

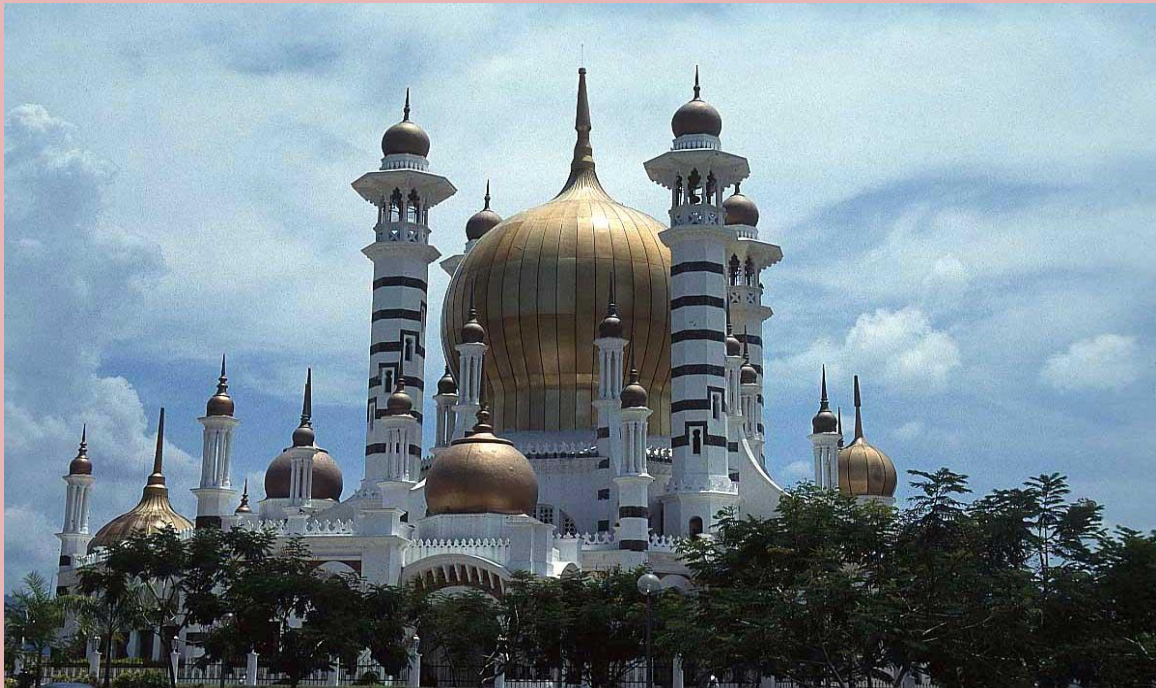


GIMAC Conference proceedings

Advances in Islamic Business

May 2014

Kuala Lumpur



Conference organized by:

The International Islamic Marketing Association

www.iimassociation.com

**This conference is held in cooperation with Qatar University and Universiti Sains
Malaysia**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah , the Entirely Merciful, the Especially Merciful.

Quran. Sura Alalaq (96)

أَقْرَأْ بِاسْمِ رَبِّكَ الَّذِي خَلَقَ ١

Read! In the Name of your Lord, Who has created (all that exists)

خَلَقَ الْإِنْسَانَ مِنْ عَلَقٍ ٢

Has created man from a clot (a piece of thick coagulated blood)

أَقْرَأْ وَرَبُّكَ الْأَكْرَمُ ٣

Read! And your Lord is the Most Generous

الَّذِي عَلَّمَ بِالْقَلَمِ ٤

Who has taught (the writing) by the pen

عَلَّمَ الْإِنْسَانَ مَا لَمْ يَعْلَمْ ٥

Has taught man that which he knew not.

Thank you note

The International Islamic Marketing Association and the Global Islamic Marketing Conference extend its most sincere appreciation to three individuals who have made a great contribution to the staging of another successful Islamic Marketing conference. Filling the role of Conference co- Chairs Dr Rana Sobh, Associate professor of Marketing, Qatar University; Dr Siti Hasnah Hassan, University Sains Malaysia; and Ali Hilal, the International Islamic University, Jordan. They gave most generously of their time and expertise. Their exceptional efforts were essential in ensuring that this conference was a rewarding and uplifting experience for all those who attended. We speak for all attendees and participant when we thank you most sincerely.

We cannot thank enough Dr Daphne Halikias, the chair of the scientific Commity who made sure that this conference is number 1 in the world for the number of journal publication in the world.

Sincere thanks and gratitude are also extended to Mr Ronald Doherty from the Emerald Isle, Ireland, for his continuous and invaluable input, guidance, and contributions to GIMAC and to the discipline of Islamic Marketing as a whole.

Also, the conference team would like to thank the External Relations Department, Qatar University for its generous contributions to the conference.

Conference Chair: Dr. Baker Ahmad Abdullah Alserhan

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Notes about the proceedings

Some references, tables, and figures were removed from the proceedings. Generally, reference lists of more than 1500 words were removed either fully or partially, mainly to reduce the size of the Conference Proceedings. To get a copy of these details we provided the contact information of authors with each paper. You can contact authors directly to provide you with the complete papers.

Other than the changes above the proceedings have not been edited. They are an indicator of the authors' interests and research skills. As such they can be used as bases for promotion, postgraduate applications, and other relevant uses. Many of the presentations related to these papers will be available on a special channel on YouTube where they can be viewed and downloaded.

Journal Publications

Selected articles from the conference will be published in the following journals:

English Language Journals

International journal of Islamic marketing and branding (NEW: Inderscience)

Journal of Developmental Entrepreneurship

International Journal of Social Entrepreneurship and Innovation

International Journal of Teaching and Case Studies

African Journal of Business and Economic Research

International Journal of Arab Culture, Management and Sustainable Development

French Language Journals

Revue Internationale de Marketing Islamique (French)

Arabic Language Journals

سيتم نشر أفضل 20 بحثاً عربياً في المجلة العالمية للتسويق الإسلامي في المجلد الثالث والرابع
(*Al-mağallāt al-‘ālamīyyāt li-l-taswīq al-islāmī (Arabic)*)

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5th Global Islamic Marketing Conference (GIMAC5)
“a worldwide movement that delivers concrete improvements in the lives of people”

Ronald J. Doherty,
Director, Business Strategy & Communication
International Islamic Marketing Association

Assalamu Alikum,

Welcome to the proceedings of the International Islamic Marketing Association 5th Global Islamic Marketing Conference. Our conferences continue to attract leading scholars, researchers and thought leaders from all over the world. Since our first conference in Dubai in 2011 to today, we have provided a platform for thousands of research papers to reach a wide audience and stimulated millions of conversations that otherwise would not have happened. A small catalyst has created a wave of interest and application to an area which just a few short years ago was but a dream.

Through your dedication and ongoing support the dream of an Islamic Marketing discipline has become a reality and today the concept of Marketing informed by Islamic values is accepted world-wide. Your continued support and hard work is creating day by day a new reality that can be enjoyed by more than 1.6 billion people worldwide.

Islamic Marketing is however not a destination but an unending journey. A journey that each day and each year requires us to continue to develop our discipline and to create demonstrable benefits to the lives of the Ummah, and in fact all humanity. This is our duty.

This duty extends beyond worship, beyond immediate family and especially beyond the simple profit and loss analysis of typical business; it affects our solemn duty as Muslim and non-Muslim, of *Emaaratu Alardh* (building of the earth). Let me illustrate this point with a quotation from the preface of *The Principles of Islamic Marketing* (Alserhan, 2011)

“Beyond worship, the duty of people in Islam is to build Emaar (the earth). The exact meaning of the Arabic term Emaaratu Alardh (building of the earth) means to make it full of life or, to make it better in every sense. A term intrinsically related to Emaar is Ifsad (ruination). The Islamic teaching states that the duty of man is to build without causing ruination before, during or after the building. If cutting a tree to make pencils – the greatest invention of mankind – leads to soil erosion then cutting the tree becomes classified as ruination to the earth and as such becomes forbidden. A pencil manufacturer, thus, needs to think of more innovative and less harmful ways to make pencils.”

Three key words from this quotation are duty, innovative, and less harmful. Our duty of *Emaaratu Alardh* requires innovation that reduces harm and increases well-being on earth. A key component of well-being is the freedom to develop as a responsible adult, receive an education, live in peace and engage in rewarding employment. Employment sufficient to build and sustain a family and hand over to that family a world that is enriched, not diminished.

The challenge today for Islamic Marketing and its adherents is that to remain relevant it must move past a promising birth and grow into a worldwide movement that delivers concrete improvements in the lives of people. In doing this the Ummah can be guided by duty, focused on innovation and mindful to do no harm to Earth or to others.

Islamic Marketing and its proponents can establish a place in history by engaging with a crisis that is unfolding in our world and crying out for our attention. The best minds of the Islamic academic world can help, and through history have helped, make the world a better place. After 800 years, we are still

reading and guided by the work of Ibn Khaldûn, now we must create new names and new leaders that will show us a way forward in dealing with the crisis of youth unemployment.

Employment may seem like a prosaic and unsuitable area of digression at first glance. It can be much more engaging to dwell on vague and lofty notions of improving the earth. Insight into the pitfalls of lofty messages not tied to the day-to-day realities of our people's lives can be found in the widely reported comments of Suhail Nakhouda writing in Islamica Magazine in relation to the Amman Message (2009)⁷ "There is no water, no pavements; the economy is bad, and many young people are out of work. Peoples' lives, as well as the images they see, stay the same."

Youth unemployment in the Middle East and North Africa is estimated by the World Economic Forum (WEF) at 28% for males and up to 43% for females⁴. The WEF also reports that in parts of Southern Europe youth unemployment is as high as 40%. The quality of employment is reported by the WEF as being both critical and in crisis with more and more young people in low paying and ultimately unrewarding employment. All of this is viewed as causing a growing crisis worldwide in social cohesion and economic sustainability.

Asia and South East Asia in particular can take a lead in Emaaratu Alardh, through addressing the issue of youth-unemployment its academics can choose to be at the leading edge of the effort by focusing in-depth research on ways to address both in a symbiotic, sustainable, and Islamic manner. The International Labour Organisation ⁵reports that youth unemployment in East Asia is 9.5% and South East Asia is 9.3%. These figures are less than ideal but not yet a crisis. Asian economies are seen as a beacon of hope in the world due to the manner in which they have weathered multiple economic and natural storms. ⁶*"South-East Asia has shown remarkable recovery since the global economic crisis of 2008 – the region's economy is projected to grow by an average of 5.5% per year between 2013 and 2017, according to the Organisation for Economic Co-operation and Development."*

Do not under estimate the power you have to help improve the world as a leading academic, and as a consumer, as change can be both provided and obtained. In addition to creating research that helps stimulate enterprise and employment, the power of the Muslim consumer can, if focused as a single voice, obtain from others the changes that we desire. Changes that can enrich the earth and at the same time provide livelihoods to young people, Muslim consumers, expected to reach 2.2 billion by 2030¹, can choose to purchase garments made from sustainable resources in factories staffed by adults. Paying adults a living wage enables their children to attend school, receive a greater education than their parents, and breaks the cycle of generational poverty.

The complexities of the Muslim consumer market can be viewed as presenting a challenge to uniting as a single voice. Participants include middle class families and desert nomads; broadly dispersed across fifty-seven Muslim-Majority countries of the Middle East, North Africa, South East Asia, Central Asia, and non-majority population worldwide. Levels of economic development and per capita GDP figures are from the lowest in the world to the highest. Qatar has the highest per capita GDP in the world at \$102,100 (²2013 est.), while Somalia is ranked at 227 with a per capita GDP of just \$600 (³ 2010 est.) While not a simple task to use the united power of the Muslim to influence the world in a positive way, with help from our brothers and sisters and from above, much can be accomplished. Islam provides the foundation for unity.

By building on the foundation provided by Islam and focusing our efforts through the discipline of Islamic Marketing, we can project our voice and our values to a mass audience. We can stand on the shoulders of giants to reach the stars. Ibn Khaldûn, writing almost 800 years ago, is one of those giants and he reminds us to be truthful in our work, to accept only that which is verifiable and not to take the easy path of basing our work on the inadequate efforts of others. Together we can strive for excellence

and provide a shoulder for future generations to stand on. When we do reach the stars it is polite and appropriate to thank those who went before us, and before them, until we reach the Original and only everlasting source of help in the universe, Allah, Al-'Awwal, Al-Hādī, God, you can chose the name.

Duty, innovative, and less harmful – let these words guide you and you will help change the world - *Emaaratu Alardh* and change it in a way that delivers concrete results in employment, environmental sustainability and equality of opportunity... all key Islamic values. The question for all of us is what steps will I take today to ensure my student has a job tomorrow? so that instead of throwing bricks at windows they are using those bricks to create a window to a better world.

April 22, 2014 Kuala Lumpur, Malaysia

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² <https://www.cia.gov/library/publications/the-world-factbook/geos/qa.html>

³ <https://www.cia.gov/library/publications/the-world-factbook/geos/so.html>

⁴ http://www3.weforum.org/docs/GAC/2014/WEF_GAC_Employment_UnemploymentRisingGlobalChallenge_Report_2014.pdf

⁵ http://www.ilo.int/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_212899.pdf

⁶ <http://www.weforum.org/content/global-agenda-council-south-east-asia-2012-2014>

⁷ <http://www.ammanmessage.com/>

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Is the Iranian Consumer Market Homogeneous or Heterogeneous?

Is the Iranian Consumer Market Homogeneous or Heterogeneous? Some Preliminary Evidence

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Extended Abstract

The role of religion in influencing consumers' consumption choices, particularly in the lives of those who profess one religion or the other is not trivial (Hirschman, 1981; Hirschman, 1982). In fact, previous studies have suggested that consumer segments could be built around religion (Koku, 2011). However, whether religions are predominant factors or facilitators in the presence of other factors such as cultural remains an unexplored issue. This study attempts to address this issue by segmenting the Iranian population based on answers to questions on the World Values Survey (WVS, 2005).

Why Iran? We chose Iran as the subject of this study because it is currently one of the few theocratic states in the modern world. Theocracy is a form of government in which the country is ruled by a religious leader. Theocracy of Iran is based on Islam where about 98 percent are Muslims (CIA, 2014). Thus if religion were the predominant factor in market segmentation, then one would expect the Iranian market to be made of a major segment consisting of Muslims and a few minor segments consisting of the other 2 percent non-Muslims.

Data obtained from The 2005 World Values Survey were used. Factor Analysis (Hair et al., 2006) of 57 selected questions from the WVS is conducted. These questions were designed to measure cultural values. The Factor Analysis combined questions that were highly correlated to create factors that represent cultural variables. Utilizing these factors, Cluster Analysis (Hair et al., 2006) of 26 regions of Iran was conducted. Furthermore 27 questions (variables) were deemed redundant and therefore deleted. Thirty variables and 5 demographic questions including sex, age, marital status, education level, and employment status remained. The sample size is 806.

After the factor analysis was conducted, the six factor solution was deemed to be the most stable following a factor analytic procedure. These factors were labeled as Community Values, Life Satisfaction, Life Priorities, Social, Positive Family, and Normative Family.

Using the aggregated scores, an exploratory hierarchical clustering procedure was conducted on the 16 regions to determine the number of clusters. Following the hierarchical clustering, a nonhierarchical procedure to confirm the exploratory cluster solution was conducted in order to determine which regions should be grouped according to their scores on the 6 factors.

The Dendrogram suggested the use of 6 clusters and each cluster on a map of Iran was highlighted. This however reveals that similar clusters were not necessarily contiguous, rather they were scattered all over the country. The nonhierarchical procedure confirmed the use of 6 clusters; however, the groupings were different from those proposed by the dendrogram. The results of the nonhierarchical procedure yielded clusters that were closer in proximity, however, some of the clusters were still dispersed throughout the country.

The confirmatory 6 cluster solution consisted of (1) Kerman, Semnan, and Bushehr (2) Khorasan, Bakhtian, and Boyer Ahmad (3) Ilam, Khuzestan, Lorestan, and Hormozgan (4) Fars (5) Kermanshah, Hamadann Markazi, Isfehan, and Ardabil (6) West Azarbaijan, East Azarbaijan, Zanzan, Gilan, Ghazvin, Tehran, Ghom, Mazandaran, Golestan, and Yazd. According to the Anova table, at least one of the clusters differs significantly from the others on 5 of the factors: Life Satisfaction, Life Priorities, Social Values, Normative Family (should be) values, & Positive (that is) Family Values. The Community values factor did not differ significantly across the 6 clusters. How should we have several major clusters if religion is the major commonality?

These preliminary results suggest that segmenting markets solely on the basis of religion might be erroneous.

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Tipping and Zakat: A Critical Perspective Using Equity Theory

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Extended Abstract

Tipping and Zakat: A Critical Perspective Using Equity Theory

The objective of this paper is to reconcile tipping propensity with the duty to pay zakat using equity theory. It links the two practices to the basic existential dictum that “To whom more is given, more is expected.” To the extent that this dictum is shared by most human beings regardless of their religious persuasion is additional evidence that all religions have something in common. However, the more interesting implications of this analysis using equity theory is the fact that there is a justifiable argument to expect corporations also to “give back” and reinvest into the communities in which they exist. Perhaps their giving back could be regarded as corporate zakat, but that too is consistent with “To whom more is given, more is expected.”

A tip (also called gratuity) is an amount of money that consumers leave to the workers who performed services for them. Although scholars do not agree on whether it originated in Roman empire (Hemenway, 1993) or during feudal lords (Schein et al., 1984), or in Middle Ages (Segrave, 1998), some scholars claim that it is named as ‘tip’ because London coffee houses during 16th century, had boxes called “To Insure Promptness,” in which people place coins as tips (Brenner, 2001; Frankel, 1990).

People all around the world leave tips voluntarily to strangers after a service is rendered. Because there is no public recognition for the consumers who tip, it is a unique behavior when compared to gift giving or donations (Azar, 2005). Tipping also differs from service charges and service-inclusive pricing due to its voluntary nature. Although consumers mostly try to find the lowest available price for their purchases, tipping causes an exception for this general rule (Lynn and McCall, 2000). Moreover, it is hard to explain tipping behavior with standard economic modeling since standard economics relies heavily on the assumption that people make rational choices. Thus, several scholars raise questions and conduct researches in various service settings in order to understand the reasons underlying consumer tipping.

Zakat-al-mal as opposed to zakat-al-fitr is an annual 2.5 percent levy that every Muslim with wealth above nisab is supposed to pay annually (Ali and Myles, 2010). Zakat-al-fitr is charity that must be paid at the end of Ramadhan. Paying Zakat is one of the five pillars of Islam and therefore a duty expected of every true believer. In essence, Zakat redistributes wealth and to ensure that everyone, at least, has something to subsist. Unlike tipping which is voluntary, zakat is a religious obligation which though not enforceable morally absolves the conscience of the believer in possession of wealth, thus zakat is said to purify wealth.

Equity theory is based on distributive justice (Homans, 1961) and procedural justice (Lind and Tyler, 1988). It suggests that people are socialized to be fair and therefore experience anxiety in the

face of injustice, or when their relationship with others is inequitable. Hence one would expect that the average person would take steps to ensure that the outcome of transactions in which they are involved equitable. Because Muslims regard Islam as a way of life (Saeed et al.,2001) , outcome of transactions in their daily lives must on balance be fair. Payment to charity or giving to the poor are therefore means through which the scores could be even. Similar arguments apply to corporations through Corporate Social responsibility and good corporate citizenship.

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The Impacts of Religiosity as a Moderating Variable

The Impacts of Religiosity as a Moderating Variable in an Integrated Customer Satisfaction Model¹.

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Abstract

The main contributions of this paper is the development of an integrated model of customer satisfaction for Islamic credit-card users. In addition, this study also contributes in providing empirical evidences on the role of religiosity and its impacts towards credit-card users' satisfaction. Conceptually, an integrated model, incorporating Functional Service Quality, Technical Service Quality and Religious and Ethical Service Quality, is developed. In addition, the model includes religiosity as a moderating variable examining different degrees of religiosity levels. The study employed sequential mixed methods derived from a fresh perspective of Islamic ontology and epistemology. The paper also presents and discusses empirical findings from an online survey of 560 credit-card users in Malaysia and examines using confirmatory and structural equation modelling. The findings of this paper largely support the hypothesised relationships proposed in the theoretical model. Specifically, the results revealed that the functional service quality (FSQ), technical service quality (TSQ) and the religious and ethical service quality (RESQ) are crucial and differ in affecting customer satisfaction. The results also provide strong evidence that religiosity moderates between the antecedents and customer satisfaction. Most importantly, *Shari'ah* compliance and ethical dimensions (constructs in RESQ) are necessary determinants of Islamic credit-card users' satisfaction.

Keywords

Islamic banking, Islamic credit card, customer satisfaction, conventional banking, conventional credit card, functional service quality, technical service quality, religious and ethical service quality, religiosity, compliance with *Shari'ah*

1.0 Introduction

Customer satisfaction (CS) is critical to success in banking. However, there is little agreement on which antecedents can be employed to achieve it. Moreover, in the context of Islamic banking, religiosity plays a major role in affecting customers' choice of bank and banking satisfaction. In

¹ As a progress of this research, several papers and posters were presented and 5 have received academic excellence recognitions such as 1) Awarded as best poster presentation entitled "The Development of Islamic Religiosity Scale" (2012) presented at CARBS 2012 Research Fair. 19th June 2012. Cardiff City Hall. Awarded as best poster presentation for Marketing and Strategy Section. 2) Awarded as best paper presentation entitled "Functional Service Quality Model for Islamic and Conventional Credit Card Satisfaction Using Confirmatory Factor Analysis" (2012) for Global Business Management Section at Global Business Management Conference 2012. 16th July 2012 Cardiff University. 3) Awarded as best paper presentation entitled The Roles of Religion in Customers' Satisfaction (2012) for Social Science Section at International Conference on Humanities, Social Science, Sciences and Technology 2012. 16th July 2012 Cardiff University. 4) Awarded as Best Paper Poster and Gold Medal Awards at International Islamic Philanthropy Poster Competition 2013, 4th December 2013.

² The author is also attached as a research associate at Asean Research Centre for Drug Abuse (ACREDA) and attached as a research fellow at Islamic Finance and Wealth Management Institute (IFWMI).

response, therefore, this study develops an integrated model of customer satisfaction for Islamic credit-card users. In particular, this study seeks to investigate the role of religiosity and antecedents of Islamic credit-card users' satisfaction. Furthermore, it presents and discusses empirical findings from an online survey of 560 credit-card users in Malaysia and examines using confirmatory and structural equation modelling. The findings of this paper largely support the hypothesised relationships proposed in the theoretical model. Specifically, the results revealed that the functional service quality (FSQ), technical service quality (TSQ) and the religious and ethical service quality (RESQ) are crucial and differ in affecting customer satisfaction. The results also provide strong evidence that religiosity moderates between the antecedents and customer satisfaction. Most importantly, *Shari'ah* compliance and ethical dimensions (constructs in RESQ) are necessary determinants of Islamic credit-card users' satisfaction. The first objective of this paper is to develop a complete customer satisfaction model for Islamic credit card (ICC) users in the Islamic banking (IB) industry comprising functional (FSQ), technical service quality (TSQ) and religious and ethical service quality (RESQ). Theoretically, the proposed model will attempt to integrate functional quality (Servqual), technical quality (Gro'nroos, 1982), and other additional dimensions into a single model. The model also proposes a new second order construct named religious and ethical service quality (RESQ). RESQ derives from two constructs named as compliance with *Shari'ah* and the ethical dimension. Secondly, this study attempts to evaluate the moderating effect of individuals' religiosity on the relationship between service quality and satisfaction with ICC as found in the qualitative results. The rest of this paper is organized by presenting a review of the literature in section two. It is followed by a discussion on the research method employed in section three. The empirical results are discussed in section four and followed by the conclusion section in section five.

2.0 Literature Review

The review of relevant customer satisfaction models revealed that there are only a few models, which are highly cited in journals. For instance, the Servqual model developed by Parasuraman et al (1988) is one of the models that are widely accepted by academicians and practitioners even though there are some controversial debates over the validity of its methodology. The model is based upon the gap theory where the customers' expectations will be subtracted from the customers' perceptions of the service providers' performance. However, the process of subtracting the performance and expectation of the customers' perceptions gaps have been argued to be statistically inferior when compared to using only performance (Cronin and Taylor 1994) while others found the opposite (Jain and Gupta 2004). The addition of customers' expectations in the questionnaire creates complexity and confusion to respondents in differentiating between the actual performance and their prior expectations (Fogarty et al. 2000; Brady et al. 2002; Jain and Gupta 2004). It leads to the validity of the Servqual being called in question. In addition, the model focuses on functional quality and its coverage of technical quality is under scrutiny. Despite comments on its methodology, however, Servqual has made a big contribution to the existing literature and the industry. Another important model in service-quality literature is the technical model developed by Gro'nroos (1984). This multi-dimensional model includes both the technical service quality and the functional service quality dimensions. The service outcome and the service processes are taken into consideration in evaluating customer satisfaction. The major difference of the Servqual and Technical model is the technical orientation (Lassar et al. 2000). Nevertheless, there is a limited studies focussing on the conscience or spiritual aspects of the consumers that affect their satisfaction even though it is admitted to be an important aspects of a successful human being (Covey 1997). Therefore, this study will fulfil the gap by introducing a new dimension assessing the spiritual perceptions of the consumers affecting their satisfaction.

The concept of customer satisfaction can be treated as multi-dimensional (Avkiran 1994). The customer satisfaction dimensions are divided into three 2nd order factors. These second order dimensions are functional service quality, technical service quality and religious and ethical service quality dimensions. All these multi-dimensional customer satisfaction dimensions will form the overall measure for customer satisfaction. The second order level is the level where all service quality dimensions such as FSQ, TSQ and RESQ will affect overall customer satisfaction through respective dimension satisfaction i.e. FSQ Satisfaction, TSQ Satisfaction and RESQ Satisfaction. The first-order

level will be comprised of the FSQ dimensions affecting FSQ, TSQ dimensions affecting TSQ, compliance with *Shari'ah* (ability of the banks to fulfil their *Shari'ah* obligations and principles affecting RESQ) and ethics (the ethical dimension affecting RESQ).

There are two basic issues in comparing customer satisfaction models. Firstly, different models have different dimensions, capabilities and functionality requiring the formulation of a thoroughly thought out single model encapsulating the strengths of each of the different models. Secondly, different consumer groups will have different perceptions on service quality and satisfaction thus challenging the marketers of services to be more sensitive to these differences. The models have contributed significantly in identifying the antecedents to customer satisfaction in either the academic or the working industry after they have been tested empirically in prior research and proven reliable and valid. Examples of these models are Servqual developed by Parasuraman et al. (1988), Technical Model developed by Groenroos (1988); SERVPERF by Cronin and Taylor (1982); BANKSERVE developed by Avkiran (1992); BSQ developed by Bahia and Nantes (1994); SYSTRA-SQ developed by Aldlaigan and Buttle (2000) and Carter developed by Othman and Owen (2002). The models mentioned above are used to evaluate customer satisfaction for specific products or industries.

The model developed in this study is an integrated model following Servqual (FSQ), Technical (TSQ) and Religious and Ethical Service Quality (RESQ) models. Each model assess different dimensions of customer satisfaction such the process, outcome and intangible aspects of service quality. The FSQ and TSQ models have been widely utilised in many customer satisfaction research settings. However, the intangible aspects of service quality is still inadequate in terms of numbers except conducted by Othman and Owen (2000) in which they propose Compliance with *Shari'ah* as a dimension affecting customer satisfaction. In addition, there are also attempts by Sadek et al. (2010), Avkiran (1994), Wilson (2002) and Harvey (1995) in which they include ethical dimension to be deemed as important for customer satisfaction. This is in line with the growth of ethical banking in many parts of the western world. Therefore, twenty-five hypotheses are proposed in this study; fifteen of these were developed for the FSQ, TSQ and RESQ service quality models in which will affect overall customer satisfaction through FSQ Satisfaction, TSQ Satisfaction and RESQ Satisfaction respectively. Ten hypotheses which dealt with religiosity as the moderating factor and the additional service quality dimensions (i.e. staff conduct, communication and technology and ethical satisfaction) in which are additions to the FSQ, TSQ and RESQ models. In addition, the complexity of different groups in the credit card industry i.e. subscribing to conventional credit card (CCC), Islamic credit card (ICC) and subscribing to both types of credit cards i.e. ICC and CCC (Both) creates a need for an assessment if the model can fit for all groups or in other word, can one size fits all?

An overall research framework can be designed combining Servqual, Groenroos's Technical model, and Carter at the same time applying the possible effect of religious commitment and ethical values towards customers' satisfaction. A brief discussion of how the disintegrated different models are integrated into a comprehensive customer satisfaction model will underpin the understanding of the research design. The overall customer satisfaction is formed from a combination of functional, technical, *Shari'ah* and ethical satisfaction to give a complete measurement of the banking service quality processes and its outcomes.

Functional Service Quality Model (FSQ)

Servqual has been used by many in different types of industries including banking. Empirical evidences reviewed revealed that the consumers perceived the dimensions were positively significant affecting customer satisfaction. However, the model is not free from criticism. Many disagreed with the usage of subtracting service quality performance and expectation of the consumers and many disagreed on the possible antecedents of customer satisfaction (Cronin and Taylor 1992; Cronin and Taylor 1994; Carman 1999). Therefore, many have either revised the Servqual model or created new models in assessing customer satisfaction in the banking context (See a list of new models created in the banking industry in subsection 2.4). All the dimensions in Servqual are categorised as the functional service quality (FSQ) or how the services are provided i.e. the process. In addition, there is an additional dimension found to become a potentially antecedent to FSQ i.e. staff conduct. Staff conduct or civilised conduct and presentation of the staff that will project a professional image to the

customers was found to be the driver of customer satisfaction in many eastern countries such as Pakistan, Australia, China and Indonesia. Therefore, this study hypothesised that the FSQ quality dimensions as the Servqual model and staff conduct positively affects FSQ for all the three groups of credit card users i.e. CCC, ICC and Both. The FSQ will positively affect FSQ Satisfaction and FSQ Satisfaction will positively affect overall satisfaction.

H 1: The tangible dimension positively affects FSQ.

H 2: The reliability dimension positively affects FSQ.

H 3: The responsiveness dimension positively affects FSQ.

H 4: The assurance dimension positively affects FSQ.

H 5: The empathy dimension positively affects FSQ.

H 19: Staff conduct dimension positively affects FSQ.

H 6: FSQ positively affect FSQ Satisfaction.

H 7: FSQ Satisfaction positively affects overall customer satisfaction.

Technical Service Quality Model (TSQ)

The TSQ model is proposed by Groenroos (1982) in which the technical and functional service quality are taken into consideration in assessing customer satisfaction. The technical quality is the outcome of the service quality processes. The dimensions are technical ability, employee's knowledge, and employee's technical ability. In addition, there are two additional dimensions that affect the TSQ i.e. technology and communication. Technology and communication are found to be important for customer satisfaction (Moutinho 1992; Stafford, 1996; Guo et al., 2008).

H 8: The technical ability dimension positively affects TSQ.

H 20: Technology dimension positively affects TSQ.

H 9: Employees' knowledge dimension positively affects TSQ.

H 21: Communication dimension positively affects TSQ.

H 10: Employee technical ability dimension positively affects TSQ.

H 11: TSQ positively affects TSQ satisfaction

H 12: TSQ satisfaction positively affects customer satisfaction

Religious and Ethical Service Quality (RESQ)

Religious and ethical service quality (RESQ) is a construct that is based on consumers' cognitive perceptions towards satisfaction. This study proposed that RESQ comprises of two constructs, namely compliance with *Shari'ah* and the ethical dimension (Othman and Owen 2002; Sadek et al. 2010). This study conceptually distinguishes between Compliance with *Shari'ah* and ethical dimension in order to explore if it could differentiate the CCC, ICC and Both credit card users.

Shari'ah Compliance (Compliance with Shari'ah)

The Carter model developed by Othman and Owen is an example of an attempt to answer whether a religious belief has any influence on consumer behaviour in the context of banking industry. The model includes a dimension to measure the ability of the banks to fulfil Islamic law (*Shari'ah*) obligations and operate according to *Shari'ah* requirements. The dimension was named as compliance with *Shari'ah*. The Carter model, however, did not investigate the differences in religiosity commitment to the customers' perceptions of compliance with the *Shari'ah* dimension. In addition, technical quality is also ignored. Therefore, in this research design, religiosity commitment is to be integrated based on the customers' religiosity. In addition to religiosity, another group of customers seemed to rank ethics as one of the most important dimensions for customer satisfaction.

Ethical Dimension

The ethical dimension is a new dimension in the measuring of customer satisfaction in the banking industry. This is evident from the previous literature and the emergence of ethical or social banking where customers demanded that their sources and uses of funds should only be from and channelled towards businesses, organisations and governmental agencies, which operate ethically. Sadek et al. (2010) found that conventional banking users ranked ethics as having a higher importance towards customer satisfaction. Therefore, the study grouped compliance with *Shari'ah* and ethic as constructs affecting the second order factor RESQ. The hypotheses regarding religious and ethical impacts towards satisfaction are shown below:

H 13: Compliance with *Shari'ah* positively affects RESQ.

H 14: RESQ positively Compliance with *Shari'ah* Satisfaction.

H 15: Compliance with *Shari'ah* Satisfaction affects overall satisfaction.

H 22: Ethical (Eth) dimension positively affects RESQ.

H 23: RESQ affects Ethical Quality.

H 24: Ethical Quality Satisfaction affects overall customer.

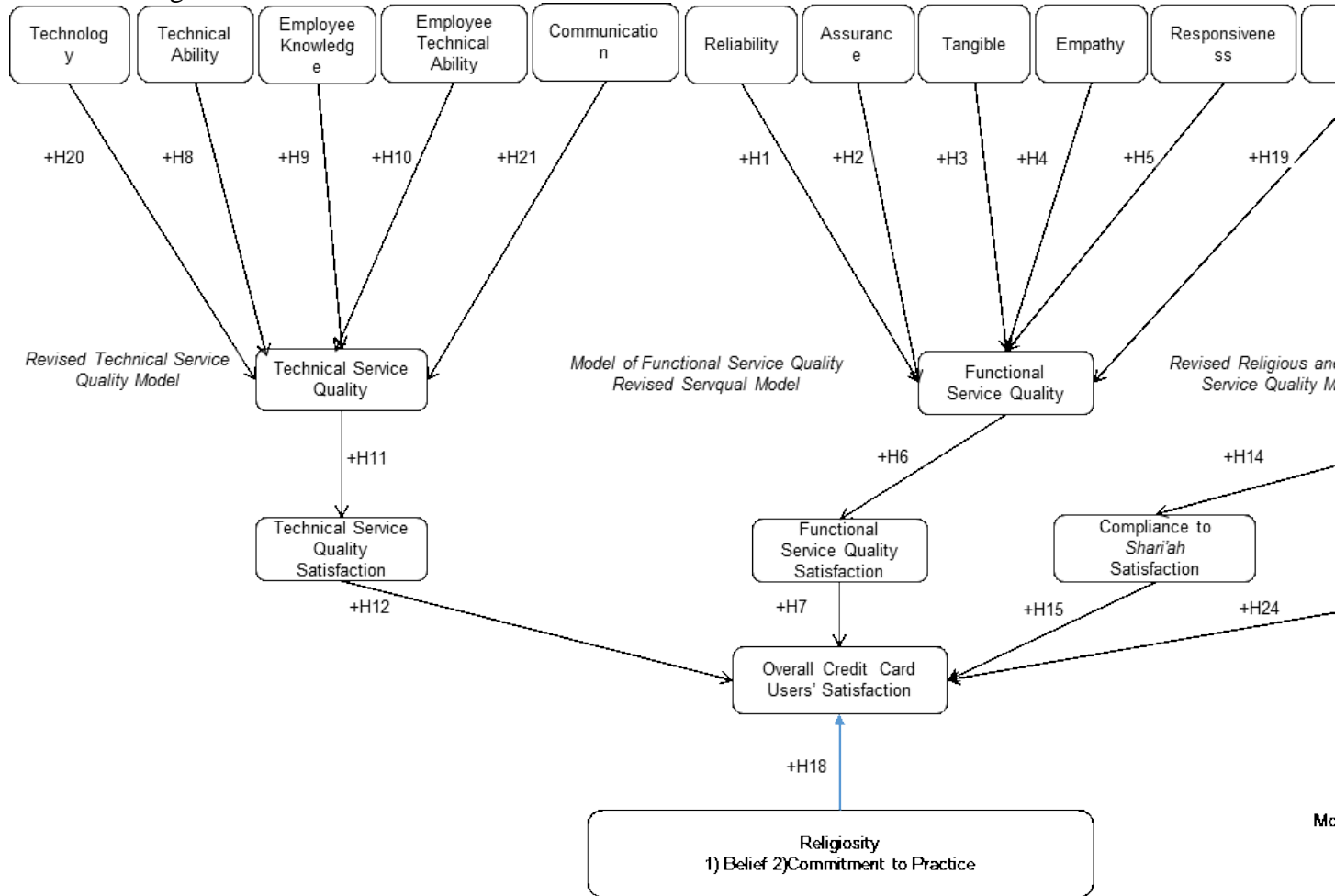
The Moderating Influence of Religiosity

Empirical studies reviewed revealed that religiosity tend to influence consumer behaviours in many contexts such as shopping behaviour, business ethics, new product adoption and other areas. Conceptually religiosity is the commitment of individuals towards their religious values, belief and principles, which will affect their attitudes and behaviours. A considerable amount of literature has been published on religiosity measurement for various religions. However, religiosity from the Islamic perspectives in the context of banking is limited, warranting the study to develop such scale. This study has developed an Islamic religiosity scale to fulfil the gap in the literature. The dimensions found to form a Muslim religiosity are belief and commitment to practice. These two dimensions are conceptualised to affect Muslims behaviours in the banking industry. The influence of individual religiosity on satisfaction is not identical for all individuals. Therefore, to ensure that the model can correctly differentiate between different levels of religiosity, conceptually religiosity is hypothesised to moderate customer satisfaction. This study categorised Muslims into four groups of different religiosity levels i.e. highly religious, moderately religious, casually religious and liberals (Mohd Dali and Yousafzai 2012). Therefore the following hypotheses are developed.

H 18: Religiosity levels moderate overall customer satisfaction.

The conceptual model integrating FSQ, TSQ and RESQ including Religiosity as the moderating variable affecting credit card users' satisfaction is shown in the following figure:

Figure 1: Overall Research Framework for the Credit Card Users' Satisfaction



3.0 Research Design and Methodology

The research endeavours has a primary purpose of expanding knowledge and understanding of ICC users' satisfaction in the Malaysian banking context. Research paradigms can be explained by philosophical probing inquiry on three different elements which are ontology, epistemology and methodology (Denzin and Lincoln 2011; Creswell 2013). The present study ontological position is based on the Islamic worldview of ontology on what is reality. There are two domains of reality which are the seen reality and the unseen reality³ (Barise 2005). Seen reality is known through faculties of sense (Azram 2011) while unseen reality is unknowable through sense (Barise 2005). The source of knowledge of the seen reality can be acquired through acquired or derived knowledge (Azram 2011), while revealed knowledge is the only source of unseen reality (Ali 1995; Barise 2005). Human intellect interacts with acquired knowledge and revealed knowledge to construct integrated knowledge (Barise 2005) or based on unity of this reality (Faridi 1999, p. 55). As for the study's epistemology, the researcher will follow Islamic epistemology in answering how knowledge can be acquired. There are two domains of knowledge: revealed knowledge (Azram 2011) and acquired knowledge according to Islamic epistemology (Barise 2005). Islam views the concept of human as the vicegerent of God and God is the ultimate source of both types of knowledge (Barise 2005; Azram 2011). There are four major sources of revealed knowledge which are the *Qur'an*, the *Sunnah* of Prophet Mohammad (peace be upon him), *ijma*⁴ of Islamic scholars and *qiyas*⁵ (Khan 1999, p. 65; Nazlida Muhamad 2011, p. 38). These are the nucleus of the Islamic rulings or *Shari'ah*. The human intellect interacts with God's creation (other humans and the environment) to develop acquired knowledge. In other words, the source of revealed knowledge is God's word and inspiration, while the source of acquired knowledge is God's creation (Barise 2005). It is important to take note that these two knowledge, revealed and acquired are integrated from an Islamic perspective into a unified knowledge: '*ilmi*'⁶ (Faridi 1999). This is based on the belief that comes from the only One existing God (Barise 2005). Thus, this study will follow this approach of epistemology in which can be said as normative and it lies in between the two extremes of objectivism and subjectivism. In addition, this study position applies a mixed method research design based on the technical version in light of normative science by referring scientific findings back to the four major sources of knowledge.

The present study most appropriate research purpose is exploratory research because it aims to discover and unravel if religious factors influence customers' satisfaction of credit card users in Malaysia. An abductive approach is best suited for present research since it allows the researcher to find and add new dimensions to the study's concepts (e.g. customer satisfaction, functional service quality, technical service quality, religious and ethical service quality, compliance with *Shari'ah* and religiosity). Although the major constructs of the present study have been generated from well-established existing literature and revealed Islamic knowledge, conducting these constructs in a relatively new context setting (i.e. ICC users in Malaysia) has required it to use an abductive approach to contribute to the theory development. The followings are the data collection used.

Table 1: Methods of Data Collection

| Method | Description | Number |
|----------------------------|--|---------------|
| Literature Review | Books, periodicals, and academic journals. | - |
| Semi Structured Interviews | Conducting Skype interviews with seven ICC users in Malaysia to understand whether religion has any impacts toward satisfaction. | 7 respondents |

³ See Quran *Surah Al-Jinn* Verse 26 and *Surah al-Hasbr* Verse 22.

⁴ The unanimous agreement of the Muslim scholars

⁵ To derive from one law of Islamic *Shari'ah* other laws on the basis of similarity.

⁶ '*ilmi*' means the combination of revealed and acquired knowledge.

| | | |
|---------------------------------------|---|-------------------------|
| Initial Religiosity Scale Development | Conducting religiosity literature and consumer behaviour. | - |
| Expert opinion survey | Conducting <i>Shari'ah</i> scholars' opinion survey on the relevancy of the religiosity items. | 12 respondents |
| 3 Sorting Rounds | Sorting of items for questionnaire with the aim of ensuring content validity by Malaysian Muslims in Cardiff. | 27 respondents |
| Religiosity Instrument testing | 1 st pilot testing for religiosity scale. | 50 respondents |
| 2 nd Pilot Study | 2 nd pilot testing for religiosity scale. | 180 respondents |
| Final Survey Content validity | Content validity by a senior university staff. | 1 respondent |
| Final Survey pre-test | Conducting pre-test involving 5 respondents, each with more than 1 year of experience using credit card. | 5 respondents |
| Final Survey Pilot Study | Conducting a pilot test to a sample of thirty Malaysian students and their accompanying spouses in Cardiff owning Malaysian credit cards. | 30 respondents |
| Final Survey Questionnaire | An online survey was distributed using purposive sampling – convenience sampling. | 560 useable respondents |

The table above shows that the research undergone two phases which are the qualitative method followed by the quantitative method in the second phase (Sequential data collection i.e. qual => QUAN⁷). Different types of interviews were used in the individual phase in the exploratory design with the aim of developing and testing an instrument (Creswell and Clark 2007, p. 75).

Final Survey Data Collection

Population is the whole interested group that the researcher wishes to examine and obtain information from (Wilson, 2000). The target population in this study is Muslim credit card users in Malaysia who either own CCC, ICC or having both types of credit cards. In addition, they must have internet access because the survey is conducted online. The second step in sampling procedure is to determine the sampling frame. The sampling frame as a list of all cases in the population from which the sample is drawn (Saunders et al. 2011). Choosing an appropriate sampling frame for the current study depends on the characteristics of the target population under investigation (i.e. Muslim credit card users in Malaysia including the CCC users, ICC users and those who own both types of credit cards, CCC and ICC) and the sources available for identification of potential subjects (banks or credit card issuers including CCC and ICC issuers). There are 25 credit cards issuers in Malaysia. However, it is difficult to obtain the credit card users database from the banks since the banks are governed under Banking and Financial Institutions Act 1989 (BAFIA) in which require them to adhere to secrecy provision under section 97(1). Information about the customers are not allowed to be disclosed except to the parties as stated in the act (BAFIA 1989). Secondly, the number of credit card users who have internet access is unavailable. Some authors use the term hidden population to refer the inaccessible sampling parameter in which they use non-probability sampling such as convenience, snowball, street access, time based sampling and many more sampling methods (Watters and Biernacki 1989; Salganik and Heckathorn 2004; Bryman 2012). Therefore, for the present study non-probability sampling seem to be the most appropriate sampling method. There are three major types of non-probability sampling, which are: convenience sampling, quota sampling, and snowball sampling (Baker 1999, p. 137; Babbie 2012, p. 183). Convenience sampling is one of the techniques under non-probability sampling in which the selection of respondents are based on convenient accessibility and proximity to the researcher (Baker 1999, p. 138) and is a useful method for theory application or to gain ideas about a subject of interest (Cooper et al. 2006). The researcher chose an online internet based survey to capture the ICC users' responses as the vehicle for data collection developed using Google docs. In addition, the usage of convenience sampling has been justified by Calder, Philips and Tybout (1981) following Popper's

⁷ The capital letters show that quantitative method is more emphasized.

(1959) falsification theory of science (John G. Lynch 1982). They argued that even though generalisation requires sampling that represents the population, it is not necessarily required for theory application. The present study uses non-probability technique that is convenience and snowball sampling techniques combined because of the unknown exact population of credit card users, unknown sampling frame and uses specific interest group such as Muslim credit card users and internet users. This exploratory study will provide meaningful evidences on the impact of religiosity towards customer satisfaction in banking context.

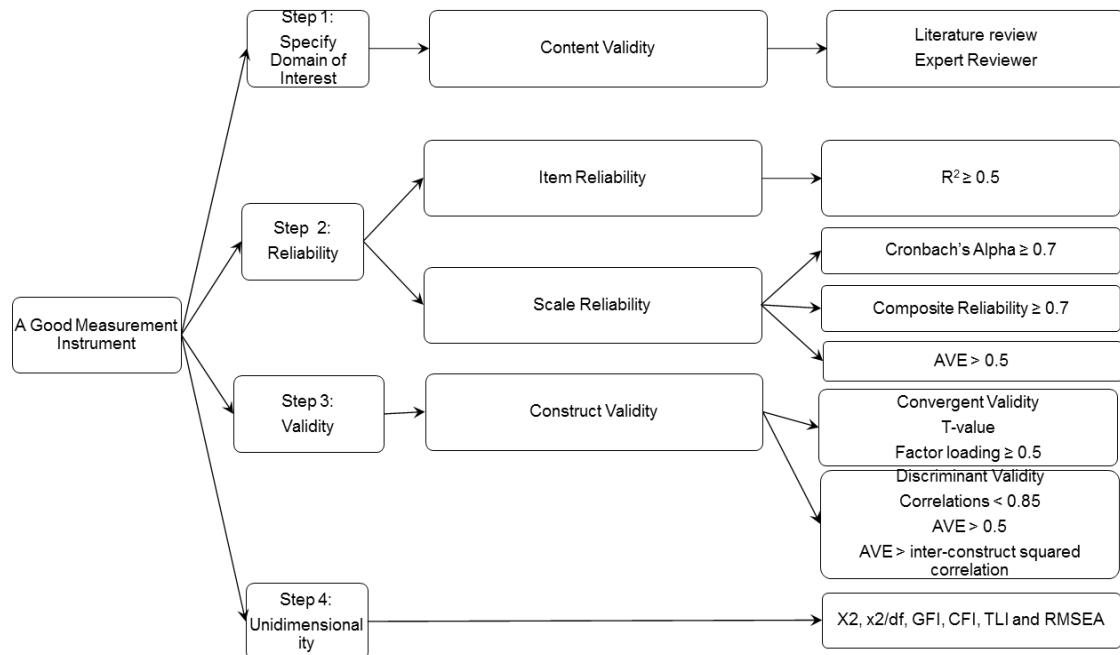
Convenience and Snowball Sampling Method and Generalizability

As mentioned earlier, both sampling techniques can be seen as a biased because respondents are not selected on random. The selection of respondents is based on personal contacts and social network. However, the problems of biasness can be reduced if all of the possible groups in the population are taken into consideration. Cooper and Schindler (2006) argued that carefully controlled non-probability sampling often appears to give acceptable results. This can be done if all important demographic variables of the credit card users has been thought carefully to represent the target population. The present study target population is Muslim credit card users in Malaysia. This is to address the issue of respondents' eligibility in participating in study (Faugier and Sargeant 1997). Screening questions for both criteria were set up in order to ensure that the respondents are 1) credit card users and 2) they are Muslim. The next step is identifying the possible potential demographic profiles of the respondents. This study has identified the potential sources of biasness and after screening the respondents with screening question, this study took a careful examination of the respondents. Since the study employed online survey, there will a potential bias of leaving out the credit card users who do not use internet. Nevertheless, some authors in political studies comparing political poll results demonstrated that the psychological mechanisms underlying common political decisions do not differ between internet users and the population (Best et al. 2001). Therefore, this study assumes that the credit card users who use internet with the non-internet users will not differ greatly. In addition, the study also ensure that female or male credit card users are not under or over represented. Credit card preferences or ownership biasness has also been reduced by ensuring CCC, ICC and credit card users who use both credit cards are not being left out in the sampling. Membership types of the credit cards (Gold, Platinum and Classic), age, religious education and formal education backgrounds, types of credit cards (Visa, Mastercard, or both), monthly payment behaviour and monthly usage frequencies were carefully thought to ensure that the sample is representative compared to population of the study. The effort made to reach different segments of the population using the demographic characteristics as guidelines can increase the maximum theoretical understanding of social process (Faugier and Sargeant 1997).

The final data collection process was conducted over a period of four weeks, commencing on the 7th of November 2011 and lasting until the 8th of December 2011. The online survey was posted on the 7th of November 2011. In addition, a total of 2600 personal messages were sent in between 8th of November until 25th of November to potential respondents using convenience and snowball sampling (from researcher's personal contacts for the initial sampling) to increase the response rate. A total of 620 respondents from Malaysia participated in the survey. The total useable responses were 560.

In the scientific study of the social sciences, the accuracy in the measurement model and the theoretical constructs of a model study should be viewed in terms of reliability and validity (Churchill 1979). Churchill (1979) stated that even though reliability is important, a reliable instrument does not necessarily mean that the instrument is valid. However, a valid instrument normally means that the instrument is reliable. Nevertheless, he added that validity tests are often not reported in many marketing papers despite its importance. A description of how this study establishes the reliability and validity of the survey instruments is given. The present study covers the measures taken in ensuring the content validity, reliability, validity and unidimensionality of the survey instruments are acceptable. Figure 2 summarises the four steps taken in this study to assess the survey instrument's validity and reliability adapting Churchill (1979, p. 66) and Peter (1981) who suggested procedures for developing better measures. In addition, Gerbing and James (1988) added confirmatory factor analysis to the steps suggested by Churchill (1979) and Oeter (1981). The following procedure employed by the study differs from Churchill (1979) because of the additional unidimensionality tests which were added to suit SEM analysis.

Figure 2: Methods Used to Assess Validation of Measures



Data Preparation and Screening

Data preparation and screening is crucial before data analysis takes place, although it is a time consuming process (Hair et al. 2006, p. 37). The objective of this data examination is to uncover any possible hidden effects that have been overlooked from the actual data such as missing data, outliers, and normality issues. These three issues are prevalent in any survey data collection method and need to be addressed before continuing a SEM analysis. The key assumptions of maximum likelihood are large samples (required for asymptotic unbiasedness); indicator variables with multivariate normal distribution; a valid specification of the model; and continuous interval-level indicator variables. For example, biased results can be introduced by non-random missing data, the violation of parametric techniques for data normality assumptions and outlier effects. This study has overcome the problems with missing data, outliers and normality. The data from the structured interviews is analysed using descriptive analysis, confirmatory factor analysis (CFA) and structural equation modelling (SEM). Descriptive analysis is used to give the overall picture of the respondents' demographic profiles. Confirmatory factor analysis (CFA) is conducted to evaluate whether the sub scales actually fall into the right group. This is to address the issue of scale measurement construct validity. A Cronbach alpha test will also be conducted to address the issue of the reliability of the scale measurement. The final analysis involves Structural Equation Modelling (SEM) that aims to identify the interrelations between the latent variables.

Guidelines for Establishing Acceptable and Unacceptable Fit

Guidelines in assessing the measurement and structural model are based on the several Goodness of Fit indices (GOF). SEM has three categories of goodness-of-fit: absolute fit measures, incremental fit measures, and parsimonious fit measures. The absolute fit measure determines the overall model fit. The tests used in the absolute fit measures are likelihood ratio χ^2 statistics, the goodness-of-fit index (GFI), and the root mean square error of approximation (RMSEA). The second category, called the Incremental Fit measure, evaluates the proposed model compared to the baseline model (also known as the independent model). Examples of this measure are the adjusted goodness-of-fit index (AGFI), the normed fit index (NFI), the incremental fit index (IFI), and the comparative fit index (CFI). The third category is the Parsimonious Fit measure, which includes the parsimonious normed fit index

(PNFI), the parsimonious comparative index (PCFI), and the Akaike information criterion (AIC). The magic 0.90 cut off is normally used for several indices such as CFI, and TLI. However, Hair et al. (2006) differentiated the cut off for the indices based on the sample size and the number of variables (m). The following table shows the respective indicators of acceptable GOF indices across different model situations.

Table 2: Characteristics of Different Fit Indices Demonstrating Goodness of Fit across Different Model Situations

| No of vars (m) | N < 250 | | | N > 250 | | |
|----------------|---|--|--------------------------------------|---|--------------------------------------|--------------------------------------|
| | $m \leq 12$ | $12 < m < 30$ | $m \geq 30$ | $m \leq 12$ | $12 < m < 30$ | $m \geq 30$ |
| χ^2 | Insignificant p-values expected | Significant p-values can result even with good fit | Significant p-values can be expected | Insignificant p-values can result with good fit | Significant p-values can be expected | Significant p-values can be expected |
| χ^2/DF | < 3 | < 3 | < 3 | < 3 | < 3 | < 3 |
| CFI or TLI | ≥ 0.97 | ≥ 0.95 | > 0.92 | ≥ 0.95 | ≥ 0.92 | ≥ 0.90 |
| RNI | May Not diagnose misspecification as well | | | ≥ 0.95 | > 0.92 | > 0.90 |
| SRMR | Could be biased upward | ≤ 0.08 CFI ≥ 0.95 | ≤ 0.09 CFI ≥ 0.92 | Could be biased upward | ≤ 0.08 CFI ≥ 0.92 | ≤ 0.08 CFI ≥ 0.92 |
| RMSEA | < 0.08 CFI ≥ 0.97 | < 0.08 CFI ≥ 0.95 | < 0.08 CFI ≥ 0.92 | < 0.07 CFI ≥ 0.97 | < 0.07 CFI ≥ 0.92 | < 0.07 CFI ≥ 0.90 |

Source adopted from Hair et al. (2006, p. 753).

In the current study, the number of samples is 560 and the number of variables is greater than 30. Therefore, the current study will use the far right column in the table above. However, some argue that values above 0.9 are acceptable cut offs (Bentler and Bonnett 1980; Hoyle and Panter 1995). This rule is often disputed and disregarded (Bollen 1989; Hoyle and Panter 1995). Cohen (1988), for example, has a lower cut-off, of 0.8 (Wong and Jeffery 2002). Bollen (1989) suggested that a significant criterion “may be simply to compare the fit of one's model to the fit of other, prior models of the same phenomenon” (Wong and Jeffery 2002, p. 9). For example, quoted from Moss (2009), a CFI of 0.85 may represent progress in the context of a study where the best prior model had a fit of 0.70 (Bollen 1989). Therefore, since this is an initial study in the context of ICCs, any results obtained presently can then become the cut off for future studies.

4.0 Findings

In this section, comparison is made based on the levels of religiosity of the respondents. The data is divided into four religious groups 1) highly religious, 2) moderately religious, 3) casually religious and liberal. This subsection aims to answer whether religiosity levels moderate overall customer satisfaction. The four religious groups were segregated using the religiosity index. The hypothesized relationships between 11 latent variables and credit card users' satisfaction are explored. The full structural models for group-1 (highly religious; n= 110), for group-2 (moderately religious; n= 170), for group-3 (casually religious; n=130) and group 4 (liberal; n=150) respectively. In addition, Most of the GOF results are below the thresholds with Cmin/df of 1.7787, CFI of 0.85, TLI of 0.84, RMSEA of 0.037 and Pclose of 1.00, NFI of 0.71, GFI of 0.65, AGFI of 0.61. Even though the results are relatively low, they provide some theoretical insight into the impact of religiosity towards customer satisfaction. This study suspects that the low GOF index problems are due to the liberal group results having a negative covariance, which provide an inadmissible solution in AMOS. This might be due to the model not being suitable for the liberal group but the model is good for the other three groups. However, as this is a new finding, we can still accept the overall model fitness as the cut off for future studies. The most important part is the relationship between the constructs with customer satisfaction for the various religious groups. Table 4 provides a model fit summary for each dataset. The structural equation coefficients and their critical ratios are summarized in Table 4.

Table 3: The Relationships between 2nd Order Constructs and Latent Constructs (Religiosity)

| 2 nd Order Construct | Latent Construct | β | Highly Religious | β | Moderately Religious | β | Casual Religious | β | Liberal |
|---------------------------------|----------------------------|---------|-------------------|---------|----------------------|---------|-------------------|---------|-------------------|
| FSQ | Reliability | 0.9352 | H2 Supported | 0.9192 | H2 Supported | 0.9192 | H2 Supported | .8700 | H2 Supported |
| | Assurance | n/a | H4 Not Supported | n/a | H4 Not Supported | n/a | H4 Not Supported | n/a | H4 Not Supported |
| | Tangible | 0.8489 | H1 Supported | 0.8713 | H1 Supported | .8713 | H1 Supported | .6123 | H1 Supported |
| | Empathy | 0.8714 | H5 Supported | 0.8335 | H5 Supported | 0.8335 | H5 Supported | .8003 | H5 Supported |
| | Responsiveness | 0.8062 | H3 Supported | 0.8494 | H3 Supported | .8494 | H3 Supported | .7677 | H3 Supported |
| | Staff Conduct | 0.9403 | H19 Supported | 0.9626 | H19 Supported | .9626 | H19 Supported | .9011 | H19 Supported |
| TSQ | Technical solution ability | 0.949 | H8 Supported | 0.9355 | H8 Supported | .9355 | H8 Supported | .8727 | H8 Supported |
| | Employee Knowledge | 0.9330 | H9 Supported | 0.8493 | H9 Supported | .8493 | H9 Supported | .8085 | H9 Supported |
| | Communication | 0.8001 | H21 Supported | 0.9005 | H21 Supported | .9005 | H21 Supported | .7306 | H21 Supported |
| | Employee Technical Ability | n/a | H10 Not Supported | n/a | H10 Not Supported | n/a | H10 Not Supported | n/a | H10 Not Supported |
| | Technology | 0.6961 | H20 Supported | 0.8237 | H20 Supported | .8237 | H20 Supported | .6693 | H20 Supported |
| RESQ | Shari'ah Compliance | 0.8782 | H13 Supported | 0.9057 | H13 Supported | .9057 | H13 Supported | .8848 | H13 Supported |
| | Ethical dimension | 0.6531 | H22 Supported | 0.4281 | H22 Supported | .4281 | H22 Supported | .5782 | H22 Supported |

Table 4 shows the results from the multi-group analysis of the different religious groups. The three 2nd order constructs (FSQ, TSQ and RESQ) are shown in the first column. The latent constructs for the 2nd order constructs are shown in the second column. The standardised regression weights (β s) for the respective constructs are shown in the 3rd column, and the hypotheses for the four different religious groups are shown in the 4th, 6th, 8th and 10th columns. Now, turning to the β s for the individual constructs in the FSQ (across all four religious groups) it is revealed that all the hypotheses (H1, H2, H3, H4 and H19) were supported except for the assurance construct (H4). All the β s for the individual construct were above 0.7 except for the tangible dimension (0.6123) as shown for the liberal group. Turning to the TSQ's 2nd order constructs, only four latent constructs hypotheses were supported (H8, H9, HP20 and H20). The Employee Technical Ability (ETA) did not converge successfully, and H10 was rejected. In addition, all of the β s were above 0.7 except for technology construct (0.6961 – highly religious and 0.6693 – liberal). As for the RESQ second order construct, both latent constructs (Shari'ah Compliance (H13) and ethical dimensions (H22)) were supported. The β s for SC were above 0.7. However, the β s for the ethical dimension were below 0.7 for the groups (i.e. 0.4281 – moderately religious, 0.4281 – casually religious and 0.5782 – liberal). Nevertheless, the β s for the highly religious group was high at 0.8331. In examining all the models (FSQ, TSQ and RESQ) as an integrated model, 10 out of 12 hypotheses were supported, as shown in Table 4. Even though the model GOF is

marginally accepted, the causal relationship between the constructs and the dependent variable were more beneficial for understanding the human behavioural effects for the banking industry taking religiosity as a moderating variable. These relationships are shown in the following table.

Table 4: The Relationships between 2nd Order Constructs and Overall Satisfaction (Religiosity)

| Latent Construct | β | Highly Religious | β | Moderately Religious | B | Casually Religious | β | Liberal |
|---------------------------------|---------|------------------|---------|--------------------------|-------|--------------------------|---------|------------------|
| RESQ => Shari'ah Satis | .8782 | H15 Supported | .9299 | H15 Supported | .9297 | H15 Supported | .9588 | H15 Supported |
| RESQ => Ethical Satis | .6531 | H23 Supported | .3872 | H23 Supported | .4355 | H23 Supported | .4289 | H23 Supported |
| FSQ => FSQ Satis | .8667 | H6 Supported | .8422 | H6 Supported | .8711 | H6 Supported | .7745 | H6 Supported |
| TSQ => TSQ Satis | .7520 | H11 Supported | .8634 | H11 Supported | .7454 | H11 Supported | .7253 | H11 Supported |
| Shari'ah Satis => Overall Satis | .2518 | H15 Supported | .4891 | H15 Supported | .5090 | H15 Supported | .2515 | H15 Supported |
| Ethical Satis => Overall Satis | .4847 | H24 Supported | .2268 | H24 Supported | .2656 | H24 Supported | .3312 | H24 Supported |
| FSQ Satis => Overall Satis | .0839 | H7 Not Supported | .1743 | H7 Supported | .0348 | H7 Not Supported | -.0899 | H7 Not Supported |
| TSQ Satis => Overall Satis | .2082 | H12 Supported | .1379 | H12 Marginally Supported | .1304 | H12 Marginally Supported | .2328 | H12 Supported |

Table 4 presents the relationships between the 2nd order constructs and customer satisfaction. The first column shows the directions of the causal relationships between the 2nd order constructs and customer satisfaction. The standardised regression weights (β s) are presented in the 2nd, 4th, 6th and 8th columns for the individual religious groups (i.e. highly religious – column 3, moderately religious – column 5, casually religious – column 7, and liberal – column 9). Turning to the causal relationships between the 2nd order constructs and customer satisfaction, the constructs were mediated by the observed variables entitled FSQ satisfaction (FSQ Satis), Technical Service Quality Satisfaction (TSQ Satis) and Religious and Ethical Service Quality Satisfaction (*Shari'ah* compliance satisfaction – *Shari'ah* Satis and Ethical Dimension – Ethical Satis). The relationships of RESQ => *Shari'ah* Satis were positive for all four religious groups. The relationships of RESQ => Ethical Satis were also positive and significant for all four religious groups. However, the β s were lower compared to the relationships between RESQ => *Shari'ah* Satis. As for the relationships of FSQ => FSQ Satis, all the β s were positive across all four religious groups. In addition, the relationships of TSQ => TSQ Satis were all positive and were also significant across all four religious groups. Turning now to the relationships of *Shari'ah* Satis, Ethical Satis, FSQ Satis and TSQ Satis with overall satisfaction (Overall Satis), four hypotheses were tested (H15, H24, H7 and H12). H15 and H24 were supported across all four different religious groups (i.e. *Shari'ah* Satis => Overall Satis and Ethical Satis => Overall Satis). However, the degree of the relationships varies between the religious groups. For instance, the degrees of the *Shari'ah* Satis relationship towards Overall Satis for the highly religious and liberal groups were lower compared to the moderately and casually religious groups. In contrast, the relationships of Ethical Satis => Overall Satis were the opposite of this. In addition, the degree of the relationships between FSQ Satis=> Overall Satis, the results show that the impact of FSQ Satis were minimal (low β s), though they were also not significant towards Overall Satis across the religious groups except for the moderate religious group. As for the relationships of TSQ Satis => Overall Satis, H12 was supported for the highly religious group, marginally supported for the moderate and casually religious groups and not supported for the liberal group. Nevertheless, the strengths of the relationships are relatively low, being in the range of 0.104 to 0.2082. In summary, only the relationships between TSQ Satis => Overall Satis for the liberal group and FSQ Satis => Overall Satis for the highly religious group were not significant. H7 was not supported for the liberal group highly religious group. All of the other

relationships hypotheses across the religious groups were positive (except for H7 – liberal) and significant.

Conclusion

This study has successfully contribute to knowledge by integrating the three dimensions of service quality i.e. FSQ, TSQ and RESQ in a single model. In addition, the study has also provide empirical evidences that religiosity is a moderator to customer satisfaction in the context of Islamic banking. This study has proven that religion has a significant impact during post purchase because the consumers' perception of whether the bank is complying with the *Shari'ah* or the ability of the bank to fulfil divine laws and regulations have been satisfied. The customer satisfaction model for Islamic banking is different from conventional banking, based on religious factors because *Shari'ah* compliance positively affecting customers' satisfaction. This is an interesting finding contribution for the academic community because, firstly, the findings of the study show that not only does religion affect consumers' pre-purchase decision-making and their consumption, but it also affects their post-purchase behaviour too (i.e. their levels of satisfaction). Secondly, a positive relationship with the ability of a bank to comply with the *Shari'ah* rules and regulations shows that banks' customer satisfaction can be increased with the organisation's effort toward fulfilling religious obligations. This is in support with the study conducted for a single Islamic bank's customers in Kuwait by Othman and Owen (2002) using Servqual and compliance with *Shari'ah* and the Carter model. Their study has replicated Carter in the Malaysian context by several authors such as Muslim and Zaidi (2008), Osman, et al.,(2009) and Sadek et al., (2010) and strengthened the argument that banks' complying with *Shari'ah* positively affects customer satisfaction. However, this study has extended Othman and Owen (2002) by including technical service quality and segregating the compliance with *Shari'ah* into a separate second order construct with another construct (i.e. the ethical dimension). The second order construct is labelled religious and ethical service quality satisfaction. In addition, the respondents were representative of various credit card users from different bank institutions in Malaysia, including Islamic and conventional banks' customers. However, since this study only focuses on Muslim consumers, the application of the study to other religions might not provide similar results. Nevertheless, the application of a similar study to other Muslim countries would be relatively similar if the respondents have similar demographic profiles. Furthermore, different levels of religiosity affect customers' satisfaction and they vary between different groups. For instance, this study has found that the levels of religiosity have different degrees of impact on levels of satisfaction and it is interesting to note that the highly religious group reports a lower impact on their perceptions of the ability of the banks to comply with *Shari'ah* rules and regulations towards satisfaction compared to the moderate and casually religious groups. In addition, the highly religious group has a higher degree of positive relationship between the ethical dimension and satisfaction compared to the moderately, casually religious and liberal groups. In addition, the highly religious people are more satisfied if the banks operate ethically. While the highly religious group puts more emphasis onto the ethical dimension, the moderately and casually religious groups put more emphasis on *Shari'ah* compliance.

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Cultural Patterns of the Gen Y Conspicuous Consumption Behavior

Cultural Patterns of the Gen Y Conspicuous Consumption Behavior: A Perspective on Consumer's Level and Intensity of Religiosity

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ABSTRACT

Religion is part of culture that helps explain shared attitudes, beliefs, norms, values, and behaviors of a society. Therefore, the key question is how does religion predicts the conspicuous behavior of people towards the purchase of luxury goods? How do the different levels of religiosity shape consumer's decision making process? In specific, we are interested to explore 'religiosity' as one of the predictive factors of a consumerism culture that may help explain why people engage in conspicuous consumption. Our goal in this paper is to shed light on the cultural patterns of conspicuous consumption behavior based on religiosity, i.e. different levels and intensity of their religious values. In specific, we will further discuss and present three propositions based on a general 'value-attitude-behavior' research framework that suggest the effect of religious commitment and affiliation on conspicuous consumption behavior. Finally, we will conclude the paper with some important directions for future research in the context of Gen Y consumers.

