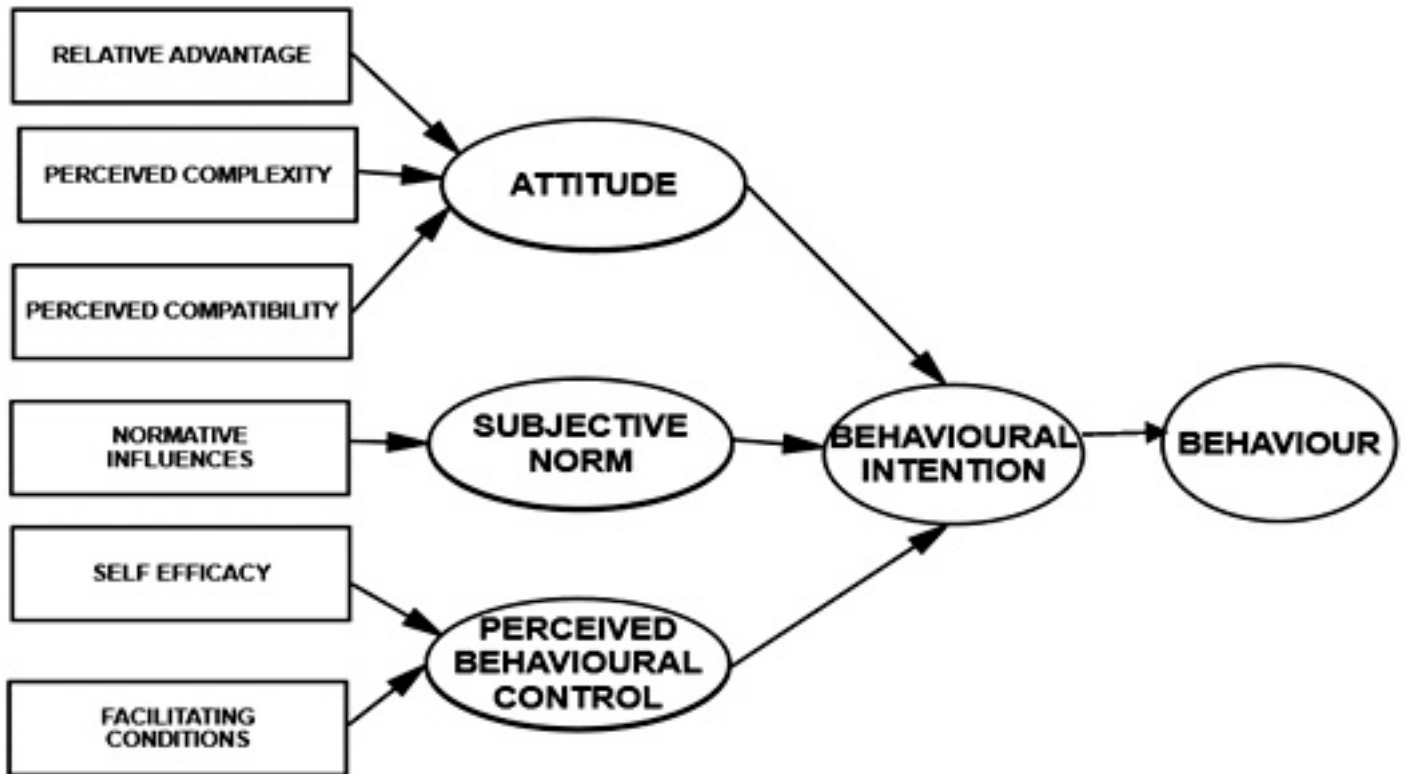
As mentioned earlier, this study modified and excluded a few original constructs due to incompatibility with the scope of the study. Therefore, alike Maizaitulaidawati and Asmak (2013), facilitating condition was not suitable for current study.

Moreover, this study's emphasis is more towards validating self-efficacy in the context of Islamic mortgage as it was not tested by earlier researchers. Therefore, perceived behavioural control is only decomposed to self-efficacy for the aforementioned reason.

Implications of the study

In terms of theoretical implication, this work contributes to theoretical framework development. Further, the proposed framework can be applied in consumer behaviour studies which are carried out to determine the acceptance of an individual for Islamic mortgage.

Figure: 1 Original Framework of DTPB without Modification



Source: (Ajzen, 1991; Taylor & Todd, 1995b)

Furthermore, this study adds to a new relationship between pricing and Islamic mortgage acceptance. From the theoretical standpoint, this research introduces new factors that enrich the literature of Islamic mortgage. The research framework is based on DTPB, which is a pioneering effort to use the afore-said theory in the context of Islamic mortgage acceptance by customers.

From the author's standpoint, integrated DTPB is considered rich theory among individual model based on previous theories, namely, TRA, DOI, and TPB. Last but not least there is a dearth of studies on Islamic mortgage, thus the model of DTPB may give a better understanding of its acceptance. Therefore, there is a further need for future research in order to validate the factors that may turn out to be strong or weak in terms of significance.

The conceptual framework introduced in this study is produced to pave the way for those who are involved in the industry of home financing which complied with Islamic principles. Needless to say, in a climate of fierce competition between conventional and Islamic banks, it is imperative for the latter to pick up the gauntlet and market its products in such a way that attracts as many customers as possible. To this end, the currently proposed model provides Islamic bank managers with a well-established theoretical tool at the hub of which is the stakeholders' potential behaviour towards Islamic mortgage. Examining the effects of such factors as perceived compatibility, perceived relative advantage, peer influence and self-efficacy, borrowed from DTPB, will provide a window on how to strike the balance between consumers' level of certainty about the services and the probable action they are going to take accordingly.

Conclusion

This study provides a model for Islamic mortgage acceptance and adds pricing construct in DTPB. By so doing, this study becomes among one of the few works to propose DTPB in Islamic mortgage context.

Earlier works were lacking in applying DTPB for predicting consumer acceptance of Islamic home finance. On the same note, DTPB has potential to inclusively provide a full picture of all the determinants related to predicting customer's acceptance in the context of Islamic banking products.

Given the fact that studies in the past contribute to consumer acceptance towards Islamic mortgage, this study identifies other factors that may be deemed relevant to Islamic mortgage acceptance. Despite the origination of DTPB as stated by Maizaitulaidawati and Asmak (2013), DTPB can still be adapted for the financial services and products acceptance.

Lastly, there is a dearth of literature on Islamic mortgage and this study is an endeavour to fill the gap and give a reliable account of the upcoming research. This study as mentioned previously excluded a few of the original variables of DTPB, which were not considered suitable in the current context of the study and more towards IT. Albeit this study has limited implications but it still manages to share a substantial amount of contribution to the literature in having a better understanding of Islamic mortgage acceptance.

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