Introduction

As an emerging economy, the consumers from the Asian market are expected to engage in conspicuous consumption behavior to purchase global brands due to the market demands and increasing income level. Apparently, there is a high growth of Gen Y consumers where patterns and preferences of their consumptions differ from other generations of the markets segmentations. Gen Y can be classified as potential consumers with age range between 14-31 years old. Gen Y consumers are becoming the key interest for researchers especially in consumer behavior. Previous studies on Gen Y focused only on the demographic factors and the characteristics of this generation without much understanding on their conspicuous consumption behavior (Bakewell & Mitchell, 2003). In today's affluent market, Gen Y are becoming more compulsive to buy branded goods since they are 'status-conscious' or they begin to crave or desire for an affluent lifestyles with opulent tastes.

Marketers have recognized a huge opportunity with this market segment, especially in the area of luxury goods. This huge potential was first identified by research studies on Generation Y, where Generation Y consumers were recognized as strong branded product purchasers (Bakewell & Mitchell, 2003). This is because Gen Y consumers are keen to be different from others; they want to be unique. This accords with the finding from Tian, Bearden, and Hunter (2001) study, who found that the search for uniqueness among consumers decreases as age increases. In short, the younger the person, the more they seek for uniqueness. This finding assisted marketers by showing them that if they wish to target their products more toward young people (who are an increasing percentage of the market) they must provide some uniqueness in their products to make them appealing to this consumer group.

Fortunately, for luxury manufacturers and retailers, luxury products often meet the uniqueness criteria for their consumers. One way that Generation Y consumers attempt to become unique is to consume more branded products and luxury brands, because they believe that brand name products are exclusive (accessible to only a few). Moreover, research has shown that Gen Y consumers tend to be affluent, meaning they can afford to buy luxury products (Martin & Turley, 2004), and that they have high buying power compared to the previous generation. This generational cohort has been recognized as having a different shopping style than previous generations. They are more interested in brand name products (Bakewell & Mitchell, 2003; Howe & Strauss, 2007), seek out more conspicuous products (Taylor & Cosenza, 2002), and love to shop especially for brand name products (Goldgehn, 2004). Research has also found that Gen Y consumers are a key market for publicly consumed luxury items (Eastman & Liu, 2012). Gen Y consumers are believed to be more affluent, technology literate and highly educated (Martin & Turley, 2004). Taken together, these characteristics indicate that young consumers, specifically those between 18-24 years old ("college age Generation Y"), tend to behave

conspicuously and engage heavily in status consumption (Riquelme, Rios, & Al-Sharhan, 2011).

Objective of the Study

It is clearly noted that there is a need to study this particular niche of generation Y consumers and their motivation toward the purchasing of luxury or branded items and conspicuous consumption behaviour. In this paper, our focus is on the aspects of religious belief that may affect consumption behavior of the Gen Y. Lindridge (2005) and Mokhlis (2009, 2010) clearly stated that religion's influence on consumer behavior is still under-researched. Our premise lies on the view that culture is a way of life, and thus interested to explore whether or not that suggest the same for religion. And if that is the case, how does religion predicts the conspicuous behavior of people towards the purchase of luxury goods? How do the different levels of religiosity shape consumer's decision making process? In specific, we are interested to explore the level and intensity of religiosity on conspicuous consumption. Therefore, it is significant to study 'religiosity' as one of the predictive factors of a consumerism culture that may help explain why people engage in conspicuous consumption. Based on the perspective, it is hoped that the paper can shed light that religious values are significant to conspicuous consumption behavior but with different levels and intensity of religiosity. This paper also provides key implications to global marketers and retailers to tap the Gen Y emergent market as well as generates some important directions for future research in the Gen Y context.

Value – Attitude – Behavior System

Decades ago, William (1979) contends that explicit and fully conceptualized values become the effective criteria for judgment, preferences, and choice. However, Williams's theory does not include attitudes. A study from Carman (1977) stated that values influence behaviors both directly and indirectly through intervening attitudinal variables. This study has developed a model proposing that there are a causal relationship between terminal and instrumental values and consumption behavior. Carman has study how values influence the behavior of shopping and media exposure patterns (directly and indirectly) through the intervention of an attitude of activities, interests and opinions. Therefore, in later years, Homer and Kahle (1988) have introduced a *value – attitude – behavior* sequence system that allows us to better understand the causal effect on behaviors (see Figure 1.0)



Figure 1.0: Research Framework-Model of Values-Attitude-Behavior (Homer and Kahle, 1988)

Our proposed study is thus built on Homer and Kahle (1988) model which illustrate how religious values comprising of commitment and affiliation affects conspicuous consumption and how attitudes toward luxury products further moderate the relationship. In essence, attitudes are essential elements in the consumer behavior field (Gil, 2009). Since early 1960s, the study of attitudes has been an interest of researchers, including how attitudes are developed and established and their influence on human behavior. Attitude is the most important construct in social psychology (Al-Rafee and Cronan, 2006; Allport and Ross, 1967). In general, an attitude can be defined as an individual's preference for (Bass and Talarzyk, 1972) and evaluation of some symbol or object (Katz, 1960). Ajzen (1991) mentioned that attitudes are important factors in marketing because they can help predict an individual's behavior and intention toward certain areas such as consumption or the decision making process (Al-Rafee and Cronan, 2006). A review by Trafimow and Finlay (2001) found that attitude was the best predictor of intention in 29 out of 30 studies. Previously, Beck and Ajzen (1991) had found that attitude is the most significant predictor of intention and this will be the best predictor of the actual behavior.

In this study, consumption is treated as a behavior as a result of the attitude that being hold by an individual. A consumer possession toward an object can be gain through the process of consumption. Therefore, consumption of an object can be divided into two types of possessions: 1) public meaning and 2) private meaning. The meaning of these possessions will further reflect to the behavior of conspicuous consumption. This is because possessions play an important role in communicating information about their possessors and their social relationships (Richins and Dawson, 1992; Douglas and Isherwood, 1979). Thus, we wanted to explore the specific value of one's religiosity on the

behavior of Gen Y. We also wanted to understand how religion is shaped by or is shaping one's cultural values and thus enable one society or group of people to create a new preferred affluent lifestyle. Thus, the following framework is used to develop an understanding of Gen Y conspicuous consumption in the context of Asian market. In the next sub-section we will briefly discuss about religious values in terms of commitment and affiliation and then present three specific propositions based on the research framework

Religious Values and Luxury Culture

Religion is one of basic elements in culture and can influence all aspects of consumer behavior, either directly or indirectly. However, only a limited number of studies have included religion as an element of culture with respect to consumer behavior (Essoo&Dibb, 2004; Mokhlis, 2009). Religion is of interest because it is a cultural factor that exerts an important influence on people's values, attitude and behaviors at both the individual and group levels. Religious factors have an effect on luxury consumption as well as conspicuous consumption. Teimourpour and Hanzae (2011) studied religious factors and cultural factors in order to understand Iranian consumers' behavior with respect to luxury consumption. They found that cultural factors contribute to the differences in Iranian behavior towards luxury products and also identified the role of religion in consumer behaviour.

Religious influences can be studied in relation to many other fields, such as the relationship between religious affiliation and economic behaviour (Mayer & Sharp, 1962, as cited in Sood & Nasu, 1995) or the relationship between religion and consumption (Hirschman, 1983 as cited in Sood & Nasu, 1995).

Although religion's impact on consumption-related behaviour has been studied in the marketing literature, religion has not been examined adequately in consumer behaviour literature (Mokhlis, 2009). Mokhlis (2009) mentioned that there are many reasons for this lack of literature on the topic of religion and consumption, as stated by Hirschman in 1983. The first is that researchers from the fields of consumer behaviour and marketing did not realize that there was a possible link between religion and consumption behaviour. Another reason is that some people view the topic of religion and its relationship to behaviour as taboo, too sensitive for objective study. Finally, religion as a topic may have simply been overlooked by researchers as a variable for consideration in consumer behaviour and marketing research.

In consumer behaviour, the influence of religion can take two forms (Harrell, 1986): direct and indirect. Direct influence refers to the influence of religion on a person's choices, whereas indirect influence refers to the influence of religion on an individual's attitudes and values, which then influence his or her choices (Essoo&Dibb, 2004). Therefore, in this study religion is considered as a value that can guide people's behaviour, especially in the decision-making process of buying luxury goods. Furthermore, Chadha and Husband (2006) also noted that the spread of luxury culture in Asian countries has typically followed a five-stage process. They suggested the following model; called the "spread of luxury model," to better understand luxury consumerism culture among consumers in Asian countries (see Table 1.0).

| Process and Stages of Luxury Culture | Descriptions |
|---|--|
| Stage 1: Subjugation | At that time, the indigenous people lived a miserable life. They had to work hard to live but earned only a little money, and thus lived in poverty. Every country in Asia has gone through this stage. For example, Malaysia, Singapore and India were under British domination for many years. The Philippines lived under centuries of Spanish control and Indonesia under the Dutch. |
| Stage 2: Start of money | In this stage, the economy has grown and people have money for the first time. Household appliances such as televisions sets and washing machines become the new luxury items for the emerging middle class. At the same time, a smaller group of elite consumers are already buying and wearing luxury goods such as Hermes bags and European jewelry (Chadha & Husband, 2006). Among Asian countries, Japan was the first to move into this stage. |
| Stage 3: | In this stage, for collectivist countries, people try to imitate what others do in order to |

| | |
|---------------------------------|---|
| Show off | place themselves in the same strata of society. People try to acquire the symbols of wealth and to display them in the most conspicuous manner. |
| Stage 4: Fit in | This stage is called "fit in" because at this stage the entire society has bought into this new set of rules (the requirement to carry status marker products). Many Asian cultures are firmly in this stage. For example, if the group prescribes that you carry Gucci and Prada, you do exactly that. If you don't carry an appropriate status marker, you are considered socially deficient. |
| Stage 5: Way of life | At this stage luxury brand products have simply become a way of life. According to Chadha and Husband (2006) Japan is in this last stage, as are Hong Kong and Singapore |

Table 1.0: Spread of Luxury Culture Stages (Chadha and Husband, 2006)

Religious Commitment. Religious commitment includes both cognitive and behavioral measures. The cognitive measure can be defined as how strongly an individual holds their religious beliefs (McDaniel & Bunnet, 1990), while the behavioral measure is defined as the level of an individual's participation in organized religious activities (Mokhlis, 2009). In McDaniel and Bunnet (1990), the authors investigated the influence of religiosity on the importance consumers assigned to various retail department store attributes. The authors found that religious commitment was significant in predicting the evaluative criteria of retail departments. For example, consumers with a high degree of cognitive religious commitment viewed sales personnel friendliness, shopping efficiency and product quality as importance factors in selecting a retail store. Essoo and Dibb (2004) conducted a similar study in Mauritius that involved Hindu, Muslim and Catholic consumers. They found that different levels of religiosity correlated with different shopping behaviors; for instance, Muslim consumers, whether devout or casual, showed no difference in shopping behavior except for trendy shoppers. Trendy shopper can be defined as those who "attach more importance to brand names, availability of well-known brands in retail stores and always buying up-market brands" (Essoo & Dibb, 2004, pg.703). Hindu consumers on the other hand fell into four categories: demanding, practical, thoughtful and innovative. Catholic shoppers also fell into four types: demanding, practical, trendy and innovative.

Religious Affiliation. Religious affiliation can be defined as the individual's attachment to a particular religious group. Religious affiliation can be defined as part of one's "cognitive system" (Hirschman, 1983). According to Berger (1961), Gurvitch (1971), and Merton (1937), a cognitive system is a set of principles or beliefs, values, expectations and behaviors which are shared by members of a group (as cited in Essoo & Dibb, 2004). Engel (1976) studied the influence of religious affiliation on consumer behavior in Brazil. He found out that religious groups may differ in their perception of products and services, and that this difference then affects their behavior with respect to purchasing. Another study by Thompson and Raine (1976) also investigated the relationship between religious affiliation and buying behaviour by looking at the factors in play when a consumer considers buying a product at a store attached to a certain religious affiliation. Their results showed that the store sold more products to Protestants than to other religious groups. Other studies have looked at different angles of religious influence, such as the relationship between religious influence and innovation, brand loyalty, weekend entertainment, family decisions on housing and pets, and information processes (Hirschman, 1983).

Religiosity and Conspicuous Consumption Behavior

Conspicuous consumption is a multidimensional construct that can be measured by many variables depending on the social referents that researchers use (Marcoux et al, 1997). In contrast to the study from Marcoux et al (1997) which chose five specific items by which to measure conspicuous consumption (materialistic hedonism, communication of belonging to/dissociation from group, social status demonstration, interpersonal mediation and ostentation), Chaudhuri and Majumdar (2006) examined conspicuous consumption at a conceptual level and discuss the evolution of conspicuousness as shown in previous literature. They suggest that the conspicuous consumption construct need not remain restricted to Veblen's (1899) original meaning.

Moreover, Marcoux, Filiatrault and Cheron (1997) state that social status demonstration is a dimension of conspicuous consumption. However, O'Cass and Frost (2002) tested conspicuous consumption and

status consumption separately in a study of brand association and consumption behavior. The study examined four elements of brand association (brand familiarity, brand symbolism, brand-aroused feeling and self-image/brand image congruency) in the context of status consumption and conspicuous consumption tendencies.

Both types of consumption are variables under consumption behavior. Their analysis of the relationships found that brand symbolism, self-image/brand-image congruency and brand-aroused feelings were the strongest predictors for both status consumption and conspicuous consumption of a specific brand. The evidence suggests that if consumers do not consider these three items (brand symbolism, self-image/brand-image congruency and brand-aroused feeling) to be important, they will not believe that brands can possess status, nor that they are suitable for conspicuous consumption purposes. However, the findings related to brand familiarity indicate that consumers do not have to be familiar with a brand in order to mark that brand as a status brand and conspicuously consume it.

Another study from Chen, Aung, Zhou and Kanetkar (2005) also looked at conspicuous consumption as a dependent variable. Their study investigated the moderating and mediating effect of acculturation on the relationship between Chinese identification and conspicuous consumption of Chinese consumer goods in Canada. Acculturation dimensions may function as moderators or as mediators. The dimensions of acculturation are language, media exposure, social interaction and national (in this case Canadian) identification. The dimensions of conspicuous consumption are status, ostentation and materialism. Chen et al.'s (2005) findings indicate that ethnic identification is related to conspicuous consumption. With all the relevant reviews of the literature, we present three key propositions based on the following research framework (Figure 2.0) of *value-attitude-behavior*.

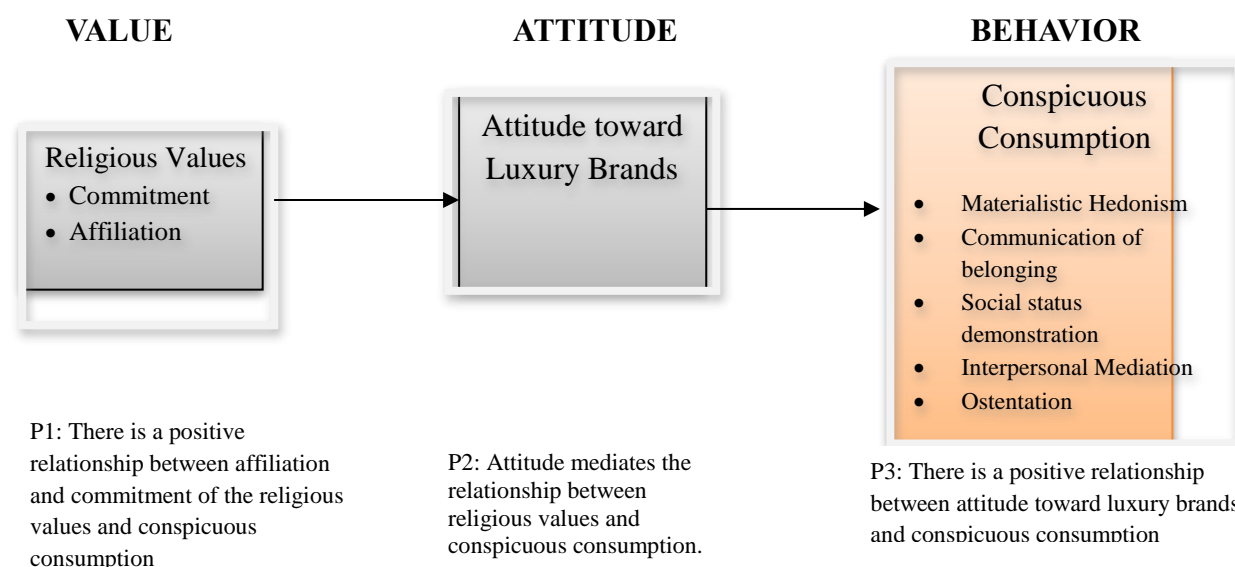


Figure 2.0 Research Framework and Propositions: 'Value-Attitude-Behavior' Model

Conclusion

Cultural patterns exert a significant influence on behavior; as such, it is important both theoretically and practically to investigate and understand their effects on consumer behavior, especially consumption behaviors. The interplay between culture and consumption may strongly affect feelings of self-esteem, since an individual may attempt to alter his or her material possessions as a result of social identity. That is, individuals purchase certain products -- especially luxury products -- for the purpose of comparing themselves with others.

In essence, our argument about cultural influence on luxury purchases needs to be further investigated--in specific from the perspective of the level and intensity of religiosity values. Our propositions as abovementioned suggest that the concepts of conspicuous consumption and luxury are closely related. As a conclusion, conspicuous consumption helps to explain why consumers engage in the consumption of luxury products and services. This form of consumption behavior is an interesting phenomenon because even though the original idea is rooted in economics, it has gained a lot of interest from many other disciplines, in particular—the international marketing field. Hence, explanations from marketing

and behavioral fields are of interest because economics alone cannot explain the concept of conspicuous consumption (Solomon, 1992). Decades ago, Mason (1981) mentioned that there was a lack of integration from these two disciplines (marketing and behavior studies) which needs to be further researched in decades to come as people become more affluent and superfluous in their tastes and preferences, and as the culture supports such behavior and most importantly as the economic capacity increases.

For the future research, our study can also be enhanced from several others aspects and dimensions. For example, although religiosity value of a consumer is one of the main predictors to understand whether people are being superfluous or being moderate, researchers can also look at cultural values as the main determinant of a conspicuous behavior. For example, cultural values such as individualistic-collectivistic can also determine whether people would actually engage in such behavior when they are conscious about their status or not. In a culture such as the collectivistic culture, one's behavior and decision is highly determined by others such as family members and close friends. On the other hand, for an individualistic culture, one's behavior is strongly based on one's opinion, self-interest and less dependent on others.

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Religiosity and Controversial Products and offensive Nature of Advertising

Relationship between Religiosity and Controversial Products and offensive Nature of Advertising Appeals

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Abstract

Studies have shown that religiosity is an important variable in determining consumer behaviours. This research paper attempts to investigate the relationship between religiosity and controversial products and offensive nature of advertising appeals. A survey of 278 undergraduate students was conducted at a local university located in the South of Peninsular Malaysia. Descriptive analysis and correlations analysis were performed to analyze the data. Results showed that religiosity is positively related to controversial products and offensive nature of advertising appeals. Limitations and directions for future research are discussed towards the end of this paper.

Keywords: Religiosity, Offensive advertising, Consumer

Introduction

Religiosity is defined as the degree to which a person adheres to his or her religious values, beliefs, and practices and uses them in daily life (Worthington Jr. et al., 2003). In consumer behaviour field, researchers have used religiosity construct to determine a number of consumer behaviour. This paper aims to investigate the relationship between religiosity and controversial products and offensive nature of advertising appeals. The paper begins by providing literature related to the role of religion in determining consumer behaviour. Then, the methodology section provides the data collection procedure along with measures adopted followed by a presentation of results. A final section discusses limitations and directions for future research.

Advertising can assume many roles and functions. According to Mohd Sidin and Noorbathi (2002, pp. 25-26), basic functions of advertising range from introducing product to customers and differentiating one product from another, sending information on the product, features, and place, encouraging customers to try new products and suggest repeat customers, encourage product distribution, increasing the numbers of product users and lastly, building brand loyalty. Wells, Moriarty, and Burnett (2006, p. 10) on the other hand, suggested functions of advertising such as building awareness of products and brands, create brand image, provides product and brand information, persuade people, provide incentive to take action, provide brand reminders, and lastly reinforce past purchases and brand experiences. All of these different functions can be categorized under five major functions; marketing, communication, education, economy and social functions (Bovee & Arens, 1986).

Religiosity and Consumer Behaviour.

A number of studies support the application of religiosity construct in consumer research (e.g. Sood and Nasu, 1995, Delener, 1994, Delener, 1990). For instance, Sood and Nasu (1995) examine the effect of religiosity on shopping behaviour between Japanese and American consumers. They found that there is no difference in consumer shopping behaviour between devout and casually religious Japanese individuals. Sood and Nasu (1995) attributed this to the fact that religion is not an important element in the overall Japanese culture. On the other hand, in the USA devout Protestants were found to be: more economic, they bought products on sale, shopped in stores with lower prices, were open to buying foreign made goods, believed that there was little relationship between price and quality, tended not to believe advertising claims while preferring subtle and informative advertisements.

The significant role of religiosity on perceived risk in purchase decision has been explored by Gentry et al. (1988) whose study reported that residents in areas with higher levels of religiosity perceive higher levels of risk with new products. Their findings are corroborated by Delener's (1994, 1990) two studies which indicate that pro religious consumers tended to perceive higher risks than non-religious consumers. Delener (1994) concluded that marketers should emphasise the decision maker's religiousness in decision making process.

Siguaw and Simpson (1997) examined the effects of religiosity among Catholic, Protestant, Fundamentalist and others on two important shopping characteristics: Sunday shopping and outshopping. The results of their study verify that religiosity has a significant effect on outshopping behaviour and attitudes as well as on Sunday shopping behaviour and beliefs. Individuals scoring high on the spiritual and devotional dimensions spent significantly fewer of their retail dollars outshopping than their less religious counterparts. Similarly, McDaniel and Burnett (1990) suggest that religiosity may be significant in predicting the importance individuals place on certain store evaluative criteria. The results from their study show that consumers with a high degree of cognitive religious commitment viewed the friendliness of sales personnel, shopping efficiency, and product quality as being of greater importance in selecting a retail store than did those low in cognitive religious commitment. Study by Choi et al. (2010), on the other hand, investigates how the consumer's use of various product information sources can differ depending on their levels of religiosity (i.e. high, low, and none). Highly religious Korean consumers are more likely to choose members of their same religious group when they look for product information than those consumers who are less religious. This finding indicates that when consumers are more religiously devoted, they are more likely to hear opinions or thoughts about products from those who believe and practise the same religion.

Vitell et al. (2005) investigate the role of religiosity in determining consumer attitudes and beliefs in various situations regarding questionable consumer practices. Two dimensions of religiosity were studied, which are: intrinsic and extrinsic religiousness. Their results indicate that an intrinsic religiousness was a significant determinant of consumer ethical belief while extrinsic religiousness was not related to those beliefs.

Religiosity and Advertising.

The influence of religiosity on consumer behaviour has also been investigated in the aspect of consumer attitudes toward advertising (Fam et al., 2004, De Run et al., 2010, Michell and Al-Mossawi, 1995, Rice and Al-Mossawi, 2002). For instance, Michell and Al-Mossawi (1995) investigated the religiosity effect on consumer attitudes toward advertising messages among Christians and Muslims. They found that both Christian and Muslim respondents with higher levels of religiosity had significantly less favourable attitudes towards a contentious message, and conservative Muslims had much lower recall scores than liberal Muslims. In another study which used four main religious groups as samples, namely: Buddhism, Islam, Christian and non-religious believers (mainly Taoists and Confucians), Fam et al. (2004) found that Muslims and religiously devout respondents found the advertising of gender or sex related products (e.g. female and male underwear) more offensive relative to other religions. De Run et al.'s (2010) study of Malay Muslims in Malaysia found similar results. In this case the authors found that the more religious groups will react more intensely if the products advertisements contain nudity, sexist images, violence, or subject matter that is too personal. More recently, Akhter (2011) found that level of offensiveness towards advertisements of controversial products was found to be significantly associated with religious perceptions and nature of advertising appeals. Nudity and sexist images as advertising appeals were found to have significant association with the level of offensiveness of the consumers. Based on the previous findings, this study investigates the relationship between religiosity and controversial products and offensive nature of advertising appeals.

Controversial Product Advertising

Apart from that, the ethics in advertising researches also focus on advertising controversial products such as cigarettes, undergarment, condoms, and feminine hygiene products. Those companies with products that can be considered to be offensive to some segments of the public must be aware of the things that might offend their customers and be socially responsible enough to refrain from openly

being offensive (Waller, 2004). Due to the fact that females have direct and indirect influence over purchase decision, it is advisable to consider their perceptions towards advertisements even they are not the intended audience because women adopt certain coping strategies that entail complaining to others thus negative word-of-mouth can lead to the detriment of a brand (Christy, 2006). In another study focusing on business major university students, Waller (1999) found out that the five products/services/ideas that are perceived as offensive by the customers are the advertisements of racially extremist groups, religious denominations, female hygiene products, cigarettes, and political parties.

A cross-cultural study done to access the nature of advertising of controversial products in New Zealand, UK, Malaysia and Turkey has confirmed that racism and racist images are of concern to all those sampled (Waller, Fam, & Erdogan, 2005). While most of the studies done on offensive advertising are focused on print media and television, the introduction of new technologies have opened a new media that are also prone to offensive advertising and such media can be best represented by the Web. A survey of 240 respondents in Hong Kong has found out that the respondents indicated that gambling and online chatting services have been chosen as the most offensive products to be advertised on the Web (Prendergast & Hwa, 2003). It was also found out that the level of advertising offensiveness can affect the outcome of the customers' purchase intentions (Prendergast, Ho, & Phau, A Hong Kong View of Offensive Advertising, 2002).

Apart from that, the autonomy of making purchasing decision is very important to the consumers. Some scholars argue that the unethical practice of advertising also deny the autonomy and privacy of consumers (Sneddon, 2001). Some forms of irrational persuasion may have an adverse effect on consumer autonomy and therefore should be considered as immoral (Emamalizadeh, 1985). There are also scholars who believe that it is up to the customers' judgment in purchasing decision but this argument is refuted by Crisp (1987) who believes that persuasive advertising manipulates the customers without their knowledge and for no good reason. The heavy use of technical jargon in advertising has undermined consumers' authority in making decision due to lack of formal education and experience of the products themselves (Gaudio, 2007).

Methodology

The present study employed quantitative (i.e. survey questionnaire) method in the collection of the primary data. The data collection process was conducted over a period of six weeks. For the purpose of this study, survey questionnaires were distributed to students aged between 18 and 25 year old studying at a local university in the South of Peninsular of Malaysia. Students studying at this university come from all over Malaysia. A total of 278 survey questionnaires were received and accepted to be analysed.

The survey questionnaire was divided into 3 main sections. First section contained a list of controversial products, second section contained a list of five advertising appeals used in advertisements to attract customers and third section contained measuring the level of religiosity. Items for these sections were based on previous studies (De Run et al., 2010, Abdul Shukor and Jamal, 2013, Akhter et al., 2011). All items were measured by asking respondents questions in the form of a five point Likert scale ranging from '1' (strongly disagree or not offensively at all) to '5' (strongly agree or extremely offensive). SPSS software was used to analyse the data. Descriptive statistics, correlation and t-tests were applied to analyse the data. Reliability of the data was measured and the value of Cronbach's Alpha was 0.869 which above the recommended value of 0.7 (Hair et al., 2010).

Findings and Discussion

Descriptive Analysis

This section will report on the frequency for all items related to all constructs in this study. As depicted in Table 1, among the lists of controversial products, it was found that alcohol, cigarettes, condoms and gambling were deemed as offensive by the respondents as evidenced by more than 60% of the respondents answering "offensive" and "extremely offensive". Alcohol was found to be the most offensive among all these controversial products. On the other end, products such as charities, pharmaceuticals, funeral services, weight loss programs and sexual diseases were deemed by the respondents to be not offensive. In terms of advertising appeals for controversial products, sexist images was found to be on top of the list of being the most offensive advertising appeal, with 69.5%

of the respondents claimed that sexist images were “offensive” and “extremely offensive” as summarised in Table 2. Another advertising appeal that was found to be controversial was nudity as shown by 61.9% of the respondents answered “offensive” and “extremely offensive”. The other advertising appeals such as indecent language, western or US images, and anti-social behaviour were not deemed to be offensive. The descriptive analysis for religiosity shown in Table 3 showed that the majority of the respondents agreed or strongly agreed that religion was important.

Table 1: Descriptive Analysis for Offensiveness towards Controversial Products

| Item Name | Not offensive at all | Not offensive | Neutral | Offensive | Extremely offensive | Average |
|--|----------------------|---------------|---------|-----------|---------------------|---------|
| Alcohol | 50 | 13 | 15 | 44 | 123 | 3.86 |
| Charities | 118 | 32 | 44 | 33 | 15 | 2.21 |
| Cigarettes | 43 | 10 | 32 | 60 | 97 | 3.75 |
| Condoms | 50 | 17 | 19 | 37 | 118 | 3.72 |
| Female contraceptives | 29 | 28 | 89 | 42 | 45 | 3.16 |
| Female hygiene products | 34 | 35 | 97 | 46 | 26 | 3.00 |
| Female underwear | 31 | 31 | 73 | 56 | 48 | 3.29 |
| Funeral services | 52 | 41 | 103 | 26 | 14 | 2.61 |
| Gambling | 45 | 12 | 15 | 30 | 135 | 3.85 |
| Guns and armaments | 43 | 16 | 56 | 58 | 63 | 3.35 |
| Male underwear | 43 | 25 | 76 | 45 | 48 | 3.14 |
| Pharmaceuticals | 68 | 43 | 83 | 30 | 14 | 2.51 |
| Political parties | 28 | 26 | 113 | 51 | 20 | 3.06 |
| Racially extremist groups | 26 | 25 | 61 | 61 | 66 | 3.53 |
| Religious denominations | 24 | 29 | 99 | 53 | 31 | 3.16 |
| Sexual diseases (AIDS, STD prevention) | 57 | 24 | 65 | 37 | 51 | 2.98 |
| Weight loss programs | 54 | 26 | 106 | 33 | 19 | 2.76 |

(1=Not offensive at all, 5 = Extremely offensive)

Table 2: Descriptive Analysis for Advertising appeals for Controversial products

| Item Name | Not offensive all | Not offensive | Neutral | Offensive | Extremely offensive | Average |
|-----------------------|-------------------|---------------|---------|-----------|---------------------|---------|
| Anti-social behaviour | 28 | 34 | 98 | 50 | 28 | 3.09 |
| Indecent language | 23 | 20 | 71 | 43 | 80 | 3.59 |
| Nudity | 36 | 16 | 38 | 20 | 126 | 3.78 |
| Sexist images | 39 | 13 | 20 | 34 | 130 | 3.86 |
| Western / US Images | 30 | 17 | 68 | 69 | 53 | 3.43 |

(1=Not offensive at all, 5 = Extremely offensive)

Table 3: Descriptive Analysis for Religiosity

| Item Name | Strongly disagree | Disagree | Neutral | Agree | Strongly agree | Average |
|--|-------------------|----------|---------|-------|----------------|---------|
| I believe in Allah | 0 | 0 | 0 | 3 | 233 | 4.99 |
| I avoid shameful acts | 3 | 1 | 13 | 60 | 159 | 4.57 |
| I always perform my duty as a Muslim (e.g., pray five times a day, fasting during the month of Ramadhan, pilgrimage to Mecca) to Allah | 0 | 0 | 5 | 43 | 188 | 4.78 |
| My religion is not very important to me (<i>negative statement</i>) | 218 | 5 | 1 | 2 | 10 | 1.22 |
| It is important for me to follow Allah’s Commandments conscientiously | 5 | 0 | 3 | 17 | 210 | 4.80 |
| It is not important for me to do good deeds for others (<i>negative statement</i>) | 162 | 42 | 8 | 10 | 12 | 1.57 |
| It is important for me to show good manners to everyone | 3 | 6 | 15 | 45 | 167 | 4.56 |

| | | | | | | |
|---|---|---|----|----|-----|------|
| It is my duty to respect the rights of everyone | 3 | 1 | 7 | 51 | 173 | 4.64 |
| Religious beliefs influence all my dealings with others | 4 | 1 | 18 | 62 | 151 | 4.50 |
| In general, I consider myself as a devoted Muslim | 2 | 0 | 17 | 64 | 153 | 4.55 |

(1=Strongly agree, 5 = Strongly disagree)

Correlation and t-test Analysis

Table 4 showed the results of correlation analysis between religiosity and controversial products. For the correlation between religious perception and the controversial products, the results showed that there were significant associations between religiosity and the following controversial products namely cigarettes ($r=0.139$, $p=0.05$), condoms ($r=0.133$, $p=0.05$), guns and armaments ($r=0.132$, $p=0.05$), and male underwear ($r=0.172$, $p=0.01$). Table 5 shows the results of correlation analysis between religiosity and advertising appeals for controversial products. Results showed that there is a significant positive association between religiosity and anti-social behaviour ($r=0.132$, $p=0.05$). Although there were positive correlation between religious perception and other advertising appeals such as indecent language, nudity, sexist images and western/US images, the correlations between each pair was not significant.

Table 4: Association between religiosity and controversial products

| | | Alcohol | Charities | Cigarettes | Condoms | Female contraceptives | Female hygiene products | Female underwear | Funeral services | Gambling | Guns and armaments | Male underwear | Pharmaceuticals | Political parties | Racially extremist groups | Religious denominations | Sexual diseases | Weight loss programs | Overall R |
|-----------------------|----------------------|---------|-----------|------------|---------|-----------------------|-------------------------|------------------|------------------|----------|--------------------|----------------|-----------------|-------------------|---------------------------|-------------------------|-----------------|----------------------|-----------|
| Alcohol | Pears on Correlation | 1 | -.401** | .816** | .868** | .593** | -.001 | .337** | .072 | .859** | .669** | .521** | -.308** | .130* | .576** | .102 | .097 | -.217** | .108 |
| Charities | Pears on Correlation | -.401** | 1 | -.312** | -.414** | -.146* | .212** | -.120 | .259** | -.447** | -.316** | -.209** | .473** | .152* | -.263** | .163* | .131* | .374** | -.073 |
| Cigarettes | Pears on Correlation | .816** | -.312** | 1 | .777** | .537** | .003 | .225** | .022 | .788** | .527** | .418** | -.217** | .162* | .517** | .103 | .160* | -.120 | .139* |
| Condoms | Pears on Correlation | .868** | -.414** | .777** | 1 | .630** | .034 | .419** | .154* | .823** | .666** | .586** | -.275** | .153* | .545** | .160* | .182** | -.133* | .133* |
| Female contraceptives | Pears on Correlation | .593** | -.146* | .537** | .630** | 1 | .351** | .520** | .287** | .534** | .500** | .510** | -.077 | .223** | .438** | .208** | .249** | .084 | .117 |

| | | Alcohol | Charities | Cigarettes | Condoms | Female contraceptives | Female hygiene products | Female underwear | Funeral services | Gambling | Guns and armaments | Male underwear | Pharmaceuticals | Political parties | Racially extremist groups | Religious denominations | Sexual diseases | Weight loss programs | Overall R |
|---------------------------|----------------------|---------|-----------|------------|---------|-----------------------|-------------------------|------------------|------------------|----------|--------------------|----------------|-----------------|-------------------|---------------------------|-------------------------|-----------------|----------------------|-----------|
| Female hygiene products | Pears on Correlation | -.001 | .212** | .003 | .034 | .351** | 1 | .431** | .342** | -.002 | .049 | .237** | .173** | .195** | .062 | .169** | .185** | .259** | -.022 |
| Female underwear | Pears on Correlation | .337** | -.120 | .225** | .419** | .520** | .431** | 1 | .330** | .310** | .345** | .694** | -.061 | .256** | .256** | .219** | .009 | .082 | .048 |
| Funeral services | Pears on Correlation | .072 | .259** | .022 | .154* | .287** | .342** | .330** | 1 | .092 | .240** | .299** | .309** | .417** | .165* | .340** | .257** | .346** | -.012 |
| Gambling | Pears on Correlation | .859** | -.447** | .788** | .823** | .534** | -.002 | .310** | .092 | 1 | .692** | .500** | -.312** | .181** | .641** | .118 | .139* | -.243** | .107 |
| Guns and armaments | Pears on Correlation | .669** | -.316** | .527** | .666** | .500** | .049 | .345** | .240** | .692** | 1 | .507** | -.189** | .256** | .532** | .233** | .150* | -.063 | .132* |
| Male underwear | Pears on Correlation | .521** | -.209** | .418** | .586** | .510** | .237** | .694** | .299** | .500** | .507** | 1 | -.093 | .314** | .332** | .222** | .047 | .068 | .172** |
| Pharmaceuticals | Pears on Correlation | -.308** | .473** | -.217** | -.275** | -.077 | .173** | -.061 | .309** | -.312** | -.189** | -.093 | 1 | .353** | -.105 | .282** | .329** | .496** | .010 |
| Political parties | Pears on Correlation | .130* | .152* | .162* | .153* | .223** | .195** | .256** | .417** | .181** | .256** | .314** | .353** | 1 | .323** | .510** | .335** | .332** | -.030 |
| Racially extremist groups | Pears on Correlation | .576** | -.263** | .517** | .545** | .438** | .062 | .256** | .165* | .641** | .532** | .332** | -.105 | .323** | 1 | .352** | .201** | -.045 | .028 |
| Religious denominations | Pears on Correlation | .102 | .163* | .103 | .160* | .208** | .169** | .219** | .340** | .118 | .233** | .222** | .282** | .510** | .352** | 1 | .249** | .234** | .061 |

| | | Alcohol | Charities | Cigarettes | Condoms | Female contraceptives | Female hygiene products | Female underwear | Funeral services | Gambling | Guns and armaments | Male underwear | Pharmaceuticals | Political parties | Racially extremist groups | Religious denominations | Sexual diseases | Weight loss programs | OverallR |
|----------------------|----------------------|---------|-----------|------------|---------|-----------------------|-------------------------|------------------|------------------|----------|--------------------|----------------|-----------------|-------------------|---------------------------|-------------------------|-----------------|----------------------|----------|
| Sexual diseases | Pears on Correlation | .097 | .131* | .160* | .182** | .249** | .185** | .009 | .257** | .139* | .150* | .047 | .329** | .335** | .201** | .249** | 1 | .340** | .034 |
| Weight loss programs | Pears on Correlation | -.217** | .374** | -.120 | -.133* | .084 | .259** | .082 | .346** | -.243** | -.063 | .068 | .496** | .332** | -.045 | .234** | .340** | 1 | -.001 |
| OverallR | Pears on Correlation | .108 | -.073 | .139* | .133* | .117 | -.022 | .048 | -.012 | .107 | .132* | .172** | .010 | -.030 | .028 | .061 | .034 | -.001 | 1 |

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

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

Table 5: Association between religiosity and advertising appeals for controversial products

| Correlations | | | | | | |
|-----------------------|-----------------------|-------------------|--------|---------------|-------------------|----------|
| | Anti-social behaviour | Indecent language | Nudity | Sexist images | Western/ US image | OverallR |
| Anti-social behaviour | 1 | | | | | |
| Indecent language | .407** | 1 | | | | |
| Nudity | .269** | .676** | 1 | | | |
| Sexist images | .254** | .627** | .885** | 1 | | |
| Western/ US image | .238** | .541** | .700** | .757** | 1 | |
| OverallR | .132* | .085 | .099 | .075 | .122 | 1 |

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

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

Results in Table 6 showed that there was a significant difference in the score of sexist images for male (M=3.4, SD=1.63) and female (M=3.95, SD=1.49); $t(234) = -2.106$, $p = 0.036$. There was a significant difference in the score of western/US image for male (M=3.0, SD=1.45) and female (M=3.5, SD=1.21); $t(235) = -2.288$, $p = 0.023$. Table 7 showed results of gender differences in offensiveness towards controversial products. The results showed that there was a significant difference in the score of cigarettes for male (M=3.08, SD=1.49) and female (M=3.76, SD=1.45); $t(240) = -2.742$, $p = 0.007$, female underwear for male (M=2.88, SD=1.38) and female (M=3.32, SD=1.24); $t(237) = -2.031$, $p = 0.043$ and sexual diseases for male (M=2.56, SD=1.46) and female (M=3.09, SD=1.44); $t(232) = -2.085$, $p = 0.038$.

Table 6: Gender differences in advertising appeals for controversial products

| | Male | Female | Sig. | t | df | Sig. (2-tailed) | Mean Difference |
|-----------------------|--------|--------|------|--------|-----|-----------------|-----------------|
| Anti social behaviour | 3.0750 | 3.0657 | .168 | .047 | 236 | .962 | .00934 |
| Indecent language | 3.4500 | 3.6041 | .690 | -.685 | 235 | .494 | -.15406 |
| Nudity | 3.4000 | 3.8571 | .085 | -1.745 | 234 | .082 | -.45714 |
| Sexist images* | 3.4000 | 3.9541 | .106 | -2.106 | 234 | .036 | -.55408 |
| Western/ US image* | 3.0000 | 3.4975 | .419 | -2.288 | 235 | .023 | -.49746 |

**. Significant at the 0.01 level (2-tailed).

*. Significant at the 0.05 level (2-tailed).

Table 7: Gender differences in offensiveness towards controversial products

| | Male | Female | Sig. | t | df | Sig. (2-tailed) | Mean Difference |
|---------------------------|--------|--------|------|--------|-----|-----------------|-----------------|
| Alcohol | 3.5000 | 3.7659 | .191 | -.964 | 243 | .336 | -.26585 |
| Charities | 2.2000 | 2.1436 | .943 | .246 | 240 | .806 | .05644 |
| Cigarettes* | 3.0750 | 3.7673 | .765 | -2.742 | 240 | .007 | -.69233 |
| Condoms | 3.2250 | 3.7313 | .048 | -1.821 | 239 | .070 | -.50634 |
| Female contraceptives | 2.9250 | 3.2539 | .056 | -1.531 | 231 | .127 | -.32889 |
| Female hygiene products | 2.8500 | 3.0051 | .117 | -.768 | 236 | .443 | -.15505 |
| Female underwear* | 2.8750 | 3.3216 | .362 | -2.031 | 237 | .043 | -.44661 |
| Funeral services | 2.5500 | 2.6276 | .116 | -.398 | 234 | .691 | -.07755 |
| Gambling | 3.5128 | 3.8990 | .104 | -1.389 | 235 | .166 | -.38617 |
| Guns and armaments | 3.3250 | 3.3520 | .836 | -.110 | 234 | .912 | -.02704 |
| Male underwear | 2.8000 | 3.1929 | .374 | -1.684 | 235 | .093 | -.39289 |
| Pharmaceuticals | 2.4500 | 2.5000 | .287 | -.241 | 236 | .810 | -.05000 |
| Political parties | 2.9000 | 3.0657 | .103 | -.897 | 236 | .371 | -.16566 |
| Racially extremist groups | 3.2750 | 3.5276 | .001 | -1.129 | 237 | .260 | -.25264 |
| Religious denominations | 3.1500 | 3.1633 | .028 | -.068 | 234 | .946 | -.01327 |
| Sexual diseases* | 2.5641 | 3.0923 | .567 | -2.085 | 232 | .038 | -.52821 |
| Weight loss programs | 2.5000 | 2.7828 | .073 | -1.376 | 236 | .170 | -.28283 |

**. Significant at the 0.01 level (2-tailed).

*. Significant at the 0.05 level (2-tailed).

Limitations and Future Research

This study revealed that religiosity is positively related to controversial products and offensive nature of advertising. Findings from this study are consistent with previous studies that show a significant

relationship between religiosity and consumer behaviours. The results obtained from this empirical work must be interpreted in the light of the study's limitations. In this study, survey questionnaires were distributed at a religious-based institution; hence its results might reflect only a section of the whole society. Future studies might want to explore the relationship between religiosity and across generations. Studies examining relationship between these two constructs will have important implications for segmentation, targeting and advertising strategy.

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Expressing herself through Brands: The Arab Woman's Perspective

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Abstract

Purpose. This study extends Wallström et al.'s (2010) six-nation study on brand use and notions of self-expression to Arab women in the UAE. Additionally, it extends the scope of investigation to include an extensive qualitative data corpus to inform and explain the consumption practices of this large, very wealthy, and under-researched sector of the global marketplace.

Design/methodology/approach. Mixed methodology emphasizing qualitative research as a means of building on the results of Wallström et al.'s (2010) quantitative study.

Findings. Results reveal that Arab women are less committed to the idea that beauty care products are a locus of self-expression, and their purchase choices are based on perceived quality of care products, scene of use and their lack of value in the culture as vehicles of conspicuous consumption cues.

Originality/value. The paper offers valuable insights to researchers and practitioners into the use of beauty care products as a means of self-expression, and emphasizes the value of word-of-mouth communication in enhancing reach in this category. The authors recommend the investigation of relationships between expressing self through brands and variables revealed in this study such as respondents' relationships to religiosity and health concerns. An extension of this research is also recommended to produce a cross-cultural body of literature on women's self-expression through brands and how the variable of self-expression can be an important driver of consumer preferences and choices in this population.

Keywords:

Luxury brands, Arab women, female consumers, self expression, beauty care

Halal Brand Association for Islamic Banks: An Exploratory Study

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Abstract

The main aim of this paper is to determine the attributes that constitute halal brand association for Islamic banks. Brand association is a core dimension of brand equity that Islamic bank managers need to develop in order to maintain competitiveness. Islamic banks need to remain competitive for their survival is vital in ensuring the continuous existence of Islamic banking system. Using exploratory factor analysis (EFA), the result reveals that halal brand association for Islamic banks can be categorized into three dimensions: Shari'ah-compliant association, God-consciousness association and corporate social responsibility (CSR) association. The findings also provide empirical evidence that besides the 'halalness' issue, the achievement of Maqasid al-Shariah is also of critical concerns for Islamic banking consumers.

Keywords: brand association, brand equity, Islamic banks

1.0 Introduction

Due to the liberalization of Islamic banking industry, brand equity is one of the marketing strategies that Islamic banks could embark upon in order to achieve long run sustainability (Nasser & Moutinho 1997). Brand equity has drawn great attention from both academic scholars and practitioners for it is regarded as a key source in creating sustainable competitive advantage (Aaker 1993, 1996). In developing brand equity, brand association is one of its core dimensions for brand association essentially provides value and reasons for customers to buy a brand (Aaker 1993, 1996). However, as compared to other brand equity dimension, brand association seems to be very wide-ranging for it may come in many forms (Keller 2003). Hence, a large number of brand associations are coupled with distinctiveness which includes the brand origin, such as religion institution (Uggla 2006).

For Islamic banks, *halal* is a distinct brand association that gives reason for customers to choose an Islamic bank over a conventional bank. At a very narrow definition, Islamic banking is "*halal*" or lawful for Muslims because it is free from elements prohibited by the *Shari'ah* (i.e *riba*, *maisir*, *gharar*) (Quran 2:275, 4:161). However, scholars argue that the term "*halal*" should be viewed in a broader sense for Islamic banks must also contribute to the attainment of socio-economic goals and the *Maqasid al Shari'ah* (*Shariah* objectives) (i.e Dusuki & Abozaid 2007). Nevertheless, thus far, the concept of brand association has been explored primarily from conventional marketing perspective. As in Islam *Tawhid* (Islamic faith) is the guiding philosophical foundation (Dusuki 2008a), the concept of brand association requires the infusion of Islamic philosophy and principles.

2.0 Literature Review

A brand association refers to "anything linked in a memory to a brand" (Aaker 1991:109). Keller (1993:3) used the term 'brand image', but he defined it as "perceptions about a brand as reflected by the brand associations held in consumer's memory". Keller (2003) suggested the forms of associations are all-embracing which include product attributes (Kimpakorn & Tocquer 2010; Till, Back &

Waterman 2011), company (Buil, de Chernatony & Martinez 2008; Wang, Wei & Yu 2008), personality (Buil et al. 2008; Pappu, Quester & Cooksey 2005) and value (Buil et al 2008; Rios & Riquelme 2010) and image (Herdhli & Chebat 2009; Konechik & Gartner 2007). Besides, brand association can be regarded as either a uni-dimensional construct (i.e Kumar, Dash, Satyabusan & Purwar 2013; Yoo & Donthu 2001) or a multi-dimensional construct (i.e Buil et al. 2008; Kimpackorn & Tocquer 2010; Mourad, Ennew & Kortam 2011).

In Islamic banking context, Ismah (2011) has recently developed a corporate image scale for Islamic banks. The scale consists of two dimensions: performative and institutional. The performative image is adapted from Davies Corporate Character Scale where it comprises the sub-dimensions of 'agreeableness', 'competence' and 'entrepreneurship'. Meanwhile, the institutional image is developed from in-depth interviews and it consists of two sub-dimensions which have been labelled as 'God-consciousness' and 'Corporate Social Responsibility' or CSR. The 'God-consciousness' dimension includes images such as 'pious', Islamic', *tawadduk* (humble), 'trustworthy', 'fair' and 'transparent' whereas elements under the CSR dimension are 'benevolent' (caring), 'charitable', 'environmental friendly', 'sympathetic' and 'socially responsible'.

Ismah (2011)'s work offers insights that for Islamic banks, the brand is associated with its origin that is Islam. According to Uggle (2006:793), religion is a form of institutional association - "subtle cultural associations without explicit commercial character". This kind of association is influential for it is embedded in societal context and culture, thus have assumed meaning and value in the consumers' mind (Uggle 2006). In Islamic banking environment, *halal* is an association which is founded on the institutions of religion (Chapra 1985). "*Halal*" is an Arabic word which means lawful or permissible (Baalbaki 1992). It is a unique attribute which distinguishes Islamic banks' brands from their conventional counterpart, derived from the principles that are laid down by the divine revelations or *Shari'ah* that govern the business and consumption activities of a Muslim (Quran 2:275, 4:161).

In the context of Islamic banking, the term "*halal*" is primarily associated with its *Shari'ah*-compliant attribute. Othman and Owen (2001:10) defined compliance to *Shari'ah* as the "bank's ability to fulfil the Islamic law and to operate under the principles of Islamic banking and economy" where it is conjectured as one of service quality dimensions for Islamic banks. However, as *Sharia'h*-compliant is a distinctive attribute for Islamic banking (Othman & Owen 2001), it merits the dimension to be treated as an element uniquely associated with a *halal* brand. Even though Islamic banks perform similar functions as conventional banks, the model must be designed to comply with the central tenets of Islamic law (Dusuki & Abdullah 2007).

Thus, though the products offered by the Islamic banks seem to be similar with that of conventional banks' (Haron 2007), the transactions are conducted through the use of various Islamic finance concepts such as *Ijarah* (leasing), *Bai' Bithaman 'Ajil* (deferred payment), *Murabahah* (cost-plus financing), *Mudharabah* (profit sharing) and *Musharakah* (partnership). Under these contracts, an Islamic bank acts either as a seller or an investor/partner, rather than a creditor earning profits through charging interest (Chapra 1985). Essentially, they must be based on major doctrines founded on the *Shari'a* injunctions and orders which includes banning of *riba* (interest), prevention of *gharar* (speculation and gambling type transaction), forbidding the creation of money on money and any other *haram* (non-permissible) activities and profit and loss sharing (PLS) concept (Elfakhani, Zbib & Ahmed 2007). Besides, Islamic banks are also obliged to pay *zakat*, or almsgiving, as one of the pillars, or duties, of the Islamic faith (Chapra 1985; Warde 2000).

Nevertheless, while the absence of those prohibited elements is an indispensable characteristic of Islamic banking system, the term *Shariah*-compliant must also comprehensively characterize the aspects of *maslahah* and *maqasid al Shari'ah* (Siddiqui 2004). Hence, in congruent with the spirit of *Shari'ah* and the overall Islamic worldview; the objective of Islamic banks cannot solely be profit-oriented (Dusuki 2008b). Islamic banks have socio-economic purpose, thus, they must also aim to promote Islamic norms and values as well as protecting the need of the Muslim *ummah* (society) as a whole (Chapra 1985, Dusuki 2008b). In fact, these are the 'substance' that Islamic banks must look into in structuring their financial products (Dusuki & Abozaid 2007). Thus, focusing on the 'forms' and legal technicalities though important, is not enough to ensure the full achievement of the *Shari'ah* objectives (Dusuki & Abozaid 2007).

For instance, *riba* is prohibited for it represents a prominent source of unjustified advantage and is the root to many economics and social crisis (Chapra 1985). In fact the absences of all the prohibited elements (i.e *riba*, *gharar* and *maisir*) contribute to efficiency, transparency and fairness (Chapra 1985). Likewise, the equity financing (such as *Mudharabah* and *Musharakah*) as opposed to loan helps a society to allocate resources in a just and non-exploitive manner (Chapra 1985; Warde 2000). In conventional banking, banks act as lenders who will receive ‘fixed, pre-determined’ compensation from borrowers regardless the outcomes of business ventures (Warde 2000). In Islam, profit and loss are shared equitably between the two parties and the creation of money must be linked to productive investments (Chapra 1985; Warde 2000).

Therefore, for Islamic banks, God-consciousness denotes Islamic personality for Islamic banks assume the role and responsibility towards God (Ismah 2011). God-consciousness is a central concept to the understanding of *Shari’ah* for it implies one’s effort to realize the *Shari’ah* objectives in the ways prescribed by the *Shari’ah* itself (Dusuki 2008b). ‘God-consciousness’ in Arabic language is referred as “*taqwa*” and it is indeed a very crucial element in moulding a Muslim’s character (Dusuki 2008b, Ismah 2011). The word ‘*taqwa*’ is mentioned many times in the Quran (i.e: Quran 3:186, 3:120, 5:27, 11:63-64, 26: 13, 28:2-3) and Imam al Ghazali in his book *Minhaj al-‘Abidin* also explains the importance of *taqwa* for Muslims to achieve *al-falah* that is success in this world and hereafter.

Since their establishment are geared towards gratifying Allah s.w.t, Islamic banks are demanded to act within the framework of Islamic formula (Algoud & Lewis 2007). Indeed, the ideal example to follow is the Prophet Muhammad s.a.w whose moral character is the personification of the Quran (Quran 33:21). Thus, in conducting business, Islamic banks must ensure that they are operating on the ethical doctrines of ‘*adl* and *qist* (justice and balance), *amanah* (trust) and *ihsan* (benevolence) (Beekun & Badawi 2005). They must reflect the God-consciousness image which is transpired through the Islamic moral values and virtues of truthfulness, fairness, justice, trustworthiness, integrity and transparency (Ismah 2011).

In fact, practitioners also acknowledged that *Shari’ah*-compliant banking is experiencing a rapid growth for it offers a more secure and ethical investment as compared to conventional banking (Global Finance 2008). Nevertheless, in Islam; being fair, trustworthy, transparent and honest is not merely regarded as a matter of business strategy but it is an obligation of a true Muslim (Beekun & Badawi 2005). It implies the sense of one’s accountability on his/her actions and deeds which will be judged in the hereafter (Quran 2:283, 8:27, 74:38). Even though profit is vital for a business, it is reckoned that a *Shari’ah*-based brand should be truthful, non-opportunistic and put the customer’s interest above the material gain (Alserhan 2010).

In addition, as *Shari’ah*-based firms, Islamic banks must fulfil social obligations that go beyond profit maximization (Dusuki 2008b; Asutay 2007; Chapra 1985). In achieving the *Shari’ah* objectives, this socio-economic substance is regarded as more important than the form and legal technicalities of an Islamic banking product (Dusuki 2007; Asutay 2007; Chapra 1985). Empirical research also provides evidence that Islamic banks’ stakeholders generally expect that Islamic banks must uphold the social-related objectives while maintaining the commercial aspects of the banking business (Dusuki 2008b). Therefore, an Islamic bank must also reflect a CSR image (Ismah 2011). In fact, this CSR expectation is so prevailing to an extent that there is a misconception that Islamic banking is equivalent to ‘welfare’ or ‘charitable’ finance (Zaid Ibrahim & Co. 2010).

Nonetheless, though CSR concept in the Western literatures has a long history since 1950s (Caroll 1999), CSR in Islam is not merely a strategic or instrumental initiative to enhance goodwill and boost financial performance (Dusuki 2008a). In Islam, the notion of CSR is firmly inscribed within the religious bond where it is the Islamic banks’ duty to realize brotherhood, social quality and equitable distribution in Muslim societies (Dusuki 2008a, Chapra 1985). Besides, corporations as groups of individuals also assume roles and responsibilities as vicegerents (Dusuki 2008a). Hence, they need to utilize and manage resources according to the ways prescribed by God - the ultimate owner of the wealth (Dusuki 2008a, Beekun & Badawi 2005, Saeed, Ahmed & Mukhtar 2001; Syed Othman 1987). Subsequently, this study conceptualizes *halal* brand association as “attributes and benefits of a *Shari’ah*-based brand that consumers relate to an Islamic bank’s brand”. However, as brand equity

has never been explored in Islamic banking context; the existing scale of brand association is not suitable with the study context. Therefore, this paper attempts to fulfil this gap by determining the attributes that constitute *halal* brand association for Islamic bank using exploratory factor analysis (EFA).

3.0 Methodology

The study was conducted in two stages combining qualitative and quantitative data gathering. The first stage involved expert interviews which purpose is particularly to tap the knowledge of those who are familiar with the subject matter being investigated (Churchill 1979), particularly in determining the elements of *halal* brand association. Subsequently six in-depth interviews were conducted and the respondents include practitioners at managerial positions as well as experts and consultants of Islamic finance and banking areas. In the second stage, quantitative study was conducted through survey method. Self-administered questionnaire was employed and the survey was distributed using in-office, “drop-off and collect” technique. The target respondents for the survey are adult consumers (above 18 years old), having account(s) with Malaysian Islamic bank(s) who live or work within in Klang Valley area. The data was tested using EFA and the analysis was performed using SPSS Version 19.

4.0 Findings

Through simultaneous exploration on both information sources, through interviews and relevant literature search, an overall picture of the context to be investigated can be established (Churchill 1979). Hence, based on the literatures and expert interviews, an initial thirty two items was generated (Appendix A). Prior to the quantitative test, these thirty-two items were assessed for their content and face validity. This was performed by three experts; a professor in marketing of Islamic banking, an associate professor in marketing and consumer behaviour and a manager in one of the Islamic banks in Malaysia. The results revealed that two of the experts disagree with one item - “Bank XYZ offers interest-free loan”. Therefore, this item was dropped from further analysis, retaining only twenty nine items in the list.

Next, the twenty nine items retained were then subjected to item analysis EFA. Data was collected from the targeted respondents. From 150 questionnaires distributed, 126 questionnaires were returned but only 121 questionnaires were valid for use. The first measure, item analysis; relate to consistency of individual item including the item-to-total correlation and the inter-item-correlation. The results revealed that all the items satisfied the rule of thumb suggested - a minimum of 0.5 for item-to-total correlations and 0.3 for the inter-item correlations (Hair et al. 2010). Then the data was tested using EFA in order to determine the dimensionality of the items. Subsequently, the suitability of data was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of 0.3 and above.

The Kaiser-Meyer-Olkin (KMO) value is 0.941, exceeding the recommended value 0.6 and Bartlett’s Test of Sphericity reached statistical significance ($p=0.000$). Therefore, this supports that factor analysis is appropriate (Pallant 2007). Using extraction method of principal component analysis (PCA) and varimax rotation, the result of first run of factor analysis revealed the presence of four components with eigenvalue exceeding 1, explaining 71.603 percent of total variance. Nevertheless, after further inspection on the rotated solution; cross-loadings items and items below cut-off point 0.5 were deleted (Hair et al. 2010). This exercise resulted a dropping of nine items.

Subsequent factor analysis carried out eventually resulting in a three-factor solution which accounts for 70.481 percent of total variance. The eigenvalues for all the factors are above 1. Factor 1 and factor 2 have seven items each and factor 3 has six items. All the items show good factor loadings ranging between 0.619 and 0.833 and communalities between the range of 0.610 and 0.833 (Hair et al. 2010). Each factor also yields a reliability coefficient of coefficient alphas above 0.90, all of which are above the threshold value recommended (Hair et al. 2010) that is: 0.908 for factor 2, 0.931 for factor 1 and 0.916 for factor 3 (Table 1).

Turning to an interpretation of the dimensions based on the result shown in Table 1, one can see that the first factor delianates a cluster of relationships among the following attributes; “transparent”, ‘justice’, ‘honest’, ‘act with good intention’, ‘*tawaddu*’ (humble), ‘high integrity’ and ‘trustworthy’.

The nature of the highly loaded variables on this factor suggests that this factor can be named as “God-consciousness association”. Accordingly, God-consciousness association can be defined as the “consumers’ perceptions on the Islamic bank’s fulfilment of Islamic ethical principles and virtues” (Ismah 2011; Badawi & Beekun 2005). In essence, this dimension reflects the substance of Islamic banking that is to achieve the *Maqasid al-Shari’ah*. In a broader sense, God-consciousness association is deeply ingrained in the Muslims’ belief of their accountability in the Hereafter. Since this factor has the highest eigenvalue and variance, it necessarily represents the most important dimensions of *halal* brand association.

The second factor defining *halal* brand association is “operated on Islamic laws and principles”, “neither paying or taking *riba* (interest)”, “offer Islamic products/services”, free from “uncertainties”, “act of gambling” and “unethical investment” and “paying *zakat*”. For this, the proposed name for the dimension is “*Shariah*-compliant association”. Hence, *Shari’ah*-compliant association can be defined as the “consumers’ perceptions on an Islamic bank’s ability to fulfil the Islamic law and to operate under the principles of Islamic banking and economy” (Othman & Owen 2001; 2002). Essentially, this dimension reflects the legal and technical forms of ‘*halal*’ which the Islamic banks need to comply in order to be acknowledged as an ‘Islamic bank’. This results is in line with past researchers, that “*shariah*-compliant” dimension distinguishes Islamic banks from conventional banks (Ismah 2011; Amin & Isa 2008; Othman & Owen 2001)

Finally, the results of the factor analysis also reveal that the variables which have loadings on the third factor are contributions towards “*sadaqah*”, “poverty alleviation”, and “social welfare”, “environmental friendly” and “promotes Islamic ways of life and values” amongst staff and public respectively. Apparently, the combination of these variables can be grouped together under the proposed name of “CSR association”. As such, the study proposes that CSR association to be defined as “consumers’ expectations on the moral and religious initiative of an Islamic bank, based on the belief that an Islamic bank must promote social welfare apart from its profit motive.” (Dusuki 2008a). This CSR association dimension essentially supports the consumers’ expectations that Islamic banks cannot be solely profit driven (Dusuki 2008a; 2008b; Ismah 2011).

Table 1: Result of Exploratory Factor Analysis

| Item | Factor 1 | Factor 2 | Factor 3 | Communalities |
|--|----------|----------|----------|---------------|
| Bank XYZ ... | | | | |
| is operated on Islamic laws and principles | | .630 | | .630 |
| is neither paying or taking interest (<i>riba</i>) on deposits and loan | | .757 | | .616 |
| offers islamic product and services | | .633 | | .637 |
| transactions are free from any uncertainties | | .638 | | .663 |
| investments does not involve any act of gambling | | .726 | | .769 |
| does not involve in any unethical investments | | .751 | | .780 |
| contributes some portions of its profits towards the payment of <i>zakat</i> | | .678 | | .656 |
| transactions are transparent | .660 | | | .620 |
| transactions offer justice to both parties (i.e banker and customer) | .745 | | | .776 |
| is honest with its customers | .729 | | | .768 |
| acts with good intention towards its customer | .710 | | | .701 |
| approach seems <i>tawaddu</i> ’ (humble) | .706 | | | .680 |
| shows high integrity | .688 | | | .707 |
| is trustworthy | .687 | | | .738 |
| contributes some of its portion towards <i>sadaqah</i> (charity) | | | .715 | .720 |
| contributes to the alleviation of property | | | .801 | .772 |

| | | | | |
|--|--------|--------|--------|--------|
| contributes to the social welfare | | | .833 | .829 |
| is environmental friendly | | | .787 | .721 |
| promotes islamic way of life amongst its staff | | | .619 | .610 |
| promotes islamic values towards general public | | | .763 | .703 |
| | | | | |
| Eigenvalue | 16.54 | 2.47 | 2.04 | |
| % of Variance | 24.361 | 23.248 | 22.378 | 70.481 |
| <i>Cronbach Alpha</i> | 0.931 | 0.908 | 0.916 | |

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Appendix A

Initial Items

| |
|--|
| Bank XYZ ... |
| • is operated on Islamic law and principles |
| • is neither paying nor taking interest (<i>riba</i>) on deposits and loan |
| • offers interest-free loan |
| • offers Islamic products and services |
| • offers profit-sharing investment products |
| • transactions are free from any uncertainties |
| • Investments made by Bank XYZ does not involve any act of gambling |
| • does not involve in any unethical investments |
| • contributes some portions of its profits towards the payment of <i>zakat</i> (almsgiving) |
| • offers security in its transaction |
| • conducts transactions with good ethics |
| • transactions are transparent |
| • transactions offer justice to both parties (i.e: the banker and the customer) |
| • is honest with its customers |
| • does not try to take advantage of its customers |
| • acts with good intention towards its customers |
| • treats its customers fairly |
| • approach seems pious (Islamic) |
| • approach seems <i>tawaddu'</i> (humble) |
| • shows high integrity |
| • is trustworthy |
| • contributes some portions of its profits towards <i>sadaqah</i> (charity) |
| • contributes to the alleviation of poverty |
| • contributes to the social welfare |
| • is environmental friendly |
| • promotes sustainable development projects |
| • Bank XYZ promotes Islamic values amongst its staff (i.e by conducting religious talk) |
| • Bank XYZ promotes Islamic way of life amongst its staff (i.e encourages Islamic dress code, Islamic work ethics) |
| • Bank XYZ promotes Islamic values towards general public (i.e through involvement in community services) |
| • Bank XYZ promotes Islamic way of life towards general public (i.e through sponsoring relevant programs) |

Shariah Compliance in Hotel Management: Islamic Architecture

Shariah Compliance in Hotel Management: An Investigation of Islamic Architecture in Malaysia

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Abstract:

The divine inspirations and guidance's from *Allah* waking up of human to understand Islam in multiple ways. The dynamic principles in *Shariah* cover the entire life. One of the most valuable tourism products is *Shariah* compliant hotel; it is yet to be explored in advanced. The purposes of this paper are to identify the criteria of *Shariah* compliance in hotel management and bridging the Islamic architecture in hotel management.

The hypothesis is that Islamic architecture will enhance *Shariah* compliance in hotel management. Therefore an exploratory study has been employed that analyses the subject of housing as presented in the Holy Qur'an. Comparing Islamic architecture in the house and Islamic architecture employed in hotel management. Whilst upholding *Shariah* principals in aspects of Vision, Requirements, Leadership style Ethics, Designs, Functions and Environments.

The findings showed that an aspect of hotel management has been practiced in the current hotels are *Shariah* compliant nevertheless there is absence of Islamic architecture. The very small sample does not reflect architects in Malaysia however providing a starting point towards understanding Islamic architectures in the hotel industry. The holistic standards of *Shariah* compliance in hotel management and Islamic architecture are focused to assist hotel practitioners in designing and engaging Islamic architecture in hotel management.

Keyword: *Shariah* compliance, Hotel management, Islamic architecture, *Shariah* principles

1.0 INTRODUCTION

The hotel industry is a lucrative market and upgrading growth in economics worldwide. It is proof by the increasing number of quality tourists visiting the Gulf and Asian regions. The number of *Shariah* compliant hotels and Dubai business hotels rise in the Gulf (bhi-hotels dubai news, 2013). The high purchasing power and the increasing number of Arab and Muslim travellers are the major factors driving growth in *Shariah* compliant hotels (ibid). Consequently, the World Tourism Organization reported that recently the Gulf travellers spend \$12bn annually on leisure. In Malaysia, the number of tourists arrivals from selected Islamic countries shown positive growth from 2011 to 2012. It is shown in table below.

Table 1: Number of Tourist Arrivals from Selected Islamic Countries

| No. | Country | 2011 | 2012 | Growth (%) |
|--------------------|--------------|-------------------|-------------------|-------------|
| 1 | Singapore | 13,372,647 | 13,014,268 | 2.7 |
| 2 | Indonesia | 2,382,606 | 2,134,381 | 11.6 |
| 3 | Thailand | 1,442,048 | 1,263,024 | 12.4 |
| 4 | Brunei | 1,258,070 | 1,239,404 | 1.5 |
| 5 | India | 693,056 | 691,271 | 0.3 |
| 6 | Iran | 139,617 | 127,404 | 8.7 |
| 7 | Saudi Arabia | 87,693 | 102,365 | 16.7 |
| 8 | Iraq | 13,568 | 21,939 | 61.7 |
| 9 | Bangladesh | 65,603 | 86,465 | 31.8 |
| 10 | Pakistan | 73,046 | 79,989 | 9.5 |
| TOTAL | | 19,527,954 | 18,760,510 | 4.0 |
| Grand Total | | 24,714,324 | 25,032,708 | 1.3 |
| % of Total | | 79% | 75% | 4.0% |

Source: Tourism Malaysia, 2013

Hotel is defined as an operation that provides accommodation and ancillary services to people away from home (Peter Jones & Andrew Lockwood, 2004). According to Peter Jones and Andrew Lockwood (2002), hotel management involves ensuring hotel operations, including accommodation, food and drink and other hotel services run progressively. However, according to *Shariah* compliant

hotel management, hotel is not only serve halal foods and beverages, facilities and financial systems but it included the entire of hotel operations, protecting guests and preventing harm to guests in this world and hereafter.

2.0 UNDERSTANDING ISLAMIC ARCHITECTURE

Islam is rooted from Arabic word “اسلم” means peace (Al-Miftah, 2013). Islam means submission to Allah. It is revelation from Allah and the teachings of Prophet Muhammad to be understood, belief and implemented by human as stated in the Qur'an verse Al-Ma'idah:

“This day I have perfected your religion for you, completed my favor upon you, and have chosen for you Islam as your religion”. (Al-Ma'idah: 3)

Muslim belief that Allah created mankind and it is compulsory for them to govern their life according to Islam. The nature of Islam accommodates human with the basic rules of morality and life guidelines in the world and hereafter. Islamic guidelines are practically for human time, region and human needs (Spahic Omer, 2010). The ultimate objective of Islam is preserving life, religion, mental and psychological strength, descendants and wealth of human.

Islam inspired Islamic architecture. Islamic architecture signifies the identity of Islamic culture and civilization. According to Stefano Bianca (2000), Ibn Abdun said Architecture is man spirit, soul and refuge and shelter for body. It is a container of human lives.

Besides, the famous American architects named Frank Lloyd Wright said architecture is a great living creative spirit begins from generation to generation and thus creates due to man nature however change according to circumstances (Spahic Omer, 2013). Islamic architecture is an inimitable soul. Islamic architecture must possess an intimate knowledge of Islam precepts and values it exemplifies in order to understand it originally (ibid). Alfred Frazer said the fundamental nature of Islamic architecture is the expression of Islam as a religion and its view of the world rather than a particular people or political or economic system. The manifestation of Islam as a religion and civilization reflects in its masterpieces of Islamic art such as the Mosque of Cordova and Madrasahs in Samarkand (Titus Burckhardt, 1976).



Mosque of Cordova in Spain



Ulugbek Madrasah in Samarkand, Uzbekistan



Alhambra' Palace in Granada, Spain

Court of Lions in the Alhambra' Palace

Source: fmschmitt.com, 2008; VillaZorayda.com, 2013; visitUzbekistan.com, 2006; BeenthereDone.that.com, 2014

The Mosque - Mosque is one of architectural structure that signifies Islamic architecture. Islam did not instruct Muslim how to build mosque, but Muslim been asked to make mosque and ensure the function of mosque as places of collective worship and community development center remain occurred through ages (ibid). Accordingly, Islamic architecture endorses unity in diversity, the unity of message and purpose as well as diversity of styles, methods and solutions (Spahic Omer, 2013). Islamic architecture is a combination of art and science in erecting building which follow the source of Islamic principle, Al-Qur'an and *Sunnah* for the creation of built environment (Zeenat Begam Bt Yusof). Meanwhile, Islamic architecture means a process beginning with intention, continues with the planning, designing and building stages and ends with achieving the solid results as well as how people make use of and benefit from them. Islamic faith shaped Islamic architecture on the artistic and technical planes which gave the uniform personality on it through ages (Afif Bahnassi, 2003). Islamic architecture strives in shaping the building according to its function. There are two key built forms in Muslim life, the mosque and the house or palace. The value of a building is proportional to its capacity to fulfill the function set for it. A house is perfect when it completes its mission to ensure peace and protection (Afif Bahnassi, 2003). According to Le Corbusier (1989), every architectural represent is pervaded with an ideology which through its physical expressions connects with the users and highly influences their feelings. The substance of Islamic architecture is always same in terms of philosophy and cosmic values it offers, only in the way and internal meaning that to be operationalized naturally and development of solutions to the peoples' problem are different for instance the mosque that built during Prophet Muhammad (pbuh) time is same as mosque that built today however differ in form. The Islamic house emphasize its functions as a place to rest, relax body and mind, enjoy legitimate worldly delights, worship, teach, learn and propagate the message of Islam and a restricted sanctuary ensuring privacy, protection, safety and security of their occupant. Despite, the family member functioning well depends on the good planning, building and functioning of the house. It should be noted that the house institution is essential for the fulfillment of vicegerent on earth and family institution. The subject of housing been described in Qur'an and can be categorized in few themes including:

2.1 House as Shelter and Security

Allah says house as *bayt* and *sakan* in the Qur'an in few verses such as al-Nahl: 80 and al-An'am: 96. For example,

"It is Allah who made your habitations homes of rest and quiet for you...." (al-Nahl, 80)

The word *bayt* and *sakan* are Arabic words mean place to spend overnight and relaxing tranquility mind and body after the bustle day. However house (*bayt*) is not only a place to stay overnight but a shelter offering calm, privacy and security for the occupants.

2.2 House as Protection of Human Privacy

Muslim are required to safeguard his privacy and his family privacy as well as respect others privacy. It is stated in the Qur'an:

"O you who believe! Avoid suspicion as much (as possible): for suspicion in some cases is a sin: and spy not on each other, nor speak ill of each other behind their backs. Would any of you like to eat the flesh of his dead brother? Nay, you would abhor it...but fear Allah: for Allah is Oft-Returning most merciful" (al-Hujurat, 12).

Allah showed human how to protect the privacy of the occupants and visitor in verse al-Nur:

"O you who believe! Enter not houses other than your own, until you have asked permission and saluted those in them: that is best for you, in order that you may heed (what is seemly). If you find no one in the house, enter not until permission is given to you: if you are asked to go back: that makes for greater purity for yourselves: and Allah knows well all that you do". (al-Nur, 27-28)

Everyone needs to seek permission from the occupants before entering any division of the people's house. After the third time permission is not granted, the visitor should go back. This is significant to protect human 'awrah (private parts which must be covered) and 'awrah (restricted aspects or areas which cannot be seen by visitors) of the house. The house is the physical locus of human life (Spahic Omer, 2002). According to Sayyid Qutb (1982) it is human nature which people do not like themselves and their things to be seen by others before they are clean, beautified, neatly and "prepared" for the public.

2.3 A Peaceful Place and Constructive Coexistence with the Environment

The house is a peaceful place for human to achieve their vicegerency (*khilafah*) mission on earth and share their safe environment with animal and inanimate things surround him. All creations are neatly linked and depending on each other to survive. Besides, the house must be safe and strong structurally and spiritually. The mission of built the house must reflects the mission of the occupants. The vision, purpose and function of the house and its residents are based entirely on the notion of *tawhid* (the oneness of Allah) (Spahic Omer, 2002). Thus, the spiritual and physical shelter will protect the residents from faithlessness, trouble and wrongdoing.

2.4 House as Centers of Learning and Spiritual Upbringing for Members

The Prophet (pbuh) wives have been instructed to keep maximizing the roles and functions of their house as centers of learning and spiritual upbringing for members of the *ahl al-bayt* (the Prophet's family). As stated in Qur'an "And stay quietly in your houses, and make not a dazzling display, like that of the former times of ignorance; and establish regular prayers and give Zakat and obey Allah and His Messenger. And Allah only wishes to remove all abomination from you, you members of the Family (ahl al-bayt) and to make you pure and spotless. And recite what is rehearsed to you in your houses, of the signs of Allah and His wisdom; for Allah understands the finest mysteries and is well-acquainted (with them)". (al-Ahzab, 33-34).

3.0 SHARIAH COMPLIANCE IN HOTEL MANAGEMENT

Shariah in literal defined as the road to the watering place or the straight path to go along. *Shariah* is a rule or way of life which came from ALLAH to mankind through Prophet Muhammad (pbuh). The primary source of *Shariah* is Al-Quran and *Sunnah*. Compliance means adherence and obedience totally to Allah S.W.T. ordered. It is described as طاعة in Arabic term means loyalty, fealty, fidelity and allegiance (Electronic Al-Miftah dictionary, 2003). While hotel is defined as operation that provides accommodation and ancillary services to people away from home (Peter Jones & Andrew Lockwood, 2004). Hotel management is best described as the art of managing the hotel to run effectively from top to bottom including front office, food & beverage, sale & marketing and other hotel services (Michael J. O. Fallon & Denney G. Rutherford, 2010). Thus, *Shariah* compliance in hotel management means managing a hotel which provides services in bound with *Shariah* principles. It is not only serve halal foods and beverages, facilities and financial systems but it is also including the plans and designs of the hotel must reflect *Shariah* principles.

According to Mohamad Akram Laldin (2011), Ibn Qayyim al-Jawziyyah explains the ultimate objective of *Shariah* as protecting mankind and preventing harm from human in this world and hereafter. *Shariah* compliant hotel is aimed at MardhatiLLAH (blessing of Allah) and in every activities and surrounding towards remembering Allah SWT. *Shariah* compliant hotel should show a comprehensive way of life to guest in every aspect of life. It is to safeguard guest welfare while staying

in the hotel. Referring to the previous literatures, it can be concluded that the elements of Islamic architecture offered are similar as requirements of *Shariah* compliant hotel should have in their operations. Indeed, every aspects of Islamic architecture should be implemented in the hotel industry.

4.0 ANALYSIS

Analysis has been done on Islamic Architecture and Sharia compliance in hotel management. Therefore our Hypothesis will be; Islamic architecture will enhance *Shariah* compliance in hotel management. An exploratory study has been employed that analyses Islamic Architecture and *Shariah* compliance in hotel management. Comparing Islamic architecture in the house and Islamic architecture employed in hotel management. Whilst upholding *Shariah* principals in aspects of Vision, Requirements, Leadership style Ethic, Designs, Functions and Environment.

Table 2: The similarity of Islamic Architecture and Shariah Compliant Hotel

| Aspects | Islamic Architecture (House) | Shariah Compliant Hotel |
|------------------|---|---|
| Vision | MardhatiLLAH (Blessing of Allah) | MardhatiLLAH (Blessing of Allah) |
| Requirements | According to Shariah principles | According to Shariah principles |
| Leadership style | Leadership style of the prophet and the successful Muslim leader approach | Leadership style of the prophet and the successful Muslim leader approach. |
| Ethic | <i>Tawhidic</i> approach (uniqueness of Allah) <i>-Habl min Allah wa habl min al-nas</i> | <i>Tawhidic</i> approach (uniqueness of Allah) <i>-Habl min Allah wa habl min al-nas</i> |
| Designs | The design of front door should not give immediate access to domestic quarters and every windows or apertures should comply with the requirements of privacy protection and no human depicts in the decorative elements and living room near a front door | No human depicts in the decorative elements, bedrooms should be planned in such a way helping the guests head facing the <i>qiblah</i> , comfortable prayer spaces and all designs are according to <i>Shariah</i> principles |
| Functions | Stay overnight, relaxing mind and body, facilitate the privacy protection among members and for collective worship, centers of learning and spiritual upbringing for members | Relaxing and comfortable overnight stay as well as worshipping and community development center |
| Environment | Protection of human privacy, safe and strong structurally and spiritually (a macro place of worship) | Effective and Islamic environment including neat, comfortable and safe surroundings physically and spiritually. |

5.0 CONCLUSIONS AND RECOMMENDATIONS

The uniqueness of *Shariah* compliant hotel and Islamic architecture is the element of Ruh (soul) of Islam it offers. The *Shariah* compliant hotel and Islamic architecture is not only covers the individual life but also the life within society, animate and inanimate creations concept (*habl min ALLAH wa habl min al-nas*). It can be concluded that house and hotel designs must promote the protection of human privacy. Islam is so concerned on the privacy of the particular house and hotel plans and designs must not lead to or encourage the intrusion of privacy among family members or hotel staffs, among family members and visitors or hotel staffs and visitors and among visitors themselves. On the other hand, hotel image and customer satisfaction with the performance of housekeeping, reception, food and beverage, and price are positively correlated to customer loyalty. Customer loyalty is significantly more important than customer satisfaction in a business organization's success. Customer satisfaction with housekeeping was found to be significant. These findings are in line with Jay Kandampully & Dwi Suhartanto (2000).

As we introduce Islamic architecture, *Shariah* compliance and hotel management. We hope that we have achieved the intention of this research in a way of identifying and upholding the principles of *Shariah*. However this research is yet to be carried out in an empirical way.

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Effect of Price on Customer Switching Behavior

An Empirical Investigation of the Effect of Price on Customer Switching Behavior; Mediating Income

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Abstract:

Price is a powerful tool when welded properly by financial institutions as a marketing strategy. Here in this research we try find out price perceptions of customers who have switched their banking services in internet banking in Malaysia. The main objective of this research is to de duce the hypothesis whether price will have a positive relationship to customer switching behavior and as we do this we also look at the behavior of the mediating effect of income. Data was collected from 350 internet banking customers in and around greater Kuala Lumpur area and Field work conducted between March and September 2013.

Results suggest that Price actually has a negative relationship with customer switching behavior meaning that as prices of bank services and products are continued to be lowered, customer switching behavior will decrease and people will reduce on the number of banks they perform business transactions with however this should not be taken lightly because income however has a positive relationship with customer switching behavior and as incomes increase customer switching behavior will also increase.

The major findings of this research show that price should be regulated according to customers' incomes groups and banks. The findings question most the recent baking strategies where products have a uniform price. Social media has established the importance of a more personalized banking system as power in the banking system shifts radically to the consumer

KEY WORDS: Price, Customer Switching Behavior, Mediating Income

Introduction

According to Ernst and Young (2012), Customers in Malaysia are less loyal to their main bank, and they have increased the number of banks they use, this is known as customer switching. The influence of price is the leading driver of attrition. Regional multi-banking / customer switching behaviors have increased because customers are aggressively searching for the best rates on bank products and services.

Customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing competitive banking industry (Thomas, 2001; Clayton-Smith, 1996; Dawkins and Reichheld, 1996). Thus, one of the primary challenges of retail banks in the twenty first century is keeping their existing customers and making more profit from them. Most banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values that relationship provides (Colgate et al. 1996). With each additional year of relationship between a bank and a customer, the customer becomes less costly to serve because of learning effects and decreased serving costs. Thus, the longer a customer stays with a bank, the more utility the customer generates to the bank (Reichheld and Sasser, 1990; Turnbull, 1990). Therefore is very important that financial institute=ions understand the effects of price and how to regulate the prices of services and products in order to maximize on customer retention.

Theoretical back ground

Customer switching means customers forsake one service provider for another and switching has become a focus of research in the service sector (Garland, 2002). Several researchers have investigated the reasons why customers switch service providers (Colgate & Hedge, 2001; Keaveney, 1995; Reichheld & Sasser, 1990). For example, Colgate & Hedge (2001) conclude that price, service failures, and poor services are the most important factors that influence customers to switch banks in New Zealand.

The primary objectives of this study is to identify the significance of Price on influencing customer switching behavior while looking at the **mediating / moderating** effect of Income. Therefore creating two major hypothesis

H1: Price has a positive relationship with customers' switching behavior.

H2: Income **mediates / moderates** the relationship of price on customer switching behavior.

Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services (Zeithaml, 1998). Perceived price normally combines monetary price and non-monetary price together (Chen, Gupta & Rom, 1994). In Keaveny's research (1995), the "pricing" factor included all critical switching behaviors that involved prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, and/or price promotions. In the financial service industry, price has wider implications than in other services industries. For example, in the financial service industry, price includes fee implementation, bank charges, interest rates charged and paid (Gerrard & Cunningham, 2004).

The loyalty-switching transition can be affected by changing price perceptions (Varki & Colgate, 2001). Keaveney (1995) finds that approximately thirty percent of the customers surveyed had switched firms due in part to poor service price perceptions. According to Martins & Monroe (1994), customers tend to focus on the fairness of price, especially on price increases. Any price increases that are perceived as unfair by customers may result in switching actions (Campbell, 1999).

In general, it can be concluded that unfavorable price perceptions can affect customers' intention to switch (Campbell, 1999). In the banking industry, Gerrard & Cunningham (2004) suggest that price plays a more influential role in influencing customers' switching behavior compared with service failures and inconvenience. The authors reveal that imposing higher charges on customers, or increasing fees, can have opposite effects, such as encouraging outward switching and discouraging inward switching. In addition, Dawes (2004) shows that there is a positive relationship between price increases and defection rates in the banking industry.

The Importance of Price

Customers in general are price conscious in their purchasing behaviour (Beckett et al., 2000; Levesque & McDougall, 1996a). Price is an important factor in choice situations as a consumer's choices typically relies heavily on the price of alternatives (Engel, Blackwell & Miniard, 1995). Similarly, Varki & Colgate (2001) identify that the role of price, as an attribute of performance, can have a direct effect on customer satisfaction and behavioural intentions.

Several studies show that price has an important impact on customers' switching decisions (Stewart, 1998; Colgate et al., 1996; Keaveny, 1995). Almossawi (2001) empirically identifies price as a critical factor in bank selection for college students. Since price has a wider implication to bank customers, Gerrard & Cunningham (2004) show that pricing seems to influence switching behaviour among bank customers more than customers of other services. In Colgate & Hedge's (2001) study of bank customers' switching behaviour in Australia and New Zealand, the authors identify price as the top switching determinant, followed by service failures and denial of services. Similar results are found in Javalgi, Armaco & Hoseini's (1989) study investigating the factors influencing customers' bank selection decisions in the United States.

Research Methodology

For the purpose of this research the data collection was done by the use of both primary and secondary sources to gather data for study. Primary data will be obtained from 350 internet banking customers in and around greater Kuala Lumpur area and Field work will be conducted between March and September 2013.

Secondary data is collected for some purposes other than the problem at hand (Malkotra, K., 2007). In this research, the researcher used mostly external secondary data searching sources in obtaining the information for example from books, journal publication and bank financial statements. Note that however most banking information is proprietary and not made available to the public.

By using convenient non-probabilistic sampling the data were collected through a survey from banking customers over a wide geographical location of Malaysia, greater Kuala Lumpur. From these institutions;

1. Univerisiti Kuala Lumpur Malaysia Institute of Information Technology
2. Univerisiti Kuala Lumpur Business Schools
3. Universiti Utara Malaysia
4. Universiti Kembangan Malaysia
5. Limkokwing Universiti of Creative Technology

6. Taylors Universiti College
7. Universiti Technology Malaysia

Questionnaire design and measurement

The questions consisted of three sections covering the customer's switching behavior, his/ her perceptions on the price factor and finally his/her income salary. Section one used a scale of 1 to 8, section two a multiple-item measurement scale, a seven-point Likert scale adopted because of its optimum size ability compared to five and ten point scales (Schall, 2003) and question three had incomes divided into categories

A total of 500 questionnaires will be conveniently distributed to respondents at their work office during business hours (9 am to 5 pm) over a period of 7 months from March to September 2013. The questionnaires were collected immediately upon completion. According to Zhou (2004), the use of an intercept survey has the advantage of immediate retrieval and capturing of customers' experiences with the participating banks. After explaining the purpose of the survey and obtaining consent, the respondents were asked to fill out the questionnaire. In general, most respondents were willing to assist in this survey and express their experiences with bank switching.

Table 1: Demographic Characteristics

| Variables | Frequency | Percentage |
|---------------------------|------------|------------|
| Switching behavior | | |
| Loan | 80 | 22.9 |
| Deposit | 80 | 22.9 |
| Wealth | 10 | 2.9 |
| Loan + Deposit | 40 | 11.4 |
| Loan + Wealth | - | - |
| Deposit + Wealth | 20 | 5.7 |
| Loan + Deposit + Wealth | - | - |
| Did Not Change Service | 120 | 34.3 |
| Total | 350 | 100 |
| Income | | |
| below 1,499 | 20 | 5.7 |
| 1,500-2,999 | 110 | 31.4 |
| 3,000-4,999 | 90 | 25.7 |
| 5000-9,999 | 80 | 22.9 |
| 10,000+ | 50 | 14.3 |
| Total | 350 | 100 |

From the table above we can evocatively describe respondents' data collected. Furthermore we see the overall customer switching behavior levels within the Malaysian customer being **Moderate**; they are represented by 60% of the total number of respondents and they switched their loan plus deposit services and deposit plus wealth banking services.

However 70% of Malaysian customers are multi banking and only 30% did not change their banking service. 49% are multi banking and have changed only one service; 23% changing only loan, 23% changing only deposit and 3% changing only their wealth services. 17% are multi banking and have already changed more than one service of which 11% have changed Loan and deposit services while 6% have changed deposit and wealth.

Looking at means and standard deviations we see the opinions and views of these customers on particular products and services. These are the means and standard deviations:

Table 2: Means and standard deviations

| | Mean | Std. Deviation |
|------------------------------|--------|----------------|
| Bank Fees | 4.4000 | 1.60943 |
| Interest for loans | 4.4571 | 1.66444 |
| Interest for mortgages | 4.4571 | 1.59409 |
| Interest on savings accounts | 4.4571 | 1.81277 |
| | | |

Table 2 shows that total of mean is 17.77 and its overall means 4.44. The result indicates that Interest for Loans, Interest for mortgages and interest on savings accounts dominated this dimension because they had the highest means (4.46).

Data analysis

As a preliminary to inferential analysis, reliability and validity tests should be performed. The research instruments in this study were developed from prior research and therefore should be tested for reliability. Thus, a reliability and validity test was conducted to determine the internal consistency of the measures used.

Table 3: Reliability and validity

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|-------------------------|---|-------------------|
| .937 | .939 | 4 |

The table above shows that 4 constructs were used to measure individual's perspectives on bank prices and that the Cronbach's Alpha is 0.937 which is excellent according to Rules of thumb about Cronbach's Alpha Coefficient size. This figure is also in line with that recommended in measuring banking consistency by Hair et, al (2006).

Normality is the assumption that each variable and all linear combinations of the variables are habitually distributed. Prior to regression analysis research instrument items were examined, through SPSS statistical package, for accuracy of data entry, missing values, outliers and normality. The data had to adhere to the assumptions of normality, linearity, homogeneity and Heteroskedasticity.

Table 4: Tests of Normality

| | Kolmogorov-Smirnov ^a | | | Shapiro-Wilk | | |
|--------------------|---------------------------------|-----|------|--------------|-----|------|
| | Statistic | df | Sig. | Statistic | Df | Sig. |
| switching behavior | .242 | 350 | .000 | .788 | 350 | .000 |

Using the Shapiro Wilk statistical test, no outliers were detected. The test showed significance at $p < 0.001$ and therefore normality assumption had been met, skewness is at 0.25 and kurtosis is -1.69.

The variables of this study were validated through a factor analysis. Before performing the analysis, the suitability of the data was assessed through two tests; the KMO and Bartlett's Test of Sphericity. The KMO has to be more than 0.50 and Bartlett's Test of Sphericity should be significant. The KMO value for price is 0.841 which can be considered between middling and meritorious (Kaiser 1974) and Bartlett's Test of Sphericity is significant at $p < 0.001$. Therefore the data is adequate for factor analysis. For factor analysis, principal component analysis and Varimax rotation were performed. It is suggested that items that have factor loadings lower than 0.30 should be eliminated (Hair, et. al. 2006). Only one component was extracted. The solution cannot be rotated. All items had a factor loading value of more than 0.30 and therefore no items were deleted.

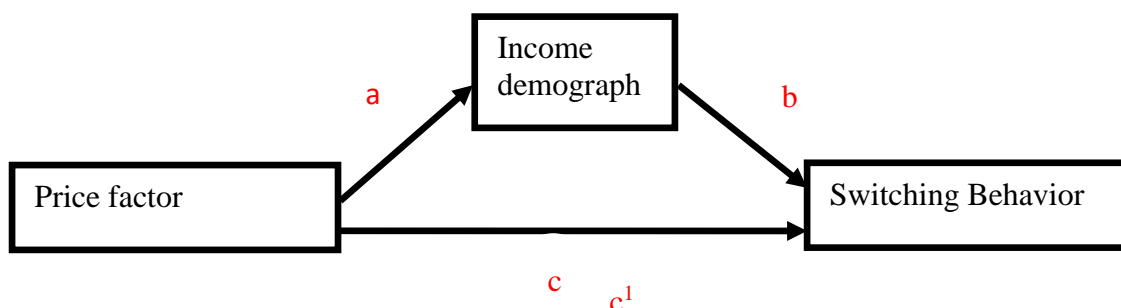
Table 5: Price Factor analysis

| Price Factor | Loadings |
|---|-----------------|
| The bank charges low interest for mortgages | .950 |
| The bank charged low fees | .947 |
| The bank charges low interest for loans | .945 |
| The bank provides high interest rates on savings accounts | .837 |

Testing of Hypothesis

In this study we will do a mediation to answer the Question; Are switching factors mediated by demographic characteristics in customer switching behavior in internet banking in Malaysia?

Therefore this is the proposed framework of mediation:



Switching factors were reduced by the factor analysis to find the highest loadings factors. Regression analysis also showed significant factors. After the factor and regression analyses the switching factors used in the mediation effect will include:-

Pr

Demographic factors were reduced by the factor analysis to find the highest loadings factors. Regression analysis also showed significant factors. After the factor and regression analyses the demographic factors used in the mediation effect will include:-

Income

Mediation is a special case of Multicollinearity. Demographic factor (age) are the mediator (M). Relations between all variables are assumed to be positive. Question is whether the direct effect between X_1 switching factor (rp3) and Y, Customer switching behavior disappears when demographic factors are added to the regression equation.

Mediation as 'prescribed' by Baron and Kenny (1986)

Step1: Estimate regression of Y on only X_1 – estimated parameter c

Step2: Estimate regression of M on X_1 – estimated parameter a

Step3: Estimate effect of M on Y, together with X_1 - estimated parameter b and c^1

Complete mediation: If $c^1 = 0$

Partial mediation: If $c^1 < c$

Do demographic factors mediate the relationship between switching factors and customer switching behaviour?

To answer this question we will use an example here with Interest for loans (Pr2)

step1. Regression of Y only on X

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 7.404 | .414 | | 17.877 | .000 |
| | Pr | -.693 | .087 | -.393 | -7.962 | .000 |

a. Dependent Variable: switching behavior

Estimated parameter c is **0.693** (.087)

Step2. Regression of M on X

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.564 | .175 | | 20.344 | .000 |
| | Pr | -.107 | .037 | -.154 | -2.913 | .004 |

a. Dependent Variable: income

Estimated parameter a is 0.107 (.037)

Step3

Estimate effect of M on Y, together with X_1

Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 6.556 | .611 | | 10.736 | .000 |
| | income | .238 | .126 | .094 | 1.886 | .060 |
| | Pr | -.668 | .088 | -.378 | -7.605 | .000 |

a. Dependent Variable: switching behavior

Estimated parameter b and c^1 **0.668(0.88)**

Partial mediation happened because $c1 < c$

Testing of change in c

Discussion and conclusion

The study has shown that Price actually has a negative relationship with customer switching behavior meaning that as prices of bank services and products are continued to be lowered, customer switching behavior will decrease and people will reduce on the number of banks they perform business transactions with however this should not be taken lightly because income however has a positive relationship with customer switching behavior and as incomes increase customer switching behavior will also increase. Hence to attract and retain potential and current customers, bank managers need to consider introducing a price-matching scheme for standardized products that are offered by the bank. Based on previous research, customers who have seriously considered leaving their main bank also tended to search actively for information about alternatives, some customers are more likely to have experienced banking technologies like ATMs and computer based access to information way longer than others and they are more likely to search for alternatives also motivated by low switching costs, reputation and bank prices they consider to switch.

The results have shown that the influence of bank charges of interest for mortgages is particularly strong for each single point increase in agreement with that statement. Hence banks that target mortgage customers need to regulated and use price as a tool to ensure competitive advantage.

Price (Pr) is significant because the p value is 0.00, is less than 0.05 which is indeed less than 0.1. Therefore interpretation goes like; for a one unit increase in the price of bank service, the customer's switching behavior will decrease by 1.104 units of switching behavior and by 0.576 units of standard deviations in his/her behavior.

Finally the result of influence of Price support the findings of Dongmei Zhang, (2009), Gerrard & Cunningham (2004), Colgate & Hedge (2001), Almossawi 2001 and Keaveney (1985) as these authors regard price and reputation as important factors that influence customer's to switch banks.

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Value Proposition of Halal Restaurants for Non-Muslim Consumers

Value Proposition of Halal Restaurants for Non-Muslim Consumers: An Exploratory Study on Malaysian Consumers' Perception

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Abstract

Purpose: Many non-Muslim consumers are regular users of Halal branded products and services but our understanding of their value expectations in such Halal consumption is not much documented to help managers position their brands effectively. Main aim of this study is to explore non-Muslim consumers' perception of halal restaurants.

Design/methodology/approach: The exploratory study conducted semi-structured interviews by a series of email with non-Muslim consumers to understand their expectations of and perception towards halal restaurants.

Findings: The research reveals new insights on non-Muslim consumers' attitudes and behaviors towards halal restaurants that will contribute to theorize their purchase intention. It revealed several unique insights to guide future research.

Research limitations/implications: This research has implications for academia and halal restaurant businesses. Halal businesses could draw from the information to gain better understanding of their non-Muslim customer segment so that they can add value, improve their positioning and actively expand their customer base.

Originality/value: The research is unique as it is the first to use qualitative research to provide additional depth to an uncommon perspective in understanding the halal offerings and their attractiveness to non-Muslim consumers. This is also the first research that studied non-Muslim consumer perspectives in regards to halal restaurants instead of halal food in general.

Key Words:

Non-Muslim consumer perception on Halal, Halal Restaurant, Value proposition of Halal services for non-Muslim, Halal Restaurant in Malaysia

Introduction

Malaysia is recognized as a global halal hub for its ground breaking infrastructural development on halal production, trading, certification, and research & development facilities. Malaysia is also a leading global player in halal food industry, and played a leadership role in the halal food benchmarking by the United Nation's Codex Alimentarius Commission (ALINORM 1995) for halal food labelling.

Malaysia has a rich and diverse multicultural population with various religious beliefs. Islam is the official religion of Malaysia and the majority of the population is of the Muslim faith. The notion of halal is important for all products and services consumed in the daily lives of Muslims. This is especially true of food which is a necessary part of life. Naturally, majority of studies on halal products focus mainly on Muslim consumers. A few recent works have reported that non-Muslim consumers would appreciate halal products globally (Alserhan, 2010; Coolen-Maturi, 2013; Stephenson, 2014).

Yet, very little research has directly investigated non-Muslim consumers' perception of halal products and services. Malaysia would be a good place to initiate such a research for the proliferation of halal food and other services with unique coexistence of Muslims and non-Muslims. This research aims to investigate any special need for new value propositions of halal restaurants for non-Muslims in Malaysia. The key research questions to be addressed in this exploratory study are:

1. What are the attitudes, behaviours and perceptions of non-Muslim consumers towards halal food and restaurants?
2. Do non-Muslim consumers perceive halal restaurants to deliver the values sought?
3. What are the factors that rationalize these perceptions?

Existing literature relevant to the matter is reviewed critically to understand the current level research done so far and to determine future directions for this research. This is followed by descriptions of the methods used in this study. The findings from the in-depth interviews are then analyzed and discussed before concluding with recommendations based on what has been discovered.

Literature Review

Religion as an element of culture is recognised to have influence on consumer attitudes and behaviours (Delener, 1994). In particular, religion affects food purchasing habits and eating behaviours (Mennel, Murcott, and van Ootterloo, 1992) and was found to be one of the most influential factors that shape food choice in many societies (Musaiger, 1993; Dindyal, 2003; Bonne, Vermeir, Florence and Verbeke, 2007; Norman, 2012).

Halal food is one of the most well-known faith-based food for followers of Islam. Some scholars used Theory of Planned Behavior (TPB) to investigate Muslim consumers' consumption in two European countries and report that self-identity and dietary acculturation are important determinants of halal meat consumption for Muslim minority consumers in France (Bonne et. al, 2007) and Belgium (Bonne, Vermeir and Verbeke, 2009). Three similar studies in Muslim majority countries used Theory of Reasoned Action or Theory of Planned Behavior and revealed that subjective norms were highly significant determinant of halal consumption that was not found relevant in Muslim minority countries (Mukhtar and Butt, 2012; Suddin, Tanakinjal and Amin, 2009; Alam and Sayuti, 2011). Mukhtar and Butt (2012) also found that religiosity influences intention to choose halal products in Pakistan. However, none of these studies investigated non-Muslim consumers' purchase intention of halal food.

Supply side: Food safety and integrity is increasingly becoming important on a global scale as a result of growing public awareness about health, hygiene and even ethics. Muslim consumers are additionally cautious in food safety and integrity for the religious requirement of halal food consumption. Talib, Zailani and Zainuddin (2010) conceptualized possible dimensions to achieve such halal food safety and integrity for a locally developed halal standard that is uniform in Malaysia. Zailani, Arrifin, Wahid, Othman and Fernando's (2010) work even narrowed more specifically to focus on halal traceability and tracking systems to strengthen halal food safety and integrity in Malaysia's food industry.

Other religions in most multicultural country markets such as Malaysia constitute a significant size of the market space. However, studies on halal food are usually focused on Muslim consumers, and non-Muslim consumers' perceptions are rarely examined. Considering the huge growth potential of Halal food among non-Muslims globally, Yuhanis and Chok (2012) emphasized the need for more research to understand non-Muslim consumers in halal marketplaces. This was supported by Farooq (2013) in the context of Islamic tourism. Halal offerings to non-Muslims are economically practical and socio-culturally important, especially in multicultural country markets such as Malaysia.

Due to the varying religious cultural values and its effect on consumer behaviour and attitudes, people outside of a religion are unlikely to have the same behaviours and attitudes towards food that is prepared in accordance to that particular religion's standards (Silver, 2011). Thus, halal food would not necessarily offer the same value proposition to non-Muslims as it does to Muslims though some scholars (e.g., Alserhan, 2010; Golnaz et al., 2010; Jusoh et al., 2013) see its potential universal appeal. Recent studies also report that halal services such as insurance (Coolen-Maturi, 2013) and tourism & hospitality (Asif, 2011 cited in Stephenson, 2014) offer some value to non-Muslim consumers. This may indicate that non-Muslim consumers see halal products and services with different lenses and find positive value in it, which is clearly not known yet.

Halal foodservice as a point of convergence: The earlier discussion on hospitality and food industry

indicates that halal restaurants would be capable of offering value to non-Muslims. Furthermore, Gayatri, Hume and Mort (2011) noted that Islamic religious-culture have impacts on Muslim consumers' interpretations and expectations of service quality. Hence, foodservice would be more comprehensive in studying value propositions of halal offerings and quality standards.

Thus far only three studies reported value expectations of halal foods and restaurant services. Marzuki, Hall and Ballantine (2012) investigated Muslim and non-Muslim restaurant managers' attitude towards halal certification in Malaysia and offered potential insights on the value of halal restaurants. They found that non-Muslim restaurant managers have as much respect for the importance of halal food as their Muslim counterparts where halal certification and status was considered being valued by customers. However, the study only gauges the perceived sensitivity of restaurant managers towards religious needs of their Muslim consumers. Thus, it only considers the issue from a non-Muslim seller's viewpoint rather than actually engaging the non-Muslim consumers to obtain their thoughts on the matter.

Non-Muslim consumer perspectives: Golnaz et al. (2010) and Jusoh et al. (2013) studied non-Muslim consumers' purchase intention of halal-labelled food products and found that food safety and health, animal welfare, fair trade, environmental sustainability and religious beliefs are the factors that drive such purchase intentions. Similarly, Yuhanis and Chok (2012) found that halal awareness and halal certification positively influenced non-Muslim consumers' purchase intention of halal food. These three quantitative researches validated the TPB model in understanding non-Muslim consumers' intention to adopt halal branded food products. However, it should be noted that quantitative research misses the opportunity for further insight from their respondents (Gill, Stewart, Treasure and Chadwick, 2008). The use of predetermined dimensions and a survey format relied on assumptions about non-Muslims' understanding and interpretations of halal principles. It is problematic as it blindly equates the global trend of Muslim consumers' increasing social awareness and responsibility to Islamic religious principles on non-Muslim consumers and the findings may lack predictive validity (Woodside, 2012). Qualitative research, on the other hand, explores the reality without being limited to any prior assumption and rigid variables. Moreover, it can provide a more holistic focus, and is therefore more suitable for exploratory research such as understanding non-Muslim consumers' perception on halal food. Therefore, findings of these studies need further validation using a qualitative lens to understand non-Muslim consumers value expectations in Halal Restaurant services.

Methodology:

Research Approach: This study aims to understand non-Muslim consumers' perspective of halal products and services, which is relatively unexplored and would benefit from more uninhibited approaches of deriving information. As discussed earlier, quantitative approach is not suitable due to its limitations. This research would therefore adopt a qualitative research approach where direct contact and rich primary information would be more accurate through in-depth interviews.

Method of data collection: This study used qualitative research methods as they have been acknowledged as being able to obtain deeper, more detailed insights from participants than quantitative research (Gill et al., 2008). Depth interviews were carried out following a semi-structured format, utilizing standardized open-ended questions to obtain understanding of interviewees' insights (Zikmund, Ward, Lowe and Winzar, 2007, p.79). This enabled respondents a reasonable amount of freedom in discussion without too much deviation from focal points (Gill et al., 2008). Moreover, the format grants a good balance of flexibility in discussion and comparability between respondents (Gill et al., 2008).

The interviews were conducted online via email. The time and space asynchronous nature of this method was chosen because it was time-efficient and it allowed the interviewer to compare data from ongoing interviews so that possible patterns could be identified and additional questions of relevance could be developed. While face-to-face interviews are usually preferred when spontaneity is valued (Joinson, 2001) that computer mediated discussions were proven to have higher levels of spontaneity self-disclosure. The interviewees were able to recover from fatigue and also to turn the questions over in their minds. Meho (2006, p.1291) also noted that e-mail interviews provided more reflectively dense answers with better focus on the research questions. Moreover, online interviews reduce interviewees' hesitation of giving socially undesirable answers to more sensitive questions, as well as reduce the

possibility of being influenced by the interviewer's presence and/or body language to provide certain types of answers (Leeuw, 2008; Opdenakker, 2006). Email interviews ensure that data is transcribed instantly as it happens (Opdenakker, 2006) facilitate verbatim recording without disrupting the flow of the interview.

Sampling: In this study, convenience sampling is used where subjects are selected because of their convenient accessibility and willingness to participate and engage in a time consuming interview for richer qualitative responses through probing for possible explanations (Ferber, 1977). It also provides a time and cost effective method of acquiring a balanced sample that could ensure the widest possible range of consumer demography of non-Muslim consumers. A sample of 18 non-Muslim consumers from the Klang Valley region was drawn.

The sample was selected to include as many demographic factor permutations as possible for age group, gender, ethnicity and religion. The sample consisted of 8 females and 10 males. In age group, five respondents were aged 18-22, seven were aged 23-30; and two each in 31-40, 41-50, and above 50 age groups. There were a total of 6 Buddhists, 4 Hindus, 4 Christians, 2 Catholics and 2 Atheists. Ten of the respondents were Chinese, 5 Indian, 1 Bidayuh, 1 Chinese-Indian and 1 Eurasian.

Research Findings

Consumption experience of Halal restaurants: All the respondents interviewed for this study have eaten at halal restaurants before their participation. While they have a general understanding of halal food as food permissible for Muslims, some of them indicated a deeper understanding in the halal slaughtering and food preparation processes. Even so, the general attitude towards halal food is best summarized by a 21 year old male, Chinese-Indian, Atheist respondent: *"Neutral, neither positive nor negative."*

Despite their neutral attitude towards halal food, the majority of the respondents have positive attitudes towards its availability as expressed by respondents:

"I think it's good that freedom of religion can be practiced in (the) daily routine of everyday life such as through food." (23 year old male, Chinese, Buddhist)

"It is also a religious act for Muslims, so I respect it as it is part of their religion" (23 year old Female, Indian, Hindu)

"(I) respect it as part of the religious practice of Muslims." (44year old Male, Chinese, Catholic)

Three other respondents' attitude towards halal food was slightly more positive. They compared some aspects of halal food with their own individual religious beliefs as rationale for such view as quoted below:

"Personally my religion also disapproves of sedatives and drugs even for animals, so I agree with that". (23year old male, Chinese, Buddhist)

"I do not consume pork (because of religious beliefs and family upbringing) so I prefer eating at outlets that do not serve pork and incidentally most restaurants that do not serve pork all happen to be Halal". (23year old male, Indian, Hindu)

It is interesting to note that four respondents equated halal food to be more strongly associated with traditional Malay cuisine but it is acknowledged that such a categorization is not exclusive:

"While other types of cuisine can be made in a halal way I usually associate the word "halal food" to food of Malay culture." (25year old male, Chinese, Buddhist)

The frequency of respondents eating out at halal restaurants varied from seldom to almost every day. Reasons for eating frequently at halal restaurants were popularly attributed to their ubiquity in the respondent's location or personal preference for a certain type of cuisine. While a few respondents had generally favourable experiences and attitudes towards halal restaurants, the popular opinion can be typified by the response given by a 22year old male, Chinese, Christian respondent: *"it (halal) doesn't play (any) sort of role in my decision making."*

This was supported by a 44year old male, Chinese, Catholic: *"Generally (halal restaurants are) no different from other restaurants."*

A 23year old female, Indian, Hindu respondent similarly expressed:

"Since I do not have any problem with halal food I simply walk into any restaurant I want to. If I do need a reason to specifically eat in a halal restaurant alone it would be because someone I am with is Muslim"

Halal logo: It is noted that none of the respondents actively look for the halal logo when they are looking for a restaurant to dine at. Even if they were to discover the logo at the restaurant they were eating at, it is unanimously agreed that it would not affect them either positively or negatively. Nevertheless, six respondents have specifically mentioned preference for halal restaurant when dining out with Muslim friends. One such example can be seen from a 23year old male, Indian, Christian's response:

"To me it's just the preparation of the meal that enables Muslims to have the same meal. It justifies equality. We wouldn't want to sit at a table with our Muslim friends and they can't eat the same meal as us just because it's not halal certified."

Food standards: The respondents' interpretation of 'food standards' varied in three general groups. Different respondents have taken it to mean personal criterion; legal regulations; and lifestyle options. Even though halal could qualify as a food standard by all of these three definitions, only three respondents indicated halal as a food standard:

"I think it is important to give Muslims the confidence in knowing that the food they consume adheres to their faith/beliefs." (38year old female, Indian, Hindu)

Most other respondents did not associate halal standards with food standards. Comment like:

"I consider halal food more of religious requirement than a food standard." (44year old male, Chinese, Catholic) was supported by

"I think it's more of a convenience for Muslims." (55year old Female, Chinese, Buddhist)

Some of the reasons given by the respondents are as follows:

"Halal (only ensures) that the food process complies with the halal principles" (22year old female, Chinese, Buddhist)

"These address different things, Halal is for religion, HACCP (Hazard Analysis and Critical Control Points) is about processes" (41year old Male, Chinese, Christian)

Out of the eighteen respondents, only two thought that halal standard would be superior to generic food standards. They believed that halal standards of food preparation were more ethical and safer for consumption compared to generic standards, but one of them thought that this would be true for all religion-based standards.

Perceptions towards halal: Eight respondents viewed halal food either as kindness to animal, ethical, healthy and/or clean. While four respondents thought halal food as ethical, two of them also had an image of kindness to animals. Another four thought of halal food either as healthy or clean. The remaining nine did not find halal food to have any such impression for them, seeing it as only religious requirement or tradition. Given two restaurants that were exactly the same in with the exception of one being halal and the other being non-halal, only two of the respondents would choose halal over non-halal restaurants, both of them citing ethical aspect as the reason but again one of them specified that his preference was open to any religion.

Benefits sought: This research specifically investigated the benefit generally sought by non-Muslim consumers in a restaurant. An analysis of what benefits respondents generally seek when choosing a restaurant has found that certain features of a restaurant to be more influential than others. This was determined through respondents' emphasis on the aspect and the importance they placed on it, as well as its frequency among all the responses. *Cleanliness* was the most influential factor almost all respondents indicated. *Taste and price* were tied for second followed by *healthy food, service quality, dining atmosphere* and *convenience* as important to the majority of respondents. Two respondents also emphasized on food source and family-friendliness as important factors in their choice of restaurants.

Value delivery: Having identified the values sought by the respondents, the research also made an attempt to determine whether halal restaurants satisfy these criteria. The general opinion of the respondents was that a halal restaurant not necessarily delivers all the values they desire. Even though some respondents believe that halal restaurants would be obliged to do so, but they expressed their reservation on restaurant staff members' dedication in delivering that. This can be seen in the 55 year old female, Chinese, Buddhist respondent's comment like: *"I think the requirements exist but I can't be sure that the individual restaurateurs will follow it"*

Some respondents view halal as a purely religious dimension and do not see it as capable of affecting the non-religious values they demand. Such a sentiment can be seen in the following two responses: *"My idea of halal food again [...] (is) one of religious needs so I do not really see halal as delivering the values I have mentioned"* (25year old Male, Chinese, Buddhist) *"It [value delivery] has nothing to do with halal and non-halal. It is up to the individual restaurant and staff"* (54year old male, Indian, Hindu)

The same is found true for service quality in particular:

"Service quality is still dependent on the employees of the restaurant, whether they have commitment to serve their customers." (23year old Male, Indian, Christian)

"I think the most important thing is the individual person's attitude." (55year old female, Chinese, Buddhist)

However, it is worth mentioning that one respondent indicated appreciation of halal restaurants because of the family-friendliness he perceived: *"I do appreciate that nobody will get drunk and cause trouble"* (23year old Male, Chinese, Buddhist)

Finally, no correlation can be found between any particular type of attitude, behavior or level of awareness in relation to age, gender, ethnicity, or religion of the respondents.

Discussion

The findings are generally in line with previous research (Golnaz et al., 2010; Jusoh et al., 2013) that animal welfare, sustainability, food safety and health are factors that would drive purchase intention of halal food by non-Muslim consumers. A point of difference is that the respondents are more concerned with fair prices than fair trade. This could be because thrift is encouraged as an Asian value in Malaysia (Milner, 2004).

Religious beliefs have also been found to positively affect purchase intention and attitude when such beliefs overlap with certain Muslim beliefs. One respondent's abstinence of alcohol is also of note as he opined that this characteristic of halal restaurants made them more family friendly. Nevertheless, the findings seem to disprove any theorizations that halal certification and logos are capable of appealing to non-Muslims (Yuhanis and Chok, 2012) as none of the respondents actively searched for these signifiers and all respondents unanimously agreed that such signifiers would have no impact on them either positively or negatively.

Furthermore, the findings seem to challenge previous research that found value and customer satisfaction in Islamic hospitality (Asif, 2011 cited in Stephenson, 2014) and halal food products (Jusoh et al., 2013). In the case of Islamic hospitality, the work focused on the perspective of foreign tourists in Dubai. This difference in contexts could explain the differences in the findings. The research design also provides a more open platform for respondents to voice their concerns. It is not that they rejected these market offerings, but they did not appear to perceive these to be superior or more relevant to their needs when compared to non-halal restaurants. Even though it is noted that the respondents did not perceive halal restaurants more negatively as compared to non-halal restaurants, halal restaurants still fail to create competitive advantage over their non-halal counterparts.

Findings revealed that respondents recognized certain avenues which have the potential to appeal to them such as: cleanliness, service quality, price, atmosphere, health and family-friendliness. These have been highlighted as relevant to halal principles and processes (Golnaz et al., 2010; Jusoh et al., 2013). However, the open ended nature of this research allowed the participants to express what they considered important factors through a filter that took the individual restaurant staff, policies, not to mention government regulations and enforcement initiatives into account. The participants acknowledged that different individuals would accept and uphold their commitments differently, resulting in varying market offerings in terms of execution and adherence to government set standards. This could be attributed to general cynicism of Malaysians towards authorities and institutions, which is even more prominent in urban areas such as where the research was carried out.

The findings also reflect the binarization of Islam-West of Lee's (2011, p.107) observation about the way such binaries influence how certain practices are perceived. Halal standards are thought of as purely religious requirements and therefore incomparable with 'Western' science-based food standards. Furthermore, a similar binarization takes place in the majority of respondents' perception

regarding halal food preparation and service. They perceive it as a primarily Muslim process that benefits Muslim. Hence, the general opinion was formed that it does not concern them and the disassociation that occurs would result in them being unable to relate to the benefits that might be available. Thus, they do not consider it relevant to their personal consumption. This is compatible with previous observations (Golnaz et al., 2010) that many non-Muslims still perceived halal labeled food products from the perspective of religion and do not understand the underlying principles and advantages behind it.

Theory of Planned Behaviour

The Theory of Planned Behavior (TPB) has been posited to be useful in understanding how halal food products can create a value proposition for non-Muslims (Golnaz et al., 2010; Jusoh et al., 2013). Thus, it would be put forward that it is also suitable for understanding how halal foodservice can create a value proposition for non-Muslims. Amongst the three independent determinants of consumer behavior in TPB, this study focused mainly on attitude.

The perceived behavioral control is not deemed to be a problem as halal restaurants are ubiquitous in Malaysia and is a generally affordable. Jusoh et al. (2013) interpreted the subjective norm in the context of having Muslim majority friends. However, this research would be inclined to follow the interpretation used by Golnaz et al. (2010) where the social pressure results from coexisting in a Muslim majority society. In Malaysia, the social pressure of dining at a halal restaurant is strong when in Muslim company due to the culture of religious pluralism in Malaysia that strongly encourages respecting different religions. Overall the social pressure of dining at a halal restaurant when in Muslim company is positive; one of the respondents even considered this a matter of equality. There are no socially negative feelings found for dining in halal restaurants amongst the respondents. Hence, neither subjective norms nor perceived behavioral control are an issue for non-Muslim consumers' intention of dining in halal restaurants.

While it was found that the attitudes of the respondents towards halal restaurants were neutral, their general attitude towards the provision of suitable eating establishments for their Muslim counterparts is favorable. As mentioned earlier, non-Muslims have the potential to find value in halal foodservice if their attitude towards its' unique values are developed through creating awareness and understanding of elements that are consistent with their personal religious beliefs. Thus, this would influence their attitudes positively and encourage patronage of halal restaurants.

Conclusion

In conclusion, the value propositions for halal restaurants that are relevant to non-Muslims are indeed integral parts of halal principles: nutritional value, health, food safety, animal welfare, sustainability, cleanliness and price. However, it is found that the majority of non-Muslim respondents of this study in Malaysia were unable to relate these to halal restaurants. Therefore, it can be seen that the halal restaurants are primarily facing the marketing problem on brand building. Halal restaurants need to reconsider how to position themselves in customers' perceptions to be just as relevant to non-Muslims and avoid the mistake of alienating a significant potential market.

Furthermore, to the best of the authors' knowledge, price has never been identified as a dimension for halal value propositions. The respondents' demand for fair prices matches the halal principles of reasonable prices especially for something like food that is a daily necessity. Thus, it is recommended that value propositions for non-Muslims can be better made for halal restaurants through raising awareness and communicating the components of halal principles that would be relevant. Moreover, a substantial degree of dismissal of the halal restaurants' value propositions is due to the distrust towards the commitment of individual restaurant and restaurant staff in upholding the standards of the halal ideal. Hence, the halal restaurant industry and the Malaysian government needs to work together to overcome this problem. One possible solution would be through strict training programs for restaurant management and service staff. Frequent and random audits of the restaurant and its staff might also help restore Malaysian confidence in halal standards and their long-term implementation.

Limitations

The research is faced with certain limitations. Firstly, it is acknowledged that the small sample size and use of convenience sampling is not sufficient to be truly representative of the Malaysia's vastly diverse population. There are also more to Malaysia's ethnic diversity than just those included.

Moreover, in order to obtain a sample towards inclusion, equality and balance, representative proportions of the population had to be sacrificed. Any future research may, however, benefit from the findings to design a research model for further empirical validation.

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Islam is the fastest growing religion in the world. It is especially popular among young people who are connected to the social media platforms. This entry explores the different uses of social media by Islamic individuals and organizations. The focus will be on the role that social media plays in disseminating Islamic faith among social media adopters worldwide. It will, thereby, focus on how social digital platforms have markedly impacted the social life of Muslims, including their religious practices, their religiosity, their preaching, their issuing *fatwas*, and their building virtual communities in the Muslim majority countries or in *Diasporas*.

Just as other regions, the Muslim majority countries have witnessed a rapid diffusion and adoption of social media platforms such as Facebook, Twitter and YouTube in recent times. In the Arab world, Facebook is the leading social networking website with 45,194,452 users. Twitter follows with 2,099,706 users. The Arab region is second to the USA when it comes to the number of YouTube daily views. With 90 Million video views per day, Saudi Arabia has the world highest number of YouTube views per Internet user.

The popularity of social media platforms in the Arab world has led some scholars to expect that its impact on religious life is likely to rise. The common argument is that social media has the potential to change people's religiosity and practices of piety. The impact of social media on religious behaviors of individuals and communities in environments characterized by conservatism and traditionalism, it is argued, will be even more profound than in environments characterized by liberalism and openness.

Like for the followers of other book-based religion in the Abrahamic tradition, communicating and winning the hearts and minds of believers and non-believers through *Dawa* is a central commitment for many Muslims and Islamic preachers and leaders. Social media has become an invaluable means to pursue the path of *Dawa* and the dissemination of the Quran. Only very few voices condemn the use of the new digital media as incompatible with Islamic practices. For instance, Abdul Aziz Al Shaikh, Grand Mufti in Saudi Arabia, advances a critical stance towards social media platforms such as Facebook and Twitter because, as he says, they disseminate lies and may destroy established relationship and Muslim families in the offline real world. In a similar line, religious authorities in some Islamic countries issued *fatwas* against the use of social media like Twitter, arguing for its incompatibility with *Sharia* because of trading accusations and promoting lies.

While some of the Islamic religious leaders advise their followers *not* to use social media platforms, the overwhelming majority of scholars and preachers capitalize on the effectiveness and efficiency of social media in engaging with the community of believers and enhancing their fidelity and loyalty.

In the first generation of the Internet, there were some traditional websites like Online Islam that acted as one stop shop to religious information and comprehensive services to the Islamic community, the *Ummah*. These digital platforms led to the emergence of what some call "Facebook Fatwas". *F-Fatwas* introduced a new paradigm to the practice of religious instructions in the way they were formulated, issued, disseminated, received and acted upon.

The mushrooming of digital platforms during the second era of the Internet, Web 2.0, led to a process of undermining the monopolistic nature of religious orthodoxies. For many, social media has become an ideal platform, the new Mosque or *Madrassa*, for the dissemination of the Islamic belief. *F-Fatwas* spark commentary and feedback among many sectors of Muslim societies, including religious authorities, Islamist intellectuals as well as young urban or secularized Muslims and ordinary believers.

One type of Islamic use of social media platforms is proselytization, which is widely popular amongst Islamic preachers. Some estimates put the numbers of Twitter followers for some Islamic scholars at 600,000. Famous preachers like Tareq Al Suwaidan and Amr Khaled even reach the

magic number of one million when it comes to Facebook fans and likes. Ironically enough, some star religious scholars have social media accounts, even if they died decades ago, yet their religious and intellectual followers are aspired to reach new generations of digital natives and followers by creating Facebook pages and Twitter streams and YouTube channels. Social media is an increasingly important source of religious information for many people in the Muslim world. As a result, a new media culture is emerging which is having a significant impact on areas of global Muslim consciousness.

The use of social media is not limited to religious leaders but also used by normal Muslims who started tweeting *Quranic* verses and *Ahadith*, prophetic sayings. The dissemination of religious content regularly reaches its peak during Ramadan when the degree of religiosity increases. The “Ramadan Aperture”, when Muslims are internally and externally motivated to receive and process religious content in form of “tweets”, is a new phenomenon that changes the way of how the Islamic faith is promoted among believers and nonbelievers. The very nature of a tweet with its 140 characters, designed especially for ease of use and memorability, is a perfect tool for memorizing Quran and Prophet’s sayings. Tweeting *Quranic* verses and sayings from the Prophet have become a part of Ramadan religious rituals and habits. On the occasion of *Haj*, the pilgrimage to Mecca, pilgrims tweet feeds offering a sense of virtual spirituality to their families like a vignette for the sacredness and presence of the holy place. Other pilgrims upload photos and clips from sacred places to share the rituals and spiritual experience. These practices contribute to the enhancement of co-religiousness and co-piety of the Islamic *Ummah*.

Social media has become integrated in the habit of not only spreading the word of *Allah* but also safeguarding Islam against critics from outside. For example, Muslims created Facebook pages to defend the prophet Mohammed from attacks. The website *Social Media and Islam*, e.g., is a page that “promotes the message of Islam on Social Media”. Social media also created an Islamic popular diplomacy. This involves the global mobilization of believers through virtual platforms in case of individual or group attacks on the prophet or the *Quran*. Prominent examples are the plan of a US-American pastor to burn *Quran* copies in 2010 and the dissemination of the anti-Islam video clip “Innocence of Muslims”. These incidents have triggered a global mobilization of Muslims protests by means of social media platforms. Countries such as Pakistan, Jordan and Egypt asked YouTube to delete the film from its platform.

Some conservative leaders called for the creation and launch of *Sharia* compliant *halal* social media platforms. As a response to these calls, a number of digital initiatives and projects were carried out. Islam-centered alternatives to Facebook such as Muslimsocial.com, Muxlim.com and SalamWorld started to appear; yet their adoption rate is still very low. The recent SalamWorld has sought endorsements from Saudi and Salafi scholars. This social networking website filters what it views as harmful content like pornography, terrorist activity or human rights violations. Its mission is the respect of the values of Islam.

Social media has opened up the opportunity especially for young Muslims to engage with their faith and communicate to co-believers in a manner that their parents could never have imagined. Where once the *Ummah* was a spiritual notion, with Muslim communities separated by language and geography, social media has broken down barriers and enabled young Muslims to connect irrespective of where they are. It allows them to discuss what it means to be Muslim in the twenty first century, especially for those who are living in the Western hemisphere. Teenagers and young adults of second- and third-generation Muslims living in Western Europe and North America have become engaged in digital discussions and debates concerning religious issues and identities.

For some hyper digital activists, social media provides the means for re-uniting the *Ummah* in a form of e-*umma*. Digital social platforms, they hope, can contribute to the creation of virtual communities that may pave the way for eventual physical communities and thus support the global cohesion of believers by weaving links between community members of the different countries worldwide. In some urban centers in North America and Western Europe, Islamic social media websites have contributed to the spread of Islamic icons, indexes and symbols among the members of the Muslim diaspora. Recent research has shown that young Muslims in Western societies are more receptive to religious beliefs and values. One indication of their religiosity is that they are

likely to attend mosques more frequently.

In the Islamic communities in the Northern Hemisphere, proselytizing efforts have been exceptionally successful. In Europe and the United States, Non-Muslims accept invitations to convert to Islam. The personal videos of converters are broadcast on YouTube and discussed in virtual chat rooms. Young Muslims have uploaded a great number of videos that discuss issues related to the creation of the universe. For instance, there are about 70.000 YouTube videos on the so-called “Scientific Miracles of Quran”, an indication of their special popularity.

Like Mysticism, Sufism is a way of inner and mystical practices of Islam. The ritual-mystical practice is based on a master-disciple relationship. Adherents of Sufism are traditionally not interested in technology because spirituality is about silence and stillness while digital social networking platforms are agile and restless. However, in recent time, even Sufist movements have made use of social media to practice their spiritual purification in the virtual world. It is remarkable that the use of social media has led to an extension of Sufi spiritual sphere of influence and followers. The challenge for these Sufi groups is to adequately address the need for a direct and physical relationship with the spiritual master, *Sheikh*, which is still a key moment to the Sufi experience.

In addition to the Sufi and other soft versions of Islam, there are also hard and violent manifestations of Islam in the blogosphere, enacted as *Al-Qaida*, *Hamas* and *Hizballah*. The emergence of *e-jihad* in forms of digital activism, hacking activities and cyber attacks has turned the blogosphere as a realm of civic use of social media into *blogistan* where aggressiveness and violence are prominent.

The strongest manifestations of the use of social media for political or even militant Islamic movements are the recent Arab revolutions. The Arab Spring has brought Islamist movements and political parties to power in many Islamic countries. Because they were denied access to the public sphere, they had turned to digital platforms as an efficient tool for creating and distributing political messages to bespoke audiences, and for mobilizing followers and supporters for demonstrations. For instance, during the mobilization of protests in the Egyptian streets, social media savvy activists used Facebook to schedule the protests, Twitter to coordinate, and YouTube to tell the world.

The recent return and rise of Islam is spectacular. It has been argued that synergy of small media and social media have helped Islam to gain or regain a place in our contemporary complex social life. The continuous digitization of Islam and the Islamization of the digital world represents both a blessing and challenge to the religion of Islam in the twenty first century, where close systems are resisting the openness of instantly constant transparency and wikileaks effects.

For centuries, interpretations of the *Quran* were kept a reserved domain for a tiny minority of *Ulama*, scholars of religion. Social networking websites, microblogging platforms and mobile social apps have become profane avenues for disseminating sacred interpretations. Religious authorities on digital platforms are in the process of being undermined. The blossoming of digital *Fatwas* are an indication of the splintering of orthodoxies and the emergence of heresies. The traditional concept of religious authority has come under attack, and has been shaken in many forms. Consequently, religious authority has become a contested domain, rather than an accepted reality by the uneducated masses.

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Islamic Tourism Marketing

Islamic Tourism Marketing: The Role of Travel Agencies in Promoting Muslim Tour Packages

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Abstract

In January 2011, Pew Research Center's Forum on Religion & Public Life reported that the world's Muslim population will increase by 35% in the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion by 2020. Muslims will make up 26.4% of the world's total projected population of 8.3 billion in 2030, majority from Asia-Pacific, Middle East and North Africa. The Muslim tourists especially from the Middle East countries are one of the highest spending travelers in the world. This has made the Middle East countries one of the most lucrative outbound tourist markets in today's fast growing international tourism industry. In addition, Middle East, travel and tourism activity is expected to grow by 4.4% annually between 2006 and 2015 creating numerous business opportunities. Many countries are now gearing up to tap into this growing market by promoting their interests to Muslim tourists especially from the Middle East region. Consumer behavior plays an important role in tourism marketing because understanding tourist consumer behavior and in this case Muslim consumers are very beneficial for developing tourism products. Muslim tourist will choose to consume the most preferred items in their travelling patterns such as consuming '*halal*' food and beverages, observing prayer time, clean accommodation and travel activities that must be permissible to the Islamic principle. Islamic tourism is gaining a stronger foothold in the industry as compared to the past. The development of Islamic tourism has achieved further serious discussion since the September 11 incident and this give rise and the understanding of Islamic tourism which lead to the creation of Muslim tour packages or Halal friendly packages to cater for the Muslim consumers. Islamic tourism is new to most tourism scholars and there are few studies carried out by researchers that integrate the teaching of Islam and tourism theories. Traveling and exploring for the purpose of seeking knowledge, enriching one's experience and improve one's character has been encouraged by Islam. Hence Islamic tourism can be defined as *tourism activities, development of product and services, marketing strategies according to Islamic values, principles and guidelines targeted to Muslim tourists for knowledgeable and holistic travel*. The various business components within the tourism industry include; tour packages, accommodation, transportation and food and beverages which need to be studied from the Islamic perspectives. These study focus on the role of travel agencies and tour operators in providing Muslim tour packages and evaluate their marketing strategies in promoting these packages to meet the demand of the Muslim travelers. A different marketing approach is required for travel agents addressing to Muslim travelers, who wish that their traveling holidays are fun, knowledgeable and holistic in nature. Traveling are not just going for pilgrimage of '*hajj*' or '*umrah*' but holidays include going to other non Muslim destinations such Australia, Europe, China, Hong Kong, Japan and Korea. They need tours that include provision of full board Halal meals, Muslim friendly hotels, visiting mosque and Islamic sites, and sensitive to prayer times during the tour. Travel agents in Malaysia have started developing Muslim tour packages and create awareness among customers pertaining to Islamic tourism by providing Halal friendly tour packages to non Muslim countries through company website and social media such as *Facebook* and *Twitter*. They also participated in travel fairs such as the Malaysian Association of Tour and Travel Agents (MATT) Fair, Malaysia's Virtual Travel Fair and MATTA Islamic Travel Fair. In 2013, MATTA successfully organized the World Islamic Tourism Mart (WITM) 2013 and the 7th International Conference on Muslim Tourism, Hajj & Umrah (INCOMTHU) on 4-5 September 2013 at Putra World Trade Center (PWTC) Kuala Lumpur, Malaysia that brings together more than 150 local and foreign travel agencies and tour operators. The objectives

of this study are to explore the role of travel agents in promoting Muslim tour packages and to investigate the demand for Islamic tourism and the Muslim tour packages. A total of 134 questionnaires were collected from the staffs of travel agencies that offer Muslim tour packages in Kuala Lumpur and Selangor. The questions are constructed in order to measure the marketing strategies of the agents; popular product of the company, market segments, promotional tools, the challenges and awareness of consumers on the Muslim packages. The second section of the questionnaire measures the demand of Muslim tour packages among customers in Malaysia. The results indicated that most of the travel agencies designed the tour packages according to the Islamic principles and guideline, the purchase behavior of consumer towards Muslim tour packages is in high demand and most of the travel agents operate their business in accordance to Islamic principles.

Keyword: Islamic tourism, travel agents, Muslim tour packages, Halal food

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Abstract

This study explored the cognitive of the green consumer in China. The cognitive of the green consumer is defined as a consumer who has an environmental consciousness and green cognitive consumption. The study utilized the conceptual framework of the Theory of Reasoned Action model via multiple and hierarchical regression analysis. This model analyzed the cognitive of the green consumer as the independent variable, the purchase intention as the mediating variable, and the purchase behavior as the dependent variable. The research sample consisted of 652 participants. The results were (a) environmental consciousness and the cognitive of the green consumer influence the consumer's purchase intention; and, (b) the purchase intention of the consumer mediated the effect of the correlation between the environmental consciousness and the cognitive of the green consumer's purchase behavior.

Keywords: green consumer behavior, environmental consciousness, green cognitive consumption

The Cognitive of the Green Consumer in China

The report from United Nations Environment Programme (UNEP) forecasts that the global green market will grow to US\$2.2 trillion by the year 2020 (Environmental Leader LLC, 2013). The green market includes low carbon and energy efficient technologies (Environmental Leader LLC, 2013). For instance, the green construction market in the United States (US) accounted for a market of US\$10 billion in 2005, US\$78 billion in 2011, and is estimated at US\$85 billion for 2012 according to the report *Green Buildings US: Green Construction Market* (Statista Inc, 2012). The Natural Marketing Institute (NMI), subdivides the green consumer into five classifications: (a) Lifestyles of Health and Sustainability (LOHAS), (b) Naturalizers, (c) Drifters, (d) Conventionals, (e) Unconcerneds. Using these classifications the green consumer market in 2009 could be categorized as 19% (Lifestyles of Health and Sustainability), 15% (Naturalizes), 25% (Drifters), 24% (Conventionals), and 17% (Unconcerned). Furthermore, the LOHAS consumer market in the US is estimated to be approximately US\$290 billion for goods and services that focus on health, environmentally conscious, and sustainable living in 2012 (LOHAS, 2012). On June 18 to 20, 2013 in Boulder, Colorado, the LOHAS Business Conference reported that the market of LOHAS consumers grew to US\$300 billion in the US (LOHAS, 2013). In other words, these figures show the green consumer market is dramatically growing and continues to be an emerging market. In addition, understanding the behavior of the green consumer and understanding the factors that influence the green consumer is becoming a major business interest to take advantage of the opportunities for expanding a company's market share in the global green market. Therefore, the purpose of this study consists of examining the cognitive of the green consumer to better understand their purchase behavior in terms of the Theory of Reasoned Action model as developed by Fishbein and Ajzen (1975).

In order to understand the behavior of the green consumer, the first question that needs to be addressed is "Who are the green consumers?" One researcher, Ottman (2011, p.22) believes, "We are all green consumers". She states that consumers today are more concerned about environmental problems such as water quality, air pollution, deforestation, global warming than even before (Ottman, 2011). In addition, green products are those products that reduce the impact to the environment or human health than the traditional equivalent products (Martin & Schuten, 2012).

The second question that needs to be addressed is, "What influence factors affect the purchase behavior of green consumers?" Green marketing is defined as, "the development and marketing of products designed to minimize negative effects on the physical environment" (Dahlstrom, 2011, p.5). To understand green marketing is important to understand those consumers and producers who "consume, produce, distribute, promote, package, and reclaim products in a manner that is sensitive or responsive to ecological concern" (p.5). The research of Wong and Mo (2013) indicate that income and reference groups of the consumer have an influence the consumer's purchase intention which influences the

behavior of others in society to purchase recycled products in China. Therefore, this study concerns itself with the cognitive of consumers who purchase green products in China.

The cognition of the consumer is one of the three elements of the consumer's attitude as defined by Hawkins and Mothersbaugh (2011), whereby the consumer's attitude consists of: (a) cognitive (beliefs), (b) affective (feelings), and (c) behavioral (response tendencies) (Hawkins & Mothersbaugh, 2010). Wagner (1997, p.15) states that, "Cognitive refers to understanding and learning." While Peter & Olson (2008, p.21) believe that "cognitive refers to their thinking such as their beliefs about a particular product." Simply stated consumer behavior consists of the purchasing, using, and disposing of goods and services (Belz & Peattie, 2012; Hawkins & Mothersbaugh, 2011). In other words, the green cognitive of consumer behavior defines those consumers believe "green" that affects their green purchase behavior.

Problem Statement

The problem statement of this study is to identify how the cognitive of the green consumer influences their purchase behavior in China. This study concerns itself with understanding the cognitive of the green consumer to determine if there is a link between the consumer's environmental consciousness and consumption cognitive of green products. Therefore, to achieve this, (a) defining environmental consciousness is as those consumers who have an awareness, attitudes, knowledge, values, and behavior actions about environmental protection, safety, and friendly. Alternatively, environmental consciousness reflects those consumers willing to do something to address environmental issues. For example, consumers know what products or product material(s) can be recycled, or which material components harm the environment contributing to global warming, air pollution. (b) Green consumption cognitive defines those consumers who have the knowledge of which products are green products for them to purchase. For instance, consumers have a clear understanding what green products are because of the green labeling. Alternatively, what green product labeling or eco-labeling is, (c) Purchase intention defines those consumers who are having a plan to purchase something in future (Peter & Olson, 2008). Alternatively, consumers are willing to purchase something in future (Peter & Olson, 2008). For instance, I want to purchase this pen next week at ABC store. (d) Purchase behavior defines those consumers who already bought something in past (Peter & Olson, 2008). For example, I went to ABC bookstore to purchase a pen yesterday.

The conceptual framework of this study is shown in Figure 1 in terms of the Theory of Reasoned Action. This study utilizes (a) environmental consciousness and (b) green consumption cognitive as the independent variables, purchase intention as the mediating variable, and purchase behavior as the dependent variable.

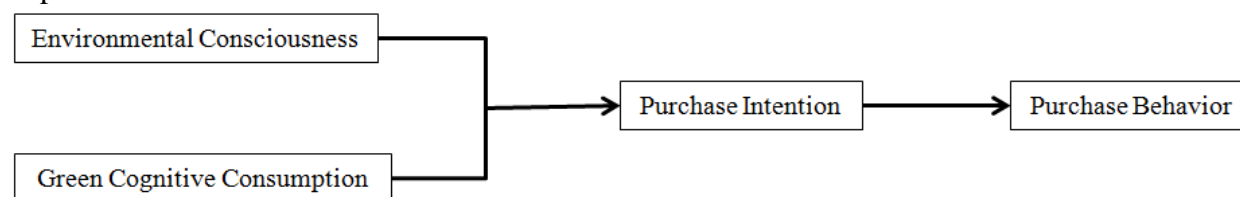


Figure 1. The Theoretical Framework of the study

Research Question and Hypothesis

To respond the problem statement as above, the following research question and hypothesis are as below.

Research Question

Do the environmental consciousness and the green consumption cognitive of consumers affect the purchase behavior of the green consumer that has been mediated by their purchase intention?

Hypothesis

H1: There is a positive correlation between environmental consciousness and purchase intention.

H2: There is a positive correlation between green consumption cognitive and purchase intention.

H3: There is a positive correlation between purchase intention and purchase behavior.

H4: Purchase intention mediates the effect between environmental consciousness and purchase behavior.

H5: Purchase intention mediates the effect between green consumption cognitive and purchase behavior.

Literature Review

Environmental Consciousness

Environmental consciousness of green consumers describes those consumers who have the awareness, attitudes, values, and behavior actions concerning environmental protection and safety. Thus, this group of consumers believes their behavior will directly impact the environment. Also, society influences the purchase behavior of the green consumer as well as the environmental consciousness of the green consumer. These consumers will consider environmental issues such as how to protect the environment in a safe and friendly manner.

The research of organic skin/hair care products by Kim and Chuang (2011) utilized the Theory of Planned Behavioral model to explore the correlation between environmental consciousness and the purchase intention of consumers. They concluded that environmental consciousness influences the consumer's attitude toward the purchase of organic skin/hair care products. Furthermore, the consumer's perceived behavior control as a predictor variable moderated the correlation between environmental consciousness and purchase intention of consumers in the US.

Similar research has been done by Sia, Ooi, Chong, Lim, and Low (2013) which explored the willingness to pay for organic foods in Klang Valley, Malaysia. The result of their study indicated that environment consciousness, health consciousness, perceived expensiveness, labeling and certification influenced the consumer's willingness to pay for organic foods. In other words, both studies concluded that when consumers consider organic products/foods, consumers have a high purchase intention or willingness to pay because of they are healthy and environmentally friendly.

Green Consumption Cognitive

Green consumption cognitive indicates consumers who have the "green knowledge" background to consume and purchase green products effectively. "Green knowledge" consists of having the education to identify eco-friendly labeling capable. In other words, when consumers are shopping for products, they know which products are considered green product(s). Furthermore, this group of consumers wants to change their own lifestyle or purchasing behavior to lessen their impact on the environment and if possible protect the environment.

Regarding the relationship between environmental concerns and the consumption cognitive, the research of Kim and Cho (2005) adopted collectivism, environmental concern, perceived consumer effectiveness, and ecological purchase behavior as the research framework for their value-attitude-behavior model. Their results concluded that (a) Perceived consumer effectiveness affected Collectivism, which in turn into influences the beliefs of consumers, thus, influencing their green purchase behavior; and, (b) environmental concerns directly influenced the consumer's purchase behavior of green products because of the consumer's fundamental beliefs or values regarding environmental protection.

Ling (2013) adopted environmental attitudes, social influence, self-efficacy, store image, roles of salesperson, willingness to pay more, and purchase intention as variables via hierarchical regression analysis to explore the purchase intention for green care products. The results showed that environmental attitudes and self efficacy had a positive correlation with their purchase intention. When willingness to pay more was used as a moderating variable, it demonstrated a positive correlation between environment attitude and purchase intention for green care products purchasing.

Research on green consumer behavior in India has been conducted by Siringi (2012). This research concerned itself with the purchase behavior of the green consumer that has been affected by the environmental concerns of consumers. Siringi's research adopted eight variables as follows: (a) energy saving, (b) eco-label, (c) need for environmental information, (d) shopping behavior, (e) purchase criteria, (f) purchasing behavior, (g) preference of green outlet, and (h) awareness of green outlets. The research adopted factor analysis that used a varimax rotation that yielded eight factors. The results showed eight values higher than 1.00 that explained 64.3% of the variance. The results of the factor analysis showed that three of the eight factors could explain 33.4% of the variance that affected green purchasing behavior, as follows: (a) 13.3% of energy saving, (b) 10.54% of eco-label, and (c) 9.56% of need for environmental information. In other words, this group of consumers has changed their lifestyle in order to reduce their impact to the environment. Furthermore, these consumers also had a strong green knowledge to identify which one is a green product by reading the product labeling.

Purchase Intention and Behavior

Purchase intention is a plan to purchase a particular product and/or service in the future (Peter and Olson, 2008). In contrast with purchase intention, purchase behavior describes an act of purchasing a particular product and/or service in the past (Peter & Olson, 2008). The research of Kim & Chung (2011) shows that having an environmental consciousness has a positive influence on their attitude toward the purchase intention of consumers for organic personal care products in the US. Regarding recycle products, Wong and Mo (2013) found that consumers in Shanghai, China also purchased recycled ink/toner cartridge. Their income and reference group of consumers affected their purchase intention which influenced their purchase behavior. Sia, Ooi, Chong, Lim, and Low (2013) researched consumer's behavior about purchasing organic products in Malaysia. Their study showed that environmental consciousness, health consciousness, perceived high cost, and labeling and certification, significantly influenced the consumer's willingness to purchase organic products.

Furthermore, Wagner (1997) concludes from his research the following: (a) consumers should understand what is a green product; (b) consumers should know how to identify a green product; and (c) the consumer wants to be able to choose among various green products by having green labeling. As a result of this research mentioned above, this study is concerned on the cognitive of the green consumer behavior in China.

Methodology

The sample of this study consisted of undergraduate and graduate students in Shantou, China. The collection method adopted the simple random sampling. The data collection period took place during a one-month period. The class schedule involved morning, afternoon, evening classes, and weekend lectures. Weekend classes were working adult students who were post-graduate students and MBA students. Each lecture per classroom only selected 15 to 20 respondents.

The instrumentation of this study adopted a questionnaire that was divided into two parts. The first part of the questionnaire asked participants their opinions and attitudes about their: (a) environmental consciousness, (b) green consumption cognitive, (c) purchase intention, and (d) purchase behavior. There were five questions that were asked about their environmental consciousness and green consumption cognitive. There were six questions that were asked of their purchase intention of green products. There were five questions that were asked of their purchase behavior of green products. To measure the respondent's opinion and attitude pertaining to: (a) environmental consciousness, (b) green consumption cognitive, (c) purchase intention, (d) purchase behavior, the five-point Likert scale was utilized with One indicating "strong disagree", and Five indicating "total agree".

The second part of the questionnaire consisted of questions regarding demographic information of the participants such as where they live, academic year, and pocket money per month. The academic years were divided into (a) freshman, (b) sophomore, (c) junior, (d) senior, and (e) post-graduate. The pocket money range was also sub-divided into four sub-ranges: (a) below RMB 600, (b) RMB 601 to RMB 900, (c) RMB 901 to RMB 1,200, and (d) Above RMB 1,201.

Data Analysis and Interpretation

There were 652 respondents from Shantou, China consisting of 49.4% male and 50.6% female. The academic year consisted of (a) 28.4% freshman, (b) 20.1% sophomore, (c) 25.2% junior, (d) 16.6 % senior, and (e) 9.8% postgraduate. The pocket money range consisted of (a) 31.1% less than RMB 600 per month, (b) 35.7% between RMB 601 and RMB 900 per month, (c) 21.2% between RMB 900 and RMB 1,200 per month, and (d) 12% above RMB 1,201 per month.

As it is observed, Table 1 indicates there is no multicollinearity issue for multiple regression and hierarchical regression analysis to test hypothesis One to Four. There is no strong correlation between any two of these variables, although these variables were statistically significant with each other. The value of 0.4 and 0.8 are cutting points to describe the degree of correlation (either negative or positive value) for variables (Hair, Bush, & Ortinau, 2006). The degree of correlation divides into three levels: weak, moderate, and strong. Based on Table 1, one can observe that although these variables have statistically significant correlation, the figures are below 0.8, which means these variables do not have a multicollinearity problem because of moderate correlation.

Table 1.

Correlation Coefficients of Environment, Consumption, Intention, and Behavior

| | | Environment | Consumption | Intention | Behavior |
|-------------|---------------------|-------------|-------------|-----------|----------|
| Environment | Pearson Correlation | 1 | .635** | .527** | .571** |
| Consumption | Pearson Correlation | .635** | 1 | .632** | .619** |
| Intention | Pearson Correlation | .527** | .632** | 1 | .573** |
| Behavior | Pearson Correlation | .571** | .619** | .573** | 1 |

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

Table 2 below presents the results of the multiple regression model analysis. As it is observed, environmental consciousness and green consumption cognitive influences the purchase intention of consumers. The R^2 value of 0.436 indicates that 43.6% of the purchase intention variation is explained by environment consciousness and green consumption cognitive. This research concludes that the dependence of the purchase intention on environmental consciousness and green consumption cognitive can be expressed by the following regression model, where ε indicates a normally distributed random residual whose mean is 0.

Purchase intention = 0.796+0.2317xEnvironment +0.437 x Consumption

It concluded that the research fails to reject the hypothesis One and Two.

Table 2

Regression results of Hypothesis One and Two

| | <i>B</i> | <i>SE b</i> | <i>(std. error)</i> | β |
|-------------|----------|-------------|---------------------|----------|
| Constant | 0.796 | 0.121 | | |
| Environment | 0.317 | 0.041 | | 0.297*** |
| Consumption | 0.437 | 0.039 | | 0.430*** |

a. Dependent Variable: Purchase Intention.

Note. $R^2 = 0.436$, Adjusted $R^2 = 0.434$ ($P < 0.001$), *** $p < 0.001$

Table 3 presents the results of the hierarchical regression model analysis. As it is observed, the environmental consciousness and green consumption cognitive influence the purchase behavior that is mediated by the purchase intention. Furthermore, R^2 value of 0.472 indicates that 47.2% of the variation of the purchase behavior of consumers is explained by their environmental consciousness and green consumption cognitive, which is mediated by their purchase intention. Therefore, as shown in Table 3 this research shows that the dependence of the purchase behavior on environmental consciousness and green consumption cognitive, mediated by purchase intention purchase can be expressed by the following regression model, where ε indicates a normally distributed random residual whose mean is 0.

Purchase behavior = 0.426+0.269xIntention +0.261xEenvironment+0.309xConsumption

It concluded that the research fails to reject the hypothesis Three, Four, and Five.

Table 3

Regression results of Hypothesis Three and Four

| | <i>b</i> | <i>SE b</i> | <i>B</i> | Tolerance | VIF |
|-------------|----------|-------------|----------|-----------|-------|
| Step 1 | | | | | |
| Constant | 1.121 | 0.132 | | | |
| Intention | 0.610 | 0.034 | 0.573*** | | |
| Step 2 | | | | | |
| Constant | 0.426 | 0.129 | | | |
| Intention | 0.269 | 0.040 | 0.252*** | 0.574 | 1.743 |
| Environment | 0.261 | 0.040 | 0.244*** | 0.574 | 1.754 |
| Consumption | 0.309 | 0.042 | 0.304*** | 0.474 | 2.111 |

a. Dependent Variable: Purchase Behavior.

Note. $R^2 = 0.329$ for Step 1, $R^2 = 0.475$, Adjusted $R^2 = 0.47$ for Step 2 ($p < 0.001$). *** $p < .001$

Discussion and Conclusion

The research of green consumer behavior indicates that consumers who have purchased and used green products considered environmental, ecological, and social criteria in their purchase behavior (Belz & Peattie, 2012; Wagner, 1997). Some researchers concluded that some green consumers are willing to

pay more to purchase green products in order to have a healthy and safer environment (Kim & Cho, 2005; Ling, 2013; Sia, Ooi, Chong, Lim, & Low, 2013). Furthermore, the study also concludes that consumer's purchase intention and behavior has been affected by their environmental consciousness and green consumption cognitive for green product(s) in China. In other words, green consumers commonly take environmental concerns into consideration when they purchase products. For instance, green consumers are willing to pay more to purchase green products in order to reduce environmental damage. These consumers also believe they should take a social responsibility to protect the environment in order to have a health living environment and safe foods.

Based on these results, there are two topics for business implementation. First, how does one include the environmental consciousness of the consumer into the business mindset and business practice. From the view of green organizations, businesses should adopt green practices so they can better educate consumers such as identifying the differences when comparing green products with non-green products. In other words, green organizations should let consumers know what the meaning of green products is through green or eco-labeling of green products.

Second topic for business implementation is how does one influence the cognitive of the green consumer. This could be done through the customer relationship management (CRM) system conducted by a number of business firms. When consumers who frequently purchase green products, green organizations should retain and develop their CRM in order to monitor their consumer's purchase behavior and consumption pattern. This means that the CRM should provide more information about their green consumer's consumption behavior and cognitive such as purchasing products online or offline, as well as tracking the frequency of their purchase behavior. Furthermore, these green organizations could develop marketing strategic plans using the CRM to target these existing consumers to increase a sales volume.

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Students' Perception on Quality of Higher Education in India

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Abstract

Purpose- The focal objective of this research is to explore the perceptual displays of students' on different facets of quality viz., tangible facilities, competence, attitudes, content, delivery, and reliability of higher education in India.

Design/methodology/approach- This paper undertakes a comprehensive review of the relevant literature on quality dimensions and higher education. The researchers employ a well structured questionnaire and conduct personal interviews with 500 students from different graduate and postgraduate programs. The researchers used convenience sampling and the collected data was analyzed with the support of Microsoft Excel package, frequency distribution and the test of significance for single proportion in Z-test. The required hypotheses were designed based on the literature and empirical studies.

Findings- 50.28 and 49.88 percent of students have evinced their opinion positively towards tangibles and competence facets of the higher education system respectively. Furthermore, 48.92 percent expressed their negative opinion on attitude of the faculty as against 48.97 on content of the course. And finally, a staggering 44.76 and 65.20 percent of students reported negatively on delivery of lectures and reliability of the academic programs.

Research limitations/implications- This research confined to the south-Indian state of Andhra Pradesh which is a leading hub for higher educational institutions in the country.

Practical implications- This study categorically provides strong information needed to all the stakeholders of the higher education which paves the way for further improvement in all the quality facets of the system.

Originality/value- This research paper sheds light on perceptions of the students' community on different quality aspects of the higher education system which is also useful to the world of academia and first of its kind from this part of the world.

Key words: Students' Perception, Quality, Quality Facets, Higher Education, India.

Paper type: Research Paper

1. Introduction

The success or failure of any country in every part of the globe absolutely depends on their human resource. The development of quality human resource and their systematic up-gradation is the ultimate responsibility of higher education systems of respective nations. The higher education system is a multifaceted structure which facilitates teaching, research, understanding, extension and international cooperation. Since from independence, India is the third largest higher education system in the world has gone through series of leaps and bounds. The higher education system in India has given enough impetus to the inspiring growth of the economy from the last two decades which crosses seamlessly with an aggregate of nine percent. From early 50s, University Grants Commission (UGC) has been bringing gallant efforts to improve the situation in higher education system of the nation. This process has led to the introduction of "National Policy on Education" in 1986 and Program of Action in 1992. The 1986 policy and Action Plan of 1992 was based on two land mark reports viz., the "University Education Commission" of 1948-49 (popularly known as Radhakrishnan Commission), and the "Education Commission" of 1964-66, (popularly known as Kothari Commission Report). The revelation of both Radhakrishnan and Kothari Commissions highlighted in the National Policy on Higher Education by clearly setting five goals viz., greater access, equal access, quality, excellence, relevance and promotion of social values. Eleventh five year plan has focused on the development of "Inclusive Education System" (equitable distribution of education) of higher education. Globalization of higher education needs to be treated as an opportunity to Indian higher education system to stretch and further strengthen to congregate aspirations and demands of young generations of country. Subsequently, Central Government and HRD Ministry of India planned and successfully introduced "Higher Education Reform Bill-2010 (NCHER Bill, 2010) with a mission to revamp the higher education system of the nation. There is every need to enhance number of institutions and also the quality of education to achieve sustained pace in economy and core mission of higher education system.

The Ministry of Education in India establishes number of unique agencies to closely monitor the quality of educational process both in general and technical education. In the year 1994, the University Grants Commission (UGC) established National Assessment and Accreditation Council (NAAC) for awarding accreditation to universities and colleges in general education based on their quality delivery of education. The technical education in India completely and closely monitors by All India Council for Technical Education (AICTE) which is also establishes National Board for Accreditation (NBA) for the same purpose. Different bodies are established for accreditation of different higher education systems in India like NBA set-up by AICTE. Along with the above, concerned state universities which has given affiliation establishes fact finding committees to monitor the quality of academic infrastructure, teaching staff and other facilities provided by the educational institutions. In view of the fact that, quality delivery is a holistic and constant process in the minds of NAAC, leads to conduct

many pre and aftermath accreditation related training programs, workshops, conferences to all the general and technical higher education institutions in the country. The NAAC pressurizes all the educational institutions to establish Internal Quality Assurance Cell (IQAC) in their institutions for continuous monitoring of areas which reflects the quality deliverance of educational service. The IQAC established institutions has already brought spectacular changes with respect to quality maintenance which has an immense fillip to educational institutions in the country. Whatever the steps has taken by the central and different state governments with the support of different accreditation bodies, there is no absolute expected level of change in the higher education system in India. Both the private and government owned institutions experiences myriad problems in delivering the excellence which engraves the dexterities of the future generations. With this class of milieu, the researchers attempted to congregate the latest perceptual displays of the receiving ends opinion on diverse aspects of quality deliverables of the system.

2. Quality Perspectives in Education

Quality is much-debated term in these days. As suggested by Pfeffer and Coote (1991), quality as a 'slippery concept which has a diverse essence and implications. Defining quality in education sector is a complicated task because the quality of service delivery not only depends on the service provider but also expected high and required degree of concentration from the service receiver. Adams (1993) postulated efficiency, effectiveness, equity are the frequently used inter-changeable words for quality. The stakeholders' community has diverse views and meanings on quality in different contextualized thoughts including quality aspects of education (Motala, 2000). Educational institutes has to treat the quality is not just only as a concept; it should be the institute's philosophy which is going to acquire with a committed application and determined effort in implementation of different quality aspects of education service viz., tangibles, competence, attitudes, content, delivery, reliability etc. The word quality is not at all related to the product or service; it also associated with people, processes and organizational environment. The superiority of any educational institution for example, is judged not only by the excellent faculty, staff and course offerings but also by the efficacy and truthfulness of processing paper work. The quality in educational institution mostly depends on the contributions from faculty, students, administrators and companies which recruit students as a part and parcel of education system (Stoner et.al. 2008). In other words, quality is hundred percent purity of knowledge acquired by faculty and standards set up by the higher education institution to transform the present state of knowledge of the students' community to face upcoming challenges effectively and efficiently.

2.1 Higher Education

Most of the countries in different parts of the world are seriously debating whether their higher education system would apposite to the present day's societal requirements. In developing countries where resources are scarce, improving quality in higher education is an uphill task to the governments. Even though it is practically difficult to maintain, it is an imperative situation to infuse quality consciousness as a major concern in the minds of all the relevant stakeholders of the education sector. And the expected level of quality should be achieved by considering the compatibility, costs, fairness and international standards of the system. Based on the level, colleges and universities come under this category which involves teaching-learning process with students' to award higher qualifications. This education infuses profound knowledge and intuition to students towards novel dimensions of knowledge in diverse subject spheres. It is about knowing more and more about less and less (Mishra, 2006). With a mission in mind, the higher education is to enrich knowledge; instruct, undertake, explore and offer service to the community. In a rapidly changing global scenario, the enunciation is on change and much more than that adopting to change through enabling operational structure. Ronald Barnett (1992) gave emphasis to four principal concepts of higher education which advocates a crystal clear cohesiveness on the concept:

- i) Higher education as the production of qualified human resources. In this context, higher education is seen as a process in which the students are counted as "products" absorbed in

the labor market. Thus, higher education becomes an input to the growth and development of business and industry.

- ii) Higher education as training for a research career. In this view, higher education is preparation for qualified scientists and researchers who would continuously develop the frontiers of knowledge. Quality within this viewpoint is more about research publications and transmission of the academic rigor to do quality research.
- iii) Higher education as the efficient management of teaching provision. Many strongly believe that teaching is the core of educational institutions. Thus, higher education institutions focus on efficient management of teaching-learning provisions by improving the quality of teaching, enabling a higher completion rate among the students.
- iv) Higher education as a matter of extending life chances. In this view, higher education is seen as an opportunity to participate in the development process of the individual through a flexible, continuing education mode.

Higher education is not only meant for teaching at higher institutions like colleges and universities, it is much more than that. It is a mandate to impart comprehensive knowledge transformation to mould the careers or future of students' community with the support of continuum research. Higher education has to rejuvenate the learners' intellectual powers and should improve their life-skills within their specialization as well as a wider perspective of the world around him. The Indian higher education system is incessantly, steadily transform and striding into the apex level of quality with a dedicated implementation of all the aspects in this regard in general and teaching, research and community service in particular by using information and communication technology. The present situation in the Indian higher education system absolutely entails high level of application, fortitude and deliberation from the policy makers of the human resource ministry based on the most imperative exigency of the system.

In this process of refining the quality of the system as a crucial step, in the year 2004, National Assessment and Accreditation Council was established which has framed the major principles for country's progress, enhancing dexterities, instills a value system in the young minds and encouraging the use of technology and search for excellence. The higher education in India is in a prosaic mode of transformation because of abysmal governmental support, inefficient administration, too much delay in bureaucracy, scarcity of quality faculty, lack of commitment from the faculty, casual nature of students etc. With thorough introspection and cautious introduction of requisite changes in all the facets of higher education viz. teaching, research and community service leads to progressive level of brilliance and efficacy. The NAAC designed seven criterion to assess superiority for mounting the competencies of an institution viz., curriculum related facets; teaching, learning and assessment; research, consultancy and extension; infrastructure and learning resources; student support and progression; governance and leadership; and inventive practices. The establishment of an internal quality assurance cell in every higher education institution facilitates to foster and raise the potentialities of an institution for delivering the best education service. With an intension to monitor and improve the institution's internal quality in all the above mentioned seven criteria given by NAAC, establishment of internal quality assurance cell is imperative. The IQAC has to involve continuum of internal quality checks and robust functioning in upgrading specific areas viz., curriculum design and development, teaching, learning and evaluation process; research and consultancy; infrastructure development which are essential to get a prominent response from NAAC with its grade. The NAAC also has an effective and efficient internal coordinating and monitoring mechanism which is closely monitors the IQAC's efforts in improving the quality of education. As per NAAC guidelines, establishment of IQAC in every higher education institution who is planning to get NAAC grading is an imperative task to continuously monitor the quality of education. Quality delivery of the education is the nucleus job of all domains in an educational institution, though the think-tank of the institution sets the policies and priorities. The promising level of quality education should be an incessant and enduring process in delivering the best services in any higher education institution which is not a onetime action just for accreditation purpose. Hence, IQAC has to take up the responsibility to maintain consistency in delivery of quality educational services to the students' community by frequent monitoring of all the quality horizons in higher education viz., various tangibles, competence of

academic staff, attitudinal displays of all the staff in the institution, relevance of content and its delivery, and reliability in every aspect.

2.2 Quality Dimensions in Higher Education

The word quality first developed for the manufacturing sector. In the process of enhancing the popularity and competitiveness among the service firms in general and education institutions in particular, has to think about the concept of quality just like a corporate sector. There are significant reasons for this kind of attitudinal change in the promoters of educational institutions in the private and public sectors because of competition, customer satisfaction, maintaining standards, accountability, improve employee morale and motivation, credibility, prestige and status, image and visibility. In the sphere of higher education, the implementation of quality control has been superficial and diluted by the exercise of academic freedom (Largosen, et al, 2004). Additionally, the present culture of universities is frequently based on individual self-rule, which is ardently guarded (Colling and Harvey, 1995). Boaden and Dale (1992) felt that it is usually difficult to apply the features of quality to higher education considering the fact that quality requires teamwork. Though, excellence in higher education is extremely imperative to providers (funding bodies and the community at large), students, staff and employers of graduates (Srikanthan and Dalrymple, 2003), the present situation in the country is almost outrageous. Education is also one of the crucial services in the service sector, the same framework developed by Parasuramna et.al. (1985) with different facets of service quality like reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer, tangibles is also applicable to teaching because of its service nature. Based on the meticulous review of service quality dimensions, Owlia and Aspinwall (1996) presented total fourteen facets of quality which were later confined to six viz., tangibles, competence, attitude, content, delivery and reliability. The researchers select the same list of six criteria with total 30 points for conducting a research to explore the perceptual displays of both graduate and post-graduate students.

3. Methodology

This research has taken up with a prime objective to know the perceptions of students' on quality aspects of higher education system in India. In fact, students are decisive for the incessant flow of success and survival of any institution, the researchers opted for the significant sample size of 500 students' of various graduate and postgraduate programs from both the genders. The targeted respondents' opinions were collected through well structured questionnaires consists of six major higher education quality attributes such as tangibles, competence, attitudes, content delivery and reliability which was adopted from the source of Owlia and Aspinwall (1996) along with the personal interviews. In addition to the primary methods of data collection, the researchers also relied on secondary methods like books, journals, magazines, committee reports, NAAC documents, unpublished articles, newspaper articles, websites etc. The collected data was analyzed with the help of Microsoft Excel software package, frequency distribution and Test of Significance for Single Proportion in Z-Test. The survey conducted in all the three regions (Coastal Andhra, Rayalaseema and Telangana) of the south Indian state of Andhra Pradesh by using stratified random as well as convenience sampling methods. The researchers received a seamless support from their colleagues in collecting the questionnaires as well as opinions of targeted respondents. The corresponding author and co-author arranged a comprehensive interaction with the students and staff so as to explain about the administration of questionnaires over and above questions to be raised at the time of personal interviews with the respondents. The researchers provide necessary instructions to distribute questionnaires based on the respondents' appointment and collected the filled-in questionnaires then and there itself. Because of this inimitable care to distribute and accumulate the questionnaires, researchers received the entire five hundred questionnaires with all the columns filled-in nature. The researchers enlisted the following four hypotheses based on literature review and empirical studies.

H1: Students' are very much concern over competence of their faculty.

H2: Respondents' are pleased with the attitudinal displays of their faculty.

H3: Students' are opined that present curriculum is not compatible to the needs of the society.

H4: Respondents' are articulated their disappointment over the reliability of academic programs.

4. Analysis and Discussion

In this portion of the study, the researchers noticeably deals with the findings and discussions based on the analysis of the data collected with instruments of questionnaires and personal interviews regarding the quality aspects of higher education related to tangibles, competence, attitude, content, delivery and reliability from 500 sample size chosen from graduate and postgraduate students of three regions of the state of Andhra Pradesh. The questionnaires were distributed only to the interested respondents who are willing to offer their valuable time. As mentioned in Table 1, out of 500 respondents, 344 are male and 156 are female. Related to the age group, 284 respondents belong to 20-25 and 124 are from below 20. The researchers also identified 363 graduate and 137 postgraduate students out of them 303 from Coastal Andhra, 98 from Rayalaseema, another 80 from Telangana regions of the state and only 19 respondents expressed their opinion from the other states of India.

Table: 1 Demographical Profile of the Respondents'

| Demographic Variable | Male | Female | Total Respondents |
|---------------------------|------|--------|-------------------|
| 1. Gender | 344 | 156 | 500 |
| 2. Age | | | |
| Below 20 | 124 | | |
| 20-25 | 284 | | |
| 25-30 | 68 | | |
| Above 30 | 24 | | 500 |
| 3. Educational Background | | | |
| Graduate Students | 363 | | |
| Postgraduate Students | 137 | | 500 |
| 4. Region | | | |
| Coastal Andhra | 303 | | |
| Rayalaseema | 98 | | |
| Telangana | 80 | | |
| Other States | 19 | | 500 |

As revealed in the Table 2, the researchers received quite significant and invariable opinions from both graduate and postgraduate students from different parts of the state of Andhra Pradesh. Regarding the quality variable tangible facilities of higher education institutions, the researchers raised questions mostly related to physical facilities viz. equipment, labs, visibly alluring environment, accessibility to those facilities developed by the institutions along with support services like accommodation, sports facilities. Out of 500 students, 50.28 percent expressed their satisfaction over various facilities provided by the higher institutions. The remaining 49.72 percent were utterly expresses their dissent about the physical environment of the institutions. At the time of personal interviews, the researchers received some notable comments from the students regarding insufficient lab equipment, poor and unhygienic accommodation, canteen, toilets, and drinking water and most significantly inadequate library, sports, parking and internet facilities. Majority of the girl students were expressed strong discontentment over the facilities specially provided for them.

Related to the competence of the faculty, the researchers raised points pertained to sufficiency of faculty, conceptual knowledge and qualifications, practical and up-dated knowledge, teaching expertise and communication skills of their faculty. In the overall 500 respondents', meager 49.88 percent responded positively over the competence of their academic staff. The remaining 50.12 percent were not in high spirits with the competence of their faculty in every aspect particularly at the outset, insufficient academic staff and their theoretical, practical and updated knowledge along with teaching and interactive dexterities. Most significantly, majority of the respondents' evinced their doubts regarding the qualifications of their faculty. The sorry state of affairs starts with the acute shortage of faculty and extended up to the competence levels of the existing academic staff who just simply forget to enrich the knowledge of students and consistently intervene into non-academic matters. At the time of personal interviews, majority of the students evinced their discontentment strongly on their faculty involvement in dividing the class by showing partiality based on the religion, caste, region and other matters. Some percentage of students uttered that some of the faculty members are outstanding in their theoretical, practical and teaching skills, but they are regularly irregular to handle the academic

sessions with their hectic administrative duties and they are completely failed to up-date their crystallized knowledge. The hypothesis 1 is invalid which means 50.12 percent of students substantiated their opinion in a negative sense on competence over their academic staff where competence levels ought to cross the expected levels of students' with the Z value of 0.0536656 at 1% level of significance.

In connection with 'attitudes' facet of the higher education service, the researchers elevated questions on understanding students' needs, willingness to help, availability for guidance and advice, giving personal guidance, and emotional courtesy towards students. In the total 500 respondents, 51.08 percent were having positive note on the attitudes of their faculty as against 48.92 negative opinions. Ironically, students' stated that some of their faculties are only involving in mentoring, voluntarily come-up for extending their help and showing emotional courtesy occasionally. Majority of the senior or experienced faculty won't have proper time to listen the needs and grievances of their students and time to provide guidance and advice whenever there is a great need to the students' community. The hypothesis 2 is invalid because only 51.08 percent of students opined in a positive way regarding the attitudes of their faculty related to personal guidance, availability for guidance as well as emotional courtesy. Because of stumpy difference between the opinion of students over the attitudes of faculty by the value of $Z = 0.4829902$ at 1% level of significance.

Table: 2 Students' Perception on Different Quality Aspects of Indian Higher Education

| QUALITY DIMENSION | Positive (%) | Negative (%) |
|--|--------------|--------------|
| 1. TANGIBLES | | |
| 1.1 Sufficient equipment and facilities | 66.80 | 33.20 |
| 1.2 Modern equipment and facilities | 50.00 | 50.00 |
| 1.3 Ease of access to the above facilities | 37.80 | 62.20 |
| 1.4 Visually attractive environment | 47.00 | 53.00 |
| 1.5 Support services (accommodation, sports etc.) | 49.80 | 50.20 |
| Average of Tangible Quality Variable | 50.28 | 49.72 |
| 2. COMPETENCE | Positive | Negative |
| 2.1 Sufficient (academic) staff | 59.40 | 40.60 |
| 2.2 Theoretical knowledge, qualifications | 50.20 | 49.80 |
| 2.3 Practical knowledge | 50.60 | 49.40 |
| 2.4 Up to date knowledge | 30.60 | 69.40 |
| 2.5 Teaching expertise/communication skills | 58.60 | 41.40 |
| Average of Competence Quality Variable | 49.88 | 50.12 |
| 3. ATTITUDES | Positive | Negative |
| 3.1 Understanding students' needs | 62.60 | 37.40 |
| 3.2 Willing to help | 59.60 | 40.40 |
| 3.3 Availability for guidance and advice | 48.00 | 52.00 |
| 3.4 Giving personal guidance | 43.40 | 56.60 |
| 3.5 Emotional courtesy | 42.20 | 57.80 |
| Average of Attitudes Variable | 51.08 | 48.92 |
| 4. CONTENT | Positive | Negative |
| 4.1 Relevance of curriculum to the future jobs | 53.00 | 47.00 |
| 4.2 Effectiveness of the curriculum | 54.60 | 45.40 |
| 4.3 Containing primary knowledge/skills | 56.40 | 43.60 |
| 4.4 Completeness and use of computers | 36.40 | 63.60 |
| 4.5 Communication skills and team working | 57.00 | 43.00 |
| 4.6 Flexibility of knowledge, being cross-disciplinary | 48.80 | 51.20 |
| Average of Content Variable | 51.03 | 48.97 |
| 5. DELIVERY | Positive | Negative |
| 5.1 Effective presentation | 75.80 | 24.20 |
| 5.2 Sequencing, timeliness | 75.60 | 24.40 |
| 5.3 Consistency, fairness of examinations | 44.80 | 55.20 |
| 5.4 Feedback from students | 34.20 | 65.80 |
| 5.5 Encouraging students | 45.80 | 54.20 |

| | | |
|--|----------|----------|
| Average of Delivery Quality Variable | 55.24 | 44.76 |
| 6. RELIABILITY | Positive | Negative |
| 6.1 Trustworthiness of the program as well as promises | 39.60 | 60.40 |
| 6.2 Giving valid award | 29.00 | 71.00 |
| 6.3 Keeping promises, match to the goals | 33.40 | 66.60 |
| 6.4 Handling complaints, solving problems | 37.20 | 62.80 |
| Average of Reliability Variable | 34.80 | 65.20 |

In association with the fourth quality dimension ‘content’, the researchers raised questions related to relevance and effectiveness of curriculum, containing and completeness of primary knowledge in the curriculum, communication skills and team work of faculty and flexibility of knowledge. In the total 500 sample, 51.03 percent expressed their positive concern over the content of their curriculum. And at the same time, remaining 48.97 percent expressed their negative opinion towards the suitable nature of their course content. The hypothesis 3 which is regarding suitability of curriculum to the present day’s needs of the society also invalid because only 48.97 percent responded negatively with a test statistic value of Z at 1% level of significance is 0.4606296.

Table: 3. Testing of Hypotheses by using Z-Test

| Selected Hypotheses | Null Hypothesis H_0 | Alternative Hypothesis H_1 | Test Statistic Value of Z | Tabular Value of Z at 1% | Result |
|---------------------|-----------------------|---|---------------------------|--------------------------|--------------------------|
| Hypothesis 1 | No Difference | Slight negative opinion on the competence of faculty | 0.0536656 | 1.28 | Invalid, we select H_0 |
| Hypothesis 2 | No Difference | Slender positive opinion on the attitudes of faculty | 0.4829902 | 1.28 | Invalid, We select H_0 |
| Hypothesis 3 | No Difference | Epochal negative opinion stated by the students community | 0.4606296 | 1.28 | Invalid, We select H_0 |
| Hypothesis 4 | No Difference | Students don’t relied on the academic programs | 6.7976405 | 1.28 | Valid, we select H_1 |

Related to the next quality facet delivery of the lectures, the researchers raised questions related to the effective presentation, sequencing and timeliness of curriculum arrangement, fairness of examinations, considering students feedback. A 55.24 percent of students’ responded positively and 44.76 negatively in the total sample of 500. Regarding the final quality attribute of the higher education ‘reliability’, mere 34.80 expressed favorably regarding trustworthiness of the program, giving valid award, keeping promises, handling complaints and solving problems. The hypothesis 4 which is related to the reliability of academic program is valid because 65.20 percent of students were utterly expressed their dissatisfaction with 6.7976405 value of Z at 1% level of significance.

5. Practical Implication

The present research study offers confident insights into the perceptual displays of the students’ community regarding higher education quality aspects viz., tangible facilities, competence of the academic staff, attitudinal displays of their faculty, course content and its relevance to the present situation, and reliability. In light of the heavy flow of students to the western world to obtain a quality higher education, knowing the opinions of both students and their parents to be acquainted with the loopholes of the system which are valuable to bring back the higher education system into the main track. Even though set right the derailed education system is an up-hill task, keep in mind the country’s human resource requirements, it is a must situation. This is not only the responsibility of central and different state governments but also requires intense support from all its stakeholders viz. corporate sector, higher education institutions from both public and private sectors, funding agencies, community at large, faculty, administrators of the system along with students’ community. Even the physical

facilities to this crucial sector has tremendously enhanced in the last two decades, those were not sufficient enough to the present requirements of the system. To take up this committed task of improving the excellence in privileged education, all types of governments have to take precautionary measures to stop the brain drain in the higher education sector, and augment the required amenities which are essential to the faculty. Along with this, universities as well as controlling bodies has to design their own faculty improvement programs persistently with an eclectic approach. The study environment in the state universities is in a pitiful state as ‘the temples of learning’ face shortage of teachers due to the dearth of funds and lack of initiative from the state government. Added to this, most of the varsities are “headless” as they are functioning without vice-chancellors and executive councils for periods ranging from four months to two years (Reddy, 2011). To avoid this kind of drastic situation, both state and central governments has to take decision on war footing basis to fill all the faculty positions as well as vice-chancellors and executive councils to all universities. The Indian higher education institutions also continuously monitors the existing curriculum and modifies when ever required based on the requirements of both the industry and society by imparting practical oriented life-skills in the present curriculum. Along with the above system changes, faculty members also should treat this profession as their passion and change their attitudes towards students by extending their supportive hand in understanding the cohesiveness of receiving end, to provide continuous guidance, clear the doubts, and enrich the young brains to settle in their life with required emotional courtesy. Students have to demonstrate great commitment while learning and earning degrees which should support for meeting his life goals. Hither to, governments have neglected to improve the quality of higher education due to the extreme pressure and requirement from the corporate sector due to the introduction of liberalization, privatization and globalization. Whereas the private institutions work with a profit motive but they failed to properly check the quality delivery of this crucial service. Keeping in mind the country’s human resource requirements, both public and private sector educational institutions have to change their attitudes and work with great synchronization to improve the present situation of the education sector.

6. Conclusion

With a view to face an intense competition from the western world’s higher educational institutions, it is an outright and forceful situation to improve the eminence of the education field with committed and determined support from stakeholders to mould future generations. The Indian higher education system whenever has confidently whitewashed the age old teaching and admin systems and curriculum, then only there will be a chance to keep the system in the right track. At the same time, every stakeholder in the sector has to concentrate and invest their immense efforts to eradicate corruption, eliminate nepotism, minimize red-tapism, and most significantly avoid too much political intervention in the administration of higher institutions. With the advent of all the above changes, there will be a mammoth scope to recover the situation in this most crucial sector with dedicated and determined approach. If our governments, funding agencies, faculty, administrative bodies, students assertively changes their attitude and demonstrate high level of commitment, fortitude, dedication, with whole heartedness, certainly there is a chance to set right the things in the present education system. This kind of sorry state of affairs from the Indian higher education system entails continuous research from all the dimensions based on which the policy makers has to take surgical and needy measures to reengineer the system in a formidable manner. This present research provides confident perceptual displays of students’ on the quality of higher education which is also more constructive to all the stakeholders, as well as to the future researchers.

Acknowledgements:

The corresponding author would like to extend his unflagging thanks to Janab Dr. Mohammad Saqib Rasool Khan, Secretary Nimra Educational Society and Dr. Rizwana Ansari for their valuable direction and collaboration in completion of this research. I further acknowledge unequivocal gratitude to my co-author Dr. Jayasankara Prasad and a team of MBA students from NIST for collecting and analyzing the necessary data and information which is imperative in completing this research article. We would also like to express our appreciation to all the respondent students who gave their candid opinion by filling the questionnaires to make the research article more authentic and pragmatic in all dimensions.

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Estimating the Aggregate Tourism Demand for Iran Using an Ardl Model

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Abstract

Expansion of tourism could be important for developing countries which are faced with such problems as high unemployment, restricted currency resources and a non-diversified economy. The Iranian economy is very dependent on oil revenues and exports. Most macro-economic variables are quite dependent on petroleum's global prices so that oil price changes rapidly impact the macro-economy. The trend governing variables such as GDP, gross investments, and per capita income in recent decades are indicative of this fact in Iran. The development of tourism is seen as a good way to diversify income sources and allow Iran to reach more satisfactory, balanced economic growth, hard currency earnings and high employment levels. Therefore, the main goal of this study is to measure the impact of economic factors on aggregate tourism demand in Iran during 1980-2010. For this purpose, we applied OLS and ARDL models using four different scenarios. The results show that all the independent variables, except the exchange rate, have meaningful impacts on tourism demand with theoretically expected signs.

Keywords: International Tourism, Tourism Demand, Economic Factors, ARDL.

1. Introduction

In recent decades the tourism industry has flourished worldwide. Many countries have been able to improve their Gross Domestic Product (GDP), reduce their unemployment rate and boost their foreign exchange holdings through attracting foreign tourists. Tourism has a high income elasticity of demand so it is likely to continue growing in the future

Iran's diverse climate on the one hand and its unique rich cultural and historical sites on the other hand has made this country a major potential tourism destination. In terms of archaeological importance, and historical and ancient places Iran is ranked 10th in the world. However, Iran's share of global tourism income is less than 0.001 (Mousae, 1993). In the face of the economy's reliance on exports of crude oil and its vulnerability to oil price fluctuations and other economic and non-economic shocks, the expansion of the tourism industry could greatly reduce Iran's vulnerability and help policy makers to overcome these problems and also improve per capita income, non-oil exports and help reduce unemployment. Development of the tourism industry and foreign tourist arrivals to the host country will increase trade opportunities since tourists become familiar with products and the goods and services of the host country.

According to the World Tourism Organization's (WTO) forecasts, although the tourism industry is ranked third right now (after the oil and automobile industries) among global industries; by 2020 the tourism industry is projected to be in first place. So, potentially, developing countries have the opportunity to gain billions of dollars in annual income in the area of tourism. Thus, Iran's economic policy makers should pay special attention and regard tourism expansion as a way to get lower dependence on oil revenues and exit the economic monoculture, which can remedy many of the economic problems that the country currently faces. Hence the main purpose of this study is to estimate the foreign demand for tourism in Iran and evaluate the impact of economic factors on tourism demand.

2-Theoretical Foundations of Tourism Demand

Ordinary demand functions for consumers show the number of goods that consumers demand as a function of the good's price, prices of substitutes and complements, and income. Domestic tourism demand theory is based on the theory of consumer behavior. The starting point of the economic theory

of consumer behavior in all economic contexts is the rational behaviour of the consumer. It is assumed that among all the existing goods consumers choose the ones that collectively provide maximum satisfaction. Demand functions can be derived from the analysis of utility maximization. In a two-commodity space consumers consume tourism product q_t^t and other goods such as x_t^0 (as representative of all other goods and services). A tourism demand function is obtained by maximizing the consumer's utility function subject to a budget constraint:

$$u = u(x_t^0, q_t^t)$$

$$y_t = P_t^t \cdot q_t^t + P_t^0 \cdot X_t^0$$

Where q_t^t and X_t^0 are amounts of consumption, P_t^t are tourism prices, P_t^0 are other good prices and y_t is disposable income at t time.

So the form of tourism demand function will be:

$$q = f(Y_t, P_t^t, P_t^0)$$

q_t^t is some measure of tourism, such as the number of tourists arriving, their expenditures, or the number of nights that they stay in the destination country as the dependent variable. The independent variables are income, Y_t , price of tourism products, P_t^t , and the prices of other goods, P_t^0 . Considering that the purpose of estimating demand functions is to determine the price and income elasticities it would be more convenient to have a log-linear demand function for tourism:

$$q_t^t = \beta_0 \cdot Y_t^{B1} \cdot P_t^{B2} \cdot P_t^{B3} \cdot e^{ut}$$

As a result, the logarithmic transformation of the above equation will be as follows:

$$\ln q_t^t = \ln B_0 + B_1 \ln Y_t + B_2 \ln P_t^t + B_3 \ln P_t^0 + u_t$$

In this case, each of the coefficients directly estimates the income elasticity, price elasticity and cross-price demand elasticities. In this approach the elasticities are constant. Accordingly, tourism demand, which is usually based on the number of incoming tourists and revenue from tourism in the destination country, is a function of the tourist price level in the destination, prices of other goods and income level of the origin country.

3- Research History

Zhou et al, (2007), using a co-integration approach and a vector error correction model (VECM), estimated the supply and demand functions for foreign tourists in Hawaii from 1980 to 2001. Their results show that there is a long-run equilibrium relationship among the model variables and that relative price and income variables are important factors in determining tourism demand. Mervar and Payne (2007) estimated the European Union tourism demand for Croatia during 1994-2004. They found that Croatia tourism demand has an inverse relationship with political unrest and a direct relationship with income. They also found that transportation costs and the real exchange rate variables did not have a significant impact on tourism demand. Mountinho et al. (2008) used a Neural Network Model to study Chinese tourism demand for trips to Taiwan during the years 1999-2005. They show that the exchange rate and income per capita in China are the main variables affecting tourism demand. Algieri (2006) used the Johansen co-integration approach to study the number of tourists visiting Russia during 1993-2002. Heshows that there is a long-run relationship between tourism generated income, the real exchange rate, total world income, and transportation costs. Hanly and Wade (2007) studied tourism demand of North Americans traveling to Ireland during 1985-2004. Their results show that real exchange rate variable has a positive and significant impact on tourism demand to Ireland. Kulendran and Divisekera (2007) investigated the effects of marketing expenditures on Australian tourism demand using an autoregressive distributed lag (ARDL) co-integration model. Their work shows that marketing expenses (advertisements), behavioral habits and expectations are significant variables affecting the number of tourist arrivals to Australia. Habibi et al. (2008) in a study using the Johansen - Juselius approach estimated foreign tourism demand for travel to Malaysia by British and Americans during 1972-2006. Their findings suggest that there exists a long-run equilibrium relationship among the variables of the model. They also showed that this demand is more sensitive to relative prices in Malaysia than in the UK or the US. Finally, using Johansen – Juselius Co-integration methods and the Error Correction Model, Querfelli (2008) estimated the foreign demand of tourism of Germany, France, Britain and Italy to Tunisia during 1998-2004. Based on the results he concluded

that tourism demand for these countries is responsive to the ratio of domestic to foreign prices and the visitors' income.

In this paragraph we will review some of the studies conducted about tourism demand in Iran. Kaveiyan (2003) applied an ordinary least squares (OLS) approach to estimate the demand for international tourism in Iran during 1976-1991. His results showed that the exchange rate, relative price level (domestic prices to foreign prices), and dummy variables for the war era (1978-1980) are significant factors impacting Iran's foreign tourism demand. Abdi (2004) using 1958-2002 data applied the Fuzzy techniques of regression and the Artificial Neural Network approach to predict the demand for foreign tourism in Iran. He then compared the results with the auto-regressive time series results for the same period. His findings show that the Artificial Neural Network results are more accurate and have better performance than the Fuzzy model and the time series model for forecasting international tourism demand for Iran. Musaei (1993) estimated the demand function for tourism in Iran during 1965-2000 using the ordinary least squares method. His estimates suggest that a one percent increase in the ratio of the consumer price index in Iran to the consumer price index in the world will reduce Iran tourism demand by 0.25 percent. Also, a one percent increase in global GDP will cause a 0.45 percent increase in Iran tourism demand. Finally, travel demands, and consequently the revenue from it in the period under study, were shown to be strongly influenced by security and internal social unrest in the country. Finally Mohamadzade et al. (2011) used a Time Varying Parameter (TVP) and Kalman Filter method to estimate foreign demand for tourism to Iran during period 1971-2006. Their results show that the income elasticity of foreign tourism demand is more than the price and habitual behavior elasticities. Income elasticity estimates indicate that demand for foreign tourism in Iran is considered to be a normal good. On the other hand, the own price elasticity suggests that the demand for this good is inelastic. In addition, they showed that Iran's tourism demand has an inverse relation with the war-era dummy variable. This indicates that at times of crisis, foreign demand for tourism in Iran declines.

There is one study that focuses on Islam countries. Yavari et al. (2011) investigated the relationship between the tourism industry and economic growth in the Organization of the Islamic Conference (OIC) member countries during 1990-2007 was studied. In this work, a dynamic panel data (DPD) and static panel data (SPD) approach was used to study the relationship between tourism and economic growth in Islamic countries by using the Generalized Method of Moments (GMM), Fixed Effects and Random Effects. Results obtained from this study show that there exists a positive relationship between tourism expenditure and economic growth (increases in GDP per capita) in these countries. In other words increases in tourism spending will result in an increase of per capita GDP in the OIC countries. Overall, the results showed that conventional sources of growth, such as investment in material and human capital and household spending, could be conducive to economic growth in these countries. Accordingly Islamic countries can improve their economies and achieve a higher growth rate not only through conventional sources of growth (including investment in physical and human capital, trade, foreign direct investment, etc.), but also through improvements in the tourism industry.

4. Tourism Demand Model and Data

A widely used production function in various industries over the years is the Cobb-Douglas function:

$$Y = A X_1^\alpha X_2^\beta \quad (4.1)$$

$$\log Y = \log A + \alpha \log X_1 + \beta \log X_2 \quad (4.2)$$

Therefore, based on previous studies, the relation (4.3) is used as tourism demand function in log form:

$$\log TA = F(\log GDP, \log ECPI, \log LER, \log (EX+IM), \log TC, \log DUMMY) \quad (4.3)$$

where;

TA: Total number of tourists arriving in Iran.

GDP: Per Capita GDP in the world as a proxy for income (based on 2000 prices in US dollars)

ECPI :Ratio of the Consumer Price Index in Iran to the average consumer price index in the world (2005=100).

ER: Real exchange rate;

(EX+IM): Non-oil exports and imports (in dollar terms), to account for the trade level

TC: The price of Brent North Sea crude oil per barrel (in dollar terms), as a proxy for transportation costs;

DUMMY: Dummy variable to account for the impact of war on the number of tourists entering the country during 1980 to 1988

5. Model Estimation

5.1 Unit Root Test

It is necessary to perform unit root tests on all variables to ensure that they are stationary for the estimations. The variables cannot be I(2) or greater because the calculated F statistic cannot be trusted. In other words the F-test is based on the assumption that all the variables are I(0) or I(1) (Quattara (2004)). We used the Augmented Dicky-Fuller test (ADF) to determine if the variables are stationary. The Schwarz-Bayesian criterion (SBC) is also used to choose the number of lags and also to check for a trend. The results are presented in Table 1. Since there does not exist any structural breaks in the data we used them to test the data for unit roots. The null hypothesis in this case is that the variables are non-stationary and the alternative hypothesis is that they are stationary.

Table 1. The Augmented Dickey - Fuller (ADF) Test.

| The name of Variable | The number of required differences | The number of lags based on SBC | The calculated test statistic | The critical region statistic | The Status of static |
|----------------------|------------------------------------|---------------------------------|-------------------------------|-------------------------------|----------------------|
| L TA | 0 | 7 | -3.219637 | -3.218382 | I(0) |
| L ECPI | 0 | 7 | -1.944277 | -1.610011 | I(0) |
| L GDP | 0 | 7 | 5.510029 | -2.644302 | I(0) |
| L TC | 1 | 7 | -5.141010 | -4.323979 | I(1) |
| L ER | 1 | 7 | -5.275095 | -4.309824 | I(1) |
| L (X+M)s | 0 | 7 | -3.679322 | -0.736672 | I(0) |
| Dummy | 1 | 7 | -5.468670 | -4.309824 | (1)I |

According to the results of Table 1 the absolute calculated test statistic at 99 percent significance level is more than the critical value. So, the null hypothesis is rejected and all variables are stationary.

The First Scenario of Results

In this scenario TA is considered as the dependent variable and GDP, ER, TC, (EX+IM), C and DUMMY are the independent variables. A short-term dynamic model is estimated using the Auto Regressive Distributed Lag (ARDL) model. The results are presented in table 2 with only the significant coefficients shown for GDP.

Table 2. Results of Short-Term Dynamic Model Estimation with ARDL Method

| Independent variables | Coefficient | Standard deviation | statistic | p-value |
|-----------------------|-------------|--------------------|-----------|---------|
| L TA(-1) | 0.82086 | 0.095340 | 8.6098 | 0 |
| L GDP | 4.2833 | 2.3656 | 1.8106 | [0.089] |
| L GDP (-4) | 7.9226 | 3.5459 | 2.2343 | [0.040] |
| L TC | -.33298 | 0.16485 | -2.0199 | [0.050] |
| L (EX+IM) | .14326 | 0.15336 | 0.93414 | [0.364] |
| L ER | -.12179 | 0.050713 | -2.4016 | [0.029] |
| DUMMY | -.37061 | 0.12479 | 2.9700 | [0.009] |
| C | -21.8159 | 9.9672 | -2.1888 | [0.044] |

$$R^2=99\% \quad \bar{R}^2=99\% \quad F=262.3351 \quad DW=2.6$$

The results show that based on the Akaike test statistic, the optimum lag for the dependent variable is 1, the optimum lag for per capita GDP is 4, and for other independent variables the optimum lag is 0. In other words, the short-term dynamic pattern complies with an ARDL (1, 4, 0, 0, 0).

The Banerjee, Doado and Mestre test is used to examine the co-integration among the variables of the model. The null hypothesis is thenon- existence of co-integration amongthe explanatory variables of the model and the alternative is the existence co-integration:

$$\frac{\sum_{i=1}^p \hat{\alpha} - 1}{\sum_{i=1}^p s_{\hat{\alpha}}} = \frac{\hat{\alpha}_1 - 1}{s_{\hat{\alpha}}} = \frac{.82086 - 1}{0.095340} = -1.878$$

Since the absolute value of the test statistic is less than the absolute value of the critical values presented by Banerjee et al. the null hypothesis cannot be rejected and existence of a long-term relationship cannot be confirmed.

Estimation results show that total tourist arrivals to the country with one period lag has a significant and positive impact on the dependent variable (a 1 percent increase in total tourist arrivals in this period causes a 0.82 percent increase in total tourist arrivals in the next period).

World per capita GDP with four lags has a significant and positive impact on tourist arrivals; a 1 percent increase in GDP in this period will cause a 7.92 percent increase in total tourist arrivals four periods later.

The cost of transportation variable also has a significant and negative impact on the number of tourists; a 1 percent increase in the cost of transportation in this period will result in a 0.33 percent decrease in total tourist arrivals in the next period.

The impact of the real exchange rate and the dummy variables are significant and negative. The sign of the real exchange rate is not compatible with theory. One reason for that could be international sanctions against Iran in recent years. Because Iran has been under sanctions for the entire data period, this could render the exchange rate as an irrelevant variable.

The variables of non-oil exports and imports have the expected sign but are not significant.

The model's R-squared is 0.99, the Durbin- Watson test statistic is 6.2 and the F value of 3351 indicates a large degree of explanatory power by the model.

6.2. The Second Scenario of Results

In the first scenario we tried to apply all of the effective variables on total tourists' arrivals. In this scenario the variables non-oil exports and imports are excluded (because they are insignificant in the first scenario) to see if we can achieve better results. The results are shown in Table 3 again with insignificant lagged GDP coefficients omitted. Based on the findings in this table the optimal lag period for TA is one period, the optimum lag for per capita GDP is 4 and zero lags for the other variables. So in this scenario we have an ARDL (1, 4, 0, and 0).

Table 3. Results of Short-Term Dynamic Model Estimation with ARDL Method

| p-value | statistic | Standard deviation | Coefficient | Independent variables |
|---------|-----------|--------------------|-------------|-----------------------|
| 0.000 | 8.6994 | 0.091684 | 0.79760 | L TA(-1) |
| 0.136 | 1.5639 | 2.1128 | 3.3043 | L GDP |
| 0.050 | 2.1116 | 3.4784 | 7.3449 | L GDP (-4) |
| 0.056 | -2.0467 | 0.10474 | -0.21437 | L TC |
| 0.039 | -2.2321 | 0.048191 | -0.10757 | LER |
| 0.001 | 3.9702 | 0.10792 | -0.42847 | DUMMY |
| 0.038 | -2.2535 | 9.9140 | -22.3411 | C |

$R^2=99\%$ $\bar{R}^2=99\%$ $F=293.5863$ $DW=2.3$

To examine the co-integration among the variables of the model, we again use the Banerjee et al. test:

$$\frac{\sum_{i=1}^p \hat{\alpha} - 1}{\sum_{i=1}^p s_{\hat{\alpha}}} = \frac{0.79760 - 1}{0.091684} = -2.207$$

Again since the absolute value of the test statistic is less than the absolute value of the critical values presented by Banerjee et al. the null hypothesis is not rejected and the existence of a long-term relationship cannot be confirmed.

Estimation results show that total tourist arrivals to the country with one period lag have a significant and positive impact on the dependent variable TA. A 1 percent increase in total tourist arrivals in this period will cause a 0.79 percent increase in total tourist arrivals in the next period.

World per capita GDP with four lags has a significant and positive impact (a 1 percent increase in GDP in this period causes a 7.34 percent increase in total tourist arrivals in two periods hence).

The cost of transportation, the Dummy variable and real exchange rate have a negative and significant impact on TA, which, except for the real exchange rate, are compatible with theory.

As was mentioned before estimated coefficients represent elasticities. A 1 percent increase in the cost of transportation in this period will cause a 0.21 percent decrease in total tourist arrivals in the next period. A 1% positive change in tourist arrivals this year will increase total tourist arrivals by 0.79% in the next period.

The R squared of the model (0.99); Durbin- Watson test statistics (2.3) and F (294) indicate the model has high explanatory power and no autocorrelation. The sign of the real exchange rate is not according to theory which may be related to sanctions imposed upon Iran during the entire observation period.

7- Summary and Conclusions:

This research has tried to estimate the demand for international tourism based on many tourist attractions & also to identify the main economic variables that affect the international tourism in Iran during 1980-2010. Using the econometric technique of Vector Auto Regression the long-run relationship or co integration between explanatory variables (income, exchange rates, transportation costs, and net exports) and the dependent variable was examined in 2 different scenarios. The results indicate that there is no long-run relationship among variables. They also show that between the number of tourists and the world income there is a positive relationship and between the number of tourists and relative prices and transport costs, there is a negative relationship. Furthermore, except for the real exchange rate other variables used in the model were significant and had the expected signs. One reason for the real exchange rate wrong sign could be the fact that Iran has been under international sanctions for many years now. The Total Exports plus Imports variable turned out to have no impact on the number of tourists. Considering attractions and tourism potentials of Iran & since inflation was shown to have an effect on the number of tourist visiting the country it is suggested that policies be implemented to prevent price hikes. Improving Iran's ties with international community and an ease on sanctions could also be successful in attracting more tourists.

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The effect of visual advertisements

The effect of visual advertisements, that use human figures and celebrities, on people; and what best can be used, and what can avoided

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Abstract

This paper tackles the effect of visual advertisements, that use human figures and celebrities, on people; and what best can be used, and what can be avoided. A marketing research was conducted on quite an average number of people equally from different genders, ethnicities, nationalities, and age; the research reflected that people get distracted away from the product advertised, and feel seduced by the nudity of the human figures/celebrities who are used in this way, nude, to advertise the product; and that makes them (the target market) focus more on the those nude human figures, rather than focusing on the product advertised. We will be discussing what most marketers are using now in such advertisements (and the results on the target market); and what should they use and change to affect their target market/s better (and the potential results from that). The discussion will be backed-up with evidence from the surveys conducted. These surveys were conducted in the state of Kuwait, but with a 'global objective' that is not limited only to Kuwait; and this is why it was deliberate to survey different nationalities, ethnicities, and people from different cultural backgrounds, and ask them questions that go beyond the culture of Kuwait, in the conducted marketing research.

I. INTRODUCTION

Throughout the world, humans are daily bombarded with countless advertisements and billboards trying to sell them a product or service. Today, it is practically impossible to not be subjected to some sort of advertising – it is in our newspapers, on our streets, sent to our emails, phones, etc. In a day and age where competition for the consumer dollar is fierce, advertisers will do just about anything for our attention. To make matters even more complicated, the advancements in technology have further expanded the reach of this industry and made possible for more eye-catching, flamboyant ways of marketing. Nowadays, “it takes more explicitness to grab our attention and arouse us than before” (Writer, 2012) And the marketing industry is up to the challenge. From flashmobs to personalized 3-D greetings, the marketing industry continuously pushes it's boundaries to find effective ways to reach it's target market and generate a positive bottom line. Today, it is almost impossible to pick up a magazine or watch television without coming across a 'racy' advertisement or two. What once belonged to a certain genre or time-slot has become an ever-so-popular way of advertising everything from perfumes to hamburgers. As they continue to experiment with their techniques, the paradox remains – the race to capture our attention has become so elaborate that the more adverts we see, the more we are becoming numb to their effect. However, over the course of decades, one tried-and-tested way of capturing our attention is through the use of provocative, explicit images. “Sex sells, or at least that is what advertisers hope” (Writer, 2012) In 2003, it was estimated that 27% of advertisements used the 'sex to sell' method in comparison to just 15% in 1983. In advertisements sampled from 2003, 92% of beauty advertisements that contained models were female (Writer, 2012). Although this topic produces much debate and opinion, little research has been conducted on the effects of this advertising strategy on the intended consumer. A few, outdated studies have been conducted which prove that using a sexually-oriented stimuli in advertising does in fact capture the audience's attention (Wilson and Moore, 1979). Other, more recent, studies have solely focused on women's attitudes towards 'sexy' advertisements (Lobello, 2013). However, in this paper, we argue that although images of scantily-dressed/almost nude humans capture the audience's attention, it may not always prove to be a positive gesture. Furthermore, in most cases, the use of such intense, arousing images have led to a focus on anything but the product advertised and posed a negative effect on the overall decision of the buyers. With feedback from both female and male subjects, our findings reveal that both sexes can equally feel seduced by the nudity of the human figure portrayed in them, ultimately out-focusing the product and focusing more on the nudity than the product itself, thus building hostile opinions and

negative attitudes toward the product/service being advertised. In the coming paragraphs, we will review available literatures adequate and relevant to the matter. As well, we will be discussing the methodology used to obtain the data which led to our findings, followed by a brief analysis of the results. Finally, we will conclude with a short review of the case at hand and what our findings mean to the world of marketing, followed by exploring other ways of enticing the consumer and capturing their attention in a more positive way.

II. LITERATURE REVIEW

It almost goes without saying that today's consumer is exposed to sexual stimuli in the form of advertising than ever before. In the market today, the use of these provocative images in ads seems to be especially popular with parity products which must compete heavily for their consumer's attention. As observed in 1975, the following statement is still applicable today - "Probably the best known form of irrelevant sex in advertising is the inclusion of a female model with no logical relation to the product, who performs only a decorative function" (Lobello, 2013) But, despite the increase of the use of this stimulus as a way of selling, there has been very limited research in this field. Little research has taken the initiative to measure the response, attitude and behavior of the consumer upon exposure to sexual stimuli. Exploring the reactions of this stimulus on the different sexes is important to study, but also the impact of such communication on other social and consumer groups.

One of the pioneering studies in this field revealed that, relative to a non-sexy advertisement, a sexually-oriented communication will (perhaps significantly) increase the level of consumer attention to the advert. However, there is "no reason to believe that increased attention will positively affect consumer attitudes and purchase behavior (Wilson and Moore, 1979). On the contrary, it is very likely that for consumer groups with certain sets of values, the image of the brand may deteriorate" (Wilson and Moore, 1979). A similar investigation into the subject within the same era concluded that "advertisements with such 'sex object' cues may be tuned out since arousal actually inhibits the impact of irrelevant information" (Wilson and Moore, 1979) In more recent studies, the different responses of the sexes were explored by being testing a group of women's reactions of advertisements which use nude/partially nude models. They found that "the 'hotter' the model's attire or look, the lustier the model's expression, the colder it left the female subjects." Similarly, in 2010, another study was conducted which found that the use of sexual stimuli in advertising "...not only bored women, it actually repelled them" (Gavett, 2013). Another debate about the differences of the sexes in the perception of stimuli claimed that women, in contrast to men, women "strongly dislike the sexual ad" which was presented to them in that study (Gavett, 2013). Investigating the effects of sexual stimuli from another angle, a group study was conducted which hypothesized that using non-ethical campaigns to promote ethical issue, like People for The Ethical Treatment of Animals (PETA) using basically nude women, because these images can be interpreted as dehumanizing women. From their research, which included both men and women, they concluded that "using sexualized images of women reduces support for ethical campaigns" (Bongiorno et al, 2013). Further elaborations of the ethics angle of this movement reveals that these types of advertisements can form a hostile, offensive type of reaction, particularly to those who do not want their children exposed to messages and images of which they deem immoral or adult oriented. In a case study of 'The Quarterly' magazine produced by American clothing maker Abercrombie & Fitch, the company came under sever scrutiny from several groups for "peddling [adult content] in the guise of a clothing catalog" (Arens et al, 2012). Much of these sentiments and opinions are fairly subjective, leading us to consider yet another point of view – Creativity. At the heart of all any advertising campaign is the essence of why it was created in the first place, and that is to *creatively* find a way of attracting attention. Although it can be argued that some 'sexy' advertisements are highly creative, there is remarkably little empirical research that ties creative messaging to actual sales (Reinhartz and Saffert, 2013).

Lastly, although little research is found on this given topic, we can conclude from the literature review that sexual stimuli can surely be used to attract attention, scatter focus away from the product, and that women are not particularly fond of it when used in advertising. As from an ethical standpoint, case studies have shown that particular human rights and teenage-protection groups have negative opinions of scantily dressed individuals in advertising. We also learned that creative ads do not necessarily

generate sales. However, what actually happens to our attention when we look at such stimuli in advertising? And what sentiments are people in general left with? We propose that people will (naturally) focus more on the nudity than the product and get distracted away from whatever information being conveyed, thus leaving them with a negative overall reaction to the product.

III. METHODOLOGY

Our study provided the test of our hypothesis, using a sample of men and women from varying groups and cultures. A 15-question questionnaire was used to survey 2000 randomly sampled individuals. The questions were developed to explore the reactions and attitudes of individuals regarding nudity in the form of advertising. The questionnaire was distributed in the form of a hard copy. We hypothesized that, upon exposure to sexual stimuli in the form of advertisement, the focus of people's attention will be shifted away from the product and concentrated mainly on the nudity. The analysis of this survey will be used to verify this argument.

Subjects were randomly selected from a list. As we are based in the Middle East (Kuwait), all of our test subjects live in the region and have obtained at least a University degree. In order not limit our findings to just this part of the world, our subjects varied in ethnicity, nationality, and age. Most are well-travelled and have been exposed to various degrees of nudity in advertising and other dimensions of life. Though religion is a major contributor to people's actions and opinions in this part of the world, it is worth mentioning that religious obligations are not forced upon us by any means, not socially, not politically.

IV. ANALYSIS

Preliminary Analysis

Of the 15-questions originally incorporated in the questionnaire, we decided to use only 10 of them for analysis. This was due to the fact that, upon administering, some of the questions were perceived as vague or with multiple meaning. Such confusion may be explained by the reality that all of the subjects were not native English speakers, but rather spoke it as a second language. All figures are rounded to the nearest integer.

Main Analysis

From questions revolving around attention, 88% of the respondents claimed that they do not focus on the message/brand/product/service that is displayed in the advertisement when a nude or partially nude model is present. Also in such conditions, a highly-significant 98% of them cannot ignore the nudity and concentrate only on the product, and *all participants* concentrate more on the nude figure rather than the product itself as opposed to concentrating more on the product when there is a normally-dressed figure in the ad. Moreover, when asked if they would like to see more or less adverts with nudity, 85% said that they would rather see less of them. As for ethical issues, when asked if it was ok to have one's family members see those advertisements, only ONE person answered 'yes'! Furthermore, all of the subjects thought that using sexual stimuli in advertising was not accepted by their religious, moral, or societal values and, mainly due to this factor, the product's overall image is perceived negatively by the majority of the subjects (85%). Only 5% of them said that it depended on the product in question. Lastly, we asked them if they would focus on the product more if these advertisements used non-sexual materials, of which all them responded positively.

V. FINDINGS, CONCLUSION, AND GENERAL DISCUSSION

In a crowded media arena, every product or service struggles to gain the public's attention. It may then be understandable why countless brands around the world might employ the "sex sells" approach to gain attention, especially from men. However, our findings reveal that these tactics can backfire, with exposure to such sexually charged stimuli diverting both men and women's focus away from the product or information being communicated. Consistent evidence of unaccepting this type of stimuli from a religious and social stand point is central for explaining these findings. The research also indicates that by involuntary exposing people to provocative advertisements, a negative sentiment is left in regards to the product.

Overall, these findings were the first to demonstrate that although gaining the attention of individuals is a very likely outcome of exposure to sexual stimuli in adverts, it is not a *positive* type of attention. Also, the product loses its intended outcome of communicating valuable information with people's focus being shifted straight towards the nudity. Though an effort was put into testing a wide variety of subjects, the results of the study were limited to those within reach (the Middle East region we live in). These findings open doors for further research to be conducted, possibly a deeper exploration of different cultural groups and/or religious backgrounds and their responses to sexual stimuli in advertising. With what could be categorized as an over-use of the "sex-sells" techniques, marketers should consider taking a step back and keeping the focus on the product at hand. This will, by default, make the advertisements more informative and therefore more in-line with the purpose they are meant to serve in the first place.

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Green Food Consumption Behaviour by Muslim and Non-Muslim Consumers

Green Food Consumption Behaviour by Muslim and Non-Muslim Consumers: An Application of Multiple Discriminant Analysis

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Abstract

This study presents vital insights and enhances understanding of the distinguishing perspectives between Muslim and non-Muslim consumers in a developing Islamic country - Malaysia - with regard to green food consumption behaviours. This study also assesses the relative importance of influencing factors of green food consumption behaviours and their ability to predict consumers' religion. Questionnaires were completed by 700 respondents located in Malaysia, a developing Islamic country. Data were analyzed using multiple discriminant analysis via the Statistical Package for Social Sciences (SPSS) computer program version 21. Empirical results showed that imperative aspects such as special needs, personal environmental values related to green food, and governmental efforts strongly predict greater preference by Muslim consumers than non-Muslim consumers for green food consumption. Muslim consumers have deep spiritual and behavioural similarities that set them apart. The implications of these findings are further expounded and the directions for future research are also explicated.

Keywords Green, Consumption Intention, Consumer Behaviour, Muslim Consumers, Malaysia, Multiple Discriminant Analysis

Introduction

Consumers demand healthy and nutritious foods such as organic food, green food and natural food for their own consumption rather than conventional foods because they are exposed to changes in consumer lifestyle, standard of living, tastes and preferences, and higher purchasing power. Technical advances in agriculture and marketing have also affected their concern with their health (Lea & Worsley, 2005; Norazah, 2013; Ottman, 1992; Paul & Rana, 2012; Radman, 2005; Smith & Paladino,

2010). This behaviour influences the growth of the food industry in ensuring a balance between development and environmental sustainability (Harper, & Makatouni, 2002; Krystallis, Grunert, Verbeke, Perrea, & Barcellos, 2011; Papista & Krystallis, 2013). Consumers are mainly concerned about food safety, protection of the environment and animal welfare (Fraser, 2001). Food safety has become increasingly important which causes consumers to focus on the food processing methods, innovative food technologies and chemical substances in foods such as pesticides, toxins and food additives (Van Putten et al., 2007). Further, consumers are concerned about animal welfare especially the improvement of animal production, transport and slaughter (Raj, 2004).

Green foods are those that are safe for consumption, promoted as of good product quality, produced with humane animal treatment, nutritious and produced under the ecological principles of sustainable development, - are healthy safety to consume, use less chemicals, have a higher vitamin and mineral content and achieve consistently higher standards of animal health and welfare than conventional foods (Lea & Worsley, 2005; Liu, 2003). Green food also stands for edible produce and processed products produced in a sustainable environment which maintains technical standards with quality control, non-polluting, safe, good quality and carries a special logo. Consumers are aware that green foods are rich in nutrient content with young cereal grasses such as wheat, barley, oats and alfalfa which have detoxification values while maintaining the pH balance. The potassium and magnesium found in green foods have incredible health benefits that help to maintain the acid base balance in the body and make the body more alkaline.

The Malaysian government is strongly involved in promoting food safety, environmental protection and animal welfare among all the firms that are involved in the food industry. For example, the Good Agricultural Practices (GAP) program was launched for vegetable, livestock and fish producers in order to maintain the objectives of sustainable agriculture and to improve food quality and productivity, beside the Malaysia Organic Scheme (SOM) which provides guidelines on the production, processing, labelling and marketing of plant based organically produced foods in accordance with Malaysian Standards (Golnaz, Zainalabidin & Mad, 2011). The Malaysian government has selected for social advertising to educate and foster environmental awareness and concern among the public in promoting sustainable consumption practices (Haron, Paim & Yahaya, 2005).

However, too few research studies deliberate consumer green food consumption that is part of environmentally friendly activities and initiatives, particularly in the context of a developing Islamic country like Malaysia, specifically between Muslim and non-Muslim consumers. This requires a thorough understanding of food safety and environmental issues related to food cultivating, processing and production of goods that bring less pollution. Study of how to promote green food consumption intention among Muslim and non-Muslim consumers Malaysia is desirable as it has become a global issue for environmental protection. It is a must for Muslim consumers to take food that is Halal (permitted) according to the teachings of Islam, permissible according to Islamic law and conforms to Halal principles, by not containing Haram (forbidden) ingredients like gelatine, alcohol, pork, or animal fats. Hence, this study attempts to answer the following two research questions:

RQ1. What green food consumption factors distinguish Muslim from non-Muslim consumers?

RQ2. What green food consumption factors are more important than others in predicting consumer religion?

Empirical results derived from this study fill the gap in the existing body of literature concerning consumer green food consumption, offer a new stimulus to the findings of previous studies, and bring significance to the food and beverages industry to understand the attitudinal profiles of consumer towards green food consumption in Malaysia, explicitly between Muslim and non-Muslim consumers. The structure of this paper starts with the introduction that describes the background of green food, followed by a review of literature in section two. The paper then proceeds to discuss the methodology used to carry out the survey, before analysing the resultant data. The final section details the conclusion, deliberates the implications of the study and elucidates directions for future research.

Literature Review

Theory of Planned Behaviour (TPB)

Theory of planned behaviour (TPB) developed by (Ajzen, 1991) is used as the guiding principle in this study where individuals' specific behaviours are determined by their intentions to perform those behaviours, and such behavioural intention can be predicted by attitude toward behaviour, subjective norm and perceived behavioural control. For sustainable consumption of food, attitude can be considered as an individual (internal) value, subject or social form is external social pressure, while behavioural control indicates if green food is available or convenient to buy (Vermeir & Verbeke, 2008). Besides, both personal factors and context factors can be determinants of sustainable consumption of green food (Tanner & Kast, 2003).

Effect of Internal Factors on Intention to Consume Green Food

Internal factors are those related to consumers' personal values which are a prevailing stimulus of environmental behaviour to help protect the environment and to save the limited natural resources on the earth (Hopper & Nielsen, 1991; Stern & Dietz, 1994; Vining & Ebreo, 1992). Environmentally friendly behaviour may be characterized as morally demanding. Concern for environmental issues on behalf of human predilection which affects their behaviour in a positive or negative manner (Chan, 1996) and this is a strong attitude towards preserving the environment (Crosby, James & James, 1981; Kim, Yeo, Sohn, Rha, Shin, Choi, Choi, Shin, 2012).

Prior research found that factors such as consumers' awareness, values, lifestyles, motivations and environmental attitudes strongly affect their purchase intention which also applies to green food consumption intention (Bui, 2005; Cleveland, Kalamas & Laroche, 2005; Fraj & Martinez, 2006; Weinstein & Klein, 2002; Young, Hwang, McDonald, & Oates, 2010). Further, green food consumption is influenced by personal factors such as consumer values, norms and habits as there is a strong association between environmental attitudes and purchasing frequency and intention in the sense that the more environmentally concerned an individual, the more likely to buy organic food with the perception that organic products are healthier than conventional alternatives (Chinnici, D'Amico & Pecorino, 2002; Harper & Makatouni, 2002; Padel & Foster, 2005; Peattie, 2010; Vermeir & Verbeke, 2008).

Effect of External Factors on Green Food Consumption Intention

External factors are subject or social norms as those related to social environment or government management which could directly or indirectly affect or influence entrepreneurial decisions, and firms' performance (Kuratko & Hodgetts, 2004; Mohd, 2005). Social environment is related to the immediate physical and social setting in which people interact, live or in which something happens or develops either in person or through communication media, anonymous or one-way, and in different social status. People generally intend to perform a behaviour when they evaluate it positively and believe it is important that others think they should perform it and approve their performing the behaviour. Indeed, influence from external factors such as media plays a major role in enlightening consumers on the seriousness of environmental problems which affects sustainable food consumption (Oosterveer & Spaargaren, 2011).

Results by Norazah (2013) implied that young consumers use environmental knowledge in assessing products during purchasing decisions whereby attention were placed on products with green related statements or assurances on the product label: no animal testing, natural ingredient cosmetics, wood product from sustainable forest, organic vegetables, ozone friendly aerosols, bio-degradable and unleaded petrol in making purchase decision. Hence, when consumers are aware of eco labels, they react more positively towards knowledge of green marketing and the purchase of green products (Rashid, 2009).

Effect of Context Factors on Consumption Behaviours of Green Food

Context factors are considered behavioural controls that indicate the ease or difficulty of obtaining or consuming the green food (Vermeir & Verbeke, 2008). For example, socioeconomic characteristics, living conditions, and store characteristics facilitate green food consumer behaviours (Tanner & Kast, 2003). Without the right context, consumers may buy non-environmentally friendly food despite their preference for green food consumption (Tanner, 2006). Lack of sustainable products in local retail outlets factories or farmers' markets may inhibit the purchase of sustainable foods (Diamantapoulos, Schlegelmilch, Sinkovics & Bohlen, 2003; Vermeir & Verbeke, 2006; Vermeir & Verbeke, 2006: 2008). However, consumers perceive that organic food has the value and benefits and that is why they are willing to pay a higher price for a value attached to the improvements of food safety (Henson, 1996).

Besides that, environmental consciousness guides people to make greener purchase decisions (Peattie, 2001). Environmentally conscious people have a tendency to change their purchasing behaviours to improve the environment (Chase, 1991). In addition, environmental behaviour is entailed by the environmental values which can influence the personal norms significantly and guide consumers towards environmental behaviours (Stern, 2000; Reser & Bentrupperbaumer, 2005). Ajzen (1991) demonstrates that the environmental beliefs shape attitudes towards behaviour which will turn into buying intentions. Research also shows that technical products would be more rejected by consumers who are interested in environment matters. This is because they are aware of the damaging impact on the environment (Peattie, 1999).

Effect of Green Food Consumption Intention on Green Food Consumption Behavioura

Green food consumption can be described as an important means which is used in the process of replacing environmentally friendly consumption as well as production with old consumption and production behaviour which leads to sustainable green and contains a wide range of matters respecting the environment such as reducing CO² emission (Nikkheslat, Zohoori, Bekheirnia & Mehrafshar, 2012). Green consumption is also related to consumers' efforts in recycling, energy conservation, energy efficient appliances, mass transit or carpooling besides getting involved in community efforts regarding hazardous waste sites, proper disposal of certain products or toxic chemicals and answering a call to work with grass-roots efforts and legislation.

Intention influences one's specific behaviour (Ajzen & Madden, 1986; Oliver, 1997; Shaw & Constanzo, 1983). However, to change a specific behaviour, one must first change the intention to perform that behaviour (Coleman, Bahman, Kelkar & Curry, 2011). In the absence of measuring the actual behaviour, Zeithaml, Parasuraman and Berry (1996) view behaviour intention as an indicator that predicts whether consumers will remain with or defect from the company. Green consumption intentions are found to significantly correlate with the person's actual purchasing behaviour.

Based on the theoretical perspectives, the following research questions were investigated:

RQ1. What green food consumption factors distinguish Muslim from non-Muslim consumers?

RQ2. What green food consumption factors are more important than others in predicting consumer religion?

Methodology

Out of a total of 750 structured close-ended questionnaires administered to the students in a public higher learning institution in the Federal Territory of Labuan, Malaysia using convenience sampling technique in a period of one month (from 1 March 2013 to 31 March 2013), a total of 700 completed and usable questionnaires were successfully collected, yielding an effective response rate of 93%. This sampling method does not allow the researcher to have any control over the representativeness of the most readily available sample, regardless of characteristics. Their participation is purely voluntary.

The multiple-item measurement instruments were compiled from various validated sources based on literature review and past studies from the work of Tanner and Kast (2003) while green food

consumption intention was adopted from Grankvist & Biel (2001), and Wandel & Bugge (1997) and green food consumption behaviour was adopted from Chan (2001) with some modifications to suit the context of this research. The multiple items were measured on a five-point Likert scale ranging from 1=strongly disagree to 5=strongly agree and were estimated using the mean values for data analysis. The structured close-ended questionnaire comprised three sections. The first part of the questionnaire gathered characteristics of respondents' demographic profile, including gender, and race. The second section acquired information on respondents' experience of green food. The final part attempted to uncover subjects' perception of green food consumption such as knowledge of green consumption, attitudes toward green consumption, internal and external influencing factors and green consumer behaviour.

Descriptive analysis such as means, and standard deviation, factor analysis and correlation analysis were performed via Statistical Package for Social Sciences (SPSS) computer program version 21. Multiple discriminant analysis was then carried out in order to distinguish between Muslim and non-Muslim consumers green food consumption factors, and assess the relative importance of green food consumption factors and their ability to predict consumers' religion.

Data Analysis

Table 1 indicates the descriptive analyses of demographic information of respondents-gender, age, and education level- in terms of Muslim versus non-Muslim respondents. Of the 700 participating respondents, 385 were female and 315 were male. More than half of the participating subjects were between 22 and 23 years old (53.9 percent). Close to three-quarters of the participants were degree holders (74 percent).

Table 1: Demographic Profile of Respondents

| | Muslim | Non-Muslim | Total |
|--------------------|-------------|-------------|-------------|
| Gender | | | |
| Male | 199 (63%) | 116 (37%) | 315 (45%) |
| Female | 305 (79%) | 80 (21%) | 385 (55%) |
| Age (years old) | | | |
| 18-19 | 8 (61.5%) | 5 (38.5%) | 13 (1.9%) |
| 20-21 | 203 (78.7%) | 55 (21.3%) | 258 (36.9%) |
| 22-23 | 272 (72.1%) | 105 (27.9%) | 377 (53.9%) |
| 24-25 | 21 (40.4%) | 31 (59.6%) | 52 (7.4%) |
| Education Level | | | |
| STPM/Matriculation | 110 (73.8%) | 39 (26.2%) | 149 (21.3%) |
| Diploma | 29 (90.6%) | 3 (9.4%) | 32 (4.6%) |
| Degree | 365 (70.3%) | 154 (29.7%) | 519 (74.1%) |

Experiences of Green Food Consumption

Table 2 displays respondents' experiences with green food consumption. When asked about monthly expenditures for green food, 292 out of 700 respondents selected "RM21-RM40". This indicates that most people are willing to spend some comparable amount of money for green consumption.

Table 2: Experiences on Green Food Consumption

| | Frequency | Percentage |
|--|-----------|------------|
| <i>Monthly expenses for green food</i> | | |
| <RM20 | 259 | 37.0 |
| RM21-RM40 | 292 | 41.7 |
| RM41-RM60 | 108 | 15.4 |
| RM61-RM80 | 31 | 4.4 |
| >RM81 | 10 | 1.5 |
| <i>Frequency of visiting the green food café</i> | | |

| | | |
|---|-----|------|
| 1 to 3 times | 405 | 57.9 |
| 3 to 8 times | 229 | 32.7 |
| 8 to 12 times | 50 | 7.1 |
| >12 times | 16 | 2.3 |
| <i>Experience for switch to a different green food café</i> | | |
| 1 to 3 times | 531 | 75.9 |
| 3 to 8 times | 153 | 21.9 |
| >8 times | 16 | 2.3 |
| <i>Main reason of choosing green food</i> | | |
| Healthy | 517 | 73.9 |
| Cheaper price | 47 | 6.7 |
| More choices of green food | 136 | 19.4 |

Approximately 58% of respondents reported visiting the green food cafe one to three times (see Table 2). In their experience of switching to a different green food cafe, three-quarters of the respondents switch one to three times. The main reason for choosing green food is mainly health (74%), followed by more choices of green food (19%), and cheaper price (7%).

Description of Green Food Consumption

The descriptive statistics, that is frequencies and percentages, of each item of green food consumption is detailed in Table 3. The multi-item statements are designed on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Table 3: Descriptive Statistics of Green Food Consumption

| Statements | Label | Mean | Std. Deviation |
|--|-------|-------|----------------|
| Promotion by media can increase green food consumption. | EXT1 | 3.810 | 0.816 |
| More channels for promotion by media can increase green food consumption. | EXT2 | 3.749 | 0.809 |
| I will follow friends to buy green food. | EXT3 | 3.566 | 0.897 |
| Food safety supervision by government is satisfactory. | EXT4 | 3.659 | 0.838 |
| Green food labeling management by government is satisfactory. | EXT5 | 3.707 | 0.817 |
| To survive, humans must harmoniously coexist with nature. | INT1 | 3.766 | 0.800 |
| Humans need to understand the existing and development ways of nature and then comply with these ways. | INT2 | 3.854 | 0.752 |
| We need to harmoniously coexist with nature. | INT3 | 3.794 | 1.427 |
| Humans are only part of nature. | INT4 | 3.776 | 0.847 |
| Promoting green food helps to better preserve the environment of our country. | INT5 | 3.856 | 0.761 |
| Green food makes me think more about the environmental protection of our country. | INT6 | 3.784 | 0.796 |
| Production styles of green food can decrease pollution in the world. | INT7 | 3.741 | 0.801 |
| Promoting green food helps preserve the environment for the next generation. | INT8 | 3.791 | 0.869 |
| When humans' interface with nature exceeds the limit, disasters will come. | INT9 | 3.774 | 0.894 |
| When giving presents, I would choose green food with higher prices. | CON1 | 3.451 | 0.920 |
| When preparing parties or dinners, I would choose green food. | CON2 | 3.363 | 0.889 |
| When flexible payment such as credit or band card can be used, I would buy green food. | CON3 | 3.413 | 0.844 |
| In a good mood, I would buy green food to reward myself. | CON4 | 3.507 | 0.852 |
| Shops selling green food have a good environment. | CON5 | 3.634 | 0.755 |
| Shops selling green food are conveniently located for transportation. | CON6 | 3.476 | 0.783 |

| | | | |
|--|------|-------|-------|
| There are many outlets for purchasing green food . | CON7 | 3.597 | 0.834 |
| I plan to continue to buy green food. | TEN1 | 3.624 | 0.810 |
| I plan to buy green food next month. | TEN2 | 3.500 | 0.838 |
| I will buy green food to guarantee my health. | TEN3 | 3.670 | 0.736 |
| I will pay more for green food for high quality life. | TEN4 | 3.591 | 0.877 |
| I would like to buy green food to avoid illness since unhealthy food may hurt my health. | TEN5 | 3.697 | 0.758 |
| I would like to buy green food to reduce environmental damage. | TEN6 | 3.639 | 0.784 |
| I would like to buy green food as a responsible consumer. | TEN7 | 3.541 | 0.802 |
| I always buy green food. | BEH1 | 3.341 | 0.938 |
| I always try to buy food with green labels. | BEH2 | 3.464 | 0.836 |
| I buy green food even at higher prices. | BEH3 | 3.349 | 1.006 |
| I recommend green food that I have consumed to my relatives and friends. | BEH4 | 3.574 | 0.875 |

Considerable variation exists in the mean values among the questionnaire items, as presented in Table 3), with the statement ‘Promoting green food helps preserve better environment of our country’ being the most popular (3.856), and the statement ‘Humans need to understand the existing and development ways of nature and then comply with these ways’ (M = 3.854) being the second most popular. This is followed by the statement ‘Promotion by media can increase green food consumption’ with mean = 3.810 while the statement ‘If payment was flexible such as credit or band card could be used, I would buy green food’ being the least popular (3.413). The mean values show that respondents connect boosting general environmental values towards green food consumption through green promotional activities and initiatives.

Next, the survey findings also evidenced that the majority of respondents selected 3 = neutral or 4 = agree for all green food consumption intention items with reported mean values ranging between 3.50 and 3.697. The first referred to the statement ‘I plan to buy green food next month’ and the latter referred to the statement ‘I would like to buy green food to avoid illness since unhealthy food may hurt my health’. Among four of the green food consumption behaviour items, respondents mostly rated 3 = neutral or 4 = agree for the statement ‘I recommend green food that I have consumed to my relatives and friends’ (M = 3.574, SD = 0.875), followed by ‘I always try to buy food with green labeling’ (M = 3.464, SD = 0.836). Such empirical evidence indicates that consumers have generally high environmental awareness, behaviour, and intention towards green food consumption.

Factor Analysis

Factor analysis, a data reduction technique, is deployed to reduce a large number of variables to a smaller set of underlying factors, which categorize and summarize the essential information contained in the variables. Principal component analysis with varimax rotation was chosen as the extraction method to test the validity of the constructs for the thirty-two items. The Bartlett test of sphericity was significant ($\chi^2 = 5473.322$, $p < 0.01$) and the Kaiser-Meyer Olkin measures of the sampling adequacy was far superior to 0.50, which was 0.86 signifying sufficient intercorrelations. Inspection of the anti-image of the correlation matrix was well beyond the satisfactory level of 0.50. Indeed, Igbaria, Livari, and Maragahh (1995) noted that only variables with the item loading more than 0.50 and cross loading less than 0.35 were concluded to have a unique relationship with the factor.

In this study, after grouping the thirty remaining items with loadings above 0.50 into eight factors, they were labeled with different names that closely summarized or reflected the essential contents of the variables (see Table 4). Factor loadings ranging between 0.525 and 0.857. The first referred to item ‘I will follow friends to buy green food’ and the latter referred to items ‘Food safety supervision by government is satisfactory’. Before that, two items (i) item ‘I like to buy green food as a responsible consumer’, and (ii) item ‘Promoting green food helps preserve better environment of our country’ were dropped from further analysis as having item loadings below the threshold value of 0.50.

Table 4: Factor Loadings for Green Food Consumption

| Items | CON A | CON B | TEN | BEH | EXT A | EXT B | INT A | INT B |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| CON2 | 0.796 | | | | | | | |
| CON1 | 0.767 | | | | | | | |
| CON3 | 0.706 | | | | | | | |
| CON4 | 0.649 | | | | | | | |
| CON7 | | 0.809 | | | | | | |
| CON6 | | 0.718 | | | | | | |
| CON5 | | 0.631 | | | | | | |
| TEN3 | | | 0.692 | | | | | |
| TEN4 | | | 0.684 | | | | | |
| TEN2 | | | 0.645 | | | | | |
| TEN6 | | | 0.611 | | | | | |
| TEN1 | | | 0.546 | | | | | |
| TEN5 | | | 0.541 | | | | | |
| BEH3 | | | | 0.760 | | | | |
| BEH2 | | | | 0.690 | | | | |
| BEH1 | | | | 0.670 | | | | |
| BEH4 | | | | 0.642 | | | | |
| EXT1 | | | | | 0.856 | | | |
| EXT2 | | | | | 0.837 | | | |
| EXT4 | | | | | | 0.857 | | |
| EXT5 | | | | | | 0.807 | | |
| EXT3 | | | | | | 0.525 | | |
| INT8 | | | | | | | 0.808 | |
| INT7 | | | | | | | 0.751 | |
| INT9 | | | | | | | 0.607 | |
| INT6 | | | | | | | 0.574 | |
| INT1 | | | | | | | | 0.706 |
| INT2 | | | | | | | | 0.673 |
| INT3 | | | | | | | | 0.614 |
| INT4 | | | | | | | | 0.596 |
| TVE | 6.204 | 2.633 | 1.891 | 1.598 | 1.392 | 1.287 | 1.058 | 0.986 |
| PVE | 20.68 | 8.778 | 6.303 | 5.325 | 4.64 | 4.29 | 3.527 | 3.288 |

Notes: CON A - Special needs, CON B – Convenience, TEN - Green food consumption intention, BEH - Green food consumption behaviours, EXT A - Promotion/diffusion, EXT B - Governmental efforts, INT A - General environmental value, INT B - Personal environmental value related to green food, TVE - Total variance explained, PVE - Percentage variance explained.

Reliability Analysis

The internal consistency of the constructs was measured via Cronbach's coefficient alpha in order to determine whether a group of items consistently reflected the construct it was measuring (Field, 2009). Generally, an alpha value close to 1.00 indicates high internal consistence reliability, an alpha value less than 0.60 is considered to be poor, values of 0.70 are considered acceptable and values above 0.80 are deemed to be good. Cronbach's coefficient alpha above the threshold value of 0.70 is considered to be high in validity (Hair, Black, Babin, Anderson, & Tatham 2010; Nunnally & Bernstein, 1994). Item deletion is required if the Cronbach's coefficient alpha is less than 0.50. Results in Table 5 display Cronbach's alpha values of all variables greater than the benchmark value of 0.70 and range between 0.70 for the factor of "promotion/distribution" and 0.789 for the factor of "green food consumption behaviours", thus confirming that the items grouped into this factor are reasonable and the measurement reliability of this study is acceptable in.

Table 5: Reliability Analysis

| Variable | No. of Items | No. of Item Dropped | Cronbach's Alpha |
|----------------------|--------------|---------------------|------------------|
| CON A: Special needs | 4 | 0 | 0.768 |
| CON B: Convenience | 3 | 0 | 0.737 |

| | | | |
|---|---|---|-------|
| TEN: Green food consumption intention | 6 | 1 | 0.755 |
| BEH: Green food consumption behaviours | 4 | 0 | 0.789 |
| EXT A: Promotion/diffusion | 2 | 0 | 0.700 |
| EXT B: Governmental efforts | 3 | 0 | 0.781 |
| INT A: General environmental value | 4 | 0 | 0.757 |
| INT B: Personal environmental value related to green food | 4 | 1 | 0.741 |

Correlation Analysis

Pearson correlation coefficient was computed in order to examine the strength and direction of the correlation between two continuous variables beside the linear relationship between independent variables and the dependent variable in the study. The value of Pearson correlation (r) can range from -1.00 to $+1.00$. A correlation coefficient value of $+1.00$ indicates a perfect positive correlation, while a value of -1.00 represents a perfect negative correlation, and a value of 0.00 indicates no linear correlation between two variables (Pallant, 2011; Tabachnick & Fidell, 2007). Correlation of less than 0.20 is considered a slight relationship; 0.20 – 0.40 is low correlation; 0.40 – 0.70 is a moderate correlation and 0.70 – 0.90 is considered a high relationship while 0.90 – 1.00 is a very high correlation. The multi-items for a construct were computed to produce an average score which was used in correlation analysis and hierarchical regression analysis. The average summated mean scores and the corresponding standard deviations of all the constructs are shown in Table 6. The survey instruments related to each construct are provided in Table 3. Empirical results revealed that all correlations among the study variables were significant at the 0.05 level of which convenience factor has the strongest correlation with “green food consumption intention” factor ($r = 0.446$, $p < 0.01$), followed by special needs factor ($r = 0.413$, $p < 0.01$). This showed that both variables were dependent on each other and had a positive correlation.

The variable of “green food consumption intention” has the strongest significant correlation with “green food consumption behaviours” variable ($r = 0.468$, $p < 0.01$). Nevertheless, the weakest significant correlation can be seen between the variable of “promotion/distribution” and “green food consumption behaviours” variable ($r = 0.110$, $p < 0.01$). This means that consumers’ green food consumption behaviour is minimally influenced by the promotion/distribution factor. Indeed, special needs, convenience, green food consumption intention, promotion/distribution, and governmental efforts jointly play an important role in the behaviour of consumers toward green food consumption. Overall, the results of the correlation analysis revealed that the correlations between the independent variables and the dependent variable were significant and positive. Hence, there is no multicollinearity problem in this research.

Skewness was checked for signs of asymmetry and deviation from a normal distribution. Table 4 shows that the skewness of all the items ranges from -0.007 to 1.599 , below ± 2.0 , where special needs construct, convenience construct, green food consumption intention construct, green food consumption behaviours, promotion/distribution construct, governmental efforts construct, and general environmental value construct have negative skewness values, implying the variables have a left skewed distribution and most values are concentrated on the right of the mean with extreme values to the left. However, one factor “personal environmental value” when related to green food factor has a right skewed distribution.

Table 6: Inter-correlations among Variables

| | CON A | CON B | EXT A | EXT B | INT A | INT B | TEN | BEH |
|-------|---------|---------|-------|-------|-------|-------|-----|-----|
| CON A | 1 | | | | | | | |
| CON B | 0.566** | 1 | | | | | | |
| EXT A | 0.135** | 0.161** | 1 | | | | | |

| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|--------|
| EXT B | 0.270** | 0.261** | 0.462** | 1 | | | | |
| INT A | 0.150** | 0.179** | 0.202** | 0.162** | 1 | | | |
| INT B | 0.118** | 0.092* | 0.190** | 0.160** | 0.275** | 1 | | |
| TEN | 0.413** | 0.446** | 0.171** | 0.206** | 0.222** | 0.117** | 1 | |
| BEH | 0.464** | 0.421** | 0.110** | 0.260** | 0.072 | 0.048 | 0.468** | 1 |
| Mean | 3.434 | 3.569 | 3.779 | 3.644 | 3.773 | 3.798 | 3.620 | 3.432 |
| Standard Deviation | 0.673 | 0.602 | 0.713 | 0.665 | 0.590 | 0.645 | 0.538 | 0.717 |
| Skewness | -0.524 | -0.567 | -0.487 | -0.317 | -0.007 | 1.599 | -0.557 | -0.555 |
| Kurtosis | 0.562 | 1.802 | 0.477 | 0.349 | -0.063 | 1.744 | 2.041 | 1.046 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | | | | |

Next, kurtosis is executed to check for signs of flat or peaked distribution. The values for kurtosis range from -0.063 to 2.041, far less than the cut-off value of ± 10 and have a leptokurtic distribution which is sharper than a normal distribution with values concentrated around the mean and thicker tail. This means high probability for extreme values. Results for both skewness and kurtosis are lower than the criterion value, thus ensuring that the data used in the study is normally distributed. Mean scores for all constructs, as shown in Table 4, range from 3.432 to 3.798 which is considered average on a scale of 1=strongly disagree to 5=strongly agree. Highest means appear for “personal environmental value related to green food” ($M = 3.798$, $SD = 0.645$). Results inferred that most of the respondents had a positive intention and behaviour towards green food consumption.

Multiple Discriminant Analysis

Multiple discriminant analysis was performed to:

- distinguish Muslim from non-Muslim consumers’ green food consumption behaviours, and
- assess the relative importance of influencing factors of green food consumption behaviours and their ability to predict consumers’ religion.

Table 7 portrays mean values for factors on green food consumption between Muslim and non-Muslim consumers where both religions of consumers have expressed encouraging attitudes mostly on promotion/distribution factor (Muslim consumer: $M = 3.765$, $SD = 0.716$ while non-Muslim consumer: $M = 3.816$, $SD = 0.705$). However, non-Muslim consumers have greater mean values than Muslim consumers on this factor. The next important factor appears in general environmental value factor where non-Muslim consumers more highly articulate concern on this factor ($M = 3.795$, $SD = 0.603$) than Muslim consumers ($M = 3.764$, $SD = 0.586$). Mean values deduce that there are significant mean differences between Muslim and non-Muslim consumers on green food consumption.

Only one religious discriminant function was used in the analysis as two religious groups were investigated i.e. Muslim and non-Muslim consumers, with results of Wilks' $\lambda = 0.983$; $\chi^2 = 11.974$; $df = 8$, $p\text{-value} < 0.001$ which was considered significant. Hence, the model was a good fit for the data. The religious correlation was 0.311, indicating that the green food consumption aspects explain 9.7 percent of the variance in the dependent variable.

Table 7: Mean Values for Factors between Muslim and Non-Muslim Consumers

| | Muslim consumers | | Non-Muslim consumers | |
|----------------------------------|------------------|----------------|----------------------|----------------|
| Factors | Mean | Std. deviation | Mean | Std. deviation |
| Special needs | 3.394 | 0.677 | 3.534 | 0.654 |
| Convenience | 3.571 | 0.591 | 3.565 | 0.630 |
| Green food consumption intention | 3.618 | 0.521 | 3.627 | 0.579 |

| | | | | |
|--|-------|-------|-------|-------|
| Green food consumption behaviours | 3.427 | 0.719 | 3.445 | 0.712 |
| Promotion/diffusion | 3.765 | 0.716 | 3.816 | 0.705 |
| Governmental efforts | 3.627 | 0.664 | 3.687 | 0.668 |
| General environmental value | 3.764 | 0.586 | 3.795 | 0.603 |
| Personal environmental value related to green food | 3.775 | 0.663 | 3.855 | 0.595 |

The standardized religious discriminant function coefficients and discriminant loadings for each of the green food consumption factors, in terms of special needs, convenience, green food consumption intention, green food consumption behaviours, promotion/distribution, governmental efforts, general environmental value, and personal environmental value related to green food is available in Table 8. The standardized religious discriminant function coefficients designate the partial correlation coefficient of each of the green food consumption aspects to the discriminant function. The larger the standardized religious discriminant function coefficients, the greater the contribution of the respective aspects of green food consumption to the discrimination between categories of Muslim and non-Muslim. The discriminant loadings denote the correlations between the constructs and the discriminant function. Discriminant function loadings are more valid than religious coefficients in prediction because of their correlational nature (Hair et al., 2010).

Table 8: Results of Discriminant Analysis

| Factors | Standardized canonical coefficients | Discriminant loadings |
|--|-------------------------------------|-----------------------|
| Special needs | 1.109 | 0.712 |
| Convenience | -0.622 | -0.035 |
| Green food consumption intention | -0.137 | -0.057 |
| Green food consumption behaviours | -0.169 | -0.086 |
| Promotion/diffusion | 0.110 | 0.546 |
| Governmental efforts | 0.139 | 0.608 |
| General environmental value | 0.030 | 0.523 |
| Personal environmental value related to green food | 0.324 | 0.619 |

Results of the religious discriminant function coefficients and the discriminant function loadings indicated that special needs, personal environmental value related to green food, and governmental efforts were the first three important factors for discriminating between Muslim and non-Muslim consumers. The special needs had the highest discriminating power and represent the main contributing factor and the strongest predictor with respect to green food consumption aspects (discriminant loading = 0.712) in discriminating between Muslim and non-Muslim consumers. It is further noted that the next largest absolute correlation between each variable and any discriminant function was found in the personal environmental value related to green food factor with discriminant loading = 0.619, implying $>\pm 0.30$, Hair et al. (2010). These two variables with large coefficients stand out as those that strongly predict allocation to the Muslim consumers rather than the non-Muslim consumers. Surprisingly, three factors like convenience, green food consumption intention, and green food consumption behaviours had loadings less than the cut-off value of 0.30 which is considered a less important variable and less successful as a predictor of Muslim consumers.

The equation for the discriminant function includes:

DF = 1.109* Special needs – 0.622*Convenience - 0.137*Green food consumption intention - 0.169*Green food consumption behaviours + 0.110*Promotion/distribution + 0.139*Governmental efforts + 0.030*General environmental value + 0.324*Personal environmental value related to green food

Further examination revealed that the discrimination between Muslim and non-Muslim consumers with respect to green food consumption aspects such as special needs, convenience, green food consumption intention, green food consumption behaviours, promotion/distribution, governmental efforts, general environmental value, and personal environmental value related to green food was successful in classifying 56 percent of the original grouped respondents (Table 9), signifying the research findings have classification accuracy greater than 25 percent achieved by chance and have cross validated the above discriminating results as suggested by Hair et al. (2010).

Table 9: Classification Results

| Religion | Predicted group membership | | Total |
|----------------------|----------------------------|----------------------|-------|
| | Muslim consumers | Non-Muslim consumers | |
| Muslim consumers | 274 (54.4%) | 230 (45.6%) | 504 |
| Non-Muslim consumers | 79 (40.3%) | 117 (59.7%) | 196 |

Discussion

This study presented vital insights and enhanced the understanding of the distinguishing perspectives between Muslim and non-Muslim consumers in a developing Islamic country – Malaysia - with regard to green food consumption behaviours. This study also assessed the relative importance of influencing factors of green food consumption behaviours and their ability to predict consumers' religion. Empirical results via multiple discriminant analysis discovered that imperative aspects such as special needs, personal environmental value related to green food, and governmental efforts strongly predict allocation to the Muslim consumers rather than the non-Muslim consumers in terms of green food consumption. Muslim consumers have deep spiritual and behavioural similarities that set them apart.

Specifically, among the essential factors noted earlier, special needs exemplified the main contributing factor and the strongest predictor with respect to green food consumption aspects among Muslim consumers. They mainly stated that in a good mood, they would buy green food to reward themselves ($M = 3.507$) and also would preferably choose green food with higher prices when giving presents to other parties ($M = 3.451$), as descriptively reported in Table 3. Muslim consumers also would choose green food when preparing parties or dinners. Their positive green food consumption take up is further enhanced when payment is flexible such as credit card can be used in the market. This result is in agreement with the past studies, for instance Chan, Ng, and Luk (2013), Chao, Wuhrer, and Werani (2005), Fleck, Korchia, and Roy (2012), Tantisenepong, Gorton, and White (2012), and Thwaites, Lowe, Monkhouse, and Barnes (2012) who found that a consumer who has a positive perception of the brand, will be inclined to develop a greater willingness to purchase the product and subsequently actively seek out the product in a store. Undeniably, Muslim consumers' faith or trust may be linked to the perception that products are in line with Shariah principles which are consistent with Islamic principles.

Remarkably, the result demonstrated that the next striking factor in discriminating between Muslim and non-Muslim consumers is personal environmental value related to green food aspects whereby every individual values green food differently. This finding is aligned with Norazah (2013); Paul & Rana (2012); Tobler, Visschers and Siegrist (2011) who noted that environmental motives influence consumers to purchase green food which is facilitated by positive attitude towards environmental protection (Kim et al., 2012; Tanner & Kast, 2003). Heilig (2002) stated any changes in lifestyle of consumers will have a related impact on their purchase intention. It is important to note that humans need to understand the existing and developing ways of nature and then comply with these ways. Humans need to harmoniously coexist with nature as humans are only part of nature.

Further investigation of the study revealed that within the dimension of governmental efforts, Muslim consumers expressed satisfaction with government efforts on the management of green food labeling in promoting green food consumption among consumers. This statement has the highest mean value ($M = 3.707$) on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), as pointed out in Table 6, followed by the issues of food safety supervision ($M = 3.659$) by appointed government bodies in Malaysia such as Ministry of Health. This positive response has inspired Muslim consumers to follow friends to buy green food for a healthy lifestyle. This finding reiterates previous research of Engels, Hansmann and Scholz (2010) that government effort such as a comprehensive sustainability label could considerably influence green food consumption patterns. Additionally, attractive and informative promotion related to green product awareness and consumption by media also contributes to an increase in green food consumption.

Conclusion and Recommendations

Governmental effort is critical to promote green food consumption quality and environmental protection. Green food labelling can not only provide information communication between consumers and producers but also bring more sustainable and ethical business practices. The environmental friendly logo such as SOM and GAP can help the consumers to differentiate the food products that are according to green concept. Moreover, environmental values of consumers are necessary to motivate green food consumption intention via the awareness of organic food values and benefits in order to develop health consciousness among Muslim and non-Muslim consumers. Further, this can be done by carrying out effective product awareness programs in trade shows, exhibitions and advertisements. There is also a need to carry out effective campaigns to introduce organic food in the market.

It is important for the food industry to know the Muslim and non-Muslim consumers intention to purchase green foods in order to help them to produce food products which can satisfy customers' needs and wants as it is understood that Muslim consumers are very particular about food intake as they can only consume food that complies with Halal principles and which do not contain forbidden (Haram) ingredients, like gelatine, alcohol, pork, and animal fat. Green food is not only about being organic but it also encompasses the concept of food safety, health issues, environmental hazards as well as animal welfare. Thus, understanding consumers' awareness and intention towards green food consumption among Muslim and non-Muslim consumers is very important for any food industry or food marketer, especially as the food they produce is critical for food safety, environmental products and healthy products (Rezai, Teng, Mohamed & Shamsudin, 2011). Moreover, Norazah (2013: 734) encouraged "manufacturers, retailers and marketers to boost young consumer ecological behaviour and environmental knowledge by promoting positive perceptions toward organic products and quality for increased green product market sustainability and acceptance".

There are a few limitations that might limit the current research findings. One limitation of this study is related to sampling. The sample was only distributed among 700 students from one of the public higher learning institutions in the Federal Territory of Labuan, Malaysia, thus the result may have a limited application to other countries. It is recommended to widen the coverage of sample selection across students regardless of university level or secondary level in Malaysia in order to improve the generalisability of the results and to provide more accurate and holistic results. A comparison between different cultural groupings would guide on the differences and similarities of green food consumption. Next, the study focuses on general green food products when assessing the relative importance of influencing factors of green food consumption behaviours and their ability to predict consumers' religion. This would suggest that findings are not easily generalisable to all green food products. Furthermore generalisability of the findings could be improved by investigating a specific green food product which offers diverse avenues for further research.

References

----- Contact authors for list of references-----

Guest Behaviour at Green Hotels

Guest Behaviour at Green Hotels with Moderation of Green Hotel Knowledge: Evidence from Islamic Country - Malaysia

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Abstract

Green hotels provide natural accommodation and facilities with consideration for green initiatives including green services, green products, and a fine, fresh and comfortable environment. This research aims to examine the relationship between consumer environmental behaviour and tourists' propensity to stay in a green hotel. Next, the influence of a moderating variable (i.e. green hotel knowledge) on tourists' propensity to stay in a green hotel is also examined. Questionnaires were completed by 400 respondents located in Malaysia, a developing and Islamic country. Data were analyzed using hierarchical regression analysis via the Statistical Package for Social Sciences (SPSS) computer program. Empirical results of a developing and Islamic country - Malaysia revealed that tourists' intention when staying at a green hotel was found to be influenced positively by perceived behavioural control and attitude. However, subjective norm was found to be not significantly related to tourists' intention when staying at a green hotel. The implications of these findings are further expounded and the directions for future research are also explicated.

Keywords: Green, Hotel, Knowledge, Islamic Country, Hierarchical Regression Analysis, Malaysia

Introduction

Hotels that are nature-oriented, environmentally focused and environment friendly in use of energy, water, and materials that do not exacerbate impacts on the earth and environment and embolden their staff and customers to partake in the ecological activity are acknowledged as green hotels. For instance, green hotels provide natural accommodation and facilities with consideration for green initiatives including green services, green products, and a fine, fresh and comfortable environment. Close to three-quarters of travellers (74%) highlighted that they were environmentally minded and 54% of the

travellers called themselves both environmentally minded and willing to stay at a green hotel (Feiertag, 1994).

Green hotels around the world include Shangri-La's Villingili Resort and Spa in the Maldives, OHANA Waikiki Beachcomber, and Proximity Hotel South Carolina in the United States. The green trend has extended to hotels in the Asian region, including Malaysia, a developing and Islamic country. For instance, The Orchid Hotel, in India, Banyan Tree Bangkok in Thailand, Sheraton Incheon Hotel in South Korea, Fairmont Singapore in Singapore, and La Residence d'Angkor Hotel in Cambodia, while Sukau Rainforest Lodge in Sabah, Shangri-La Hotel in Kuala Lumpur, Shangri-La's Tanjung Aru Resort and Spa in Sabah and Shangri-La's Rasa Sayang Resort and Spa in Penang are among the hotels that support green and ecological practices in protecting the surroundings, and are located in Malaysia. These hotels are rewarded with eco-certification standards and environmental management standards such as ISO 14001 and need to comply with regulatory charges such as fines and bans on certain disposal products which require them to incur extra costs to cover the employment of a group of specialists that formulate new management policies on the green practices.

Environmental management standards and certifications strengthen consumer confidence in the hotel service delivery and contribute towards its financial and environmental performance by reducing the environmental impact and improving management controls (Darnall, Henriques, & Sadorsky, 2008; King, Lenox, & Terlaak, 2005). Additionally, they improve regulatory compliance, increase market share and potential for premium pricing within certain market segments. Their response to customer pressures improves access to markets, cost reductions from improved efficiencies, and an enhanced reputation (Harrington & Knight, 1999; Tibor & Feldman, 1996; Woodside, 2000).

Consumers' general knowledge of facts, and concepts of the natural environment is imperative in their decision-making processes, awareness and acceptance of green products and services. Customers with green hotel knowledge are well aware that staying in a green hotel is costly but they are willing to pay more for environmentally friendly products and services (Han, Hsu & Sheu, 2010). This is due to their belief that they can contribute to saving the planet and leaving a green environment for future generations (Lee, Hsu, Han & Kim, 2010; Han, Hsu, Lee & Sheu, 2011).

It is essential for the hotel industry to understand what guests are in search of in a green hotel and have as much knowledge as possible of attributes that affect their attitudes and perceptions in order to encourage them to stay at the hotel and revisit the same hotel. This demand is supported by Bohdanowicz (2006) who pointed out that consumer attitudes and perceptions are important to study as demand for green hotel attributes are increasing. However, insufficient research studies discuss guest behaviour at green hotels that partake in environmentally friendly activities and initiatives, particularly in the context of a developing and Islamic country like Malaysia. Hence, the aim of this research is twofold:

- (i) to examine the relationship between consumer environmental behaviour and tourists' propensity to stay in a green hotel.
- (ii) to examine the influence of a moderating variable (i.e. green hotel knowledge) on tourists' propensity to stay in a green hotel.

Empirical results derived from this study fill the gap in the existing body of literature pertaining to consumer green behaviour, offer a new stimulus to the findings of previous studies, and bring significance to the hotel industry to understand the attitudinal profiles of hotel guests towards eco-friendly practices in Malaysia, a developing and Islamic country. The structure of this paper starts with the introduction that describes the background of green hotels, followed by a review of literature on green hotel knowledge and tourists' propensity to stay in section two. The paper then proceeds to discuss the methodology used in the study for carrying out the survey, before analysing the resultant data. The final section contains the conclusion, considers the implications of the study and explicates directions for future research.

Literature Review

Consumers' behaviour towards staying at a green hotel differs with others in terms of their attitude, subjective norm, perceived behaviour control, and intention.

Attitude

Attitude is related to an individual's like or dislike of performing a behaviour (Tonglet, Phillips, & Read, 2004), and the individual's overall evaluation of a specific behaviour (Han et al., 2010). Customers have positive attitudes towards the protection of the environment (Watkins, 1994). The green attitude of tourists is influenced by green practices implemented by tourism businesses, such as practices of the lodging industry (Manaktola & Jauhari, 2007). The consumers' decision to return to a hotel is due to the positive feeling they experience, and the instant gratification for doing something good for the environment (Manaktola & Jauhari, 2007). Foregoing research noted that hotel customers' environmentally friendly attitudes positively affect their intention to stay at a green hotel, spread positive word-of-mouth commendation and willingly pay more for the hotels involving green practices (Choi, Parsa, Sigala, & Putrevu, 2009; Han, Hsu, & Sheu, 2009; Han et al., 2011; Han & Kim 2010; Manaktola & Jauhari, 2007). Attitude toward a hotel's environmental concern influences tourists' future intentions (Chen, Hung & Peng, 2011; Jirawat, Panisa, Sirivan, Aurathai & Nongluck, 2011). Based on the preceding literature, the following can be hypothesized:

H1: Attitude has a significant relationship with the intention of an individual to stay at a green hotel.

Subjective Norm

Subjective norm is related to awareness of social pressure affecting an individual's behavioural intention and attitude (Han & Kim, 2010; Kim & Han, 2010; Tonglet et al., 2004; Ajzen, 1991). It is an individual's beliefs affected by other people such as family members and friends who think that an individual should or should not perform a particular behaviour (Rivis & Sheeran, 2003). Ryu and Jang (2006) found that subjective norms are positively associated with a person's attitude to certain types of behaviour. Empirically, there is a relationship between the subjective norms and tourists' attitudes towards a green hotel (Teng, Wu, & Liu, 2013). Indeed, subjective norm plays an important part in an individual's decision to stay in a green hotel (Han et al., 2010; Lien, Huang & Chang, 2012) and positively influences intention to revisit a green hotel (Han & Kim, 2010). Consequently, the study posited that:

H2: Subjective norm has a significant relationship with the intention of an individual to stay at a green hotel.

Perceived Behavioural Control

Perceived behavioural control reflects beliefs regarding the access to resources and opportunities needed to perform behaviour that encompasses (i) the availability of resources needed to engage in the behaviour that include access to money, time, and other resources, and (ii) the focal person's self-confidence in the ability to conduct the behaviour (Ajzen, 1991; Taylor & Todd, 1995). Perceived behavioural control also refers to one's own capability to control various factors affecting actual behaviour (Han & Kim, 2010; Kim & Han, 2010; Tonglet et al., 2004). Preceding research found that perceived behavioural control predicts one's behavioural intention (Ajzen, 1991). Lee et al. (2010) affirms that behavioural intention is a crucial factor that explains customer behaviours because strong intention is likely to encourage performance. In relation to this study, guest behaviour at green hotels is determined by how much resource they are willing to spend on staying in a green hotel. Perceived behavioural control was found to significantly influence consumers' behavioural intention to stay in a green hotel (Lien et al., 2012). Accordingly, this study hypothesized that:

H3: Perceived behavioural control has a significant relationship with the intention of an individual to stay at a green hotel.

Consumer Intention

Intention is related to one's relative strength of purpose in order to perform certain behaviour (Kim & Han, 2010). Consumer behaviour refers to how individuals make decisions to spend their available resources (time, money, and effort) on consumption-related items (Schiffman, Kanuk, & Wisenblit, 2010), particularly how they select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires (Solomon, Russell-Bennett, & Previte, 2012). In this study, intention refers to one's intention to stay in the green hotel which corresponds to elements such as (i) intentions to spread positive or negative word-of-mouth commendation of the green hotel, (ii) willingness or unwillingness to pay a premium price for the green hotel room, and iii) intention to revisit or switch to another hotel, resort or green hotel. Han, Hsu and Lee (2009) highlighted that staying intention as the likelihood of the hotel consumers visiting a green hotel, to engage in positive word of mouth behaviour, and be willing to pay more for the green hotel. Indeed, Han et al. (2010) and Lee et al. (2010) reported that consumers' attitude towards green behaviour was a significant predictor of their intention to make positive recommendations and intention to revisit a green hotel.

Based on the above mentioned literature, the proposed theoretical framework is illustrated in Figure 1.

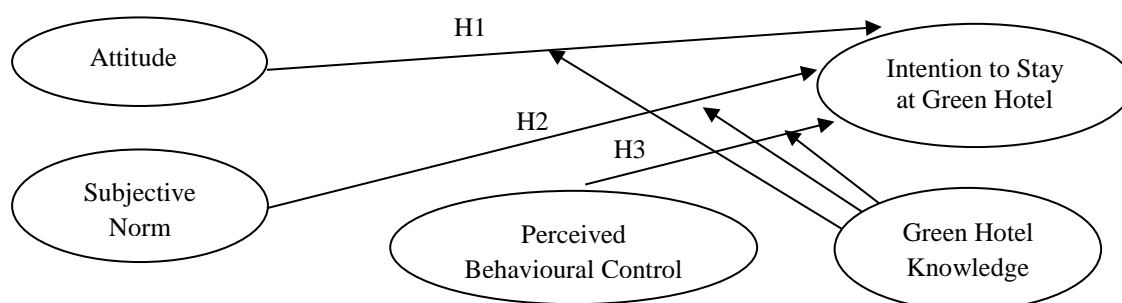


Figure 1: Proposed Theoretical Framework

Methodology

Questionnaires were distributed to 450 respondents located in Malaysia utilizing convenience sampling technique as the method allows the researcher to have control over the representativeness of the sample. Respondents were pre-screened and restricted to Labuan residents who had experience stayed at a green hotel at least once in a year. Data collection was held from 1 February 2011 to 15 March 2011 where they were required to circle the response which best described their level of agreement with the questionnaire items. Of these, 400 were deemed useful and used in the data analysis with a valid response rate of 89%. Their participation was voluntary which leads to no response bias.

The structured close-ended questionnaire was designed on the basis of the objectives of this study. The first part of the three-section questionnaire contained general demographic questions, relating to such matters as gender and age, while the second part comprised questions about the respondents' experiences staying at a green hotel. The final part of the questionnaire contained questions on perception of staying at a green hotel (see Table 3) which comprised 3 items for each construct (i.e. green hotel knowledge, attitude, subjective norm, perceived behaviour control, and intention) which require the respondents to rate their degree of agreement with the propositions in the survey. This instrument was adopted from Han et al. (2010) and Chen et al. (2011) while for green hotel knowledge adapted from Wong and Yeh (2009) and Cegarra-Navarro, Eldridge and Martinez (2010) and measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) using multi-item scales.

The completed and structured close-ended questionnaires were coded and keyed in Statistical Package for Social Sciences (SPSS) computer program version 21 and descriptive analysis such as means, and standard deviation, and correlation analysis were performed. Next, further investigation using hierarchical regression analysis was executed to assess the relationship between a set of independent variables and the dependent variable, controlling the impact of a different set of independent variables

on the dependent variable, which thereafter could furnish empirical findings in supporting the outlined research objectives.

Data Analysis

Table 1 depicts the respondents' socio-demographic profile. Female respondents made up 56% of the sample while males made up 44%. Females can be regarded as part of a growing group of consumers in Malaysia, a developing and Islamic country. In terms of religion and age, more than three-quarter of the respondents, i.e. 76% are Muslim and 85% are aged less than 25 years, and about 14% are aged 26 to 35 years. The majority of respondents (70%) specified that they had stayed at a green hotel only once in a year. This was followed by 21% of them who had stayed at a green hotel 2-3 times in a year, while the remaining 9% had stayed at a green hotel more than four times in a year. Half of the respondents indicated a preference for green hotels geared towards eco-friendly design and environment (50%). Respondents also preferred green hotels with modern design as compared to hotels with traditional design (39%, 10% respectively). Five percent of the respondents spent more than RM300 per night for a room at a green hotel as environment was the vital reason that influenced their stay at a green hotel, followed by factors such as price and brand.

Reliability Analysis

The internal consistency of the constructs was measured via Cronbach's coefficient alpha in order to determine whether a group of items consistently reflected the construct it is measuring (Field, 2009). Cronbach's coefficient alpha above the threshold value of 0.70 is considered to be high in validity (Hair, Black, Babin, Anderson, & Tatham, 2010; Nunnally, 1978). Item deletion is required if the Cronbach's coefficient alpha is less than 0.50. The reading of Cronbach's alpha for all the variables as described in Table 2 exceeds the criterion of 0.70, indicating the survey instrument is reliable to measure all constructs consistently and is free from random error.

Table 1: Socio-demographic Profiles of Respondents

| Variables | Categories | Frequency | Percentage |
|---|---------------|-----------|------------|
| Gender | Male | 198 | 44.0 |
| | Female | 252 | 56.0 |
| Age (years old) | < 25 | 381 | 84.7 |
| | 26 – 35 | 65 | 14.4 |
| | > 36 | 4 | 0.9 |
| Religion | Muslim | 341 | 75.8 |
| | Non-Muslim | 109 | 24.2 |
| Frequency of stay at green hotel per year | Once | 306 | 68.0 |
| | 2 – 3 times | 96 | 21.3 |
| | 4 – 5 times | 22 | 4.9 |
| | > 6 times | 26 | 5.8 |
| Room rates at a green hotel | < RM200 | 281 | 62.4 |
| | RM200 – RM250 | 126 | 28.0 |
| | RM251 – RM300 | 22 | 4.9 |
| | > RM300 | 21 | 4.7 |
| Preferred green hotel design | Modern | 176 | 39.1 |
| | Eco-friendly | 224 | 49.8 |
| | Traditional | 44 | 9.8 |
| | Others | 6 | 1.3 |
| Factor influenced staying at green hotel | Brand | 35 | 7.8 |

| | | | |
|--|---------------|-----|------|
| | Price | 169 | 37.6 |
| | Environment | 227 | 50.4 |
| | Entertainment | 19 | 4.2 |

Table 2: Reliability Analysis

| Variables | No. of Items | Cronbach's Alpha |
|-------------------------------|--------------|------------------|
| Green Hotel Knowledge | 3 | 0.943 |
| Attitude | 3 | 0.825 |
| Subjective Norm | 3 | 0.892 |
| Perceived Behavioural Control | 3 | 0.836 |
| Intention | 3 | 0.899 |

Environmental Behaviour of Consumers' at Green Hotels

The descriptive statistics on environmental behaviour of consumers at green hotels is presented in Table 3. The multi-item statements are designed on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Respondents have expressed favourable opinions on environmental behaviour at green hotels as they stated that staying at a green hotel when visiting other countries is positive (mean = 3.869), besides staying at a green hotel when visiting other countries is desirable (mean = 3.753). This is trailed by the statement 'staying at a green hotel when visiting other countries is good' with mean = 3.731. The survey findings have also evidenced that respondents rarely stayed in a different green hotel during the past twelve months (mean = 2.464) and they rarely stayed at a green hotel at least one night during the past twelve months (mean = 2.522). Empirical evidence has also ascertained that customers are confident that they can stay at a green hotel when going for tourism (mean = 3.607) and they plan to stay at a green hotel when going for tourism (mean = 3.584). Thus, it can be deduced that respondents exhibit positive environmental behaviour at green hotels.

Table 3: Environmental Behaviour of Consumers' at Green Hotels

| Items | Labels | Means | Standard Deviation |
|--|--------|-------|--------------------|
| Compared to an average person, I am familiar with hotels' environmental policies. | KNO1 | 3.360 | 0.806 |
| Compared to my friends, I am familiar with hotels' green programs. | KNO2 | 3.282 | 0.879 |
| Compared to people who travel a lot, I am familiar with hotels' green labels. | KNO3 | 3.320 | 0.868 |
| For me, staying at a green hotel when visiting other countries is good. | ATT1 | 3.731 | 0.716 |
| For me, staying at a green hotel when visiting other countries is desirable. | ATT2 | 3.753 | 0.680 |
| For me, staying at a green hotel when visiting other countries is positive. | ATT3 | 3.869 | 0.592 |
| Most people who are important to me think I should stay at a green hotel when touring. | SUBN1 | 3.167 | 0.853 |
| Most people who are important to me would want me to stay at a green hotel when touring. | SUBN2 | 3.151 | 0.761 |
| People whose opinions I value would prefer that I stay at a green hotel when touring. | SUBN3 | 3.187 | 0.807 |
| Whether or not, I stay at a green hotel when touring. | PBC1 | 3.491 | 0.834 |
| I am confident that if I want, I can stay at a green hotel when touring. | PBC2 | 3.607 | 0.766 |
| I have resources, time, and opportunities to stay at a green hotel when touring. | PBC3 | 3.536 | 0.812 |
| I am willing to stay at a green hotel when touring. | INT1 | 3.549 | 0.683 |
| I plan to stay at a green hotel when touring. | INT2 | 3.584 | 0.754 |

| | | | |
|--|------|-------|-------|
| I will make an effort to stay at a green hotel when touring. | INT3 | 3.573 | 0.752 |
|--|------|-------|-------|

Correlation Analysis

Pearson correlation coefficient was performed to measure the inter-correlation between variables (see Table 4). Correlation coefficient (r) value of -1 indicates a negative correlation and +1 indicates a positive correlation (Pallant, 2007; Tabachnick & Fidell, 2007). The multi-items for a construct were computed to produce an average score which was used in correlation analysis and hierarchical regression analysis. Table 4 shows that all variables significantly correlated with tourists' intentions at 0.01 level. Among the independent variables (i.e. attitude, subjective norm, and perceived behavioural control), perceived behavioural control has the strongest correlation coefficient value with tourists' intention ($r=0.577$) infers that tourists' intention reliant on their perceived behavioural control. On the other hand, attitude ($r=0.316$), and subjective norm ($r=0.133$) also show significant results. Attitude and subjective norm play an important role in intention of tourists; toward green hotel. Hence, there is no multicollinearity problem in this research.

The skewness of all the items ranges from -0.438 to 0.212, below ± 2.0 . Similarly, the values for kurtosis range from -0.452 to 0.198, far less than the cut-off value of ± 10 . Both the skewness and kurtosis are lower than the said value, thus ensuring that the data used in the study is normally distributed. Means for all constructs, as depicted in Table 4 range from 2.511 to 3.784 on a scale of 1=strongly disagree to 5=strongly agree which infer that most of the respondents had a positive intention and behaviour towards green hotels. Highest means appear for attitude. Descriptively evidence in Table 3, respondents articulated auspicious positive thoughts on staying at a green hotel when visiting other countries, and the experience is desirable and good.

Table 4: Correlation Analysis among Variables

| | 1 | 2 | 3 | 4 | 5 |
|--|---------|---------|---------|---------|--------|
| Green Hotel Knowledge | 1.000 | | | | |
| Attitude | 0.549** | 1.000 | | | |
| Subjective Norm | 0.229** | 0.198** | 1.000 | | |
| Perceived Behavioural Control | 0.331** | 0.202** | 0.027 | 1.000 | |
| Intention | 0.447** | 0.316** | 0.133** | 0.577** | 1.000 |
| Mean | 3.321 | 3.784 | 3.168 | 3.544 | 3.569 |
| Standard Deviation | 0.807 | 0.572 | 0.732 | 0.698 | 0.667 |
| Skewness | -0.175 | 0.046 | -0.438 | 0.212 | 0.052 |
| Kurtosis | -0.315 | 0.198 | -0.452 | -0.260 | -0.158 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | |

Relationships with Tourists' Intentions and Moderation of Green Hotel Knowledge

Proposed hypotheses are tested via hierarchical regression analysis as it allows examination of the effects of the moderating variable and the independent variables separately. Moderating variable is a moderator that can strengthen or weaken the relationship between an independent variable and a dependent variable. In this study, green hotel knowledge is the moderating variable. Results as enumerated in Table 5 infer that all the independent variables have variance inflation factors (VIF) values range from 1.000 to 1.581 which is less than cut-off point of 10, and tolerance values range from 0.632 to 1.000 which is above the threshold of 0.10, thus ensuring that multicollinearity was absent. In step 1 of the hierarchical regression analysis, green hotel knowledge was entered to examine the effect on tourists' intention of staying at a green hotel. In step 2, the independent variables (i.e. attitude, subjective norm, and perceived behavioural control) were entered and allowed the examination of any increase in explained variance over that contributed by the green hotel knowledge. R^2 provides information about the level of fit of the regression model and elucidates the percent of

variance in tourists' intention to stay at a green hotel that can be accounted for by all the predictors. The percentage of variance accounted for increased from 20% to 41% in the model with the addition of independent variables (i.e. attitude, subjective norm, and perceived behavioural control) in step 2.

Green hotel knowledge was entered in model 1 to examine the effects on tourists' intention to stay at a green hotel. As detailed in Table 5, it only contributed 20% towards tourists' intention to stay at a green hotel. In contrast, the independent variables in this study predicted 41% of tourists' intention to stay at a green hotel. The results of the estimated coefficients for Model 2 showed that both attitude ($\beta_1=0.082$, $t\text{-value} = 1.888$, $p<0.10$) and perceived behavioural control ($\beta_3=0.482$, $t\text{-value} = 2.524$, $p<0.05$) significantly influence the tourists' intention to stay at a green hotel. Therefore, H1 and H3 are supported. The second had the biggest standardized beta coefficient, signifies it is the most important factor claimed by the respondents that influence their intention to stay at a green hotel. However, subjective norm ($\beta_2=0.051$, $p>0.05$) has an insignificant relationship with tourists' intention to stay at a green hotel, thus H2 is not sustained. Further investigation on the moderating effect of green hotel knowledge establishes that green hotel knowledge does affect tourists' intention to stay at a green hotel ($p<0.05$). Results deduced that the intention of tourists with higher knowledge to stay at green hotels is impacted by their attitude and perceived behavioural control.

Table 5: Relationships with the Tourists' Intention to Stay at a Green Hotel

| | | Standardized Beta Coefficients | t | Sig. | Collinearity Statistics | |
|---------------------------|-------------------------------|--------------------------------|--------|---------|-------------------------|-------|
| | | | | | Tolerance | VIF |
| Model 1 ($R^2=0.20$) | Green Hotel Knowledge | 0.447 | 10.572 | 0.000 | 1.000 | 1.000 |
| Model 2 ($R^2=0.41$) | Green Hotel Knowledge | 0.230 | 5.049 | 0.000* | 0.632 | 1.581 |
| | Attitude | 0.082 | 1.888 | 0.060** | 0.693 | 1.444 |
| | Subjective Norm | 0.051 | 1.364 | 0.173 | 0.937 | 1.067 |
| | Perceived Behavioural Control | 0.482 | 2.524 | 0.000* | 0.887 | 1.127 |

* $p<0.05$; ** $p<0.10$

Figure 2 exhibits the normal probability plot (P-P) while Figure 3 illustrates the scatter plot of the model where no major deviations from norms exist, with most of the scores rectangularly distributed in the centre.

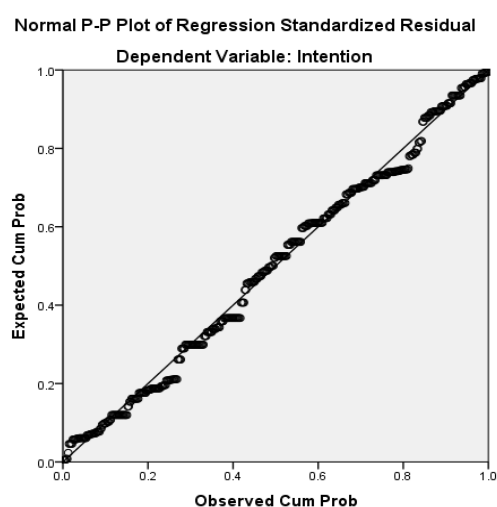


Figure 2: Normal P-P Plot

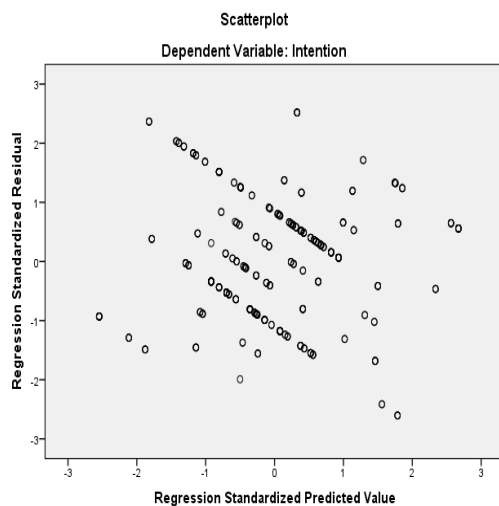


Figure 3: Scatter Plot
Discussion

This research examined the relationship between consumer environmental behaviour and tourists' propensity to stay in a green hotel, particularly in the context of a developing and Islamic country like Malaysia. Next, it also investigated the effect of tourists' propensity to stay in a green hotel on tourists' behaviour. Finally, the influence of a moderating variable (i.e. green hotel knowledge) on tourists' propensity to stay in a green hotel is also examined. Empirical results of hierarchical regression analysis discovered that out of three hypotheses investigated, two hypotheses were supported where tourists' intention to stay at a green hotel was effected positively by factors such as attitude and perceived behavioural control. With regard to attitude, tourists with higher knowledge intend to stay at green hotels when they have positive attitudes toward green hotels. For instance, positive attitude that green hotels are desirable and good for the environment. They will also make an effort to stay at a green hotel when they are touring. This finding is comparable with that of prior studies (Chen et al., 2011; Choi et al., 2009; Jirawat et al., 2011; Han et al., 2011) which found that hotel customers' environmental attitude positively affects their intention to stay at a green hotel, the intention to talk about their experience and willingness to pay more for the hotels practicing green activities and initiatives. Consumers concerned about the environment and its degradation show great interest in the fortification of the environment (Juwaheer, Pudaruth, & Noyaux, 2012).

However, subjective norm was found to be not significantly related to tourists' intention to stay at a green hotel. The present survey findings showed that tourists who do not see themselves as having sufficient green knowledge rely minimally on the recommendations of others like friends and family members (i.e. subjective norms) in determining their hotel stay at green hotels. Results infer that social pressure does not affect an individual's intention and decision to stay at a green hotel and such pressure is perceived as an important influence on attitude and behaviour. This is not consistent with earlier findings (Han et al., 2010; Lien et al., 2012) which were significant at $p < 0.05$. At the actual stage, most people who are important to them and whose opinions they value would want them to stay at a green hotel when touring.

Further examination of the study uncovered that, as predicted, perceived behavioural control has a statistically significant relationship with tourists' intention to stay at a green hotel at $p < 0.05$. In a similar vein, this result aligns with Lien et al.'s (2012) findings. Consumers' intention is dependent on how they relish a wide range of access to resources, time, and opportunities to stay at a green hotel which means they control innumerable factors such as time, money, and effort in affecting their actual environmental behaviour and intention to stay in a green hotel. Descriptive findings in Table 1 are the evidence of these results where consumers are willing to spend more than RM300 per night for a room

at a green hotel and prefer a green hotel geared towards eco-friendly design and an environment with modern design.

Conclusion and Recommendations

The results of this study offer a new forward wave to the findings of earlier studies that could be of interest to researchers and practitioners in understanding the factors that influence consumers' intention to stay in green hotels, particularly in the context of a developing and Islamic country like Malaysia. Empirical analysis of hierarchical regressions confirms that green hotel knowledge is able to moderate the relationship between consumer attitude and perceived behavioural control with tourists' propensity to stay in a green hotel. Consumers' intention to buy green products is often grander than actual sales (Ward, Clark, Jensen, Yen, & Russell, 2011).

In terms of implication of the current study to practitioners, empirical results would benefit the hotel industry involved in green initiatives and activities in formulating effective marketing strategies to review the demand of consumers to stay in green hotels and evaluate the acceptance level of the consumers towards green behaviour, particularly in the context of a developing and Islamic country like Malaysia. The hotel industry should take its environmental and social responsibility seriously and uphold aspects of energy efficiency, natural resources and environment and indoor environmental quality in business operation in a sustainable manner besides focusing on maximizing profit. It is highly regarded that hotel management should continuously control consumption of non-renewable energy, excessive water use, and the generation of waste in operating business activities and make their operations more sustainable which could also contribute to the growth of the tourism industry. The hotel industry should educate potential guests of the effort they make in showing high levels of responsibility towards green environmental practices. Furthermore, hotel management should also make use of technology to improve the awareness of hotel environmental performance and initiatives through social networking media such as Facebook, Twitter, etc.

Indeed, the empirical findings also offer academic contributions to the existing body of knowledge of consumer environmental behaviour, particularly in the context of a developing and Islamic country like Malaysia by providing additional information in narrowing the research gap with regard to understanding consumers' intention to stay in green hotels. Next, the proposed framework could be the basis for further research investigating consumers' intention to stay in green hotels. Moreover, the quantitative data analyses used will eventually allow future researchers to explicate the contribution of the current study to understand consumers' intention to stay in green hotels. However, R^2 for the study is less than 0.50, and connotes that there are still other contributing issues and factors that can be explored for further investigation such as motivation and culture. It is also imperative that sample size be expanded, and cover wider geographical areas with different cultural values to improve generalizability of findings. Next, results can be tested via structural equation modelling (SEM) with the presence of mediating and moderating variables as the current data were only collected from the respondents within one area. SEM has the ability to ensure model consistency with the data and to estimate influences among constructs instantaneously.

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Advertising based on Islamic principles

Advertising based on Islamic principles- Awareness, interest and trial of it by marketing experts in Pakistan.

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Introduction

Religious beliefs play a significant part in sculpting social behavior. Differences in religious affiliations tend to influence the way people live, the choices they make, what they eat and whom they associate with.

Several years of scholarly effort has been put behind the claim that Islamic business practices and standpoints represent an alternative business model. Yusoff's study (cited in Alserhan, 2011) explains that according to Islam, it is required that individual traders as well as organizations, achieve equilibrium between self-serving goals and humanitarian goals, and between profit-making and social responsibility. The Islamic framework for business conduct provides effective checks and balances to counter the attempts at employee or consumer exploitation, negligent business governance and environmental damage. Islamic business conduct in its true spirit and proper implementation tends to nurture positive aspects of business such as fair-to-all decision making, honest conduct, 'normal' profit, impartial competition, high service standard, business alliances and partnerships, a strong support network, minimum fair wage for employees and basic principles of consumerism such as the right of buyers to know the faults or limitations in products for and the right to return purchased goods. According to Islamic principles of marketing brand promotion is not prohibited but it has to be within ethical and moral boundaries. It is, for example, strictly prohibited to propagate wasteful spending (wasting of Gods resources or extravagance in any form (ibid). Furthermore stereotypical use of women and sex appeal is prohibited (Hassan et. al., 2008)

Literature Review

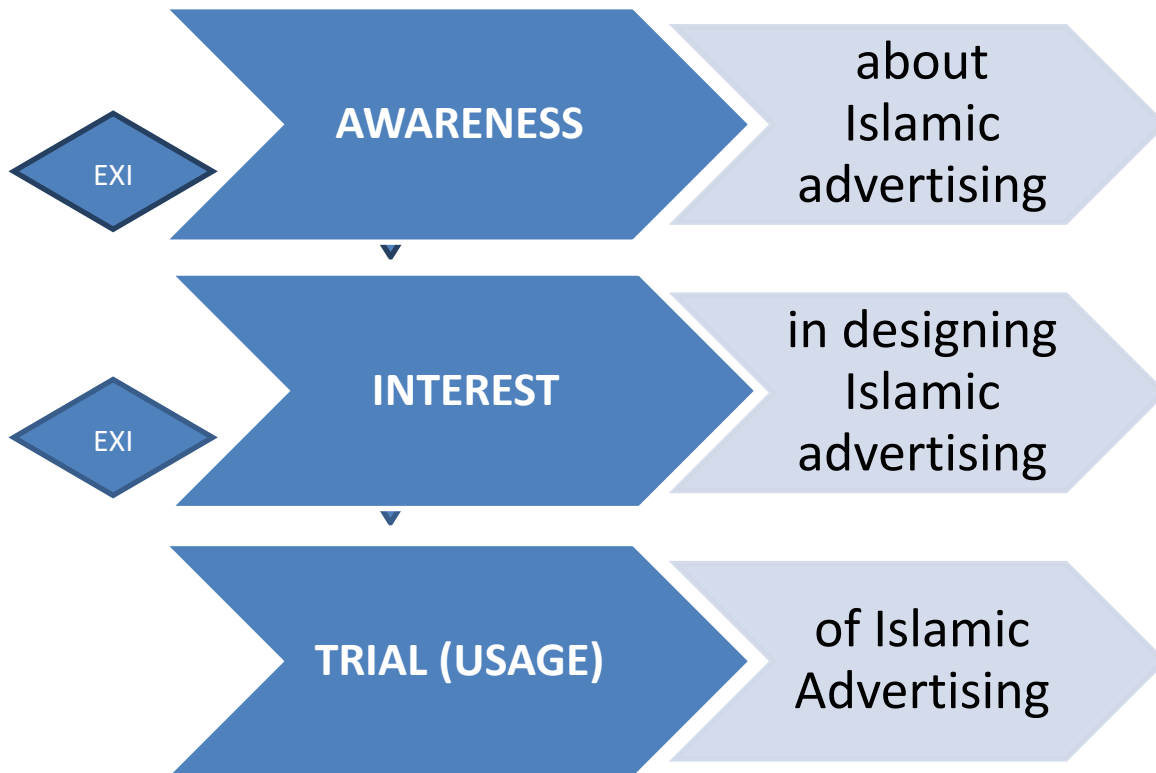
The impact of religion on communication in Marketing has been rarely researched and focused upon by the academia. In the study conducted by Luqmani, Yavas, & Quraeshi (1987) the main focus was upon the influence of Islam on Advertising content in the context of policies and industry regulation in the Kingdom of Saudi Arabia. Moreover, Michell & Al-Mossai (1999) researched on how religious commitment moderated the response to controversial ad-messages in Gulf Co-operative Council countries. These two research studies highlighted the urgent and important need for marketers to understanding the religion of Islam, the second largest religion in the world after Christianity (Cable News Network, 1997) and its implicit and explicit connection with effectiveness of advertising. Specifically, Luqmani et al. (1987) assert the preference of obtaining prior approval from religious authorities before implementing unconventional advertising strategies or messages. Ignorance of religious sensitivity towards the designed ad content will risk the distancing of a wide section of the conformist Saudi public. The Michell and Al-Mossawi (1999) discovered that Gulf Co-operative Council (G.C.C) countries consist of religiously strict Muslims whom scored lower on campaign recall and were unfavorable towards controversial advertisements as compared to more liberal Muslims. Conclusively, research studies in this area suggest that there exists a variation in perceived contentiousness of elements in advertisements between a strict Muslim and a liberal Muslim. Studies also emphasize the significance of aligning creativity in execution, content and copy of the advertisement, and other aspects of the ad campaign to the host society's social and cultural environment (Peebles and Ryans, 1984).

Suffice to say, an alienated public will certainly have a negative attitude towards the advertisement and brand recall (Zinkhan and Martin, 1982; Gardner, 1985). Michell and Al-Mossawi (1999) claim an offensive advertisement will not be effective in capturing an audience's attention or changing his/her attitudes.

The research findings today reveal that Muslim consumer is giving a new meaning to religious pride, economic advancement and international citizenship. The social, ethnic, economic and political

diversity of the Muslim world makes it necessary to understand what drives Muslim consumer behavior in various economies. (Ogilvy and Mather, 2010). The report published by Ogilvy and Mather (2010) further explains that we cannot stereotype the perceptions and preferences of Muslim consumers towards various brands and their marketing communications. For example, halal certification, though important to ensure permissibility, is no longer sufficient to persuade the new Muslim consumer that the entity behind the product carries out its business in line with Islamic principles and values.

Conceptual Framework



Purpose of the study

The purpose of this phenomenological study is to gain in-depth understanding about the awareness, interest and trial of Islamic-principles' based advertising by marketing experts working in marketing intermediary firms in Karachi. At this stage in the research Islamic marketing can be defined as the usage of advertising that is shari'ah-compliant in purpose, content, form, Marketing agency managers play a pivotal role in creating advertising for companies and brands. They work closely with the corporate marketing team or brand team to create the strategy and design of communications. This process is primarily client-driven in Pakistan. So the "lived experience" of the phenomenon of Islamic advertising can best be described by those whose work is in any way influenced by it. We explore the lived experience of the phenomena of Islamic advertising as divided under three essential themes of awareness, Interest and trial of I.A.

Research Questions

Do marketing agency managers have awareness about advertising based on Islamic principles?

What would create interest in making advertising based on Islamic principles?

How are marketing agency managers asked / instructed by any of their clients to create advertising based in Islamic principles?

Why would marketing agency managers use Islamic influence in creating advertising?

What internal and external factors influence marketing agencies to create advertising based on Islamic marketing practices?

Significance of this study

This study is of great significance as it will add to the lean repository of published research about Islamic marketing practices and its applicability in Pakistani markets. This research study is the second in a series of studies on this topic. The broader objective of these research studies is to understand current perceptions about Islamic marketing in a Muslim-majority country among the various stakeholders including parent companies of brands, marketing agencies, consumers and society in general.

Methodology

Research design, strategy and procedure

Transcendental phenomenological research design has been chosen to focus more on the description of the experiences of participants revolving around the abiding concern i.e. Islamic advertising. The data analysis methods discussed by Moustakas (1994) and earlier by Polkinghorne (1989) were applied. Accordingly, the process of horizontalization was completed, followed by the development of "clusters of meaning" into themes. A textural and structural description followed by analyses helped portray the essence of the experiences'.

Polkinghorne (1989) recommends five to twenty-five participants who have all experienced the phenomenon thus purposive sampling method was used to select five marketing agency managers in middle and upper level management positions with three-plus years of work experience. Once the interview protocol was prepared the interviews were conducted either face to face (two) or on the phone (three) and each interview lasted for 30 minutes on the average. Three interviews were chosen for the final analysis while the last interview was provided too late to be added to this research paper but has been preserved for future research.

Semi-structured interviews were conducted and probing questions were asked to get in-depth information. Also, an iterative process was used to modify the questions for subsequent interviews.

Role of the Researcher

In true form of transcendental phenomenology I will follow Husserl's concept of "epoche" and bracket my own views and experiences of the phenomenon. Islamic marketing was introduced to me as a practical and applicative concept in the context of Islamic banks and their marketing criteria. The guest speaker who introduced this concept in a session was himself a marketing expert running his own multi-service marketing agency. The concept struck a chord in my heart because I am by nature a religious aspirant and I always felt like there was no common ground between my love for marketing and my love for Islam. In fact, I felt both these areas were so divergent that to follow one would mean giving up on the other. The first introduction to Islamic marketing was like a dream come true because it put both my loves on a converging path.

My first formal attempt at researching this concept resulted in the discovery of a existing body of literature and a international community of like-minded researchers whom had already created the first ever Journal of Islamic Marketing published by Oxford University. International conferences on Islamic marketing turned out to be a regularly held event.

Till date I have read comprehensively into the literature and conducted qualitative research with different audiences to gauge the penetration of this concept at the global and local level. In Pakistan, a Muslim-majority country, Islamic marketing is relatively unknown and even more rarely understood by marketing practitioners. Due to this the interest level of marketers is also moderate to low. Most marketers are conscious of the importance of Islam as an element of Pakistani cultural but not as a stand-alone concept with its roots embedded in the Shari'ah. Coming to the visible practice of Islamic marketing I believe is being done by very few brands like Meezan Bank, Al-Baraka bank, Shan foods Ltd, Junaid Jamshed, Shahid Afridi ready-made garments and Cobra insecticides. A less stringent and more flexible influence of Islam on marketing is visible in the case of ICON garments, UBL Ameen, Hamdard Roohafza.

My stance is that a Muslim majority country has the greatest potential for the success of an Islamic model of marketing and it can prove effective by any and all companies who adopt it and implement it properly. An *easy- to-implement* model for Islamic marketing should be made a reality sooner than later and offered to marketing practitioners as a sound alternative approach for marketing.

However, I have observed that in Pakistan there is a great confusion about the difference between Islamic marketing and ethical marketing and culturally adapted marketing. In my mind it is clear that Islamic marketing is based on shari'ah principles applicable to trade, commerce, and selling. But I understand from the perspective of an academician I am in a weak position to judge the application (trial) of I.M. and advertising and thus I am conducting research to understand the practitioners lived experience of this phenomenon.

Construct Validity

The interview protocol was pilot-tested through one interview with a marketing expert who had 7+ years of experience in marketing profession and holds a senior position in a well-reputed marketing agency.

Research Findings, Descriptions and Analysis

Significant Statements and Themes

[Key: I.A. = Islamic Advertising, I.M. = Islamic Marketing]

[AWARENESS; INTEREST; TRIAL]

| THEMES | SIGNIFICANT STATEMENTS |
|--|---|
| Person to person difference in perception about Islamic values | <ul style="list-style-type: none"> -“Islamic values very subjective” - “gives a way of life” -“Religion has its role for every individual. But to project my religious values on others is very dangerous, unless it is about a decree from the Quran” -“What if Islam tried to come close to culture rather than the other way round. Not in a preachy manner but a curiosity and interest building manner, a soft sell that makes people want to learn more about Islam. -“we need to market Islam itself in a gentle way, not preachy not frightening way.” |

| | |
|--|--|
| Personal reservations/ reluctance | <p>-“At personal level, I had reservations about working on a bank’s campaign because I always felt riba-based banking is haram.”</p> <p>- People who work on the creative of the ad sometimes refuse to work if the visuals is showing something objectionable to their values and beliefs” hey refuse to work on it and they have to be reassigned to another brand”</p> <p>-“troubles me when ads objectify women- Veet Supermodel Of Pakistan campaign.- neither fair nor Islamic.”</p> <p>-“I felt really embarrassed conducting an FGD with 15 to 18 year old girls for ALWAYS, knowing that the panel watching it from behind comprises of young male adults.....I felt it was very inappropriate and refused to do it unless females were sent to sit on the panel instead of the boys.”</p> <p>-“ If against culture/Islamic value I immediately raise objection to it.”</p> |
| Islamic contextualization of advertising | <p>-“no code of conduct in my knowledge of making advertising shariah compliant, unless product being advertised is shariah compliant.”</p> <p>-“Islamic principles are not taken into consideration unless Islamic product is being catered to.”</p> <p>-“we discuss the ethics part of I.A. among colleagues and peers, but not I.A. as a whole.</p> <p>-“nobody thinks of marketing that way –nor perceives it in that way (i.e. Islamic or Un-islamic), at least not to my knowledge.”</p> |
| Perceptions about Islamic advertising | <p>-“Islam is a way of life, a set of values it applies to everything so Advertising can also have some Islamic principles that can be applied but you can’t categorize advertising as Islamic or un-islamic”</p> <p>- “advertising based on shariah is Islamic”</p> <p>-I.A. should not make false claims”</p> <p>-I.A. should not hide any defects”</p> <p>-“don’t delude people”</p> <p>-“don’t project materialism”</p> <p>- women’s hair should be covered, dressed modestly”</p> <p>-“You cannot put advertising under the banner of Islamic unless it is strictly based on Shariah values.”</p> <p>-“You make generic changes based on shariah values but not call it collectively islamic or unislamic.</p> <p>-“we need to create a value system for I.A. then create ads according to that value system and then try those ads in local as well as international markets and compare how effective they were.</p> <p>- “advertising can be influenced by religion”</p> <p>-“I.A. is a form of target marketing”</p> <p>-“ honestly, I don’t think religious advertising can overrule other types of advertising”</p> <p>-“If I.A. was such a promising model or advert platform it would have already been discovered considering the billions of dollars spent annually on research. “</p> <p>-“ instead of trying to make everything look Islamic if we could make it find its way into our culture more potently and then use it as a marketing platform”</p> <p>-“I.M is about how true is your promise”</p> <p>-“It is not category based more or less appropriate, it is about the <i>general principle</i>.”</p> <p>-“Organizations need to align themselves to shariah principles then it would be more effective than just adapting advertising.”</p> |

| | |
|--|--|
| Societal response to advertising | <ul style="list-style-type: none"> -“Advertising reflects what society wants.” -“societal pressure to conform to certain norms, or Islamic values” -“cultural sensitivity is very important in advertising, more than religious sensitivity” -“Over past 10 years more is acceptable in our culture than 10 years ago” but if we had kept it based on religious principles then the criteria would remain the same during all times.” -“If culture incorporates Islamic values then it can be seen portrayed in an ad too e.g. Engro ka Pakistan – mosque scene in the beginning” -“ I.A. would appear to be too preachy and also dangerous” - “If the ad to be tested has some element that is against cultural norms we put it in our report. -“ even before us, during test marketing, our consumers pick it and object against it even before us” |
| Brands perceived to be following I.M. | <ul style="list-style-type: none"> -“Shan believes human figures can’t be shown” -“Al-Baraka till it was rebranded” -“Islamic banking follow shariah compliance” -“Colgate Herbal, a commercial equivalent of misvak, subtly conforms to Islamic practice of not showing human figures, they use animations in the ad.” -“ SHAN, Haleeb (Chaudhry dairies)....in their own perception they are doing Islamic advertising. -“Ads that show lady’s head covered with a scarf” -“ SHAN, Young Foods, local Delhi wale conservative groups. |
| International best practices in I.A. | <ul style="list-style-type: none"> -“proper directives for marketing in KSA.” -“In UAE many brands show family shots, women cover their heads” -“ in M.E. religion strongly reflected in culture thus marketing too has strict principles” -“Ogilvy advertising has a branch called Ogilvy Noor that specializes in Islamic marketing” |
| Corporate culture of advertising agencies- a deterrent | <ul style="list-style-type: none"> -“ Ad industry mostly has liberal corporate culture” -“ADCOM more conservative, formal and with more protocols to follow” -“even lifestyles of ad agency professionals are not Islamic so do not consider it in their work either. -“In Pakistan, as opposed to global practices in marketing clients dictate the agencies and how they portray the brand.” -“we can explore but only in the direction that the client wants.” -“If client wants the brand to speak of how people relate to their religion then it will be done.” -“Its about the value system that you generate inside the agency which is generally not based on Islamic principles and values. - But generally, it is very difficult to tell the truth in the advertising industry. -“that is why advertisers are called dream merchants” |
| Ad campaigns that created controversy on the cultural, | <ul style="list-style-type: none"> -“Meezan Humsafar campaign- received threats and many blogs and protest about using prayer call in ad” -“People who protest about certain ads take it more as a cultural offence. -“Is your promise/claim based on skewed research” -“When Olwell’s campaign was launched it was so inappropriate for the Pakistani market....even Jamatis attacked Engro’s office.” |

| | |
|--|--|
| Client as Influencer in using I.A. | <ul style="list-style-type: none"> -“unless the client has islamic organisa. culture, the marketing fraternity is not concerned about using I.A. principles and practices.” -“Client interested in telling agency to create adaptations for Afghani market where culture is strongly influenced by Islamic values.” -“If client realizes the market is showing negative sentiment towards Islamic element in ad they ask us to remove the element.” -“Al Baraka was partial towards showing that which is Islamic” -“clients initiate the desire to use shariah compliant principles or not to use Islamic influence or elements in ad.” -“we don’t put our preferences ahead of what the client wants. Agency does not place the emphasis, the client does” -“Clients are not willing to take risks, try something new; they don’t let agencies take risks either. I.A. will be a whole new concept but no one wants to take the first step.” -“clients want to give consumers what they want to see on TV i.e. entertainment...not even infotainment” -“For most companies Islamic advertising is about covering up females, this does not apply on men!” |
| Islamic occasions as influencer | <ul style="list-style-type: none"> -“In Ramazan every brand wants to show their affinity to Islamic values islamic occasions.” |
| Category and brand that have good potential for I.A. | <ul style="list-style-type: none"> -“Islamic banking-by the nature of product -“Food, especially for export markets where halaal branding is very effective’s e.t.c. -“Products used for Islamic way of living i.e. hijabs, abaayas. -“products that are Islamic in nature” -“ Umrah packages” -“Islamic products in general” -“Islamic financial products.” |
| West at ethics of marketing | <ul style="list-style-type: none"> -“western advertising already embraces some ethical values under Islam except for the dress code” -“west don’t over promise in ads” -“Non-Muslims are better than Muslims in ethical practices” |

Textural Description of Awareness, Interest and Trial of Islamic Advertising - The Observed Phenomenon.

Themes that are emerging from the rich text acquired through interviews are very vivid. Awareness of I.A. is based on perception of I.A. at a personal level, which is dependent on person-to-person Islamic values. The awareness of these values and their importance in the marketing expert’s life may show an indirect impact on his work related decisions but there seems to be little perception of applicability of their Islamic values to their job.

On the contrary, when something at their job seems very divergent from their personal belief system they express resistance, reservations in carrying out those tasks/activities.

Yet there is no formal contextualization of Islamic Advertising neither on the basis of their knowledge, rationality nor experience. The manager feels that Islamic advertising “code of conduct” has not been made and even if it is made there can be not separation of advertising “under the banner of Islamic or unislamic”. At best these can be set of rules/practices that can be applied while creating adverts.

Perceptions about Islamic advertising varied from overt to covert manifestations of it in Ads. Manager immediately link I.A. with overt manifestations such as “women wearing head scarves”, but fewer

managers had perceived the covert manifestations such as “use of animations, no use of human figures, no over promising, no materialism, no delusions, no fraud etc.”

In societal responses to advertising, it was a common understanding that what is more important is to check “cultural sensitivity” of any ad rather than “religious sensitivity”. The extent to which religion plays a role in forming cultural values decides how much priority it is given in advertising because advertising “reflects what the society wants”.

Brands perceived to be using Islamic marketing was a peripheral theme and an outcome, of the variations found in the previous themes.

International best practices in Islamic advertising is less known by the Pakistani marketing fraternity and moreover, they feel that international application of I.A. is more relevant and suitable to cater to Muslim minorities (such as in UK) or to nations where religions is very highlighted element of culture and society (such as in Saudi Arabia).

In having interest in I.A. the culture of the advertising industry has been pointed out as a deterrent because generally it has a liberal corporate culture in majority of the agencies. They are not “concerned about Islamic principles and values in advertising.

In combination to the above theme comes the theme of Client as an influencer in using I.A.

Managers have clearly agreed that the culture in Pakistani advertising industry is based on Client domination. The client gives the direction to the agencies with only enough flexibility to show creativity in their preset dimensions. The clients are the decision makers as they are paying for the services of agencies. Moreover, clients in Pakistan are risk averse and will be shy of trying something untested even if the agency tries to initiate I.A. as a new communication platform.

Yet, Islamic occasions is one such opportunity that has already gained great favor with several brands who invest in special campaigns in Ramadan and close to Eid to show the brands affinity towards the religious celebrations of the market. Thus Islamic occasions has been accepted as a time when most brands want to incorporate Islamic elements, mostly covert in their advertising campaigns.

Taking up a futuristic approach to trial and usage of I.A. the managers expressed certain product categories which they thought could make the most effective use of I.A. Moreover the managers did not feel any aversion to the possibility of using I.A. in the future but they quoted several factors that either:

need to exist (broader cultural alignment of society, a code of conduct for I.A.),

need to be removed or

need to be worked around

to make I.A. a practical choice in Pakistan.

Essence of the experience

The experiences quoted by the participants have been reviewed iteratively and after the textural and structural description of their experience of the phenomena of Islamic advertising we can articulate the essence of these experiences.

Islamic advertising for marketing agency managers is an amorphous concept that appears to have broader implications for the advertising industry but low practicality due to an absence of ready to use measures, benchmarks, and criteria. Managers have high level of curiosity and interest in knowing more about this phenomenon. When it comes to trial of this phenomenon there seems to be a lack of know-how and substantial doubts about its potency.

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Appendices

Interview Protocol

1. Name of Interviewee: _____
 2. Qualification: _____
 3. Gender: ☐ M ☐ F
 4. No. of Years of Marketing Job Experience: _____
 5. Designation: _____
 6. Company: _____
 7. Brief _____ Work
- Profile: _____
-

8. Date: _____ Day: _____ Time: _____
9. Started at: _____ Finished at: _____ Total length: _____
10. Name of the interviewer: _____

Theme-Based Questions For Interviews

I. Awareness of Advertising based on Islamic Principles

1. Are you aware that advertising can be influenced by religion?
2. Are you aware of advertising based on Islamic principles?
3. Are you aware of what it consists of?
4. Are you aware of its usage in the global and local market?

II. Interest in Advertising based on Islamic principles

5. Have you read about Islamic advertising principles and practices? When and where?
6. Have you ever discussed informally or in a meeting with colleagues/peers about Islamic advertising principles and practices? When and where?
7. Has any of your clients/companies shown interest in having advertising designed on Islamic principles. Briefly narrate the instance.
8. Are you interested in designing/creating advertising that conforms to Islamic principles?

III. Trial/Usage of Islamic principle based advertising

9. Have you ever taken the initiative to create Islamic advertising? Please explain that instance.
10. Have you ever added or subtracted elements from an Ad campaign that conforms to Islamic principles? Kindly elaborate.
11. Has any client ever asked you specifically to design advertising that is based on Islamic principles?
12. Has any client ever told you to add or subtract elements from a newly designed Ad campaign because it does not conform to Islamic principles? Kindly elaborate.
13. How willing are you to try Islamic advertising and for which product categories would you do so?
14. If you are unwilling to use it, what are the reasons?

Understanding the Hidden Philanthropy in Islamic CSR

Understanding the Hidden Philanthropy in Islamic CSR: An exploration of young peoples' perception of CSR in Saudi Arabia

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Abstract

As the interest in CSR has increased, the concept has been applied to different sectors and cultures. However, CSR has been founded upon liberal, western foundations so this research sought to understand how CSR could be applied to an Islamic context. Using an interpretive methodology, this research sought to understand how young peoples' perception of CSR was influenced by Islam. Using Saudi Arabia as a case study this research examined Carroll's (1991) framework and identified that the four core responsibilities of economic, legal, ethical and philanthropic were still in evidence. However, the priorities were different, in sharp contrast to the Western context where economic responsibilities were the foundation, in Saudi Arabia we found that philanthropy was a foundational building block. More interestingly is that philanthropy was differentiated by two components, notably Zakat and Sadaqa, one public and enshrined through political and legal institutions and the other private. This more nuanced understanding of how philanthropy is conceived of in Saudi Arabia has important implications for organisations as Saudi Arabia becomes more globalised and privatisation continues apace.

Introduction

In the last five years in particular we have witnessed a dramatic increase in the literature on corporate social responsibility. During this period the total number of published papers in marketing and management indexed journals focusing on CSR was 570 in comparison with 512 similarly oriented articles that were published over the previous thirty years (Alcaniz, Herrera, Perez & Alcamí, 2010). This indicates that there is an increasing interest in this subject on the part of marketing and management academics and practitioners.

CSR is a sustainable concept that encourages organisations to operate in a responsible manner and consider the impact of their business on people, the environment and community (Janggu, Joseph, & Madi, 2007). Promoting CSR is an important element that can contribute to national development (Janggu et al., 2007). In addition, organisations should not only consider their stakeholders, but also society as a whole, as public awareness regarding CSR has been on the increase recently and this can put pressure on organisations, governments, and other groups (Janggu et al., 2007).

In the CSR literature, it is generally acknowledged that the driving forces for engaging in environmental and social initiatives differ notably (Egels-Zanden, 2009; Bronn & Vidaver-Cohen, 2008). Some organisations consider CSR a means to reduce cost and increase the efficiency of the operation, others as a tool to develop the relationship with stakeholders, and yet others are influenced by the marketing potential of the reputation of being a good firm (Pedersen & Neergaard, 2009). Additionally, some organisations consider commitment to CSR morally right (Pedersen, 2006). As a result, it is difficult to predict corporate motivations for engaging in social and environmental responsibility without considering each organisation individually.

Many academic scholars have stated that there is no universally agreed definition for CSR (Carroll, 1991; Coelho, McClure & Spry, 2003; Idowu, 2009; Kakabadse, Rozuel, & Lee-Davis, 2005; McWilliams & Siegel, 2001; Ralston, 2010; Ward & Smith, 2006). In fact, due to its "inherently controversial" nature (Carrigan & Attalla, 2001, p. 560), the concept itself has been redefined and constantly reviewed by academics and practitioners (Carrigan & Attalla, 2001). Indeed CSR is a concept which has been much debated and has been widely studied (Garriga & Mele, 2004; Maignan & Ferrell, 2004). However, globally many organisations and scholars used the European Commission (2001) definition, which defines CSR as a "concept whereby companies integrate social and

environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2001, p. 6).

The majority of empirical studies which discuss the CSR in the literature have been focused on Western`s countries such as the United Kingdom, the Unites States, and Canada; however, a small number of studies have attempted to evaluate whether CSR practices differ among countries (Hopkins, 2004). In addition, little attention has been paid to CSR in the Middle East, despite the region`s cultural differences to the West (Al-Shaikh, 2003). Therefore, this study aims to gain an understanding of the perception of Muslims consumers, represented by citizen of Saudi Arabia, an Islamic country, regarding CSR and to examine the impact of different cultural and religious variables on that perception.

The view of society from an Islamic perspective should be consistent with the concept of CSR (Pratten & Mashat, 2009). In addition, Islamic values and principles that have been established for fourteen centuries may support CSR and could serve as a foundation for CSR in the West (Rizk, 2008; Siwar & Hossain, 2009). For instance, it is mentioned in the holy Quran that organisations can grow their economic success when they are supported by moral principles, and organisations are advised to “...give full measure when you measure, and weigh with a balance that is true...” (Quran, 17:35). Indeed, Islam has linked morality with business success, and encourages honesty and justice. As a result, it is valuable to investigate the concept of CSR in different countries with value systems other than those common in the West. This study will critically evaluate Muslims consumers` perspective of CSR as there is very little literature on this.

Corporate social responsibilities in Islam

CSR in Islam is regarded as a religious and moral obligation and is considered spiritual engagement (Almoharby, 2011). In addition, fulfilling ones responsibilities toward people and the local community are major duties for Muslims who believe that they have to work together to fulfil them (Almoharby, 2011). The Quran says: “Verily! Allah commands that you should render back the trusts to those to whom they are due; and that when you judge between people, you judge with justice. Verily, Allah admonishes you with what is excellent; truly, Allah is Ever All-Hearer, All-Seer” (Quran, 4: 58). As a result, organisations that target those individuals should understand their perception toward corporate responsibility as some CSR practices are obligatory in Islam.

In addition, CSR is viewed as a benefit rather than a cost from the Islamic perspective (Hassan & Abdul Latiff, 2009). As a result, organisations should not consider CSR something they have to do in order to meet legal obligation but their attitude toward CSR should be a result of their moral and spiritual sense of obligation (Hassan, & Abdul Latiff, 2009). CSR practices may give better results if organisations adopt them properly and implement them for the benefit of both society and the organisations.

The perception of CSR in Islam has a broader view (Siwar & Hossain, 2009). Islam prohibits illicit gain and encourages businesses to deal fairly with their customers and not to overcharge them (Saeed, Ahmed, & Mukhtar, 2001). In addition, organisations must not be involved in unethical practices which affect the price of products such as unjustified price manipulation, black marketing, hoarding, and concealment of necessary commodities (Saeed et al., 2001). These practices are prohibited in Islam and profits which could be gained from such practices are considered sinful (Saeed et al., 2001). Indeed, these practices are generally considered to be unethical, and many countries around the world have laws against them (Idowu, 2011). Thus, the Islamic view and current CSR values share the same perspective on these activities.

Hassan and Abdul Latiff (2009) argue that the contribution of organisations to society can be greater if they link their organisation`s charitable work to the organisation`s competitive context. In other words, they believe that organisations can use their charitable activities as a competitive tool that will increase the organisations` value. Based on their results, there can be seen to be a link between CSR and the competitive context of organisations; however, they limit their concept of CSR activities to being only charitable work.

Wilson (1985) was the first to examine the market behaviour of Islamic business and he pointed out that loyalty is extremely crucial in it, which means that it expand into various relationships in business

activities such as the relationships with employees, clients and other businesses. Apart from this, since the 1980's employers in Muslim societies have been known for their paternalistic attitude toward their employees (Farid, 1980). This indicates that Islamic values play a major role in the relationship between organisations and their employees which develops the organisations' culture. Thus it can be seen that the responsibility toward employees is part of the Islamic attitude toward CSR.

Darrag and Bassiouny (2013) have studied the Islamic CSR and argue that "In Islamic nations, the CSR concept is ideally and ultimately based on divine revelation stemming from Islam's teachings, whereas in the Western nations, the CSR concept is derived from secular ethics and morality where such ethics are inevitably transitory" (Darrag, & Bassiouny, 2013, p. 367). They also argue that organisations should be driven by the direction of Islam in order to follow "ultimate felicity in this life and in the Hereafter" (Darrag, & Bassiouny, 2013, p. 368). As a result, the concept of Tawheed or God consciousness dimension and the reward from God should be the key elements of engaging in CSR from an Islamic perspective.

In conclusion, based on the extant CSR literature, it would be helpful to explore other perspectives. Indeed, much of the literature indicates the need to study the perceptions of consumers from different cultural backgrounds. Therefore, this study will examine the concept of CSR and the consumers' perception toward it from a different perspective. Accordingly, the aim of this research is to understand Saudi youth consumers' perception toward the concept of CSR. More specifically the objectives are firstly to investigate whether participants' Islamic background would influence their view toward CSR; secondly to understand Saudi youth views regarding socially responsible organisations; and finally to examine the impact of different cultural and religious variables on the perception of CSR.

Figure 1: The Pyramid of Social Responsibility (adopted from Carroll, 1991)



Carroll's CSR Pyramid

Carroll (1991) argued that in order to achieve best practice in CSR, organisations should understand the four different types of social responsibility. Figure 1 outlines the four types of responsibilities which are: economic, legal, ethical, and philanthropic (Carroll, 1991). Thus, organisations should make a profit and contribute to the economy, comply with the law and regulation, be ethical in all aspects of the organisation, and finally be a good corporate citizen. The pyramid was used by Carroll to demonstrate that the fundamental building block of CSR is economic responsibility, the legal responsibilities are derived from either societal or political conditions and the ethical and philanthropic responsibilities are driven by societal concerns but are voluntary.

Carroll's CSR pyramid has been applied in many studies, however there are two studies that focused on consumers perception and behaviour toward the concept of CSR in Indonesia and Malaysia (Arli, & Lasmono, 2010; Abd Rahim, Jalaludin, & Tajuddin, 2011). These studies are important as the majority of population in these countries are Muslims. Arli and Lasmono (2010) found that consumers in Indonesia believe that organisations should support the government in solving social and economic

issues as government cannot solve these issues independently. Moreover, consumers only chose an organisation with a good reputation, if the price and quality of similar products are same (Arli, & Lasmono, 2010). Malaysian consumers believe that the fundamental building block of CSR is economic, however they believe that ethical responsibility should be at the top of the pyramid and the philanthropic should be the second block in the pyramid (Arli, & Lasmono, 2010).

In the second study Abd Rahim et al. (2011) examined the role of CSR in Malaysian consumers' buying behaviour. Their results reveal that Malaysian consumers consider the economic responsibility as a fundamental building block of corporate social responsibility, followed by philanthropic responsibility, ethical responsibility, and legal responsibility (Abd Rahim et al., 2011). In addition, they argue that consumers become more aware of any irresponsible behaviour committed by an organisation due to the information technology era, which can spread information within seconds. As a result, socially responsible organisations should be prepared to manage consumers' criticism to maintain their image (Abd Rahim et al., 2011). On the other hand, organisations that ignore issues concerning social responsibility could risk facing boycotts from consumers because a greater awareness of consumers' rights and bad organisational behaviour (Abd Rahim, et al., 2011).

Most studies that focus on the perception of consumers toward the concept of CSR were based on quantitative research which fails to provide deep and rich understand of consumer perceptions. As the result, this study will adopt the interpretive paradigm which would help the researcher to better understand the concept of CSR as this paradigm differentiates between people and the objects of the natural science, and this study is focusing on the meaning of social phenomena rather than measurement.

Methodology

An interpretivist approach has been selected for this research. This will offer a better understanding as it differentiates between people and the objects of the natural science and this study will be focused on the meaning of social phenomena rather than measurement (Collis & Hussey, 2003). In addition, an inductive approach will be used. The data will be collected through in depth interviews. This type of interview is flexible and is useful to explore themes and identify issues that would remain hidden (Ruyter & Scholl, 1998). Non-probability technique and judgmental sampling were used (Saunders, Lewis, & Thornhill, 2009) and respondents were recruited from two cities in the Kingdom of Saudi Arabia: Riyadh and Tabouk.

Saudi Arabia has been chosen as it is an exclusively Islamic country and all Saudis are Muslims. The total population of Saudi Arabia is 28 Million; the median age of Saudis is 25 year-old (Arab News, 2012). The youth segment (15- 24 years) stands at around five Million of the total population. In addition, the population of Saudi Arabia is one of the youngest in the world, with fifty seven percent below the age of thirty (Arab News, 2012). The sample for the research was thirty four Saudis young people between the ages of eighteen to twenty five, twenty one males and thirteen females.

Overview of research participants

Thirty four youth participants were interviewed for this study, each participant was interviewed separately. The participants age range between eighteen and twenty five. Two main variables were examined before conducting any interview: age and nationality. All participants chosen from the youth age group (18- 25) and all are Saudi citizens. Information about the age, sex, and current occupation for each participant are listed in the below table.

| SN | Age | Sex | Occupation | SN | Age | Sex | Occupation |
|----|-----|-----|------------|----|-----|-----|--------------------------------|
| 1 | 19 | F | Student | 18 | 24 | F | Legal Officer |
| 2 | 18 | M | Student | 19 | 20 | M | Student |
| 3 | 18 | M | Student | 20 | 21 | M | Student |
| 4 | 18 | M | Student | 21 | 25 | M | Retailer (Branch Manager) |
| 5 | 18 | M | Student | 22 | 25 | M | Legal Officer |
| 6 | 18 | M | Student | 23 | 25 | M | Computer specialist |
| 7 | 18 | M | Student | 24 | 25 | M | Car Dealer |
| 8 | 18 | M | Student | 25 | 24 | M | Treasurer |
| 9 | 22 | M | Student | 26 | 25 | M | Product Development Specialist |

| | | | | | | | |
|----|----|---|----------------------------|----|----|---|--------------------------|
| 10 | 20 | M | Student | 27 | 24 | M | Data entry specialist |
| 11 | 19 | M | Student | 28 | 23 | M | Secretary |
| 12 | 19 | M | Student | 29 | 24 | F | Costumer service officer |
| 13 | 23 | F | Financial Risk Analyst | 30 | 21 | F | Student |
| 14 | 23 | F | Investment Banking Analyst | 31 | 22 | F | Trainee |
| 15 | 21 | F | Student | 32 | 20 | F | Student |
| 16 | 24 | F | Lecturer | 33 | 19 | F | Student |
| 17 | 18 | F | Student | 34 | 19 | F | Student |

Table 1: Participant Profiles

Findings and discussion

It was observed that majority of participants took part in voluntary works. This is important as they are expecting from organisation to do the same. In fact, Saudi youth are expecting from all individual and organisations to give back to society and working together as a family. Example of participants voluntary activities are: help children in need, organise social events, raised money for charity, give blood, and free teaching. There are two major elements that motivate participants to volunteer: religious beliefs and family. All participants who took part in this study were Muslims by faith. The majority of participants agree that Islam encourage them to do their best to benefit themselves and others.

Participant 11: "I volunteer for the God sake to get Ajer".

Participant 27: "Islam taught us to do good things and not to share it with anybody to get more Ajer". According to the last two quotations, the reward is varying and depends on the activity itself. Individual will be rewarded if they volunteer and help other in the society, and they will get more reward if they are volunteer only for God sake. As a result, the intention of volunteering is important as the reward will depend on it. One of the participant refused to share his experience as he believe that helping other privately is the best way for getting more reward.

The awareness level of current concept of CSR is low among Saudi youth as the majority of participants have not aware of the concept, less than third of participants were aware of the concept and they explain what does it means to them from their perspective. However, some of the participants who are not aware of the CSR, provide examples of organisations that apply CSR activities in Saudi Arabia. Hence, some participants who were not aware of the concept of CSR were aware of CSR activities, this could mean that they may have different name of such activities.

Carroll's CSR pyramid

The four different responsibilities identified in Carroll's model were discussed by the participants. Each responsibility will be discussed separately in the following section. At the end of the discussion, an Islamic CSR pyramid will be developed.

Economic Responsibilities

According to the Pyramid of social responsibility, this is the most fundamental responsibility. Carroll (1991) argues that profit is important for any organisation to exist. Although economic responsibility is the fundamental responsibility in the pyramid, it was only mentioned by few participants.

Participant 9: "most products in Saudi Arabia are imported and produced in different countries, while organisations can produce most of these products here. By doing so, companies will create new jobs and will benefit the country economy".

Participant 13: "organisation should be responsible toward the economy of the country they operate in; they need to build projects that help the society".

Participant 30: "organisations should support the society and take part in developing the country, especially the big companies that has huge budget".

Participant 32: "organisations should not think about themselves and how to make money, they should think how can they develop their country name"

Accordingly, participants expect more from large organisation and considers developing the economy as more important than making profit. In addition, Economic responsibility is linked with job creation as some participants expect from organisations to create jobs and has a positive impact in the country

that they operate on. As a result, organisations should consider the economic responsibilities to develop the country economy, create jobs, and support local companies. In addition, Friedman (1970) claim that an organisation's main objective is to make money and maximise their profit was not supported by the majority of participants as it has some conflict with Islamic principles.

Legal Responsibilities

This is the second block of Carroll's CSR pyramid. This was also discussed by few participants, and it was discussed only by participants who are aware of the concept of CSR. Those state that there is no law of CSR in Saudi Arabia and many organisations do not apply the concept in their organisations. As a result, they believe that Saudi's government should regulate CSR.

Participant 8: "government must enact laws for CSR to save the rights of employees and society".

Participant 16: "in Saudi Arabia there are no rules for CSR, and I think government should regulate new rules that enforce companies to do so".

Participant 19: "the government should develop policy to manage the CSR activities and to force company to do so".

As a result, some participants believe that organisations should be enforced to help and support the society. This should be done by the government as it can set up new rules. Although some participants consider CSR as an essential strategy that require all organisations to apply, other participants believe that it should be optional strategy and organisations should have the option to apply CSR in their organisation or not.

Participant 20: "government could enforce CSR into companies, but this may not be a sufficient strategy as they will do something that they do not want to do. It is better to encourage company to do this out of their own".

Participant 22: "CSR should be optional because they have to pay Zakat, and if they want to pay more it should be optional".

Participants believe that paying the Zakat, which is an Islamic obligation as essential and organisation should have the right to choose whether they want to do more in term of CSR or not. In addition, government should encourage organisations to help the society by demonstrate the need of the society that organisations could help in rather than generate new rules that would enforce organisation to apply CSR.

Ethical Responsibilities

According to Carroll's CSR pyramid, this is the third block of the CSR. However, the majority of participants consider it as very important responsibility and that all organisations must behave in an ethical way. From their perspective, Islamic values are the source of ethics in Islam. As a result, participants expect from all organisations and individuals to follow the Islamic ethics. They support the argument of Saeed et al. (2001) that Islamic ethical guidelines are suitable for all cultures and all times in history as the nature of human beings is fundamentally the same.

Participant 19: "ethic is one of the most elements in the company and Islam teaches us to be ethical and trustful"

Participant 25: "Muslims fear of God, therefore they respect and treat other in a good manner"

Participant 34: "the most important thing in any organization is ethics and morality"

Saeed et al. (2001) point out that Islamic approach does not encourage decisions that are based on profit maximisation; decisions should be based on welfare and societal values. Organisations should balance between profit and societal values, and the majority believe that organisations' decisions must be based on societal values. As a result, the view of the majority of participants support Saeed, et al. (2001) argument. In addition, it is similar to the view of Miller and Deiss (1996) that organisations are advised to develop an ethical corporate culture.

After all, ethical responsibility is very important responsibility based on the perception of Saudi youth. According to the participants, organisations should be fair, provide true information to customers regarding their products and services, be honest, support charitable work, and care about employees. In addition, they should avoid involving in any political issues, increase prices just to maximise profit, support cheap production, cheating, and discrimination. These finding is similar to the findings of two studies carried by Siwar and Hossain (2009) and Almoharby (2011) which were focused on Islamic values. Siwar and Hossain (2009) believe that Muslims should avoid discrimination; he or she should

be fair, truthful, and upright as these are important when dealing with others and this should be visible in business activities (Siwar & Hossain, 2009). In addition, Almoharby (2011) claims that all people are equal regardless of their colour, race, and characteristics. As a result, the Islamic background of participants affects their perception toward corporate responsibility especially in terms of ethical responsibility.

Philanthropy Responsibilities

This is the fourth block in Carroll's CSR Pyramid model. Philanthropy from an Islamic perspective is different. There are two kinds of corporate philanthropy in Islam: the Zakat and the Sadaqa. The Zakat is an Islamic obligation that requires all Muslims individuals and organisations to pay 2.5% of their profit once every year to specific people in need as prescribed in the Quran. As a result, organisations must pay the Zakat and this is the minimum requirement for donation in Islam. If organisations would like to donate more, then they could give away the Sadaqa which is an Islamic term of voluntary donation. The Sadaqa is optional for organisation and there is no minimum or maximum amount of giving. Organisation could give Sadaqa as much as they need at anytime.

The first kind of corporate philanthropy in Islam is the Zakat. The aim of it is to encourage cooperation between rich and poor in the society. The second kind of corporate philanthropy is Sadaqa which is to provide any kind of support to people in need. This should be considered by Muslims who want to do more in term of supporting the society after paying the Zakat.

The participants believe that philanthropy is one part of Muslim duties. In addition, they state that Islam encourages all Muslims to give money and support the community without waiting anything in return. Paying the Zakat is mandatory and every organisation should pay it as it is one of the five pillars of Islam. This indicates that philanthropy is very important in Islam. Accordingly, the majority of participant support Almoharby (2011) who emphasis that CSR in Islam is regarded as a religious and moral obligation and is considered spiritual engagement.

One of the key elements in philanthropy in Islam is to give money privately. This means that if a Muslims give money to people in need, it is better not to tell other as some people in need do not prefer to be shown in the media to avoid embarrassment. However, some organisations currently donate to increase their reputation and they donate just to benefit themselves without considering the society. This practice could lead to hypocrisy which is prohibited in Islam. Accordingly, Muslims advised to give privately to avoid hypocrisy.

Majority of participants strongly believe that philanthropy should be considered as investment with God as they will get reward from God for their donation, and they will get more reward if they done it privately. As a result, Muslims will get reward for any donation, however the reward will increase if it is done privately. The only important thing that should be considered when make donation is the intention behind it. The intention should be to really support the society and seeking the reward only from God.

The result indicates that the Islamic background of participants has affected their perception toward corporate responsibilities. In addition, the majority of participants consider Islamic values almost in every aspect. This view is supported by Siwar and Hossain (2009) who states "Islam is not only a religion, but is also a guideline for the complete way of life" (Siwar & Hossain, 2009, p. 290). Accordingly, "business ethics cannot be separated from ethics in the other aspects of a Muslim's daily life" (Beekun & Badawi, 2005, p.143).

Islamic CSR Model

Based on the discussion above, Carroll's CSR pyramid model is supported. However, participants have different view in terms of building the four CSR blocks. The participants do not consider the economical responsibility as the fundamental building block of CSR. They believe that Islamic values should underpin all the decisions of organisations and they should be the fundamental block. Islamic philanthropy is based on the Islamic values and it underpins the concept of CSR in Islam. Therefore, it should be the fundamental block of CSR. As a result, organisations that practice CSR must first pay

the Zakat which is an Islamic obligation and this is the minimum practice of CSR from Islamic perspective. The ethical responsibility should be the second block in the Islamic CSR pyramid as the majority of participants strongly believe that organisations should always behave in an ethical way and should apply the Islamic values in every aspect of the organisation.

The legal and economy responsibility should be the third and fourth block in the Islamic CSR pyramid respectively. Participants believe if an organisation behave in an ethical way then it will obviously follow all legal rules. The economy responsibility should be at the top of the pyramid and it should only be considered after an organisation meets the other three blocks. Apart from this, Friedman (1970) argument that an organisation's main objective is to maximise shareholder values was not supported by the result. In conclusion, the result emphasize that the pyramid should be converted upside down to better fit the Islamic context. Accordingly, a modified CSR pyramid has been developed from an Islamic perspective as can be seen in Figure 2.

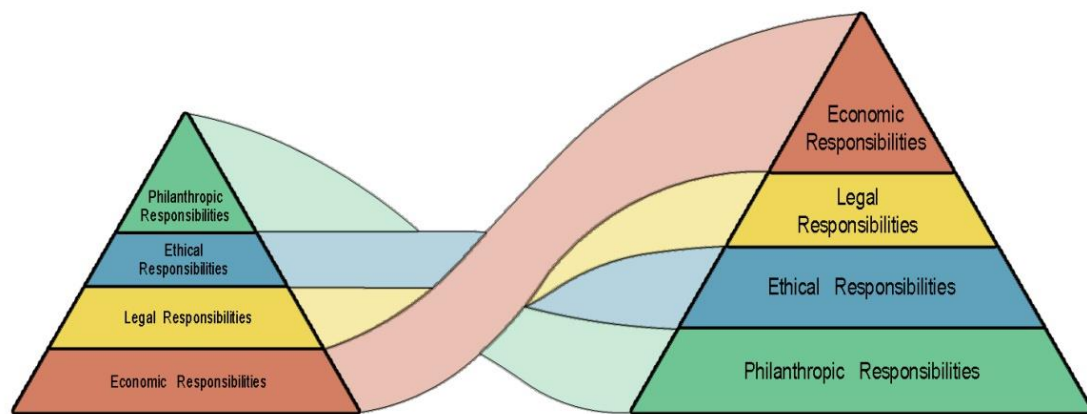


Figure 2: Islamic CSR Pyramid (proposed model of research)

Conclusion

In conclusion, this study examined young peoples' perception of the concept of CSR from an Islamic perspective. Organisations have recognised that it is crucial to be seen to be acting responsibly as this reinforces the corporate brand. The majority of CSR literature is based on the Western context, and only a small number of studies have attempted to evaluate whether CSR practices differ according to country (Hopkins, 2004). Therefore it is crucial to examine CSR from different religious and cultural contexts. Accordingly, this research has addressed this gap by examined Saudi consumers' views on CSR. This research explored participants perception toward CSR and using Carroll's (1991) framework which identifies four different types of responsibilities: economic, legal, ethical, and philanthropic. The key finding of this study has indicated that Saudi consumers recognise the responsibilities articulated by Carroll as important components of the CSR concept. However, they have different priorities, rather than the Friedman notion of economic responsibility being the foundational building block of CSR, participants believed that Islamic values, through philanthropy, must underpin any CSR practice. Moreover, the modified CSR pyramid has suggested that organisations should consider paying the Zakat as an obligation, always behave in an ethical way and consider the society interest as their first priority, and maximising shareholder values is secondary. Hence Carroll's (1991) model is useful but inverted.

The implications for these findings are twofold, firstly concurring with the earlier literature on cultural contexts, Carroll's core responsibilities are consistent across cultures although there is a difference emphasis placed on the order of responsibilities. Secondly, practitioners must be aware that a CSR strategy that works in one country may not work in another as there are clear differences between the perception CSR around the world. However, this is more complex in Islamic countries as there is a more nuanced interpretation of philanthropy, the Zakat and the sadaqa are two types of philanthropy

and both underpinned Islamic values. However, Zakat is the minimum and in some Islamic countries a legal requirement and the Sadaqa is personal and between the individual's own conscience. Moreover any CSR activities that include Sadaqa should not be publicised unless it will set a good example and encourage others towards this behaviour. Therefore, the organisational need to use CSR as a marketing tool and the concomitant publicity it brings contrasting with the Sadaqa requirement of anonymous donation has the potential to create a dilemma for the organisation. This has important implications for CSR practice but hasn't been articulated in the extant literature. Further research examining the perception of philanthropy and how it is interpreted in different Islamic countries would help to build a deeper understanding.

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Stakeholders` perception of Corporate Social Responsibility of Islamic Banks in Jordan

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Abstract

In recent years, there is a general agreement between academics and practitioners that corporate social responsibility (CSR) is an important issue for Islamic and traditional institutions because it reflects an ethical approach which contributes positively in improving the welfare of society. This paper aims to explore various stakeholders' perceptions regard CSR of Islamic banks in Jordan. The data is collected from multiple stakeholder groups of two Islamic banks namely, Jordan Islamic Bank for Finance and Investment and Islamic International Arab Bank. For the purpose of this research, the concept of Islamic CSR and its dimensions have been considered as: Rooted in the Islamic ethical system, represented though the profit & loss arrangements, embedded with the principles behind financial services provided by Islamic banks, and benchmarked by the Accounting and Auditing Organization for Islamic Financial Institutions` corporate governance standard (AAOIFI). Based on descriptive statistical analysis, the results indicate that stakeholders expressed a positive attitude toward the concept of CSR. Proven that the issue of CSR is not foreign to Islamic banking and to the perception of various stakeholders groups, our focus moved into identification of the shaping dimensions of the CSR in Islam. As confirming previous research's outcomes, the Islamic banking sector in Jordan has an in-built dimension that promotes social responsibility.

1. Introduction

Much contemporary discussions of corporate social responsibility (CSR) have largely been based on a Western orientation and what has remained relatively unexplored is the consideration of an alternative conception and, consequently, perception of CSR in other cultural and religious settings. This study seeks to investigate this particular topic by focusing on Islam and how it influences business and socio-economic life in a way similar to the "Western understanding of CSR".

The stakeholders` perception of CSR of Islamic banks is tested throughout the implementation of a theoretical framework adapted to the basic principles of Islamic economics and social life, and that takes into account the relevance role played by Governance Standard No. 7: "*Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions*" issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2008). The AAOIFI's standard have been adopted as part of regulatory requirements for Islamic Financial Institutions in leading Islamic finance jurisdictions.

The Islamic economics literature promotes the social aspiration of the discipline by emphasizing socio-economic goals such as social justice, equity and human well-being. In spite of the claim, most often made, that the Islamic banks are a true reflection of *Shari'ah*-compatible formulation, which the clients themselves respect and believe in, previous empirical studies found that religious motivations, was not the main criterion for patronizing Islamic banking institutions and improving stakeholders` satisfaction (see Chapra, 1992; Iqbal and Molyneux, 2005; Iqbal)

Recently, a number of studies start to clarify this issue by examining the CSR in Islamic financial institutions from different perspectives. For example, Sewar and Hossian (2009) analyse Islamic CRS concept based on the managers' opinions. Hassan and Harahap (2010), and Kamla and Rammal (2013), explore the CRS disclosure. Tafti (2012) assess the CSR according to Islamic values and Darrage and E-Bassiouny (2013) consider the Islamic roots of CSR. Rashid et al. (2013) examine customer-centric CSR and Sairally (2013) concentrates on the evaluation of the CSR performance.

Our study, however, will try to fill the gap in the CSR literature by investigating comprehensively the perception of different stakeholders' groups (clients, branch managers, local communities, employees as well as regulators and *Shari'ah* Board Advisors) towards the practice of CSR in the Jordanian Islamic banking sector. Assuming that the sector implements a framework of CSR that rely on the prescribed rule of the *Holy Qur'an* and considers the Islamic paradigm.

To achieve our objectives, we will try to answer the following two questions: Do Stakeholders in Jordan apply equal or higher importance to the CSR factors along with other banking selection criteria when making a judgment about Islamic bank? And what are the shaping factors perceived by Jordanian Stakeholders toward CRS according to the Islamic perspective?

By answering these two questions, we can identify whether corporate social responsibility is considered as a significant factor by stockholders when they build their judgment about an Islamic bank. In addition, we can determine stakeholders' degree of awareness regard the knowledge of corporate social responsibility that is based on Islamic perspective.

In Jordan, studies on stakeholders' perception of CSR from an Islamic perspective are almost non-existent. Thus, providing solutions for study questions and presenting empirical evidence regard CSR issues will certainly add a new dimension to the literature. Moreover, our conclusions and recommendations may help regulators and decision makers in enhancing the competitiveness and the sustainability of Islamic banking sector in Jordan.

The remaining of this paper is organized as follows. Section 2 presents an overview of Islamic banking sector in Jordan. Section 3 outlines the Islamic CSR dimensions. Section 4 reviews the literature. Section 5 discusses the methodology. Section 6 includes the results and Section 7 concludes and recommends.

2. An Overview of Islamic Banking Sector in Jordan

The Islamic banking sector, in Jordan, started before more than three decades ago with the foundation of its first Islamic bank that is Jordan Islamic bank for finance investment in 1978. Then the Islamic banks in the country have grown in number and size with the establishment of more branches and more Jordanian Islamic banks such as Islamic International Arab bank (in 1995) and Jordan Dubai Islamic Bank (in 2010). In 2011, Jordan witnessed the establishment of the first foreign Islamic Bank (Al-Rajhi Bank).

A study conducted by Saleh and Zeitun (2006) discussed the performance realized within Islamic banking sector in Jordan. They concluded that Islamic banks in Jordan have a great potential to grow positively in the coming years as they are focusing on many strategies to attract more customers from Muslim as well as Non-Muslim through enhancing their market activities to increase the awareness of the banking services, strengthening the relationship with the customers. In other words, Islamic banks in Jordan are trying to build a good and long relationship between the Islamic banking products and customers. In another study, Miani and Daradkah (2009) in their book "Islamic banking in Jordan" describe the Jordanian Islamic banking industry as still in its infancy compared to a number of countries in the region, and consider a growth trend in the financial services market, despite its current concentration and limited size.

Even though the Islamic banks in Jordan are performing well and have good plan for the future, these banks are also facing some key challenges domestically as well as globally that reduce their growth potential. Among the challenges are the conflicting situation in the region (e.g. political status in Palestine and other part of Middle East), the economic slowdown which has plagued the country for the past few years, globalization (e.g. abolition of tax barriers, liberalization of commodity and services etc.), increased cash surpluses with limited finance and investment opportunities, public awareness and acceptance, lack of institutions which conduct research and development to in this area, lack of skilled and professional people, and local competition from large numbers of commercial banks that

are operating in the country. In addition, Islamic banks in Jordan have great potential to attract foreign capital investment from other Muslim and neighboring Arab and Middle Eastern countries, especially after the September 11 event.

An important factor, which assists Jordan to engage in Islamic banking, is that the majority of the population (around 7 million) is Muslim (92%), most of whom are keen and interest to obtain competitive financial services that meet their beliefs. In fact, among the strategies which the Islamic banks are looking for in Jordan are: maintaining the strength of the banks' financial position, increasing the Islamic banks market share, optimizing the profits of shareholders and depositors, increasing the ethical values and performance standards.

3. CSR in Islam: Implication for Islamic Banking practices

The prevailing concept of CSR refers to the expectations that society has of business not to harm, and also to contribute positively to the wellbeing of others. Similar values, with features consistent with CSR, also exist in Islamic moral philosophy and ethical system and those are extended to the business context. The concept of CSR from an Islamic perspective differs from the Western experience because of several reasons, above all because it is intrinsically related to Islamic religious values, culture and beliefs according to *Shari'ah* (Islamic law) derived from the *Holy Qur'an* (Muslim Holy book), *Hadith* (sayings of the Prophet Mohammed), and *Maslaha* (public interest), with the purpose (*maqasid al Shari'ah*) to pursue *falah* (human well-being) and *hayat tayyibah* (good life). In Islam, organizations are similarly, if not more so, responsible to society as are individuals. The *Holy Qur'an* together with the *Hadith* complements these philosophies by specifying the degree of lawfulness of key types of behaviors for Muslim businessmen.

According to the literature concerning the conceptualization of CRS and its Islamic cultural and religious settings, for the purpose of this research, the concept of CSR has been considered as:

1. Rooted in the Islamic ethical system: The term most closely related to ethics in the *Holy Qur'an* is "*Khuluq*". Asad (1980) states that the term *Khuluq* as rendered as "way of life", describes a person's "character", "innate disposition" or "nature" in the widest sense of concepts, as well as "habitual behavior". In an Islamic society, the core values and tenets which constitute an Islamic ethical system are repeatedly stressed throughout the *Holy Qur'an* and *Hadith* as a guideline in all spheres of life including business and financial dealings.

The fundamental codes of moral behavior, e.g. truthfulness, trustworthiness, generosity and leniency, adherence to business commitments and contracts, fair treatment of workers and avoidance of evil practices such as, interest (*riba*), fraud, cheating, deceit, hoarding of food stuff, exploitations giving short measures, etc. in accordance to the Islamic jurisprudence (*fiqh*) concerning the lawful (*halal*) and unlawful (*haram*) are essential elements of social responsibility and justice in Islam and are part of the overall Islamic faith. Islamic morality or ethical codes thus create a sense of responsibility and accountability in the mind of the believers. This is consistent with the purpose of the Islamic system – *maqasid al Shari'ah*, which is based on *falah* (human well-being) and *hayat tayyibah* (good life) (Naqvi 1981).

2. Represented though the Profit & Loss Arrangements: Islamic banking represents a fundamental departure from conventional banking. From the viewpoint of CSR it embodies a number of interesting features since equity participation, risk and profit-and-loss sharing arrangements. In Islamic banking both the investors and entrepreneurs share the results of the project in an equitable way. In the case of loss, all financial loss is borne by the capitalist and the entrepreneur loses his labor. Consequently an Islamic bank will be more concerned with the soundness of the project and the business acumen and managerial competence of the entrepreneur (Iqbal and Molyneux, 2005) and the meaning of trust between the two parties will assumes higher importance and value. Additionally, these features have important implications for the distribution of credit as well as the sustainability and stability of the system and, therefore, as mentioned above, it has important implication over the concept of CSR in Islam.

3. Embedded with the Principles behind financial services provided by Islamic Banks: An Islamic bank is based on the Islamic faith and must stay within the limits of Islamic Law or the *Shari'ah* in all of its actions and deeds. Four rules govern the "behavior" of Islamic banking:

- a. The absence of interest-based (*riba*) transactions;
- b. The avoidance of economic activities involving speculation (*gharar*);
- c. The introduction of an Islamic tax (*zakat*);
- d. The discouragement of the production of goods and services, which contradict the value pattern of Islamic prohibition (*haram*).

All the modes of financing in Islamic banks have a purpose of meeting the moral objectives fulfilling their responsibility of well-being, both for their stakeholders as well as the larger society they operate in.

4. Controlled and benchmarked from the Accounting and Auditing Organization for Islamic Financial Institutions' corporate governance standard (AAOIFI): As discussed earlier, the AAOIFI issued in 2008 the standard No. 7 "*Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions (IFI)*". The standard indicates a definition of CSR for Islamic Financial Institutions (IFIs) which refers to all activities carried out by an IFI to fulfill its religious, economic, legal, ethical and discretionary responsibilities, clarifying the main areas under discussion. The role played by the AAOIFI's standard is highly relevant since it has been adopted as part of regulatory requirements for Islamic financial institutions in leading Islamic finance jurisdictions including Bahrain, Dubai International Financial Centre, Jordan, Qatar, Sudan, and Syria as well as by Islamic Development Bank group. As well as the AAOIFI, extremely important is a IFIs' central function in corporate governance which is covered by the *Shari'ah* Advisor and/or Board. In facts, the role of *Shari'ah* Advisor and/or Board is to assure that each transaction is executed in conformance with the Islamic law and that Islamic religious ideology acts as an incentive mechanism to reduce the inefficiency that arises from asymmetric information and moral hazard (Mohammed, 2007).

4. Literature Review

Even much literature on Islamic banking proclaims the unique, studies on CSR from an Islamic perspective are rarely conducted. Moreover, a spectrum of related studies that exist on the topic of Islamic business ethics are mainly concerned with the conceptual and theoretical discussion, rather than providing actual empirical evidence on the perception, attitudes or behavior of those involved in the Islamic banks.

A study by Erol and El-Bdour (1989) is considered as the first academic initiative that examines individual consumers' attitudes towards Islamic banking. A self-administered questionnaire was used to ascertain the attitudes, behavior and patronage factors of bank customers (both Islamic and conventional) in Jordan. The main finding was that factors such as a fast and efficient service, the bank's reputation and image, and confidentiality were the primary bank criteria for the choice of bank, whether Islamic or conventional. This implies that a religious motivation in bank selection did not appear very important. Subsequently, the work by Erol et al. (1990) employed the same survey data with a different technical methodology to examine the patronage behavior of Jordanian banks' customers. In general, there is a consistency between the two studies regard the awareness of Islamic bank's services in Jordan, bank's fast and efficient service and bank's reputation and image. But once again, religious motivation was found to have no significant effect on the overall dealing with Islamic bank. In another study, Naser and Al-Khatib (1999) extended the early work by Erol and El-Bdour (1989) and Erol et al. (1990). However, they found that bank reputation and religious beliefs were the two most important factors motivating the use of Islamic banks services. Haron et al. (1994) likewise highlighted the differences in the patronage of Islamic and conventional banks between Muslims and non-Muslims in Malaysia. As in Erol and El-Bdour (1989) and Erol et al. (1990), factor analysis showed that religious motivation was not the primary reason for Muslims dealing with Islamic banks. Further, no important difference was found between Muslims and non-Muslims regard their bank selection criteria. The results also indicated that Muslims and non-Muslims considered the provision of fast and high-quality bank services as the most significant selected factor even they didn't receive any information about specific Islamic financing methods.

The first study that focused on business firms attitudes towards Islamic banks in a dual-banking system was conducted in Kuwait by Edris (1997). Importantly, despite Islam is the dominating religion in Kuwait and regardless of the apparent preference of individual consumers for Islamic banking, the majority of businesses preferred to deal with conventional banks rather than Islamic banks. In fact, Kuwaiti business firms ranked the size of the bank assets to be the most important factor in their bank selection criteria, with Islamic banking practices ranked fifth among the selected patronage factors. The evidence found also suggested that most business firms in Kuwait were multiple-bank users, operating on the desire to obtain specialized services from multiple banks, rather than a single provider. In Malaysia, Ahamad and Haron (2003) considered business attitudes towards Islamic banking products and services by 45 corporate customers. The major finding was again that economic factors, such as profitability and the quality of services, were more significant for Malaysian corporate customers than religious reasons. However, one qualifying factor could be that the majority of respondents were non-Muslims who were generally less aware of the existence of Islamic banks and the substitutability of Islamic finance methods for conventional bank products and services. In fact, most respondents, both Muslim and non-Muslim, had a low level of knowledge about Islamic finance, especially regard most of the business financing methods.

More recently, a number of researchers start their specific empirical studies regard CSR. Dusuki and Dar (2005), investigated the perceptions of the various stakeholders of Islamic banks in Malaysia. The findings revealed that stakeholders have generally positive views of CSR. One of the most important reflections of their positive attitude is that CSR factors are evidenced as one of the important criteria in their banking selection decisions and, therefore, it has clear implication on the sector competitiveness. In their findings they showed the relevance of CSR as a globally accepted practice to Islamic banks and their “in-built” dimension that promotes social responsibility. Siwar and Hossain (2009) examine the relation between the concepts of Islam with the Malaysian managers’ opinion regarding corporate social responsibility (CSR). An open- and close-ended questionnaire was distributed to 50 listed organizations in Malaysia, including multinational, government link, non-government link and SME companies. The authors found similarity between the Islamic concept and top executives’ opinion about CSR. In another study, Sairally (2013) assessed the corporate social performance (CSP) of a sample of 46 Islamic Financial Institutions (IFS) around the world, which have responded to a questionnaire survey related to CSR practices. The author found that the majority of the Islamic financial practitioners believed in attributing an integrated social role to IFS. However, the practices of the IFS reflected a more limited approach to CSR.

5. Data and Methodology

5.1 Sample of the study and Data Collection:

Stakeholder theory posits that CRS is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. We have chosen, as Islamic banks’ stakeholders, the following groups in order to test their level of CSR’s perception: Clients (customers & depositors/ retail & corporate), branch managers, employees, *Shari`ah* advisors, regulators (central bank officers), and local communities dealing with Islamic banking sector.

The data were collected through ordinary mail as well as self-administered questionnaires distributed by hand to individuals at the Islamic banks’ headquarters and branches in Amman. Additionally, it must be mentioned that, for the clients, branch managers and employees, the questionnaires were distributed by hand at Islamic banks’ headquarter and through them distributed to the stakeholders. Table 1 shows the number of questionnaires that were distributed; the number of usable returned and completed questionnaire (the response rate), the overall response rate and the methodology adopted in distributing questionnaire.

Table 1 about here

For stakeholder group local communities, the questionnaires were distributed by hand at the major centers in the city of Amman. These efforts were deliberately taken in order to seek wider representation of bank stakeholders. The fourth and the fifth group of stakeholders, respectively *Shari'ah* Board advisors and Regulators (Central Bank officers) decided to do not participate in this survey.

In general from the total of 300 questionnaires distributed, 272 were returned, out of which 210 were usable (completed), yielding a response rate of 70%. The number of response is considered large enough and sufficient for statistical reliability and generalizability (Tabachnick and Fidell 2007; Stevens 2002). Hence, no further attempt was made to increase the sample.

5.2 Instrument of the Study

The data were collected by self-administered questionnaires distributed, by-hand and by e-mail, to respondents at the two headquarters of Islamic banks namely Jordan Islamic Bank for Finance and Investment (JIBFI) and Islamic International Arab Bank (IIAB). The questionnaire was originally prepared in English and then translated into Arabic by an expert in both languages to reduce translation bias and error. The questionnaire contains three sections:

The first section was designed to gather information about the sample's personal, demographic and economic characteristics.

In the second section, the respondents were asked to indicate, on a five-point Likert-type scale, ranging from "not important at all" to "very important", the factors perceived when making a judgment about an Islamic bank. Most of these factors have been adapted from previous banking patronage studies with some additional items to represent issues like religious and social responsibility (Erol and El-Bdour, 1989; Erol et al., 1990; Omer, 1992; Haron et al., 1994; Naser et al., 1999; Ahmad and Haron, 2003; Dusuki and Dar 2005).

Under this section, our research objective is to identify if there are significant differences according to demographic/economic factors and the stakeholder's group appurtenance. In addition, we are looking to answer the first research question: "Do Stakeholders in Jordan apply equal or higher importance to the CSR factors along with other banking selection criteria when making a judgment about Islamic bank?"

The purpose of the third section is to achieve a deeper understanding about perception and awareness toward CSR's nature and dimensions. In formulating the questionnaire utilized for the survey, we will consider the concept of CRS in Islam, and the relevant role played by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). As mentioned in Section 3, these dimensions outline the concept of CRS according to the cultural and religious settings that characterize an Islamic society – business relationship. Once again, the respondents were asked to express their point of view, on a five-point Likert-type scale, ranging from "strongly disagree (1)" to "strongly agree (5)" regard each statement in the questionnaire. The statements are formulated and classified as follows (see statements' contents in Tables 1- 4 in the Appendix):

- a.CRS as rooted within an Islamic Ethical System (S1-S10);
- b.CSR represented through the Profit & Loss Arrangements (S1-S10);
- c.CSR embedded with the principles behind the financial services provided by Islamic Banks (S1-S10).
- d.CSR controlled and benchmarked by the A.A.O.I.F.I.'s regulation and Islamic banks' governance structure (S1-S15);

In this section of the questionnaire, we are looking to answer the second research question: "What are the shaping factors perceived by Jordanian Stakeholders toward CRS according to the Islamic perspective?"

5.3 Statistical Methods

Before applying our statistical analysis, we calculate the Cronbach's alpha, which is a measure of reliability and identifies how are closely related a set of items as a group. A high value of alpha is often used as evidence that the items measure an underlying (or latent) construct. Based on our results, the value of Cronbach's α equals 0.94, which is reliable because it is greater than its minimum acceptable level, which equals 0.60.

In this study, we use a descriptive analysis in order to examine if our research instrument gives an informative measure of the central tendency and a dispersion of the sample variables. Another important aspect of the "description" of a variable is the shape of its distribution, which explains the frequency of values from different ranges of the variable.

The T-test is the most commonly used method to evaluate the differences in means between two groups, while the one-way ANOVA (Analysis of Variance) can be used to compare more than two groups, and it uses F statistic to test if all groups have the same mean. Doing multiple two-sample t-tests would result in a largely increased chance of committing a statistical error. For this reason, ANOVAs are useful in comparing three or more means. These analyses do not necessarily posit any causal relationship between any dependent and independent groups of variables.

6. Empirical Results

Table 2 gives a comprehensive draw about the research sample distribution.

Table 2 about here

We can observe from this table that 65 percent of the respondents were between 25 and 45 years old. Consequently, the opinions expressed in the survey could well reflect the attitudes and perceptions of the middle-aged and younger respondents (that is if those above 40 are considered the older respondents). This percentage appears to be in line with the findings of previous studies (see, for example, Erol and El-Bdour, 1989; and Naser, and Al-Khatib, 1999). The 81 percent of the respondents were males while females accounted for only 19 per cent. Almost 65 percent of respondents are married and 48 per cent of them have children. More than the half of the respondents earned less than JD500, while the 32 percent earned between JD501 to JD1000, mainly branch managers. Almost 50 percent of the respondents held a bachelor degree with another 24 percent having at least a high school qualification.

Table 3 shows the level of perception toward CSR factors along with other banking selection criteria when making a judgment on Islamic banks. The table summarizes the results obtained from respondents, whom were asked to indicate, on a five-point Likert-type scale, ranging from "not important at all" to "very important", the factors they perceive when making a judgment about Islamic bank. (see Erol and El-Bdour, 1989; Erol et al., 1990; Omer, 1992; Haron et al., 1994; Naser and Al-Khatib, 1999; Ahmad and Haron, 2003).

Table 3 about here

The table shows that Stakeholders consider highly important the statements 2 (customer service quality) and statement 6 (knowledgeable and competent personnel). These finding corresponds to the study of Naser and al-Khatib (1999), who find that the staff factor is one of the most important factors that customers use to select an Islamic bank. Other factors that also considered as highly important: statements 7 (Islamic working environment), 8 (economic and financial reputation) and 10 (Islamic

reputation and image) in most of the cases and statements 5 (friendly personnel), 9 (respect of human rights) and 1 (Financial product price) in average cases. However, the same group agreed with the statements 12 (environmental impact), 11 (involvement in community), 3 (convenience) and 4 (location being near home or work) in the least cases.

According to the rankings given on the statements, it has been found that from the whole respondents there is a positive attitude toward the overall banking selection criteria. As shown in the table above, the mean calculated is greater than the mean of the scale “3” indicating the “neutral” result. In order to test if there are significant differences between each mean and the mean of the scale (3) for the total sample “One sample t-test” was used. The test uses the standard deviation of the sample to estimate σ (the population standard deviation). If the difference between the sample mean and the test mean is large relative to the variability of the sample mean, then X is unlikely to be equal to the test mean.

As Table 4 table below shows, it was found the calculated “T value” for each question is significant at the 0.01 level which reflects the positive attitudes toward the following statement:

Table 4 about here

A one-way ANOVA test has been implemented to capture mean difference across multiple independent groups, focusing on their group of appurtenance as well as their personal and economic background. Such a comparison assume relevance in the light of the cultural reengagement the society is going through as compared with previous studies conducted in Jordan (see Erol et al., 1989 and Naser and Al-Khatib, 1999).

Through the One way ANOVA test, we found that calculated F values are not significant at the 0.05 level, which means that there are no differences between the means across stakeholders` group of appurtenance. As a result, it can be affirmed that, mainly, the four groups of stakeholders have a similar positive perception toward the banking selection criteria. Stakeholders with different age showed a dissimilar perception particularly towards: statement 1 (Financial product price), 2 (customer service quality), 3 (convenience), 5 (friendly personnel) 12 (environmental impact) and 11 (involvement in community). The Independent sample T-test identified differences in stakeholders` perception towards: statement 5 (friendly personnel), 8 (economic and financial reputation), 12 (environmental impact), 11 (involvement in community) within and between different gender and differences between the means of the two group (married or not), concerning statement 1 (Financial product price), 2 (customer service quality), 3 (convenience), 5 (friendly personnel), 10 (Islamic reputation and image), 11 (involvement in community) and stakeholders with different earned income, showed a dissimilar perception toward the presented banking selection criteria; particularly: statement, 4 (location being near home or work), 5 (friendly personnel), 6 (knowledgeable and competent personnel), 8 (economic and financial reputation), 9 (respect of human rights), 10 (Islamic reputation and image), 12 (environmental impact) and 11 (involvement in community).

The third section of the questionnaire describes the level of perception toward those dimensions shaping the concept of CSR assumed to be:

- a) Rooted within the Islamic Ethical System;
- b) Represented though the Profit & Loss Arrangements;
- c) Controlled and benchmarked by the A.A.O.I.F.I.`s regulation and Islamic banks` governance structure;
- d) Embedded with the principles behind the financial services provided by Islamic Banks.

The main purpose of this specific part of the questionnaire is to achieve a deeper understanding about perception and awareness toward CSR`s nature and dimensions. Therefore, we give a general idea about the conceptualization of CSR within its Islamic perspective.

Table 5 summarizes the results obtained from respondents, whom were asked to indicate, on a five-point Likert-type scale, ranging from “strongly disagree” to “strongly agree”, their perception and knowledge about the Islamic ethical system as factors shaping the CSR according to its Islamic perspective.

Table 5 is about here

Table 5 shows that stakeholders strongly agree with statements 1 (The unique feature of the Islamic ethical system is that it permeates all spheres and fields of human life), which registered a mean of 4.5952 and standard deviation of 0.52949, and 10 (Islam prohibits the earning of money through unfair trading practices and other activities that are socially harmful) with mean 4.6619 and standard deviation of 0.60696. Moreover the respondents recognized their selves with statement 2 (The Islamic system (*maqasid al Shariah*) is based on *falah* (human well-being) and *hayat tayyibah* (good life) emphasizing on brotherhood and socio-economic justice) which registered a mean of 4.5667 and standard deviation of 0.58517.

Table 6 shows the one-way ANOVA test results for the difference between stakeholders according groups of appurtenance (Islamic Ethical System).

Table 6 about here

From Table 6 we found calculated F values are not significant at the 0.05 level which mean that with 95 percent of confidence there are no significant differences between different groups of appurtenance. The means registered by each independent group are similar; therefore, it can be asserted that the all stakeholders share similar perception CSR concerning the importance of the Islamic ethical system and its function in shaping the concept of CSR.

Stakeholders identified the concept of CSR as it is stressed throughout the *Holy Qur'an* and *Hadith*, guideline of all spheres of life including business and financial dealings. They recognized the fundamental codes of moral behavior as essential elements of social responsibility and justice in Islam. Respondents showed little uncertainty concerning the statements 4 (The core values of the Islamic ethical system are Unity (Tawid, Equilibrium, Free will and Responsibility), 5 (The freedom to choose fulfilling all obligations and contributing to the well-being of society, will lead to Allah's favour and blessings), 6 (Trusteeship and trustworthiness are derived from the axiom of unity (Tawid)) and 7 (Distributive justice is derived from the axiom of equilibrium). These statements registered the lowest mean with the highest standard deviation.

Table 7 presents the results regard the “Profit and Loss Arrangements perception” as a second dimension of shaping Islamic CSR.

Table 7 about here

As shown in the above table, stakeholders demonstrate a positive attitude toward the mentioned statements. The descriptive measures show that stakeholders resulted agree with statement 1 (Under a partnership (sharing risk) rights and duties are much fairly recognized), which registered a mean of 4.2000 and standard deviation of 0.62484, while other statements obtained a less acceptance as compared to the previous sections. In addition, statements 2 (Under Profit and loss system the risks/returns are equally distributed), 3 (Under Profit and loss system the Islamic banker has high responsibility), 7 (In *Murabaha* the bank buys a good on it on behalf of its client and adds a mark-up keeping the property till it will be repaid, reflecting socio-economic welfare) and 10 (With *Ijara & Ijara wa Iqtina* (leasing) the bank buys the equipment and lease it out to the clients who will pay a rental and instalment towards the purchases price, it facilitates trade remaining prudent) registered a standard deviation >1.00.

Table 8 shows One-way ANOVA test results for the difference between stakeholders according groups of appurtenance (Profit and Loss Arrangements).

Table 8 about here

Based on the above table, we can observe that calculated F values are not significant at the 0.05 level which means that with 95 percent of confidence there are no significant differences between different groups of appurtenance. The means registered by each independent group testimony that the all stakeholders share similar perception on the purpose and the function of a “Profit and Loss Arrangements” sharing, which means that an Islamic bank will be more concerned with the soundness of the project and the business acumen and managerial competence of the entrepreneur (Iqbal and Molyneux, 2005).

Table 9 presents the results of the “Islamic banking principles perception” as a third shaping dimension of Islamic CSR.

Table 9 about here

Strictly related to the “Profit and loss Arrangements” system, another dimension of CSR is constituted by the Principles behind financial services provided by Islamic banks. An Islamic bank is based on the Islamic faith and must stay within the limits of Islamic Law or the *Shari`ah* in all of its actions and deeds. All the modes of financing in Islamic banks have a purpose of meeting the moral objectives fulfilling their responsibility of well-being, both for their stakeholders as well as the larger society they operate in. Islamic morality or ethical codes thus create a sense of responsibility and accountability in the mind of the believers, which is consistent with the purpose of the Islamic system – *maqasid al Shari`ah*, which is based on *falah* (human well-being) and *hayat tayyibah* (good life).

As shown in the following Table 9, stakeholders demonstrated a positive attitude toward the mentioned statements. The descriptive measures show that stakeholders strongly agree with statement 5 (*Zakat* (pure) which is considered as one of the most important instrument for the redistribution of wealth). It registered a mean of 4.3952 and standard deviation of 0.81316. Statement 10 (Islamic banks are required to exclude dealings with prohibited activities such as alcohol, pork, armaments only because of their religious observance) registered a mean of 4.3952 and standard deviation of 0.81316.

In addition, through the same table, we can identify those statements that registered the highest standard deviation. In fact, statement 8 (Islamic financial institutions are socially responsible only because of their religious observance) registered a standard deviation of 1.03007 with a relatively low mean of 3.6143. Statement 4 (The prohibition of *Gharar and Maysir* is a moral attempt designed to avoid misdistribution of risk) has a standard deviation of 1.055. The table clearly illustrates the positive attitude of clients towards the posed statements and in particular, statements 3 (The prohibition of *Riba`* is a moral attempt designed to rend justice and to ensure equity between the borrower and the lender), 5 (*Zakat* (pure) is one of the most important instrument for the redistribution of wealth), 6 (The *Qard Hasan* distribution for social reasons is a moral attempt through which Islamic banks develop their social activities) and 10 (Islamic banks are required to exclude dealings with prohibited activities such as alcohol, pork, armaments only because of their religious observance).

Table 10 shows One-way ANOVA test results for the difference between stakeholders according groups regard “Islamic banking principles perception” as a third shaping dimension of Islamic CSR.

Table 10 about here

Based on Table 10, the one way ANOVA test did not identify significant differences across the means of each independent group. Therefore, it can be asserted that each independent group shares similar perception concerning the identification, the function, the purpose and the principles behind the whole financial services provided by an Islamic bank.

As shown in Table 10, the calculated F values are not significant at the 0.05 level which means that with 95 percent of confidence there are no significant differences between different groups of appurtenance. The one way ANOVA test indicates that stakeholders and in particular clients recognize that all modes of financing in Islamic banks have a purpose of meeting the moral objectives fulfilling their responsibility of well-being for their stakeholders as well as the larger society they operate in.

For the purpose of this study, we assume that AAOIFI's regulation represent the fourth dimension of shaping Islamic CSR. Moreover, we consider them as a guideline for the *Shari`ah* board in Islamic banks' governance structure. As discussed earlier, the AAOIFI. issued in 2008 the standard No. 7 "*Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions*", which indicates a definition of CSR for IFI which refers to all activities carried out to fulfil its religious, economic, legal, ethical and discretionary responsibilities, and clarifying the main areas under discussion.

Table 11 presents the results of the "AAOIFI's regulation" as a forth shaping dimension of Islamic CSR.

Table 11 about here

In this table, the descriptive measures show that stakeholders consider highly important the statements: 2 (The *Shari`ah* Advisor and/or Board have the duty to control and help management in taking decisions according to the *Shari`ah*), 6 (The *Shari`ah* and the AAOIFI impose upon the Islamic banks an extra parameter – namely a socio-economic and religious purpose – in addition to the responsibilities assigned to them by the conventional financial laws). These finding put on evidence the fact that stakeholders as a whole recognized the functions of *Shari`ah* board and the AAOIFI's regulation. Moreover stakeholders agree with statements: 1 (Islamic bank is subject to an additional layer of governance that gives more credibility to the Islamic bank, the *Shari`ah* Advisor) and 4 (Islamic financial institutions perceived as being socially responsible can improve quality and skills of labour).

It is important to note that standard deviation of the opinion data of the stakeholders' responses to statement 6 (In Islamic financial institutions it is given equal opportunity for all employees, regardless of gender, race, religion, disability or socioeconomic background) and 7 (In Islamic financial institutions there are policies that specifically require merit-based salary and promotion structure for all employees) are <1.00.

According to the rankings given on the statements, it has been found that from the whole respondents there is a positive attitude toward the overall banking selection criteria. As shown in this table, the mean calculated is greater than the mean of the scale "3" indicating the "neutral" result. While it can be affirmed that the four groups of stakeholders, namely clients, local communities, branch managers and employees have a positive perception toward the proposed statements.

Finally, based on the one way ANOVA test results, we didn't find any significant difference between the mean registered by each stakeholders' group regard AAOIFI's regulation (see Table 12).

Table 12 about here

7. Conclusions and Recommendations

This study presented empirical framework to determine the degree of awareness and perception of CSR of Islamic banks in Jordan. The descriptive results suggest that stakeholders expressed a positive attitude toward the concept of CSR. Proven that the issue of CSR is not foreign to Islamic banking and to the perception of various stakeholders groups, our focus moved into the identification of the shaping dimension of CSR in Islam. As confirming previous research's outcomes, the Islamic banking system has an in-built dimension that promotes social responsibility.

The study revealed that stakeholders are strongly aware about the concept of social harmful activities and unfair trading and recognize Islam guides in every aspect of life, including business and financial dealings. Respondents recognized the Islamic ethical system's purpose (*maqasid al Shariah*) which based on *falah* (human wellbeing) and *hayat tayyibah* (good life) and which reveal it is intrinsically related to CSR conceptualization. Stakeholders strongly agree with the fact that under a partnership (sharing risk) rights and duties are much fairly recognized and that the *Zakat* (pure) is one of the most important instrument for the redistribution of wealth and that the prohibition of *Riba`* is a moral attempt designed to rend justice and to ensure equity between the borrower and the lender as well as the *Qard Hasan`*s function.

Our results validated, furthermore, the role of AAOIFI and the *Shari`ah* Advisor and/or Board perceived among stakeholders perception. Respondents recognized their role of control as well as the help provided Islamic bank management and remarked over the extra parameter imposed upon the Islamic banks, the socio-economic and religious purpose in addition to the responsibilities assigned to them by the conventional financial laws.

Based on the findings of this study, several implications for banks managers and researchers had emerged, arising both from the literature that has been reviewed and from the data analysis that has been conducted. Contrary to the process of globalization middle-age and young Muslims are reaffirming their faith. In fact, in their two studies conducted in Jordan, Erol and El-Bdour (1989) and Erol et al. (1990) have found that a religious motivation in bank selection did not appear very important; while later Naser and Al-Khtib (1999), extending the previous studies, concluded that the bank reputation and the religious beliefs were the two most important factors motivating the use of Islamic banks services.

Accordingly, our recommendation for Islamic banks is to improve CSR activities in order to better exploit this re-engagement with cultural identity. This identity has a direct influence on the branding of Islamic finance in local markets, the structure of product offerings to reflect regional beliefs and provide a suite of services. Providing services to specific market segments within local communities drives a number of strategic decisions by Islamic banks on the structure of their offerings, brand identity and levels of customer services.

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Table 1: Target Groups, Methodology Used and Response Rate

| Target Groups | Distributed Questionnaire | Usable and returned completed Questionnaire | Response Rate (%) | Methodology Adopted in Distributing Questionnaire |
|---------------|---------------------------|---|-------------------|---|
| Clients | 70 | 64 | 91 | By Hand |

| | | | | |
|-------------------|-----|-----|----|---------------|
| Local Communities | 50 | 30 | 60 | By Hand |
| Employees | 80 | 67 | 84 | By Hand |
| Branch Managers | 60 | 49 | 82 | Mail /By Hand |
| Regulators | 30 | 0 | 0 | Mail /By Hand |
| Shari`ah Advisors | 10 | 0 | 0 | Mail/By Hand |
| Total: | 300 | 210 | 70 | |

Appendix

Table 1: Statements submitted to Respondents Regard Islamic Ethical

Table 2: Statements submitted to Respondents Regard Profit and Loss

| Islamic ethical system | Mean | Std.Dev. | Level of perception |
|--|--------|----------|---------------------|
| 1. The unique feature of the Islamic ethical system is that it permeates all spheres and fields of human life. | 4.5952 | 0.52949 | Agree |
| 2. The Islamic system (<i>maqasid al Shariah</i>) is based on <i>falah</i> (human well-being) and <i>hayat tayyibah</i> (good life) emphasizing on brotherhood and socio-economic justice. | 4.5667 | 0.58517 | Agree |
| 3. Islamic ethical system dictate the notion of <i>halal</i> (lawful or permitted) and <i>haram</i> (unlawful or prohibited) basis of the legal system <i>Shari`ah</i> . | 4.5667 | 0.64729 | Agree |
| 4. The core values of the Islamic ethical system are Unity (Tawid), Equilibrium, Free will and Responsibility. | 4.4429 | 0.65554 | Agree |
| 5. The freedom to choose fulfilling all obligations and contributing to the well-being of society, will lead to Allah's favor and blessings. | 4.4476 | 0.77621 | Agree |
| 6. Trusteeship and trustworthiness are derived from the axiom of unity (Tawid). | 4.1762 | 0.94459 | Agree |
| 7. Distributive justice is derived from the axiom of equilibrium. | 4.1143 | 0.88922 | Agree |
| 8. Accountability derived from the axiom of responsibility toward God and other humankind. | 4.4619 | 0.65693 | Agree |
| 9. Islamic financial institutions are contributing in a significant way towards socio-economic welfare. | 4.2762 | 0.76396 | Agree |
| 10. Islam prohibits the earning of money through unfair trading practices and other activities that are socially harmful. | 4.6619 | 0.60696 | Agree |

| Profit and Loss system | Mean | Std.Dev. | Level of perception |
|---|--------|----------|---------------------|
| 1. Under a partnership (sharing risk) rights and duties are much fairly recognized. | 4.2000 | 0.62484 | Agree |
| Principles of Islamic Banks | Mean | Std.Dev. | Level of perception |
| 2. Under Profit and loss system the risks/returns are equally distributed. | 3.8619 | 1.01895 | Agree |
| 3. Under Profit and loss system the Islamic banker has high responsibility. | 3.9952 | 1.10889 | Agree |
| 4. Under Profit and loss system productivity is the first screening factor therefore it is fairer for the both parties. | 3.9810 | 0.94318 | Agree |
| 5. Under Profit and loss system innovation is stimulated since the bank is obliged to refer primarily to the productivity of the project. | 3.9905 | 0.94332 | Agree |
| 6. In <i>mudharaba</i> or <i>musharaka</i> the distribution effectively treats human capital equally with financial capital, reflecting socio-economic justice. | 4.0762 | 0.85566 | Agree |
| 7. <i>Zakat</i> (pure) is one of the most important instrument for the redistribution of wealth. | 4.3952 | 0.81316 | Agree |
| 8. The <i>Qard Hasan</i> distribution for social reasons is a moral attempt reflecting socio-economic welfare. | 3.6762 | 1.22177 | Agree |
| 9. In <i>Murabaha</i> the bank buys a good on it on behalf of its client and adds a mark-up keeping the property till it will be repaid, reflecting socio-economic justice. | 4.2429 | 0.97973 | Agree |
| 10. <i>Bai salam</i> , the bank pays the money first and receives the commodity later, this mechanism fundamental in financing agricultural products. | 4.0476 | 0.79328 | Agree |
| 11. Pro-active support/policies to manage <i>Waqf</i> properties on behalf of their beneficiaries are religious efforts. | 4.0333 | 0.87158 | Agree |
| 12. <i>Iqtisanaq</i> (manufacturing) the bank acquires goods on behalf of the client, the price is paid to the manufacturer in advance while the goods are produced and delivered late, it facilitates transactions remaining prudent. | 3.6143 | 1.03007 | Agree |
| 13. Islamic financial institutions are socially responsible only because of their religious observance. | 4.0095 | 0.85275 | Agree |
| 14. Islamic banks are required to give priority to the production of essential goods which satisfy the needs of the community, while the production and marketing of unnecessary luxury activities (<i>israf wa traf</i>) is considered unacceptable. | 3.9476 | 0.90301 | Agree |
| 15. With <i>Ijara & Ijara wa Iqtina</i> (leasing) the bank buys the equipment and lease it out to the clients who will pay a rental and installment towards the purchases price, it facilitates trade remaining prudent. | 4.0810 | 1.02510 | Agree |
| 16. Islamic banks are required to exclude dealings with prohibited activities such as alcohol, pork, armaments only because of their religious observance. | 4.4000 | 0.99856 | Agree |

Table 3: Statements submitted to Respondents Regard Principles of Islamic Banks

Table 4: Statements Submitted to Respondents Regard AAOIFI's Regulations

| Governance structure of Islamic banks and regulation from Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI): | Mean | Std.Dev. | Level of perception |
|---|--------|----------|---------------------|
| 1. Islamic bank is subject to an additional layer of governance that gives more credibility to the Islamic bank, the <i>Shari'ah</i> Advisor. | 4.3000 | 0.77676 | Agree |
| 2. The <i>Shari'ah</i> Advisor and/or Board have the duty to control and help management in taking decisions according to the <i>Shari'ah</i> | 4.4857 | 0.69329 | Agree |
| 3. The <i>Shari'ah</i> and the AAOIFI impose upon the Islamic banks an extra parameter – namely a socio-economic and religious purpose – in addition to the responsibilities assigned to them by the conventional financial laws. | 4.3571 | 0.73274 | Agree |
| 4. Socially responsible business could avoid additional regulations imposed by the government. | 3.6571 | 0.91587 | Agree |

| | | | |
|---|--------|---------|-------|
| 5. Islamic financial institutions perceived as being socially responsible can improve quality and skills of labour. | 4.0810 | 0.95753 | Agree |
| 6. In Islamic financial institutions it is given equal opportunity for all employees, regardless of gender, race, religion, disability or socioeconomic background. | 3.8286 | 1.09332 | Agree |
| 7. In Islamic financial institutions there are policies that specifically require merit-based salary and promotion structure for all employees. | 3.9429 | 1.10526 | Agree |
| 8. In Islamic financial institutions appropriate training is provided in order to improve customer service quality. | 4.1095 | 0.83144 | Agree |
| 9. Islamic banks assist poor and needy individuals and families, by financing business opportunities and/or education. | 4.1000 | 0.80934 | Agree |
| 10. Islamic banks assist in the provisioning of health and medical services to impoverished communities or areas. | 4.0952 | 0.80100 | Agree |
| 11. Islamic banks assist the development of small and medium sized entrepreneurs and family businesses. | 4.1095 | 0.73361 | Agree |
| 12. Islamic banks assist in the development of research and education facilities, particularly those that utilize and empower disadvantaged individuals or communities. | 3.9238 | 0.91448 | Agree |
| 13. Islamic banks protect the environment. | 3.6619 | 0.99519 | Agree |
| 14. Islamic banks reduce the impact of development on the environment. | 3.4095 | 0.94028 | Agree |
| 15. Islamic banks are active in increasing the use of renewable, sustainable sources of energy and/or reducing the reliance on scarce non-renewable sources of energy. | 3.6143 | 0.88517 | Agree |

Islamic Accounting

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Executive Summary

In this financial and non-financial analysis of Kuwait Finance House Group (KFH), I have conducted a ratio analysis of key liquidity, profitability, and efficiency ratios including the current ratio, EPS, return on equity (ROE), return on assets (ROA), and the debt-to-equity ratio and compared KFH to one of its main competitors, Gulf Finance House (GFH) in order to illuminate the financial health of KFH. In addition, I have examined KFH accounting, disclosure, and reporting practices and their suitability for an Islamic bank, remuneration practice, corporate and *Shari'ah* governance, corporate social responsibility, significant changes in policy and strategy and their possible financial impact, and have discussed risk mitigation and capital structure in order to provide a snapshot of the financial and non-financial health of the institution for the benefit of a potential investor/depositor. I have investigated various reasons for the performance of KFH and explored the profitability of the investment and real estate segments of the KFH conglomerate. The comprehensive analysis is based on the 2009-2011 annual reports of KFH and GFH, the 2009-2011 KFH Corporate Sustainability Reports, and the 2011 Public Disclosure Report of KFH Bahrain. In addition, I have examined and discussed relevant industry standards including IFRS, IFSB, and AAOIFI regulations regarding accounting and capital adequacy and explored the work of several academics including Haniffa, Safiedinne, Ahmed, Khan, Epstein, Archer, Simon, and Karim, Sarea, Shabbir, and Van Greuning and Iqbal as well as the work of industry practitioners such as Mohammad Amin and Michael Gassner. I conclude with recommendations to KFH and the industry for the best way forward in terms of financial reporting practice. This paper is directed at the stakeholders as defined in the KFH 2011 CSR Report.

Introduction: KFH at a Glance

KFH is organized into three major business segments including treasury, investment, and banking (KFH 2011: 78). In 2011, KFH had 54 branches and was ranked among the best Islamic banks in the world. KFH activities are conducted in accordance with the *Shari'ah* as approved by the Bank's *Fatwa* and *Shari'ah* Supervisory Board (SSB) (KFH 2011: 51).

Ratio Analysis

Kuwait Finance House (KFH) has a fairly consistent current ratio for 2009 (.73:1), 2010(.73:1), and 2011(.70:1). Although the ratio is below 1:1, this doesn't necessarily indicate that KFH is headed for a financial disaster, however, it does mean that KFH is working with negative working capital. The current ratio for Gulf Finance House (GFH) gives a gloomy outlook for this international financial institution in 2009 (.48:1), 2010 (.08:1), and 2011 (.01:1). In 2011, GFH only had .01 cents of assets for every \$1 of liability. Both banks are relying heavily on the fact that depositors do not withdraw their deposits, however, GFH seems to be in a more vulnerable position. In terms of Earnings Per Share (EPS), initially, a potential investor may feel uncomfortable with KFH as KFH starts in 2009 with (18.1 cents), 2010 (15.4 cents), and ends in 2011 at (10.8 cents). However, the reason for the sudden decline in EPS may be due to a bonus share issue. GFH starts out in 2009 with an EPS of 272.17 cents, 2010 (76.84 cents), and ends in 2011 with .04 cents. This is an alarming rapid decline and also means that for every 1\$ invested, the return for GFH is only .04 cents, indicating very low profitability for GFH.

KFH has a debt- to- equity ratio of 5.9 in 2009, 6.5 in 2010, and 7.3 in 2011. GFH's debt-to-equity ratio is 2009(2.7), 2010(7.7), and 2011(2.53). It seems that KFH has been more aggressive than GFH in financing its growth with debt in 2011 and appears to be a credit risk. If the cost of debt-financing becomes greater than the return, this could negatively impact KFH's business. Therefore, KFH should seek the right balance of debt and equity finance so as to leverage its assets correctly, especially with a declining EPS and turbulent economic conditions. Return on equity for KFH amounts to 2009(22%), 2010(4%), 2011(9%) and for GFH 2009(13%), 2010(7%), 2011(31%). It appears that in 2011, GFH has a better ROE than KFH. Furthermore, KFH's ROE steadily declined from 2009 to 2011. This is a

worrying signal for potential KFH investors. Return on assets for KFH in 2009 is 6.4%, 2010(5.7%), and 2011(.01%) and for GFH in 2009(.03%), 2010(7.96%), and 2011(.09%). Once again, GFH is more efficient in terms of return on assets although GFH also has a low figure and KFH sees a rapid decline in ROA from 2009 to 2011, possibly worrying investors. In fact, in 2011, Moody's was reviewing a downgrade for KFH due to the fact that the overall coverage level of provisions to problem loans remained relatively low, approximately 73%. Provisioning needs also continued to weigh down KFH's profitability, with the bottom-line only stabilising through relatively volatile investment income. Moody's cited inefficient reporting as one KFH's key problems in addition to weak asset quality, financing, and loan books, and problems in management and internal controls. Moody's stated that the poor asset quality was due to concentrated exposures to non-banking financial institutions, real estate, and underperforming investments. In fact, in May 2013, Moody's downgraded KFH's long term ratings by one notch to A1 from Aa3. Moody's also downgraded KFH's baseline credit assessment (BCA) and bank financial strength rating (BFSR) by two notches to ba1/D+ from baa2/C- respectively. The Prime-1 short term rating was confirmed. All ratings assigned to KFH in 2013 carry a negative outlook. Moody's reported that the rating actions reflect (1) continued asset quality pressures; (2) an increasing reliance on volatile investment income; and (3) the current organisational complexity and overall risk profile inconsistent with global peers.

The exposure from excessive derivatives trading most likely added to the poor asset quality. In addition, the bank may be overextended in real estate and investment. In 2011, KFH launched a one billion KD real estate portfolio in collaboration with the Kuwait Investment Authority and KFH initiated several real estate and special purpose financial funds including a gold traded fund and introduced investment portfolios. KFH also partnered with Grosvenor Fund Management to invest up to £380m in US healthcare real estate, having a combined investment capacity of £900m (Gassner 2011). Perhaps KFH should redirect some of these efforts towards its banking section.

Strategy

KFH introduced new products such as the al-Khumasiya five -year deposit, the gold investment account and offers a continuous investment deposit, a three-year investment deposit, Sudra investment deposit, and investment deposits in US dollars, Sterling Pound, and Euro. KFH also introduced Visa, Mastercard, and pre-paid cards, ranking number one in credit card ratings in Kuwait and the Middle East. KFH utilizes an e-banking platform incorporating online services in addition to iPhone, iPodTouch and iPadApp banking, SMS, as well as phone service (Allo Baitak) and provides a service where one can open an investment deposit account through ATM machines in Kuwait. KFH also received accreditation from Purdue University for outstanding customer service. In 2011, KFH implemented a new five-year strategy, upgraded its operations systems, completed the change to automated systems, and secured approval for providing e-corporate services (KFH 2011). Furthermore in 2011, KFH embarked on an extensive restructuring exercise to improve efficiency and internal controls and to remove legacy management processes with the aim of addressing the company's organisational complexity (Moody's).

| New KFH 5- Year Strategy | |
|--------------------------|--|
| Pillar 1 | Improve KFH's performance in Kuwait. |
| Pillar 2 | Enhance KFH's investment business. |
| Pillar 3 | Leverage KFH's international presence more effectively, generating synergies in KFH banking operations in Bahrain, Malaysia, and Turkey. |

Change in Board Membership

New Members of the KFH Board in 2011 included Chairman Sameer Yaquob Al-Nafeesi, a powerhouse corporate giant who serves on the Board of numerous institutions and with over 33 years of experience in the real estate market and Board Member Iman Al-Humaidan (female), who has written *Women and Waqf*. The addition of the new Chairman may positively affect the profitability of KFH especially in the real estate and investment sections, potentially steering KFH in the wrong direction, and the addition of a well-renowned female Islamic finance academic was a good move for the overall structure and outlook of KFH.

Accounting Practices

Although an Islamic bank and an associate member of AAOIFI, KFH Group does not officially adhere to the AAOIFI standards in its financial reporting. KFH financial statements are prepared in accordance with IFRS, however, KFH selectively and unofficially follows FAS guidelines in some areas of reporting. New additions to IFRS in 2011 and revenue recognition can be seen in Appendix C.

IFRS does not equip KFH with the necessary degree of disclosure and transparency in light of Islamic modes of finance, as risk exposures of assets vary according to different types of contracts and the mode may be used for sale or finance, which would result in different reporting implications. Furthermore, there are many rules in the *Shari'ah*, which the IFI must abide by, which may affect reporting requirements. General disclosures unique to IFI's are information about the *Shari'ah* Advisory Board, policies on *zakat*, policies of profit distribution with IAHs, disclosures on prohibited earnings and disclosures of concentration of asset risks involving unrestricted investment accounts. Many gaps in disclosure occur due to use of conflicting standards. For example, in regards to investment accounts, some IFIs treat such accounts as equity or liability, while others report them as off-balance sheet items. Jordan Islamic Bank, Bahrain Islamic Bank and Qatar Islamic Bank treat investment accounts that are based on *mudarabah* contracts as liabilities and report them on- balance sheet. Other banks treat investment accounts as fiduciary investments and report them off-balance sheet (Al Rajhi Bank and Shamil Bank of Bahrain)(Sarea 2012:27). KFH reports restricted investment accounts off-balance sheet and discloses joint financial assets and percentages of funds involving unrestricted investment account funds, which mitigates agency risk involved with the commingling of funds (FAS1). Furthermore, in terms of FAS1, KFH discloses compensating balances as balances with banks and financial institutions - exchange of deposits, both on the assets and liabilities sides of the balance sheet (Shabbir 2012). According to Abdel Karim, reporting off balance sheet allows IFI's to hide negative information such as losses because of misconduct or negligence (Safiddiene 2007:144). Under *mudarabah* investment management, the IFI is not liable for loss arising from investments according to *Shari'ah*. In IFRS, this would be presented as a liability along with other deposits, however, under AAOIFI, unrestricted investment funds are to be presented as a separate item between liabilities and owners' equity. In terms of *Ijarah*, AAOIFI requires both operating *ijarah* and *ijarah muntahia bittamleek* to be treated as an operating lease. In IFRS, both operating *ijarah* and *ijarah muntahia bittamleek* are classified as finance leases. Due to *Shari'ah* requirements, *Ijarah* contracts cannot be accounted for as finance leases. Therefore, the leased assets are recognized in the books of the bank and not capitalized in the customers books. The leased assets are then depreciated in the books of the bank, contravening IAS 17 (Ibrahim 2007). The 2011 KFH Annual report states that capitalized leased assets are depreciated over the estimated useful life of the asset (KFH 2011:54). Furthermore, it is required for leasing with gradual sale that the inventory be valued at fair values, not lower of historical cost or net realizable value. Hence, IAS2 cannot be followed (Ibrahim 2007). The 2011 KFH Annual report states that finance leases are capitalized at inception of the lease at fair value, or if lower, the present value of the minimum lease payments (2011:54). The special nature of Islamic banking requires tailored standards in order to promote full disclosure and transparency of the IFI.

Disclosure Requirements for Islamic Finance (AAOIFI)

| | | | |
|----------------------|--|---|---|
| Capital | Based on trust, profit sharing contract with no executive involvement. | Performance of fund (net asset value) and/or dividend return. | State outstanding balance, change in value and profit distributed (FAS 6). |
| Commingling of Funds | IFI can utilise the funds and pool for financing or investment. | Funds utilised are to be identified vis-à-vis shareholders and other deposit funds. | Disclose joint financial assets and percentages of funds involving unrestricted investment account funds (FAS 1). |
| Investment Policy | IFI can adopt a flexi investment policy in utilising IAH funds. | Decisions should be taken in the interest of an IAH. | Provide adequate disclosure on basis of investment policy when mobilising IAH funds. |

| | | | |
|------------------------------|--|---|---|
| Profit and Loss Distribution | Mutually agreed profit distribution ratio and basis to be specified. | Mechanisms are specified and effectively communicated. | State PSR, income determination method, allocation basis and reserve management policy (FAS 5). |
| Reasonable Return | Effective return to IAHs is realised. | Smoothing of rate of return to IAHs. | Report policies, amount, and movements within PER (FAS 11). |
| Capital Recovery | Fund is safeguarded by ensuring capital is recovered prior to profit distribution. | Accrued profit not distributed until assurance provided that capital is not depleted. | Report policies, amount and movements of Investment Risk Reserve IRR (FAS 11). |

Capital adequacy and the use of regulatory capital are governed by the Basel Committee on Banking Supervision (KFH 2011: 87) rather than the standards issued by AAOIFI and the IFSB. However, Islamic finance standards are required to regulate deposits based on *Wadi'ah* (guaranteed safe custody) or *Qard Hassan* (interest free loan) contracts, which are reported as liabilities in the balance sheet. At 31 December 2011, the total Capital Adequacy ratio for KFH was 13.73% and Tier (1) 13.51% (2010: 14.22% and Tier (1) 14.15%) compared to the ratio required by the regulatory authorities of 12% (KFH 2011 Annual Report, 31). However, as KFH does not use the IFSB and AAOIFI standards for capital adequacy, this may not truly reflect KFH's capital structure and stakeholders cannot truly assess whether capital structure decisions were made to maximize shareholder equity.

| | |
|----------------------------------|--|
| IFSB Capital Adequacy Standard | The IFSB has issued a capital adequacy standard, which is based on the Basel II standardized approach with a similar approach to risk weights. However, the minimum capital adequacy requirements for both credit and market risks are set out for each of the <i>Shari'ah</i> compliant financing and investment instruments (Van Greuning and Iqbal 2008:83). |
| AAOIFI Capital Adequacy Standard | The AAOIFI Statement on the Purpose and Calculation of the Capital Adequacy Ratio for Islamic Banks takes into account the differences between deposit accounts in conventional banking and investment accounts in Islamic banking (Van Greuning and Iqbal, 2008:59) recommending not including the risk-sharing account deposits in capital (Van Greuning and Iqbal 2008:81). |

The 2011 KFH Annual Report states that no changes were made in respect to capital management objectives, policies, and processes from the previous years, however, the dividend pay-out to shareholders significantly decreased from 2010 to 2011, while directors' salaries increased. Furthermore, profits distributed to investment account holders (IAH's) decreased from 2010 to 2011 as seen in the table below (Please Refer to Appendix B).

| Deposit Type | 2011% of Profit Distribution to IAH's | 2010 % of Profit Distribution to IAH's |
|-------------------|---------------------------------------|--|
| <i>Khumasia:</i> | 2011 (1.920%) | |
| <i>Mustamera:</i> | 2011(1.728%) | 2010 (2.378%) |
| <i>Sedra:</i> | 2011(1.344%) | 2010(1.850) |
| <i>Tawfeer:</i> | 2011(1.152%) | 2010(1.585%) |

Remuneration Committee

The Board of Directors of the Bank proposed a cash dividend of 15% for the year ended 31 December 2011 decreasing from 20% in 2010. At the same time, Directors' fees increased to KD 260 thousand

in 2011 from KD 160,000 in 2010 (KFH 2011: 74). As the Annual Report does not contain a remuneration committee report, we cannot see how and why these decisions were made.

Shari'ah Governance Board

A transparent financial institution would ideally reveal the duties, decision-making, competence, and composition of the *Shari'ah* Board, as well as publish all *fatwa* issued by the Board. However, in a one page report, KFH merely certifies that most decisions made were *Shari'ah* compliant and for those that were not, the funds have been donated to charity and provides the names and pictures of the members (Van Greuning and Iqbal, 2008:36). KFH unofficially adheres to FAS 1 in terms of *zakat* and *qard-hassan* reporting. In 2011, *zakat* was calculated at 2.5777% and charged to the consolidated statement of income (KFH 2011:59).

Corporate Governance

KFH lacks any meaningful corporate governance structure to address potential agency problems concerning investment accounts nor for the organization as a whole, except through unofficial compliance with minimal FAS standards.

Disclosure

Although the statements have been certified by Ernst and Young as a true and fair representation and KFH compliance with capital adequacy regulations, if KFH does not adhere to the standards set out specifically for Islamic banking, the statements may not in reality be a true and fair representation of the position of KFH and the capital structure management may not have been carried out in a manner to truly maximize shareholder's equity and this would remain unknown to the stakeholder.

Risk Mitigation

| | KD000's | 2010 | 2011 |
|---------------------------------------|---------|------------|------------|
| Credit Risk Exposure | | KD11941780 | KD12588420 |
| Liquidity Risk | | 23% | 22% |
| Equity Price on Kuwait Stock Exchange | | KD2740 | KD2920 |

KFH slightly reduced liquidity risk even though credit risk increased, indicating effective capital structure management in the advent of business expansion and a slightly increasing ability to meet demand deposit withdrawals. One cause for concern is the use of derivatives by KFH, which is not *Shari'ah* compliant and which exposes the assets of its business to a whole new set of risks, potentially resulting in loss of profits in the long-run.

Notes to the Financial Statements

As KFH Group adheres to IFRS, gaps in disclosure may occur and there runs a risk of non-*Shari'ah* compliance.

Are AAOIFI Standards Addressed in the Notes to KFH's 2011 Statements?

| Standard | Yes | No |
|--|-----|----|
| FAS No.1 requires that restricted investment accounts should be reported off-balance sheet in the statement of the changes in restricted investments. | x | |
| FAS No.3 disclosure should be made in the notes to the financial statements for a financial reporting period if the Islamic bank has made during that period a provision for decline in the value of <i>Mudarabah</i> assets. | | x |
| FAS No.4 disclosure should be made in the notes to the financial statements for a financial reporting period if the Islamic bank has made during that period a provision for a loss of its capital in <i>Musharaka</i> financing transactions. | | x |
| FAS No.5 requires bank to disclose percentages for profit-allocation between investment account holders and the bank. | x | |

| | | |
|---|---|---|
| FAS No.6 disclosure should be made, in the notes on significant accounts, of the percentage of the funds of unrestricted investment. Distinguishes reporting requirements of unrestricted (on balance sheet item) and restricted (off balance sheet item) investment accounts. | x | |
| Fas No. 9 on <i>Zakat</i> | x | |
| FAS No.10 requires that the Islamic bank shall disclose in its financial statements revenues and profits of <i>Istisna'a</i> contracts recognized for the financial period. | | x |
| FAS No.11 requires that the Islamic bank shall disclose in the notes any deductions, either as a percentage or an amount, from <i>mudarabah</i> income. Introduces the Profit Equalisation Reserve (PER) and Investment Risk Reserve (IRR) to protect IAHs' interests by ensuring stable distribution rate of return to IAHs as well as ensuring capital recovery prior to realisation of distributable profit. | x | |
| Fas No. 14 on Investment Funds | | x |
| FAS No. 17 on Investments | | x |
| FAS No.20 requires that the bank shall disclose in the notes to the financial statements the policy adopted in financing deferred payment sale transactions. | | x |
| FAS No.21 require that disclosures shall be made of the accounting policies adopted in the transfer of assets from unrestricted investment accounts to restricted investment accounts. | | x |
| FAS No.23 requires consolidated financial statements shall be prepared by combining the financial statements of the IFI. | x | |

It appears that KFH follows the basic disclosure requirements of AAOIFI even though it officially adheres to IFRS, however, there is a gap in relation to the more detailed requirements of the AAOIFI standards. However, all of these requirements appear to have been met in the KFH (Bahrain) B.S.C.(c) Public Disclosure Report,⁸ as AAOIFI standards are officially followed in Bahrain.

Corporate Sustainability Report

KFH was the first bank in the world to issue a corporate sustainability report in 2009, which constitutes voluntary disclosure. In 2011, KFH won the Best CSR Programme in the Middle East by EMEA Finance and donated approximately KD 9 million including KD 4 million paid to the *Zakat* House and KD 5 million to alleviating the effects of famine and drought in the region of the Horn of Africa (KFH 2011). KFH also has many programs related to Diabetes (KFH 2011: 24-25) and introduced the *Qu'ran* App for iphone as well as an iphone application for monitoring Diabetes. In addition, KFH offers the *Jameati* Saving Account for Higher Education, encouraging their employees to save for their childrens' college educations (KFH 2011) and actively supports Islamic educational and social events, especially pertaining to *Qu'ran* recitation. The CSR Report also indicates employee's welfare, training and development, recruitment schemes, equal opportunity, reward to employees, and special services for women (Haniffa 2007:101). In terms of voluntary disclosure and social support activity, KFH ranks number one in the world.

Conclusion

Concerns for investors include the worrying debt-to-equity, ROE, and ROA ratios, overextension in the real estate and investment businesses, the declining dividend pay-outs and increasing salaries along with the decreasing percentage of profits to investment account holders, and the Moody's downgrade. Another destabilizing factor could be the use of derivatives to hedge risk and/or speculate and the lack of transparency in the reporting of the investment accounts, remuneration committee, *Shari'ah* Board, and the Group as a whole. Agency problems involving the investment accounts can be mitigated if KFH Group opted to adopt the structure of the KFH Bahrain Public Disclosure Report in its financial reporting, which adheres to AAOIFI standards. My recommendation to KFH is to utilize the Bahrain Public Disclosure Report in the KFH Group consolidated financial statements either as a separate additional report or included in the Notes to the Group consolidated financial statements. Furthermore,

⁸ Prepared in accordance with the Central Bank of Bahrain's requirements outlined in its Public Disclosure Module, Section PD 3.1.6 Additional Requirements for Semi Annual Disclosures, CBB Rule Book, Volume II for Islamic banks.

I recommend KFH to issue a Remuneration Report and to develop a comprehensive corporate governance structure as well as issue a more substantial *Shari'ah* Supervisory Board Report so as to ensure *Shari'ah* compliance. KFH should also consider taking the lead as the first Islamic bank to introduce a system of guaranteeing deposits in order to attract greater clientele and ensure industry-wide stability. Otherwise, KFH remains the best Islamic bank in Kuwait and the Middle East.

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Appendices

Spread sheet of Ratios Used in Part I (see attached)

Explanation of Investment Accounts

Revenue Recognition for KFH 2011 Annual Report

KFH 2009 Annual Report (see attached)

KFH 2010 Annual Report (see attached)

KFH 2011 Annual Report (see attached)

KFH 2009 Corporate Social Responsibility Report (see attached)

KFH 2010 Corporate Social Responsibility Report (see attached)

KFH 2011 Corporate Social Responsibility Report (see attached)

Kuwait Finance House (Bahrain) B.S.C.(c) 2011 Public Disclosure Report (see attached)

GFH 2009 Annual Report (see attached)

GFH 2010 Annual Report (see attached)

GFH 2011 Annual Report (see attached)

Appendix B:

Investment Accounts

The Bank receives deposits from customers as part of several unrestricted investment accounts “On Balance Sheet” and restricted “Off Balance Sheet.” In Unrestricted Deposits, these are invested by the bank as *Mudarib* investing funds for limited or renewable periods at various investment ratios. Investment returns are distributed among the bank as a *Mudarib* and investment account holders on proportionate basis for each type of these accounts and the elapsed investment period (KFH 2011). Investors’ capital is not guaranteed and they incur losses if the bank does (Van Greuning and Iqbal 2008:35). KFH acts as an investment agent in restricted deposits.

In terms of depositors’ accounts, non-investment deposits in the form of current accounts are not entitled to any profits nor do they bear any risk of loss as the Bank guarantees to pay the related balances on demand. Accordingly, these deposits are considered *Qard Hasan* from depositors to the Bank under Islamic *Shari’ah*. Investment deposits comprising of *Khumasia*, *Mustamera*, and *Sedra* deposits are for an unlimited period, initially valid for one year, and are automatically renewable for the same period unless notified to the contrary in writing by the depositor. The *Tawfeer* savings accounts are investment savings accounts valid for an unlimited period. In all cases, the investment deposits receive a proportion of the profit as the board of directors of the Bank determines or bear a share of loss based on the results of the financial year. The bank generally invests approximately 100% of investment deposits for an unlimited period (*Khumasia*), 90% of investment deposits for an unlimited period (*Mustamera*), 70% of investment deposits for an unlimited period (*Sedra*) and 60% of investment saving accounts (*Tawfeer*). The bank guarantees to pay the remaining un-invested portion of these investment deposits. Accordingly, this portion is considered *Qard Hasan* from depositors to the Bank under Islamic *Shari’ah*. Investing such *Qard Hasan* is made at the discretion of the Board of Directors of the Bank, the results of which are attributable to the equity-holders of the Bank (KFH 2011:71).

According to the AAOIFI *Shari’ah* Standard No. 40 Distribution of Profit in *Mudarabah*-based Investment Accounts, section 4/1, the method of profit distribution should be well-known so that no room is left for uncertainty and dispute. Distribution of profits should also be in terms of ratios and not at all by specifying a lump sum amount or a percentage of the capital for any party or any other method

that could lead to avoidance of sharing of the profit between the two parties (2004: 723). KFH has not specified in its annual report the method of profit distribution, however, has listed the concerned ratio.

| Deposit Type | 2011% of Profit Distribution to IAH's | 2010 % of Profit Distribution to IAH's |
|-------------------|---------------------------------------|--|
| <i>Khumasia:</i> | 2011 (1.920%) | |
| <i>Mustamera:</i> | 2011(1.728%) | 2010 (2.378%) |
| <i>Sedra:</i> | 2011(1.344%) | 2010(1.850) |
| <i>Tawfeer:</i> | 2011(1.152%) | 2010(1.585%) |

According to section 5/1, Distribution of Profit, Application of Scoring Method of Profit Distribution, the scoring method for distribution of profit among the participants of general investment accounts should be used. From the 2011 report, we cannot deduce the method used, however, all we can see is that the ratio of profit decreases from 2010 to 2011 due to a decision of the Board of Directors (AAOIFI 2004: 723). The dilemma currently experienced in terms of the divergence of accounting standards and their implementation poses a great threat to the sustainability of Islamic financial institutions. Appropriate management of PSIA, with proper measurement, control, and disclosure of the extent of risk sharing and IAH's can be a powerful risk mitigant in Islamic finance (Van Greuning and Iqbal 2008:59). The AAOIFI and the Islamic Finance Supervisory Board recommend that Islamic banks accurately disclose the returns on IAH and shareholder funds, the bases and the percentages for the allocation of assets, and profits and expenses in a way to enhance transparency and enable investors to monitor the performance of their investments (Safieddine 2009: 144).

Appendix C:

In terms of revenue recognition by KFH, financing income is income from *murabahah*, *istisna'a*, and *wakalah* investments and is determined by using the effective profit method. The effective profit method is a method of calculating the amortized cost of a financial asset and of allocating the financing income over the relevant period; Income from leased assets is recognized on a pattern reflecting a constant periodic return on the net investment outstanding and is included under financing income; Operating lease income is recognized on a straight line basis in accordance with the lease agreement; Rental income from investment properties is recognized on an accruals basis; Dividend Income is recognized when the right to receive is established; and Fee and commission income is recognized at the time the related services are provided (KFH 2011).

| |
|--|
| New Accounting Standards for KFH in 2011 |
| IAS24- Related Party Disclosures (Amendment), effective 1 January 2011. |
| IAS32- Financial Instruments: Presentation-Classification of Rights Issues (Amendment), effective 1 February 2010. |
| IFRIC 14 -Prepayments of a Minimum Funding Requirement (Amendment), effective 1 January 2011. |
| IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010. |
| IAS1- Financial Statement Presentation – Presentation of Other Comprehensive Income. |
| IFRS7 - Financial Instruments: Disclosures – Enhanced De-recognition Disclosure Requirements. |
| IFRS 9 - Financial Instruments: Classification and Measurement. |
| IFRS10 - Consolidated Financial Statements. |
| IAS27- Separate Financial Statements. |
| IFRS 11 - Joint Arrangements. |
| IFRS 12 - Disclosure of Involvement with Other Entities. |
| IFRS 13 - Fair Value Measurement. |

Exploring customers' perception, Islamic values, company's CSR

Exploring customers' perception in judging the influence of Islamic values in fulfilling company's CSR

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Abstract

Muslims believe that Islam is not only a religion but a complete way of life. The teaching covers every aspect of life including in doing business and values and principles the central foundation in Islam. As a modern, progressive and politically stable Muslim country, Malaysia has the opportunity to establish itself as a regional and global hub for Halal production, logistics and trade. Apart from growing one's business and profit earned, businesses are responsible "give back" what they have gained from customers in the form of corporate social responsibility (CSR). Parallel with the government's aspiration plus the notion of Islamic teaching as the foundation of CSR, the purpose of this paper is to examine the customers' perception in judging the Islamic influence in fulfilling company's CSR in Malaysia. In doing so, a total of 300 responses from questionnaire survey were collected from customers of fast food restaurant in Kuala Lumpur, which has led to new discoveries were made in the analysis. The analysis has also led to further understanding of Islamic CSR, which is indeed beneficial for future service business growth and development in the country.

Introduction

Corporate Social Responsibility (CSR) is a concept whereby businesses go beyond legal requirements to reconcile between economic obligation and social expectations. Due to differences of opinions and practice, the social dimension of corporate behavior has increasingly moved into the focus of public and academic discussion in the recent years. Firm performance on the social responsibility dimension is more and more impacting consumer brand perceptions (Huber et al., 2008) Corporate social responsibility (CSR) can be coined as a holistic strategy that can be termed as "good citizenship" or being a "good" company whereby businesses go beyond legal requirements to reconcile between economic obligations and social expectations. Sharing the business ethics and value of "paying back to society", CSR has covers a broad spectrum of a company activities ranging from human resource management to environmental protection and include every aspect of a firm's impact on society.

However when pursued as an abstract concept, CSR is not easy for the public to comprehend. Focusing on specific social issues is often desirable for effective communication, and enhances the public's receptiveness to a firm's public relations efforts. Under CSR related companies may explain what they stand for, how corporate social responsibility is carried out and how people benefitted from such action (Sheikh Sana-ur-Rehman and Beise-Zee Rian, 2011). In a simple connotations, CSR is actually is bridge between companies effort and people or customers overall perception towards them. Interestingly enough, that the concept of CSR were 'commercialized' by the Western world, however the values and principles have been the central to Islam since the time of holy Prophet Muhammad (Mohammed, 2008). In fact it is not too much to say that Islamic values is actually the foundation of today's CSR. That marks how Muslims should be familiar with the overall notion of CSR with its problems and inconsistencies countered in justification, conceptual definition, implementation and operationalization (Dusuki and Abdullah, 2007).

Even more so with the mission to transform Malaysia as a Halal Hub region in the world map, tremendous efforts should be concentrated. Among others, are the effort to be undertaken to make this

country as the production and distribution of halal products, service providers, reference on the Halal Standard and on R&D of halal matters. The introduction of halal issue signals the need to fulfill Muslim customers' requirement as a whole. In this paper, we are suggesting that the idea in promoting Islamic influence need not to stop there (by promoting Islamic products and services). It must be extended to cover the company's CSR activities as well. In doing so, customers should realize / can feel the impact of Islamic values in those activities. Therefore, this exploratory research intend to evaluate as to what extend customers perceive the Islamic influence in fast food companies' CSR initiatives.

2. Literature Review

Discussion on literature review is categorized into different factor accordingly:

2.1 Corporate social responsibility (CSR)

There is no strong consensus on a definition for CSR (McWilliams et al., 2007). Kotler and Armstrong (2005) believe that the largest aim of social responsibility and task is to create good standards of living of consumers, while attaining the profitability of the corporation. The whole concept of CSR itself is constantly evolving and varies as time goes by (Freeman, 1984; McWilliams et al., 2004; Lee, 2008). Customer relationship refers to a business ethically responsible to its stakeholders. It is an organization's commitment to conduct its business in an economically, socially and environmentally sustainable manner whilst balancing the interest of a diverse range of stakeholders (Siwar and Hossain, 2009).

2.2 Percieved company's mission

Firm mission is a "declaration of an organization's fundamental purpose: stating why it exists, how it sees itself, what it wishes to do, its beliefs and its long term aspirations" (Galbreath, 2009). In order for corporate social responsibility to be regarded as an integral part of business decision making, it must have a prominent place in a company's core mission, vision and company's value document (Galbreath, 2009). The task of building a shared vision is part of developing the governing ideas for the enterprise (Senge, 1997). A sense of mission and explicitly stated core values are important components of the process, and the vision must be consistent with the core values. To a certain extent, this vision will serve as the foundation in setting the moral tone for the organization which is then responsible for its moral climate. It is actually a statement of intent. The vision should then be transcend and well perceived by the customers and related parties the firm's intent and the following aspect of CSR-strategy relationship is offered for consideration (Pearce and David, 1987)

H₁: Customer interpretation of company's mission significantly affects customer perception of CSR

2.2 Commitment towards customer

The main aim of any company is to contribute and provide a good and improve customers' standard of living. One of the ways is by having CSR as it can function as a mechanism to ensure the survival and efficiency of the company (Porter and Kramer, 2006). As far as CSR is concerned, commitment towards customers can be in various forms. Aguilera et al. (2007) suggest that companies should do so by attaining a competitive edge in the economic market. Companies should be responsible enough to offer products and services that are safe for customers' intended use. Additionally, companies can also offer resource mobilization and civic improvement (Aguilera et al., 2007). CSR are the things that is capable of adding positive value and brand equity to a company by enabling it to demonstrate its potential as a good corporate citizen and control the consumer (Jeurissen, 2004).

H₂ : Commitment towards customer significantly affects customer perception of CSR

2.3 Commitments toward society

Somehow, commitment towards the society can be portrayed as the company's commitment contributing towards making the betterment of the society as a whole. This is parallel to the notion by Brown and Dacin (1997) which suggest that corporate social responsibility associations reflects the organization's status and activities with respect to its perceived societal obligations. However, Porter and Kramer (2006) argue that the case for CSR has evolved around four arguments namely moral obligation; license to operate, sustainability and reputation. Godfrey and Hatch (2007) further suggest that in fulfilling CSR, companies should fulfill their obligations that should be extended beyond mere profit-making activities. Business, because it is a part of society, is responsible for contributing to the common good as any other social group or individual in society. Corporations should contribute

positively to society's well-being, without hurting it (Garriga, & Melé, 2004). In other words, because they own resources, businesses should contribute to the society's welfare (Cannon, 1994). Moreover, if they do not engage voluntarily in CSR activities benefiting society, the government is likely to increase corporate taxes in order to obtain the necessary resources to raise society's well-being. Furthermore, corporate activities have an impact on society that can be positive, neutral, or negative, through employment, provision of products, etc. Hence they have a responsibility for these impacts and for those that will arise from future activities (Crane, & Matten, 2004). Thus, that leads to:

H₃ : Commitment towards society significantly affects customer perception of CSR

With all the initial factors, the proposed framework of the study is as follows:

Figure 1 : Proposed Initial Framework



2.4 Islamic influence

Most of the studies on CSR decades ago focus on the form of CSR in Western societies. This is evident from the research done especially in Europe and United States which emphasize on ethical values, culture and beliefs (for instance Bowen, 1986 and Freeman, 1984). In contrast to the Western ways, in Islam CSR is viewed rather holistically. It offers an intergalactic spiritual view based on the teachings of *Quran* and the *Sunnah* providing a better alternative philosophical framework for man's interaction with nature as well as his fellowmen (Ahmad, 2002).

Muslims believe that the teaching of Islam can be obtained from the *Holy Quran* and *hadiths*. Apart from that Prophet Muhammad was sent as the messenger for the whole universe. Looking it from a different perspective, *Quran* serves as a guideline to solve the entire human problem. In fact, Islam represents itself not only as religion but also a complete code of life (Siwar and Hossain, 2009). *Quran* discusses about literature, law, economics, socialization as well as *Jihad*. However, *Quran* is very unique in the sense that, we cannot draw any conclusion simply by looking at the verse alone. *Quran* serves as a guideline that provides the theoretical framework while Prophet is the practical example of *Quran* and Muslim's way of life. Similarities of concept are observed between CSR and Islamic teaching. For instance, the culture of giving and sharing in Islam embracing the concept of "giving" back to society. The concept of helping the needy ones can be seen through CSR's activities supporting education and research, building hospitals and schools (Ararat, 2006)

Figure 2 : Proposed Initial Framework – With Additional Mediating Factor



The introduction of Islamic influence in the framework leads to the following hypotheses:

H4: Islamic influence significantly mediates the relationship between related factors with CSR

3. Methodology

The study is targeted of customers of fast food restaurants around Johor Bahru, Malaysia. The sample size consumers with the age range between 18 to 55 years old. They were chosen simply because they are adult enough to choose any specific fast food operators that they prefer. Five fast food restaurants were being selected. Participation by the customers of these fast food restaurants was purely voluntary. Structured questionnaire was used as a mean for data collection. Data was collected using a structured questionnaire with questions in prearranged order. The questionnaire items were adapted from different sources to suit the study. Items were adapted from several sources; for instance CSR were adapted from Papasolomou-Doukakis (2005) and interpretation of company's mission from Haniffa and Hudaib (2010). In judging how customers evaluate company's effort to the society and customers themselves, questions were being adapted from the same source. Modeling CSR together with religious influence gives a holistic picture than studying the two constructs separately. In this sense, the study adds value to the present knowledge in the area. Items for religious influence were adapted from Hassan and Rashid (2010). All items were measured on a seven-point Likert scale ranging from 1 "strongly disagree" to 7 "strongly agree".

The exercise was conducted over a period of two weeks and a total of 550 questionnaires were distributed and 383 (69.6 percent) were returned. Some questionnaire had more than 25% of the items unanswered and were rejected resulting in an effective sample of 300 usable completed questionnaire.

4. Empirical Results

4.1 Demographic Profile

The participants in this study were quite balance between male (43.3) and females (56.7 percent), with majority at the ages of less than 25 years old (47.3 percent). Most of the respondents are currently work in the public sector (18.7 percent). In terms of fast food preference, majority have chosen KFC (26.3 percent) as their top preference, followed by McDonald's (24.3 percent) Full details are shown in Table 1.

Table 1: Respondent's Demographic Profile

| No | Profile | Description | Responses | Percentage |
|----|---------------------|-------------------------|-----------|------------|
| 1 | Gender | Male | 130 | 43.3 |
| | | Female | 170 | 56.7 |
| 2. | Age | less than 25 years | 142 | 47.3 |
| | | 26 – 39 years | 103 | 34.3 |
| | | 40 – 55 years | 55 | 18.3 |
| 3. | Fastfood preference | McDonald's | 73 | 24.3 |
| | | KFC | 79 | 26.3 |
| | | Pizza Hut | 47 | 15.7 |
| | | Dominos | 49 | 16.3 |
| | | Burger King | 52 | 17.3 |
| 4. | Education | Secondary / High School | 31 | 10.3 |
| | | Diploma / certificate | 61 | 30.4 |
| | | Degree | 166 | 55.3 |
| | | Post graduate | 12 | 4.0 |
| 5 | Job status | Public sector | 56 | 18.7 |
| | | Private sector | 54 | 18.0 |
| | | Self-employed | 49 | 16.3 |
| | | Others | 141 | 47.0 |

4.2 Measuring Reliability and Validity

Factor analysis was performed on all questionnaire items to establish their suitability for performing the subsequent multivariate analysis. The results presented are based on parsimonious sets of variables, guided by conceptual and practical considerations with loadings of 0.50 and above (Hair et. al., 2010), and cross loadings below 0.20. The varimax factor rotation was employed for the analysis. High

communality values were recorded for all the variables, indicating that the total amount of variance an original variable shares with all other variables included in the analysis is high. Overall, the results show that the construct measures are valid.

Finally, the remaining 37 items loaded well on four dimensions (CSR, interpretation of company's mission, commitment towards society and customers) with scores over 0.50 (Hair *et.al.*, 2010). Thus, the validity of measures was established, confirming that the individual items are measuring the same construct and thus are highly inter-correlated (Nunnally, 1978). The Kaiser-Meyer-Olkin measure of sampling adequacy gives a high total of 0.954 and Bartlett's Test of sphericity value is significant ($p = 0.000$). Besides that, reliability analysis was to test the reliability of the questionnaire. The Cronbach Alpha (as shown on Table 2) indicates factors exceeding 0.500, which indicates the reliability of scales used in that survey.

Table 2 : Overall result for reliability testing

| Dimension | No. of items | Cronbach Alpha |
|---------------------------|--------------|----------------|
| CSR | 8 | 0.892 |
| Interpretation of mission | 10 | 0.834 |
| Commitment to society | 5 | 0.874 |
| Commitment to customers | 7 | 0.746 |
| Islamic influence | 7 | 0.893 |

4.3 Regression

We started off by investigating the scenario by using multiple regression analysis for the relationships between interpretation of company's mission, effort to society and customers with Islamic influence and CSR. The regression analysis was divided into two different stages.

In the first part of regression analysis (as shown in Table 3), multiple regressions were conducted between customers' interpretation of company's mission, efforts to the society and customers with CSR. All the three factors contribute significantly to the measurement of CSR with ($F=138.411$; $p = 0.000$). All the three factors contribute about 58 percent of the variation in predicting factors that influence customers' interpretation of the companies' CSR. Analyzing the factors individually, the results show that interpretation on company's mission ($\beta = 0.648$) and commitment to the society ($\beta = 0.181$) contribute significantly to cust with ($p = 0.000$). The result is as shown in Table 3 below.

Table 3 : Summary of regression analysis of Company's mission, Effort to the society and Effort to customers on CSR

| Summary | | ANOVA | | | | | |
|--------------------|----------------|---------|-------|-------------------|---------|--------|-------|
| R | R ² | F | Sig | Dimension | β | T | P |
| 0.764 ^a | 0.584 | 138.411 | 0.000 | (constant) | | 2.341 | 0.020 |
| | | | | Company's mission | 0.648 | 13.762 | 0.000 |
| | | | | Society | 0.181 | 3.013 | 0.003 |
| | | | | Customers | 0.010 | 0.179 | 0.858 |

Predictors: (constant, CSR)

4.3.1 Regression: The mediating effect of Islamic values

We run another set of regression test to gauge the mediating effect of religious influence on CSR. This is even more so with the development of aspiration to become an important Halal Hub in the region, we feel a strong urge to determine the influence of Islam in fulfilling company's CSR. In analyzing the effect, only two independent variables are chosen (as they have shown significant relationship result – in Stage 1); namely customers' interpretation of company's mission and commitment to the society.

The mediating effect of Islamic influence in the association of the two factors and commitment was assessed based on the research done by Baron and Kenney (1986). According to Baron and Kenney (1986), a variable functions as a mediator when it meets the following conditions: (a) variations in levels of the independent variable significantly account for variations in the presumed mediator, (b) variations in the mediator significantly account for variations in the dependent variable, and (c) when a and b are controlled, a previously significant relation between the independent and dependent variables is no longer significant or it is significantly decreased. If Z = dependent variable, X = Independent variable, and Y = mediating variable:

$$Z = f(X) = a + bX; \quad Y = f(X) = c + dX$$

$$Z = f(Y) = e + fY; \quad Z = f(X, Y) = g + hX + jY$$

Full effect:

$$* b \neq 0$$

$$* d \neq 0$$

$$* f \neq 0 \text{ also } j \neq 0$$

$$* h = 0$$

Partial effect:

$$* b \neq 0$$

$$* d \neq 0$$

$$* f \neq 0 \text{ also } j \neq 0$$

$$* h \neq 0 \text{ but } h < b$$

The summary of the result is as shown in Table 4 below.

Table 4: The influence of Islamic influence as a mediating variable

| Table 10: The Influence of Islamic Influence as a Moderating Variable | | | | | |
|---|---|--------------|---------------------------------------|--------------|--|
| <u>Independent Variable:</u> CSR | REGRESSION ANALYSIS | | | | Changes |
| | Stage 1 (with religious belief) | | Stage 2 (without religious belief) | | Decrease in β Value Decrease in β Value |
| | β Value | ρ value | β Value | ρ value | |
| | <u>Dependent Variable:</u> Company's mission | 0.648 | 0.000 | 0.590 | |
| Commitment to society | 0.181 | 0.003 | 0.107 | 0.290 | |
| | | | | | |
| Adjusted R ² | 0.579 | | 0.654 | | |

In analyzing the function of Islamic influence as a mediating variable in the relationship between interpretation of company's mission and commitment to the society and, it is interesting to note the decrease in Beta value (from 0.648 to 0.590 – company's mission) and (from 0.181 to 0.107 – commitment to society) respectively. The decrease in value indicates that Islamic influence is a mediator in both relationships.

5. Conclusion and discussion

The best way of doing Islamic business is having partnership with trust, engaging in trading of goods and services that increases the satisfaction level of the customers, promoting the social relations of the business. And one of the ways to gain all those factors is by involving in CSR activities. On top of everything, as a way to attract Muslim, CSR activities being designed need to fulfill the Islamic way of life. All these activities will be meaningless without having complete faith and submission to Allah (SWT).

The results from the study give interesting interpretations. Somehow or rather, it is reflecting how effort in fulfilling company's CSR is evident at macro level. That is why customers can interpret how company's mission and effort to meet societal need address the CSR. The results is parallel to previous study which reflects that fact customers agrees that companies have an underlying responsibility towards the society at large (Darrag and E-Bassiouny, 2013)

However, at micro level, customers fail to see effort done by fast food companies in rendering best CSR activities to them. From there, we can conclude that future efforts should be instilled to satisfy individual customers by having customer-centric CSR (Rashid, 2010). Profit earned should be generated back to deliver better value to customers. Customers should be regarded as the co-creator of

service As Prophet Muhammad (PBUH) said, if we do not serve our customers well, then Allah (SWT) angels would curse us.

Extracted from Wilson and Liu (2011) “Muslim consumer behavior is largely a cultural construct, which necessitates that marketers should understand Islam through the varied lenses of Muslim consumers and all. This separates social sciences marketing insight from Islamic scholastic *Sha’riah* postulations. As an adjunct, however, it is suggested that the two positions, like wheels of a cart, need to work in tandem – lest each is optimized....”

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Transforming a Conventional Financial Statement into a Shariah Compliant One

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Abstract

The use of the Gregorian calendar as the basis of Islamic Finance has created inadvertent embezzlement of zakat payment. That is because the Gregorian calendar is 11.5 days longer than the Islamic calendar. This flawed accounting system has caused a Muslim's business to underpay the corresponding zakat, which is accumulating into one year for every thirty year of its business operation. This study does not only calculate the zakat payment loss due to the use of the Gregorian calendar in a Muslim business operation, it also calculates the accuracy of the estimate. Lastly, the study proposes a swift way of transforming a conventional financial system to the one that is compliant with shariah principles, at a low cost.

1 Introduction

Madslien [1] reveals an amazing fact that the total debts of the world's poorest countries has hiked astronomically from mere \$25 billion to \$523 billion only in 32 years from 1970 to 2002. Economists call it as a debt-trap that actually has caused the economy of the poorest countries becomes even more uncontrollable. In return, this has further escalated the poverty level of the indebted countries. Later in 2008, the World Bank released the poverty level data at a poverty line of \$1.25 a day [2]. With this benchmark, WB estimates that some 1.4 billion people actually live at this poverty line or below. In addition, the estimated number of poor was 1.9 billion in 1981 alone.

These are alarming facts about a continuing escalation of poverty in our blue planet. In anticipating this, almost 200 UN member countries which were then supported by 23 international organizations signed the UN's Millennium Declaration in 2000. They set up common goals the so-called the Millennium Development Goals (MDGs). Their objectives include, among others [3]:

- a) Eradicating extreme poverty and hunger, and
- b) Achieving universal primary education, especially in the third world countries that suffer most from this unjust world's wealth distribution.

Shah [4] further emphasizes that the causes of debt in the third world countries are in general:

- a) Unjust debts transfer from the colonizing regime to the developing countries as the legacy of past colonialism;
- b) The unjust odious debt incurred by the developing countries as a legacy of previous corrupt regime.

Within the Muslim's world, the legacy of inequalities of the wealth distribution as a result of past colonization are still enormous as shown in their current GDP per capita of Muslims' world [5, 6] and are classified as HIPC (Heavily Indebted Poor Countries) with GDP per capita less than US\$ 2,000. The total population of these HIP countries is close to 270 million [6]. Unfortunately, the loan scheme to these poorest countries does not comply with Islamic principles because the majority of donor institutions come from western world. Furthermore, the existing loan scheme from these donor institutions seems to have failed to meet MDG programs. Muslims are therefore obliged to seek other funding sources for poverty eradication within Muslims world. This study investigates and addresses one of them.

2 What can Muslims contribute?

Muslims actually reserves a huge potential of power for eliminating poverty especially in Muslim countries through zakat collection. Not only for the future collection, but also if Muslims are willing to rectify their past mistakes due to wrong conception in applying wrong financial system. The scope of this study emphasizes on the latter issue.

Saksono [7-9] has shown that due to the inexistence of a reliable Islamic calendar, Muslim's businesses have used the Gregorian calendar as the basis of their accounting system. In so doing, Muslims actually have applied a flawed Islamic financial system because the Gregorian calendar is about 11.5 days longer than the Islamic calendar. Although the use of the Gregorian calendar has ensured a full

conformity of the Islamic economics with the western economics system, it actually preserves long-term problems. An Islamic business entity that closes its annual balance sheet and income statements on December 31, it should have paid the zakat of the booked profit and distributed dividends to its stakeholders 11.5 days earlier according to the Islamic shariah. Otherwise, it creates 11.5 days unpaid zakat, and it accumulates into one year unpaid zakat for thirty year operation of the business. Taking into account that all Muslims' businesses have committed to apply this flawed system for hundreds of years, the magnitude of the embezzled zakat must be unimaginably huge.

In order to prove this hypothesis, Saksono developed the algorithm for the calculation this zakat payment deficit through several approaches. The process is diagrammatically shown in Figure 3.

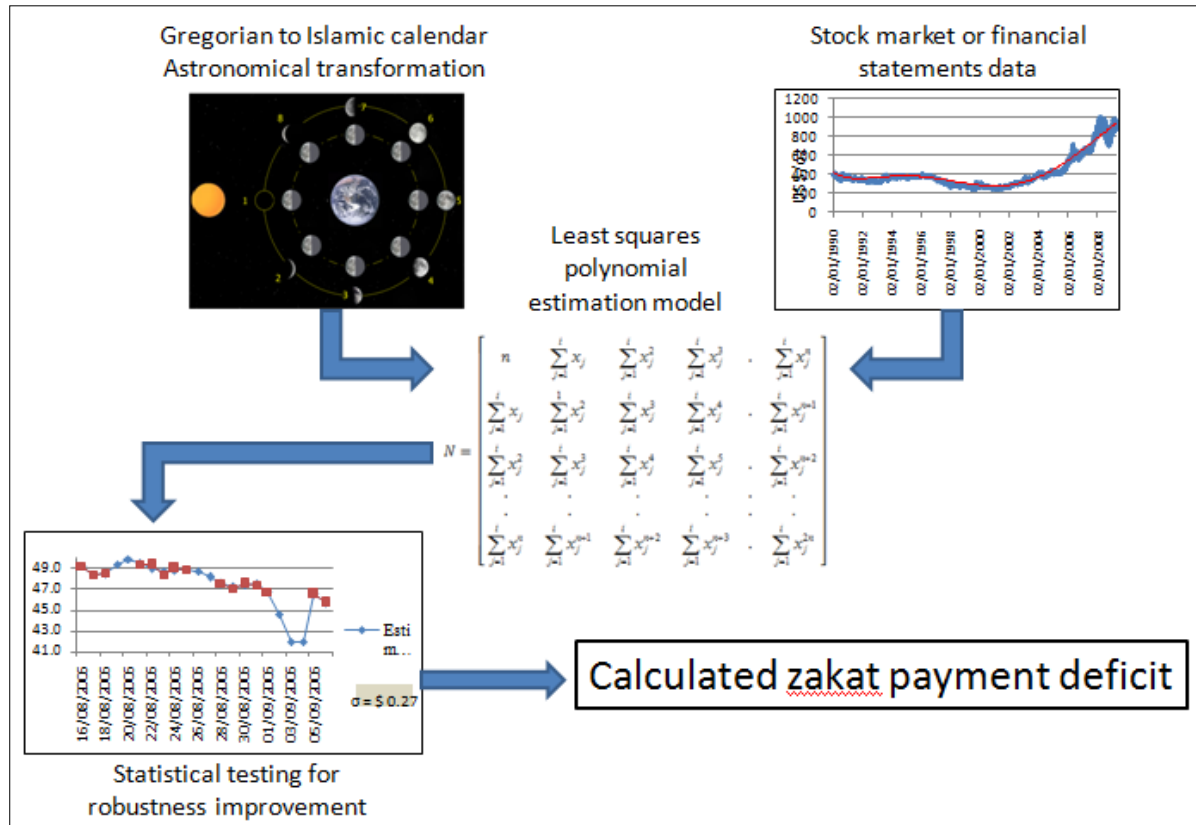


Figure 3: Transformation from a conventional to a shariah compliant financial statement

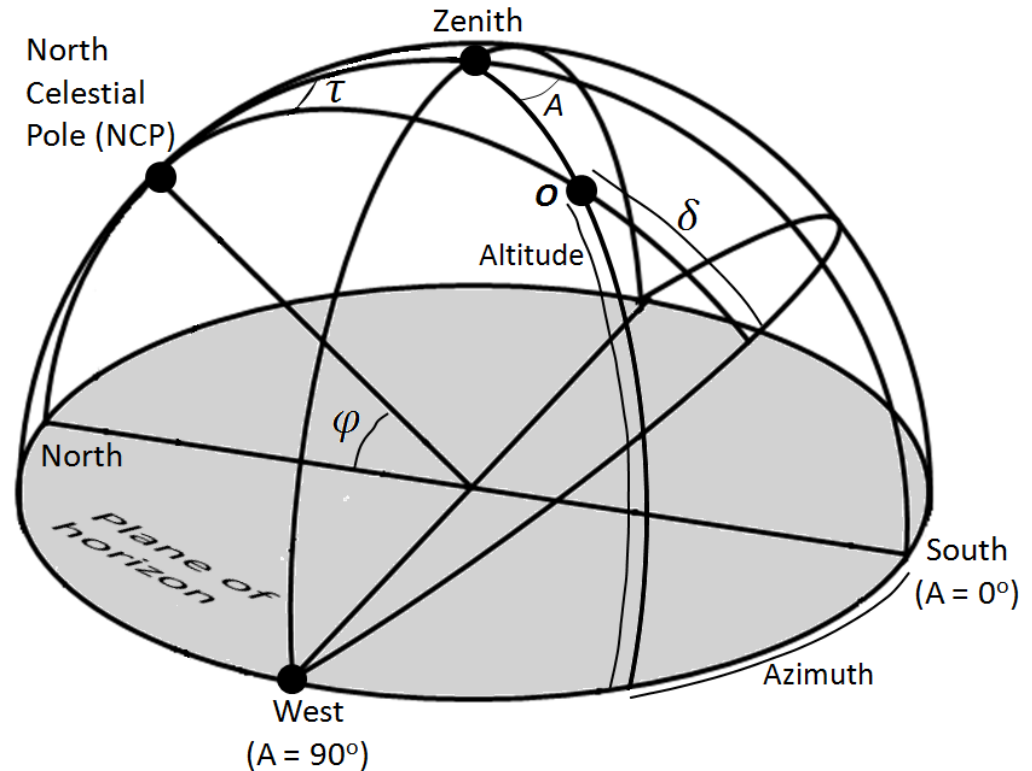
The methodology essentially consists of three basic approaches:

- To conduct a robust astronomical transformation from the sun-based (Gregorian) into the lunar-based (Islamic) calendar systems in order to develop an accurate Islamic calendar;
- To develop a robust transformation algorithm for a highly stochastic economic data with which the astronomical benchmark can be applied;
- To apply a versatile error analysis and proposed appropriate remedies in order to improve the reliability of the estimate.

2.1 Gregorian to Islamic calendar transformation

The transformation from the Gregorian (i.e. solar) to the Islamic (i.e. lunar) calendar systems essentially is a mathematical transformation involving three different spatial coordinate systems i.e. ecliptic, horizon, and equatorial coordinate systems. These three coordinate systems are constructed when all celestial bodies (e.g. O in Figure 3, see [10]) are projected onto a virtual celestial sphere having a radius of infinity with the earth as the center of their apparent movement of O . The ecliptic coordinate system is a coordinate system whereby the apparent sun is rotating the earth, due to the revolution of the earth over the sun. In addition, we also need to understand the relationship between the ecliptic coordinate system with the equatorial coordinate systems because the earth is also rotating along its axis. This axis is perpendicular to equatorial plane. Unfortunately, the equatorial plane is not parallel with the ecliptic plane; therefore we have to take into account its obliquity. Lastly, we should also be able to relate these two coordinate systems with the horizon coordinate system because we are actually standing perpendicular to the horizon plane during our observation.

Through this mathematical relationship, we are able to locate the position of the moon and the sun, and to calculate the birth moment of crescent that marks the beginning of an Islamic month. This is actually the basic prerequisite of the development of the Islamic calendar. Of course, different interpretation of the sources of Islamic law contained in the Qur'an and Hadith (prophetic sayings) all blended into a complication, which further creates that the development of the Islamic calendar stands still in the middle of nowhere up to the present time. The process is too technical to address in this paper because this is actually a blending complication of Islamic law, science and engineering



problems. Interested readers are referred to [10, 11].

Figure 4: Equatorial and Horizon coordinate systems

Where:

| | |
|-------------|--|
| NCP: | North Celestial Pole, which is the intersection between the extended rotation axis of the earth with the celestial sphere; |
| Zenith: | The intersection of the extended observer's local vertical with the celestial sphere; |
| O: | The celestial body of interest (e.g. the sun or the moon); |
| A: | Azimuth |
| φ : | Latitude of the observer on the earth's surface; |
| h : | Altitude of O with respect to the horizon; |
| δ : | Declination of O with respect to the equatorial plane |
| τ : | Hour angle |

In a Cartesian coordinate system, the relationship between the ecliptic coordinates (x, y, z) and the equatorial coordinates (x', y', z') is given in [10] (see p. 17):

| | |
|---|------------|
| $x' = +x$ | |
| $y' = +y \cos \varepsilon - z \sin \varepsilon$ | (1) |
| $z' = +y \sin \varepsilon + z \cos \varepsilon$ | |

Where:

$$\varepsilon = 23^{\circ}.43929111 - 46''.8150T - 0''.00059T^2 + 0''.001813T^3$$

$$T = (JD - 2451545)/3625$$

JD = Julian Date, or the total number of days that have elapsed since 1 January 4713 BC.

To calculate the azimuth and altitude of a celestial body from its known hour angle and declination is given in Equation (2) [10] p. 37:

| | | |
|--|---|-------|
| | $\cos h \cos A = + \cos \delta \cos \tau \sin \varphi - \sin \delta \cos \varphi$ | |
| | $\cos h \sin A = + \cos \delta \sin \tau$ | (2) |
| | $\sin h = + \cos \delta \cos \tau \cos \varphi + \sin \delta \sin \varphi$ | |

Conversely, the hour angle and declination can be computed from Equation (3) [10]:

| | | |
|--|--|-------|
| | $\cos \delta \cos \tau = + \cos h \cos A \sin \varphi - \sin h \cos \varphi$ | |
| | $\cos \delta \sin \tau = + \cos h \sin A$ | (3) |
| | $\sin \delta = - \cos h \cos A \cos \varphi + \sin h \sin \varphi$ | |

2.2 Econometric model transformation

Although business management target, social unrest, political intervention, and other factors might strongly affect the economy, economic data in general always retain its stochastic characteristics. Saksono [7-9] has shown that a popular linear regression is actually insufficient in modeling a highly volatile economic data. Instead, he proposed the use a more versatile mathematical model that is very popular in engineering applications, namely a higher degree polynomial.

| | | |
|--|--|-------|
| | $y_i = p_0 + p_1 x_i + p_2 x_i^2 + p_3 x_i^3 \dots + p_n x_i^{10}$ | (4) |
| | $\hat{x} = (A^t A)^{-1} A^t l = N^{-1} A^t l$ | (5) |
| | $v = \{A(A^t A)^{-1} A^t - I\} l = \{AN^{-1} A^t - I\} l$ | (6) |

Where:

| | |
|-----------------------------|---|
| $y_i =$ | Stock price at i^{th} day, or PLBZ (profit-loss before zakat) data; |
| $x_i =$ | i^{th} transaction day, or the official date of financial statement is released; |
| $p_0, p_1, \dots, p_{10} =$ | Unknown parameters of the polynomial to be determined; |
| $\hat{x} =$ | Unknown parameter matrix; |
| $A =$ | Design or coefficient matrix; |
| $A^t =$ | Transpose matrix of A ; |
| $N =$ | Multiplication of matrices of $A^t A$; |
| $N^{-1} =$ | Inverse of N matrix; |
| $I =$ | Identity matrix; |
| $v =$ | Vector of residual error; |
| $l =$ | Vector consisting of y_i in a predetermined window. |

Understanding the statistical characteristics of the above variables and parameters are of primary importance in order to improve the reliability of the estimate. Under *Null Hypothesis* \bar{H}_0 , the distribution of l , \hat{x} , and v is written [12-15]:

| | | |
|--|--|-------|
| $l \sim N(Ax, \sigma_0^2)$ | l is normally distributed (i.e. multi-dimensional distribution) with expectation of Ax and dispersion of σ_0^2 , where σ_0^2 is the a-priori variance. | (7) |
| $\hat{x} \sim N(x, \sigma_0^2 Q_{xx})$ | \hat{x} is normally distributed with expected value x and precision $\sigma_0^2 Q_{xx}$, and $Q_{xx} = (A^t A)^{-1}$. q_{xx} is the corresponding diagonal element of the variance-covariance matrix of \hat{x} . | (8) |
| $v \sim N(0, \sigma_0^2 Q_{vv})$ | v is normally distributed with expected value 0 (zero) and precision $\sigma_0^2 Q_{vv}$. q_{vv} is the corresponding diagonal element of the variance-covariance matrix of v . $Q_{vv} = I - A Q_{xx} A^t$ (we will discuss it later). | (9) |

Based on these statistical characteristics, two scenarios are applied in order to obtained the best accuracy of the modeling, namely *statistical and geometric remedies* [7].

3 Results

The above algorithms were then applied for two sets of economic data that represent the real problem in calculating the potential zakat payment deficits in Muslim's mundane lives. The first data was a simulated collective ownership of paper assets of world class enterprises and favorite tradable goods for long-term investment that can be obtained from stock market.

Table 5 shows a collective ownership of five paper assets by Muslims in the world [7]. They include the possession a number of shares of General Electric, gold, silver, crude oil and copper. The asset volumes, the period of the ownership, and the total zakat payment loss due to wrong definition of the

financial system are shown in the table. The table demonstrates that, even for the ownership of only five paper assets and the period of ownership of less than twenty years, Muslims have inadvertently embezzled zakat payment of about US\$ 9.2 million when they used a flawed Islamic finance that is based on the Gregorian calendar. The embezzled zakat must be unimaginably huge when one takes into account the total Muslims' assets for a longer ownership period. One should bear in mind that the algorithm has been able to obtain a high relative accuracy of 1.3% (average) of the stock price. Therefore, for a stock price of US\$ 1 per share, for example, the relative error is only about US\$ 1.3 cents. Higher accuracy results in Table 5 were obtained by applying the abovementioned statistical and geometric remedies.

Table 5: Zakat payment deficit for the possession of five different paper assets

| ASSETS | VOLUME | PERIOD (From To) | ZAKAT – (Greg. US\$) | ZAKAT Cal. (Islamic US\$) | Zakat deficit (US\$) | Relative Accuracy (%) |
|--|--------------------|------------------------|----------------------------|------------------------------------|----------------------------|-----------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| General Electric | 10 million shares | 5/1/2000 - 16/6/2009 | 81,583,329 | 83,968,940 | 2,385,611 | 1.69 |
| Gold | 1,000,000 ounces | 2/1/1990 - 5/6/2009 | 206,622,239 | 212,048,171 | 5,425,932 | 0.28 |
| Silver | 1,000,000 ounces | 1/8/1996 - 26/5/2009 | 3,537,163 | 3,643,871 | 106,708 | 1.25 |
| Crude oil | 10 million barrels | 16/8/2006 - 24/2/2011 | 41,781,151 | 42,970,881 | 1,189,730 | 1.38 |
| Copper | 10 million units | 10/7/1995 - 7/6/2011 | 7,403,671 | 7,478,343 | 74,671 | 1.71 |
| TOTAL ZAKAT DEFICIT: US\$ 9,182,652 | | | | | | |

The second case used the financial statements data. Unfortunately however, the financial statements used have two significant drawbacks, namely:

- The financial statements of Islamic banks are not available in public domain. An attempt to obtain such data from several banks was unsuccessful. Such data might be considered as classified in spite of the fact that the banks actually have been listed in the available shariah stock market;
- In order to test the accuracy of the algorithm therefore, financial statements of two world reputable companies, Google and Microsoft, were used. However, again, the available datasets in public domain were not ideal because they are only quarterly financial statements. Higher resolution data (e.g. monthly financial statements) are not available.

Under the aforementioned constraints, the algorithms were applied to the available datasets. The results are given in Table 6 [9]. Albeit rather low relative accuracy (see column 7), the table further demonstrates the potential of zakat payment loss when Muslims use a flawed financial statements. Should Google be a Muslim's enterprise, it should have embezzled almost US\$ 10 million of zakat during its business operation from 2003 to 2012 alone. Likewise, Microsoft also has underpaid its obligation to pay zakat of almost US\$ 81 million for 15 years of its business operation, if it were a Muslim's enterprise.

Proposed statistical and geometric remedies did not improve much the results in Table 6. However, that was mainly due to low resolution of the data available. Should a higher resolution data available, the theoretical accuracy in column 7 will improve accordingly. Meaning to say, if monthly financial statements are available, it is of firm confidence that the relative accuracy of 3%-4% can be obtained.

Table 6: Zakat payment deficit based on quarterly financial statements

| COMPANY | FROM - TO | PERIOD (year) | ZAKAT (Greg. Cal.) (US\$ million) | ZAKAT (Islamic Cal.) (US\$ million) | Zakat deficit (US\$ million) | Average Relative Accuracy (%) |
|----------|-----------|------------------|---|---|---------------------------------|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| | | | | | | | |
|-----------|----------|---|------|---------|---------|------|------|
| GOOGLE | 31/03/03 | - | 9.0 | 331.5 | 340.4 | 8.9 | 10.2 |
| | 31/03/12 | | | | | | |
| MICROSOFT | 31/03/97 | - | 14.8 | 2,901.6 | 2,982.2 | 80.6 | 6.4 |
| | 31/12/11 | | | | | | |

4 Aggregate of Muslims' assets

Although the results shown in Table 5 and Table 6 only used limited commodities, the amount of zakat deficit is quite alarming viewed from shariah (Islamic law) standpoint. The results hence have demonstrated that Muslims' mundane lives actually have spiritual consequences, unlike what majority of Muslims scholars thought before. A more comprehensive research is required in order to estimate the actual total zakat deficit due to the flawed practice of the Islamic economy along Muslims' civilization. If Muslims are also able to construct a proper infrastructure for the global strategic repayment schemes, we actually reserve a huge potential power to eradicate poverty without being dependent on financial aids of the western world.

One should bear in mind also that, apart from the limited number of commodities used in the above study, they are not real data. The main purpose of using them is just for algorithmic development in an academic research. However, the potential loss of the zakat payment in Muslims' real life must be quite alarming, and it is real. One should recall that the total amount of the inadvertently embezzled zakat is actually a function of two important variables namely, the aggregated Muslims' assets and the period Muslims have been practicing the flawed financial system.

Ernst & Young in its report in 2012 is quoted as saying *"One potential scenario shows global Islamic banking assets with commercial banks to reach \$1.8 trillion in 2013 (2011: \$1.3 trillion), representing average annual growth of 17%"* [11]. The report further disclosed this fact and is quoted herewith *"Islamic banking growth outlook continues to be positive, growing 50% faster than overall banking sector in several core markets. In Saudi Arabia, market share of Islamic banking assets is now over 50%"*. Ambitious UK to lead the global market for Islamic financial services is also sparked by the fact that the steady growth of shariah compliant assets. It is estimated to reach US\$ 2 trillion by the end of 2014 [10].

In the mean time however, sample series of financial statements of Islamic banks in the world are still using the Gregorian calendar as the basis of their financial system [16-30]. It is of firm belief therefore that all Islamic banks in the world are actually practicing the flawed shariah financial system.

These two variables (i.e. huge assets and long period of applying a flawed financial system) therefore confirm the huge potential of zakat payment loss. It continuous to grow unstoppably and it becomes Muslims' civilization debt. All Muslims should be warned that zakat in Islam is meant not only to cleanse one's wealth, but more importantly to purify his/her soul [31]. From shariah standpoint, therefore, it is imperative that all Muslims in the world seek a strategic way for the repayment scheme in one way or the other. This attempt, on the other hand, will generate an unimaginably huge financial resources preserved by Muslim's world in the development of global economy, especially in poverty eradication program in the third world countries.

Therefore, it is extremely urgent for Muslims all over the world to undertake the following steps:

1. Muslims should seek ways of stopping the "bleeding" by immediately stop the use of the Gregorian calendar and apply the Islamic calendar for their business and all aspects of their worldly lives. Failure in so doing will make the Muslims' civilization debt keeps growing bigger and bigger unstoppably.
2. All Muslims in the world should accept the pure astronomical calculation as the sole basis for the construction of the Islamic calendar; without which, the Islamic calendar will never exist, and we will not be able to stop the abovementioned bleeding.
3. Muslims scientists must construct a strategic global alliance to estimate the total zakat payment deficit due to the flawed practice of shariah economy so far.
4. Only then, Muslims will find ways of repayment scheme for their unconscious civilization debt.

5 Transforming the current financial statement into a shariah compliant one

Apart from the above long-term target however, it is of paramount importance to propose a method in transforming the current (i.e. conventional) financial statements of Islamic banks into a shariah compliant one.

An Islamic bank of course has options. First, it can go to a financial consultant to redo all the financial statements in order to comply with a genuine Islamic financial system that is based on the Islamic calendar. This is a conventional way of transforming the conventional financial statement to comply with the shariah principles. Considering that the bank has been operating for forty years or so, and the consultant has to recalculate the whole financial system on a monthly basis, the conversion might cost a great deal, besides it will take long time to accomplish. Therefore, unless there is a simple and low cost method in transforming the existing financial system, Islamic banks are very likely reluctant to swiftly undertake the migration. In the meantime, reluctance in swiftly performing the migration to the correct system, or any delay in so doing obviously will generate the deficit of the zakat payment is further stacking up.

This study proposes a simple, robust, and low cost solution for the migration from a conventional financial statement in order to comply with the shariah principles. The procedure is diagrammatically revealed in Figure 3. The methodology and the algorithm are given in the following sections, whilst the results are given in Section 3. Furthermore, this study proves that the proposed method is workable and can achieve high standard of accuracy. Estimated zakat payment deficit revealed in Table 5 and Table 6 demonstrated this claim. It is of firm confidence that this is something that has been forgotten not only by Muslim scholars, but also by Muslim economists. The proposed system is not only able to transform a flawed financial statement into a shariah compliant one, but it also calculates the zakat payment deficit along the business operation of a Muslim enterprise. It works faster at a very low cost compared with the conventional way.

6 Conclusions

This study has demonstrated that the current practice of our shariah economy is substantially flawed, as it is using the Gregorian calendar as the basis of its accounting system. This is what so called pseudo-shariah economy system. It is rather unproductive when Muslims develop shariah economy as an effort to be free from prohibited activities and elements in business (riba, maysir, and gharar) on the one hand, but they are nurturing a system that facilitates zakat embezzlement on the other hand. Therefore, Muslims all over the world should be able to undergo major reform in their business practice by using the Islamic calendar as the basis of their accounting system. Otherwise, the zakat deficit will be snowballing unstoppably, and it will be burdened by the next generations of Muslims.

A more comprehensive research is required in order to estimate the actual total zakat deficit due to the flawed practice of the Islamic economy along Muslims' civilization. If Muslims are also able to construct a proper infrastructure for the global strategic repayment schemes, we actually reserve a huge potential power to eradicate poverty without being dependent on financial aids of the western world. The followings are going to be the future objectives of the next research that will emphasize in scrutinizing:

1. The period whereby Muslims have been neglecting the Islamic calendar as the basis of their accounting system in business;
2. The strategic sampling of commodities representing the total assets of all Muslims' business;
3. The total zakat payment deficit when the real profit/loss data of Muslim's business financial statements are used.

Upon the completeness of the long-term research objective, we will then be able to declare the most probable value of Muslims' civilization debt accumulated due to the flawed Islamic economy system.

Acknowledgement

This research is fully financed by the Ministry of Higher Education (MOHE) Malaysia under FRGS research scheme vote 0760. The author is thankful for continuous support of the University Tun Hussein Malaysia (UTHM), Johor.

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Health Psychology Theories and GCC Muslim Consumers

Application of Health Psychology Theories on GCC Muslim Consumers' Intention to Adopt a Healthy Lifestyle

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This research examines the intentions of Muslim consumers in the GCC (Gulf Cooperation Council) region to adopt a healthy lifestyle. Specifically, the effect of intrinsic factors on GCC Muslim (versus North American) consumers' intention to engage in physical activity and maintain a healthy diet is observed. Two different theories of health psychology are applied to predict physical activity and healthy diet intentions. A comparison based on structural equation modeling demonstrates that the Theory of Planned Behavior performs better than the Protection Motivation Theory. The results suggest that GCC Muslim consumers (vs. North American) have a less severe perception of the negative consequences associated with overweight and obesity. The findings of this research are relevant to Muslim consumer researchers, and have implications for policy makers to address behavior behind the overweight and obesity problems in the GCC region.

Keywords: GCC Muslim Consumers, Cross-cultural behavior, Health Psychology, Consumer Advocacy, Healthy life style

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The lifestyle related issues of obesity and overweight in Middle East are well known (Donnelly et al., 2011; Kotian, Kumar, and Kotian, 2010). In fact, according to WHO, obesity and overweight is a worldwide problem. In 2008, 1.5 billion people were overweight, of which nearly 500 million men and women were obese (WHO, Fact sheet N311, March 2011). There is no dearth of research on this issue in the context of western populations (Plotnikoff et al., 2010; Plotnikoff & Higginbotham, 1998, 2002; Lippke & Plotnikoff, 2009; Milne, Sheeran, & Orbell, 2000; Hagger, Chatzisarantis, and Biddle, 2001). However, in the context of GCC (gulf cooperation council) and Middle East the research studying this problem is still in the preliminary stages. While some reviews have been published in health related journals (Musaiger, 2011; Mirmiran et al., 2010), research investigating some of the psychological factors, as has been done in the context of western countries, is still lacking. This paper attempts to fill this gap by examining the effect of some of the intrinsic factors highlighting the psychological mechanisms underlying overweight and obesity among GCC Muslim population.

Prior research has indicated some extrinsic causes of overweight and obesity in Middle East (Donnelly et al., 2011). The main apparent factors include a lifestyle with increased access to air-conditioned cars, lack of public transport, climate that makes walking difficult in hot summer months, infrastructure that is not walking friendly, maids and servants that do most of the work, and access to fast food in some cities. Similarly, including are some of the cultural reasons which offer plenty of opportunity to eat in social gatherings, meals mainly containing carbohydrates, and oil; whereas, exercise by females is not widely considered a norm in the culture. Thus, given the scale and seriousness of the issue, further research conducted to address this problem exploring different dimensions of it, and recommending coping strategies, could only benefit.

Psychological Factors

This paper investigates the role of psychological factors leading to certain perceptions that might be causing the problem of overweight and obesity in GCC. The perceptions might have to be changed to stop the increasing rate of overweight and obesity and related problems such as diabetes. From a

psychological perspective, one goal of this research is to examine the perceptual dimension of severity of the problem of being overweight and obese as perceived by adults in this region. This paper proposes that the perceived severity of this issue may be lower among residents in GCC due to the cultural and psychological reasons. This argument is based on research in cross-cultural psychology. The fundamental difference between eastern and western cultures is represented by the constructs of individualism and collectivism. People in individualist cultures tend to prefer independent relationships to others and subordinate in-group goals to personal goals. In contrast, individuals in collectivist cultures tend to prefer interdependent relationships to others and subordinate personal goals to those of in-group goals (Hofstede 1980, 2001; Triandis 1989).

Analytic versus Holistic Thinking

Prior research by Nisbett et al. (2001) has identified that people in western cultures have a more analytic thought process whereas eastern cultures are characterized by a holistic thought process. Thus, it is argued that due to the holistic nature of thought process, individuals from GCC/Middle Eastern cultures consider outcomes and events in a bigger context diffusing the effect of a negative outcome in several dimensions reducing its severity. This line of reasoning is supported by the “cushion hypothesis” (Hsee & Weber, 1999) which implies that collectivist nature of eastern societies helps in mitigating risks experienced by its members. In eastern societies, when people are in need, they turn to their extended social network for support, which may involve material and financial support as well as emotional comfort. Reciprocal relations are strong and extended in eastern cultures. Group goals take precedence over individual goals promoting a tendency which puts pressure on groups to help its members in need (Triandis, 1993). The perception of such a social arrangement among its members makes individuals in GCC cultures less averse to monetary and other related risks and consequently they perceive them to be less severe. Thus, based on these findings in cross-cultural psychology about cultures, it is proposed that GCC adults, who could predominantly be categorized as collectivists, have a similar perception towards lifestyle choices involving overweight and obesity. In other words, perception of GCC adults due to the collectivist nature of their society and the holistic way of thinking may be such that they perceive the consequences of being overweight and obesity to be less severe.

Health Psychology Theories

To compare the perceived severity of the problem of being overweight and obese between GCC and Western adults, the current research applies the Protection Motivation theory (Rogers, 1983). Furthermore, the theory of planned behavior (Ajzen, 1985) is used to examine the relationship of the psychological factors including attitudes, subjective (social) norms, self-efficacy and perceived behavioral control with people’s behavioral intentions about exercise and maintaining a healthy diet to avoid being overweight and obese.

Protection Motivation Theory

Protection Motivation Theory (PMT) explains the cognitive process of behavioral change in terms of threat and coping appraisal. The PMT’s threat appraisal component consists of: 1) One’s estimate of the threat of the disease (perceived severity); and, 2) One’s estimate of the chance of contracting the disease (perceived vulnerability). The theory’s coping appraisal consists of: 1) One’s expectation that carrying out recommendations can remove the threat (response efficacy); and, 2) One’s belief in his/her capability to carry out the desired course of action with success (self-efficacy).

When applied to overweight and obesity, the PMT would predict that information about lifestyle choices (lack of physical activity and a high fat diet) would increase the fear, increase an individual’s perception how serious is being overweight and obese (perceived severity) and would increase their belief that they are more likely to become overweight or obese (perceived vulnerability). If a person felt confident that they could become physically active and/or start eating healthy (self efficacy) and that doing so would benefit them (response efficacy), they would report high intentions to make this change (intentions). This would be considered an adaptive coping response to the perceived situation. Thus, the PMT assumes that the motivation to protect oneself from danger is positively related to four

cognitive beliefs leading to perceptions that: 1) the threat is severe; 2) one is personally vulnerable to the threat; (3) one has the ability to perform the coping response; and, 4) the coping response is effective in averting the threat.

Prior research has successfully applied PMT to health related behavior (e.g., Lippke & Plotnikoff, 2009; Milne, Sheeran, & Orbell, 2000; Floyd, Prentice Dunn, & Rogers, 2000). The studies demonstrate a strong relationship between self-efficacy and intentions to engage in physical activity (Floyd et al., 2000; Milne et al., 2000). Research has also shown that intentions were more highly correlated with behavior than any other variable from the PMT (Milne et al., 2000; Norman, Boer, and Seydel, 2005; Plotnikoff et al., 2010). PMT is applied in this research to assess the difference of perceived severity of the problem of overweight and obesity between GCCn and Western respondents. Moreover, an attempt is made determine the relationship of cognitive mediating variables identified by the PMT with intentions to maintain physical activity in GCCn respondents.

Based on the discussion above regarding cultural cognitive styles (i.e., analytic-holistic thoughts), it is expected that perceived severity of the threat would be stronger in Western compared to GCC respondents. Second, the current study examines the utility of the PMT in predicting the intention to engage in physical activity and maintaining a health diet in a sample of Western and GCC adults. The specific objectives of the study include: 1) testing the fit of the PMT structure to the regional subsamples (i.e., Westerners and GCC); 2) determining the similarities and differences in the PMT structure between the two models; and 3) examining the explained variance and comparing the strength of association of the PMT constructs in predicting exercise intentions for both models.

The Theory of Planned Behavior

The theory of planned behavior (TPB, Ajzen, 1985) has been successful in predicting physical activity behavior in adults (Plotnikoff et al., 2011; Godin, 1994; Hausenblas, Carron, & Mack, 1997). The theory maintains that intention to perform a behavior can be explained by attitudes towards an action, perceptions of social (subjective) norms, and the degree of control a person has over his/her behavior. Attitudes refer to an individual's belief about the outcome of a behavior combined with the evaluation of that outcome. Social norms refer to expectation of significant others (important people in one's life such as parents, spouse, and friends) towards the performance of a behavior combined with whether an individual considers those expectations important (i.e., motivation to comply; Cialdini et al., 1991). Thus, extending prior research which demonstrated the utility of TPB (Plotnikoff et al., 2011; Hagger et al., 2001) in predicting people's behavior of following a healthy lifestyle based on their intentions, this research investigates whether TPB could be similarly utilized for GCCn respondents. The relationship of GCCn adults' intentions to engage in physical activity and healthy eating behavior based on their attitudes towards the behavior, subjective norms and perceived behavioral control is examined. Moreover, prior research has demonstrated that self-efficacy can have an independent effect on intentions (Terry & O'Leary, 1995; Buunk et al., 1998), in addition to the effect of perceived behavioral control on intentions. Thus, self-efficacy is also included in an augmented version of TPB utilized in this research (Hagger et al., 2001; Ajzen, 1991). Research evidence with respect to subjective norms has been mixed with some studies finding the effect to be significant and others non-significant (Hausenblas et al., 1997). However, it is expected that in GCC respondents, subjective norms will play an important role in intentions (to follow a certain behavior) due to the collectivist nature of the society where adults are more likely to seek approval of friends and family in making a choice and adopting a behavior.

Method

Two hundred adults were recruited for monetary compensation through an online data collection service, average age 32 years, 47% females. The respondents completed an online questionnaire in two groups about engaging in physical activity and consuming a healthy diet. The access to one questionnaire was restricted to respondents from GCC, whereas the other questionnaire was restricted

to respondents from North America (N. Americans). Thus, data were collected through two online 20-minute long questionnaires administered concurrently.

Analytic vs. holistic thoughts scale

Respondents first completed a scale to measure their thoughts on a scale developed by Nisbett et al. (2001) to identify the difference in thinking style (analytic vs. holistic) which was subsequently used successfully by other studies (e.g., Monga & John, 2007). Some of the scale items to measure holistic vs. analytic tendencies include: “The whole, rather than its parts, should be considered in order to understand a phenomenon,” “It is more important to pay attention to the whole context rather than the details,” “Everything in the universe is somehow related to each other.” The responses were anchored to a 7-point scale where (1= Disagree Strongly, 7 = Agree Strongly, Cronbach’s alpha = .85). A higher score on this scale reveals a greater tendency to think holistically. All participants completed the scale as the first task in the questionnaire.

Measures for PMT

A large body of research in health and sports psychology has developed the scales for the PMT. Based on previous research, perceived severity was measured on a 7-point scale (Plotnikoff & Higginbotham, 2002; 1998): “How serious do you think the overweight and obesity problem is?” (1 = not at all serious, 7 = very serious). Perceived vulnerability was measured on the following scale: “My chances of getting overweight and obese are small?” (1= definitely no, 7 = definitely yes). Behavioral intention was also assessed using a single item scale (Plotnikoff & Higginbotham, 1998). Participants were asked on a 7-point scale: “how likely is it that you will get regular physical activity within the next 6 months?” Physical activity was defined in the questionnaire according to the guidelines from Centre for Disease Control (www.cdc.gov) as: “doing physical activities such as exercise, walking, jogging, stair climbing, or working around the house that make you out of breath. The activity should last at least 30 minutes in one stretch or cumulatively in shorter time frames.” Response efficacy was measured using three items (Plotnikoff & Higginbotham, 2002). Participants rated their level of agreement (1= definitely not, 7=definitely yes) with the following statements within the next 6 months: 1)Regular physical activity will keep me healthy; 2)Regular physical activity will help me either remain fit or get fit; and 3)Regular physical activity will reduce my chances of getting overweight and obese. Finally, Self-efficacy was measured with a 6-item scale (Plotnikoff & Higginbotham, 2002; 1998). Participants were asked to rate their confidence (1= not at all confident, 5 = extremely confident) that they could participate in regular physical activity in the next 6 months even when: (1) they were a little tired; (2) they were in a bad mood or feeling depressed; (3) they were doing it by themselves; (4) it became boring; (5) they can’t notice any improvements in their fitness; (6) they had other demands. Cronbach’s alphas provided an estimate of strong internal consistency for each multi-item measure ranging from 0.80 to 0.91, thus the scales were reliable.

Measures for TPB

After collecting the PMT measures, respondents were then presented with measures to test TPB. A 3-item construct was used to assess attitude as follows: “My doing physical activities on regular basis in the next six months is”: The three 5-point bipolar adjective scale consisted the following items: good-bad, boring-exciting, important-unimportant (Hagger et al., 2001). A single-item assessed subjective norms which asked: “Most people important to me think I should take part in regular physical activities (1= disagree strongly, 7 = agree strongly; Plotnikoff et al., 2011). Perceived behavioral control was measured using three items: How likely it is that you will be engaged in regular physical activities in the next six month (1= highly unlikely, 7 = highly likely); Whether or not I participate in physical activities in the next six months is entirely up to me (1= disagree strongly, 7 = agree strongly); How much personal control do you feel you have over participating in physical activities in the next six months? (1= very little control, 7 = complete control; Sheeran, Conner, and Norman, 2001). Finally intention was assessed on a single item measure: I plan to be physically active on regular basis over the next six months (1= disagree strongly, 7 = agree strongly).

The target behavior in the questionnaire also included healthy diet. Thus, the data were also collected about healthy eating using all the measures of TPB. The items used were all the same as used for physical activity. Each scale item was modified such that "physical activity" was replaced with "healthy diet". Healthy eating was defined as eating different types of food from all food groups such as breads, grains, fruit, vegetables, milk, and meat while limiting sugary and fatty foods, and junk and fast food. Junk food was defined as foods such as pop, chips, candy, cakes, cookies, and sweets; and fast food was defined as burgers, fries, shakes and most foods from McDonald's, Burger King, and, KFC (Fila & Smith, 2006). Thus, the questionnaire provided data to measure likelihood of GCC adults to follow a healthy lifestyle including exercise, and a healthy diet based on their intentions. Finally, demographics were collected at the end of the questionnaire.

Results

This research proposed that GCC respondents could be categorized as collectivists with a more holistic thought process; thus, to test for this proposition the score on the analytic vs. holistic thinking scale was analyzed. As predicted, GCC respondents scored significantly higher ($M = 4.8$) on the analytic-holistic scale compared to N. Americans ($M = 3.1$; $t(198) = 8.5$, $p < .01$) reflecting a more holistic thinking style. It was further proposed that the perceived severity of the overweight and obesity problem is lower among GCC respondents vs. N. Americans, thus the mean scores on the perceived severity measure of the PMT were also analyzed. As expected, GCC respondents perceived the severity of the problem to be significantly lower ($M = 5.1$) than the N. Americans ($M = 5.9$; $t(198) = 3.5$, $p < .01$). Next, the effect of perceived severity in the overall test of structural predictions of PMT for both groups is examined.

Structural Equation Models

The multi-item measures used in this study are based on earlier research which has demonstrated the validity and reliability of the items, thus a single item scale was created for measures such as attitudes and self-efficacy that used more than one items. Path analysis was conducted with AMOS (analysis of moments) using maximum-likelihood estimates for each sample (Byrne, 2001). Different models were tested to evaluate the structure of PMT to the two subsamples (i.e., GCC respondents and N. Americans). The analysis involved testing a sequence of increasingly less constrained models. The overall fit of the resultant models was assessed using a number of goodness-of-fit indices representing absolute, comparative, and residual aspects of fit, specifically the chi-square (χ^2/df), goodness-of-fit index (GFI), comparative fit index (CFI), and root mean square error of approximation (RMSEA). The chi-square test enables the identification of the model with higher probability associated with chi-square representing a good overall model fit (Byrne, 2001). A χ^2/df ratio less than 2.0 indicates a good overall model fit (Marsh, Balla, & McDonald, 1988). The model fit is unacceptable if the χ^2/df ratio is greater than 5.0. However, since chi-square test is sensitive to sample size, a number of other tests are also reported. The comparative fit index (CFI) is adequate for relatively small samples. A value close to .95 for CFI is considered a minimum threshold for a good fit. The goodness-of-fit index (GFI) indicates the relative amount of variance and covariance accounted for by the model and for which a value above .90 is considered a good fit. Whereas the root mean squared error of approximation (RMSEA) takes into account the error of approximation in the population and estimates how well the model would fit the population covariance matrix with unknown but optimally chosen parameter values. An RMSEA value less than .05 indicates a good fit, whereas less than .10 is within acceptable range (Byrne, 2001; Bollen, 1989; Hu & Bentler, 1999).

Testing the Structural Prediction for PMT

Two separate models were estimated to test the structure to the subsamples from N. America and S. Asia. The results are displayed in Table 1. The fit of the structural model was acceptable for both groups. The fit of model is better in the N. American group: $\chi^2(3, 100) = 3.44$; $p = .33$, CFI = .99; GFI = .97; RMSEA = .04) compared to GCC respondents group ($\chi^2(3, 100) = 4.50$; $p = .21$, CFI = .99; GFI = .98; RMSEA = .07). However, both models are within the acceptable range according to these goodness-of-fit statistics. Thus, this result establishes the utility of PMT for GCC population to predict their intention to participate in physical activities. As shown in the table, the overall results were similar in predicting the behavior to engage in physical activities. Figures 1 & 2 demonstrate the path estimates for both unrestricted models. The predicted associations between the baseline PMT variables with 6-

month physical activity were tested. The interrelation of intention with social cognitive variables is comparable in both models, with self-efficacy (N. American, $\beta = .41$, $p < .01$; GCC respondents, $\beta = .33$, $p < .01$) and response efficacy (N. American, $\beta = .65$, $p < .01$; GCC respondents, $\beta = .60$, $p < .01$) being the more strong predictors of intention in both groups. However, the parameter estimates of vulnerability (N. American, $\beta = .02$; GCC respondents, $\beta = -.01$) and severity (N. American, $\beta = -.05$; GCC respondents, $\beta = -.12$) were not significant. Thus, the earlier results from comparing the mean values of severity across the two groups showed a difference in perceived severity such that N. Americans reported higher perceived severity; however, that difference was not significant across the two models applying PMT. Similarly, vulnerability was also not a significant predictor in either of the models. Since the same respondent provides data for the each measure, thus it is reasonable to conclude that there is some shared variance between the measures. Thus, correlations are drawn between the measures, and those with significant covariance estimates are identified with asterisk in the figures. Finally, the explained variance of intention was relatively higher in N. American ($R^2 = .58$) compared to GCC respondents ($R^2 = .41$).

Testing the Structural Prediction for TPB

With a similar approach to PMT, TPB was also tested using the unrestricted models and all the same goodness-of-fit statistics. The fit of the structural model using TPB measure was also acceptable for both groups. In fact, the goodness-of-fit statistics demonstrate that TPB model has slightly better fit to the data than PMT. The fit of model of the N. American data is similar [$\chi^2 (1, 100) = 2.82$; $p = .42$, CFI = 1.0; GFI = .99; RMSEA = .00] to that of GCC respondents data ($\chi^2 (1, 100) = 1.90$; $p = .63$, CFI = 1.0; GFI = .99; RMSEA = .00). Both models fit the data well according to these goodness-of-fit statistics. Thus, this result establishes the superiority of TPB over PMT for both groups to predict their intentions to participate in physical activities. As shown in the table, the overall results were similar in predicting the behavior to engage in physical activities and following a healthy diet. The predicted associations between the baseline TPB variables with 6-month physical activity and healthy diet were tested. Figures 3 and 4 show the path estimates for both unrestricted models. The interrelation of intention with social cognitive variables is comparable in both models, with perceived behavioral control having the strongest link (N. American, $\beta = .36$, $p < .01$; GCC respondents: $\beta = .47$, $p < .01$). Attitudes (N. American, $\beta = .32$, $p < .01$; GCC respondents: $\beta = .24$, $p < .01$) and subjective norms (N. American, $\beta = .21$, $p < .01$; GCC respondents: $\beta = .22$, $p < .01$) were also predictors of intention in both groups. While prior research found self-efficacy to be a strong predictor in an augmented TPB model (Hagger et al., 2001); however, in this data, the path estimates of self-efficacy was not found significant for both models (N. American, $\beta = .03$; GCC respondents: $\beta = -.08$). The explained variance of intention was higher in GCC respondents ($R^2 = .58$) compared to N. American ($R^2 = .52$) respondents. Thus, these results suggest that for GCC population, the TPB performs better than the PMT with cognitive mediators strongly predicting intentions to engage in physical activity. The TPB model was also applied to test the role of cognitive variables on respondents' intention to follow a healthy diet. As shown in Figures 5, and 6, those models are almost the same as the physical activity models for both groups, thus in the interest of brevity, the results are not discussed separately. However, goodness-of-fit statistics are presented in the table.

Discussion

The aim of the present research was to determine the utility of PMT and TPB in predicting GCC adults' intentions to follow a healthy lifestyle. Prior research has demonstrated that intentions were more highly correlated with behavior than any other variable in PMT (Milne et al., 2000; Norman, Boer, and Seydel, 2005; Plotnikoff et al., 2010). Thus, as a preliminary step, it is essential to determine for GCC respondents population the utility of PMT and TPB models that are well established in the context of western populations. A series of models were estimated based on data collected from GCC respondents and N. American respondents. Overall the results support the TPB and PMT with reasonable goodness-of-fit statistics. However, some of the path estimates of the PMT were not significant including perceived severity and perceived vulnerability. Whereas three of the four path estimates of the TPB model were significant for both groups in each model; thus based on the samples included in this research, the superiority of the TPB model is reasonably established for the GCC

population. This result is consistent with some of the prior research that found no significant linkage between perceived severity and intentions in different populations (Platnikoff & Higginbotham, 1998; 2002). Similarly, consistent with prior research subjective norm was not significant in the TPB model (Hagger et al., 2001) for healthy diet for N. Americans. However, subjective norm was significant for the GCC respondents, which was expected since the collectivist nature of the societies in GCC makes it more likely that subjective norms would be more important for GCC adults.

The TPB performed better as evidenced by the fact that three of the cognitive variables including attitudes, subjective norms, and perceived behavioral control had significant effect on intentions in all four TPB models. Subjective norm was not significant only in one of the four models. On the other hand, the threat appraisal measures of PMT (i.e., perceived severity and perceived vulnerability) failed to reach significance for both groups. However, the coping appraisal measures of PMT (i.e., response efficacy and self efficacy) were significant for both groups. It is interesting to note that self efficacy had a significant effect in PMT, but failed to reach significance in the augmented TPB models. It appears that the effect of perceived behavioral control was stronger in this sample which may have reduced possible strong effects of self efficacy as demonstrated in earlier research (Hagger et al., 2001). Prior research has made a distinction between self-efficacy and perceived behavioral control by associating them with internal and external aspects of control respectively (Terry & O'Leary, 1995; Armitage & Conner, 1999). Thus, in the context of physical activity an internal control factor may be a person's ability to discipline him or herself in doing regular exercise, whereas an external control factor may be access to facilities and environment conducive to physical activities. Thus, the augmented TPB models suggest that contrary to western populations, the intention to engage in physical activity for GCC respondents is influenced more strongly by external factors compared to internal factors. Given the fact that in most GCC countries the environment and facilities such as gyms and playgrounds for physical activities are not as accessible for general population as in N. America, this finding from the data appears to be a veridical representation of reality.

The findings of this research suggest practical steps for policy makers to address the overweight and obesity problem in GCC countries. For instance, a consistent campaign to increase awareness about overweight and obesity will be necessary to increase perceived severity of the problem. Moreover, providing a conducive environment and easy access to facilities for physical activity and exercise would be essential to increase perceived behavioral control in coping with this problem. Finally, future research could further establish the utility of TPB in investigating the linkage of intention to exercise and a healthy diet with actual behavior for these lifestyle choices in GCC adults. A study with longitudinal data would be appropriate for this purpose in which data from behavioral intentions from a previous survey could be linked with a subsequent record of compliance with revealed intentions.

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Le comportement du consommateur musulman: entre appartenance religieuse et appartenance sociale

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Résumé :

Nous essayons dans cet article d'étudier la relation entre l'appartenance religieuse et sociale de l'individu et son comportement de consommation, et ce à travers le concept de capital client de la marque (la fidélité, la notoriété, la qualité perçue et l'image de marque).

L'étude réalisée auprès d'un échantillon de 523 individu concernant les marques de voitures touristiques a révélé l'absence d'une relation significative entre l'appartenance sociale (exprimée par la catégorie socioprofessionnelle, le niveau d'instruction et le revenu) et la formation du capital client de la marque et ce malgré la nature publique et ostentatoire de la catégorie de produit étudiée. Ce résultat est expliqué par le fait que les individus (musulmans) refusent de reconnaître un quelconque rôle de leur position sociale dans la détermination de leur comportement d'achat.

Mots clés : appartenance sociale, appartenance religieuse, capital client de la marque

INTRODUCTION

Grand nombre d'auteurs se sont intéressés, très tôt, à la question de l'influence sociale sur le comportement du consommateur (Veblen, 1899 ; Sherif, 1936 ; Asch, 1973 ; Bourne, 1966 ; Stafford, 1966 ; Serraf, 1971). Pour Richard et Bagozzi (2006), l'appartenance sociale d'un individu affecte profondément sa prise de décision. Dans le même sens d'idée, Serraf (1991) affirme que le comportement des individus dépend de leurs statuts, de leur position sociale.

L'importance d'étudier les facteurs sociaux dans le comportement du consommateur vient essentiellement du fait que, le consommateur espère, par l'acte d'achat, satisfaire des besoins d'ordre social (Lewi et Lacoëuilhe, 2005). Et ce, bien évidemment, en plus des besoins physiologiques. Pour Levy (1959), la consommation d'un produit permet à l'individu de s'identifier à un groupe de référence auquel il appartient ou auquel il désire appartenir sachant que tout produit commercial possède une signification symbolique.

Hirschman (1981) note que, dans certaines situations, les symboles liés au produit sont plus importants, aux yeux du consommateur, que les performances techniques d'un produit. Cela arrive quand, la consommation sert à signifier une position sociale ou une identité de soi. Dans le même sens, Cocanougher et Bruce (1971) démontrent que nos choix de consommation ne sont parfois rien d'autre qu'une tentative de montrer une consommation stéréotypée dans le but d'imiter un groupe de référence socialement distant.

Pour Baudrillard, cette situation est générale. Parce qu'il considère que la consommation sert à la « production, à travers les signes différentiels, d'un code social de valeurs. Ce n'est donc pas la fonction individuelle d'intérêt à travers un corpus d'objets qui est déterminante, c'est celle immédiatement sociale, d'échange, de communication, de distribution de valeurs à travers un corpus de signes » (Moawad, 2007).

La question que nous nous posons dans cet article est de savoir quel rôle joue la religion islamique dans la considération de la catégorisation sociale et rôle de celle-ci dans la détermination du comportement de consommateur musulman.

Si les musulmans peuvent-être assimilés à un groupe sociale dans les pays où l'islam est la religion d'une minorité, leur statut doit-être révisé dans les pays musulmans ou à majorité musulmane. Parce que dans les pays musulmans l'islam détermine les valeurs et les normes culturelles qui caractérisent les groupes sociaux, leur position au sein de la société, leur relation, ainsi que le rapport de l'individu et de la société à la consommation.

CADRE THEORIQUE

Les groupes sociaux

Le groupe est définissable comme étant « une collection d'individus qui se perçoivent comme membres d'une même catégorie, qui attachent une certaine valeur émotionnelle à cette définition d'eux-mêmes et qui ont atteint un certain degré de consensus concernant l'évaluation de leur groupe et de leur appartenance à celui-ci » (Tajfel et Turner, 1986). Le groupe existe, selon cette définition, lorsque les individus ont conscience d'en faire partie et lorsqu'ils se catégorisent dans ce groupe. Ainsi, la catégorisation sociale est considérée comme « un outil cognitif qui segmente la classe et ordonne l'environnement social et qui permet aux individus d'entreprendre diverses formes d'actions sociales » (Moawad, 2007).

La catégorisation sociale définit également la place de chacun dans la société. On parle d'appartenance groupale lorsque les individus se définissent eux-mêmes et sont définis par les autres comme membres du groupe. Les groupes sociaux fournissent donc à leurs membres une identification sociale appelée « identité sociale ».

Par ailleurs, la littérature distingue deux types de groupes sociaux ayant chacun ces caractéristiques et ces modes d'influence sur l'individu : les groupes d'appartenance et les groupes de référence. Notons que le premier type de groupes peut être de nature primaire ou secondaire, alors qu'au sein du deuxième type on trouve les groupes d'identification et les groupes de rejet.

Les groupes d'appartenance « comme le groupe avec lequel l'individu entretient des relations directes sans pour autant partager les valeurs des membres du groupe » (Maisonnette, 1980). On peut distinguer, au sein des groupes d'appartenance des « groupes primaires dans lesquels les individus ont des contacts réguliers (membres d'une famille ou d'une entreprise...etc.) et les groupes secondaires, au sein desquels les contacts sont plus distants ». On peut dire, donc, que l'influence des groupes d'appartenance est due à la vie commune qui permet, avec le temps, l'ancrage des valeurs et des normes sociales. Cela se traduit, dans la théorie behavioriste, par le mécanisme de renforcement positif ou négatif. Tandis que dans la théorie cognitiviste, l'influence des valeurs sociales s'explique par l'apprentissage.

Shibutani (1973) définit les groupes de référence comme « les groupes dont les points de vue constituent le cadre de référence de l'individu ». Un groupe de référence peut être une personne ou un groupe de personnes qui influence significativement le comportement d'un individu (Bearden et Etzel, 1982). En plus des groupes d'identification qui ont les mêmes valeurs et attitudes de l'individu, on peut trouver des groupes de rejet qui se caractérisent par le rejet des valeurs du groupe par l'individu. Par ailleurs, Childers et Rao (1992) font distinction entre deux types de groupes de référence : référents normatifs et référents comparatifs. Les référents normatifs incluent des parents, des professeurs et des pairs avec qui un individu a une interaction directe. Les référents comparatifs incluent des célébrités, des figures sportives et des figures de divertissement. Solomon et Rabolt appellent ces deux groupes de référence des groupes d'adhésion et des groupes d'ambition. L'influence normative est d'habitude plus forte que l'influence comparative. Cependant, selon Engel et al, l'influence des groupes ambitieux, quoiqu'indirecte, joue un rôle significatif dans des choix de produit.

Le groupe de référence pousse le consommateur à se conformer aux normes sociales et l'incite à se comporter et à consommer selon les standards du groupe. Par la consommation de certains produits et marques, l'individu espère améliorer son image vis-à-vis du groupe et à être identifié en tant que membre de ce groupe (Bearden et al., 1989). Ainsi, comme le précise Bayton, les groupes de référence jouent sur l'ego de la personne qui sert à augmenter la confiance en soi, le prestige et la reconnaissance sociale.

Appartenance sociale et comportement du consommateur

La vision traditionnelle du marketing et du comportement du consommateur qui a été fortement influencé par la théorie économique n'accordait que peu d'importance aux facteurs sociaux (Folkes, 1988). On considérait que la motivation d'achat d'un consommateur est essentiellement d'ordre fonctionnel (objectif) lié à la capacité du produit ou du service à satisfaire ses besoins du consommateur. Au contraire, la théorie marketing moderne reconnaît que les choix des consommateurs sont sous l'influence de la publicité et des groupes de référence.

Le début de la recherche sur influence sociale et interpersonnelle remonte à 1942, avec l'apparition du concept de « groupe de référence », élaboré par Hyman (Moawad, 2007). Ce concept renvoie aux groupes utilisés par un individu pour orienter son comportement d'achat dans une situation particulière.

Plus spécifiquement, les groupes de référence n'inclut pas seulement en groupes qu'un individu a un contact fréquent avec (comme des membres de la famille, des associés de travail, des amis, des camarades de classe... etc.), mais aussi les groupes auxquels l'individu n'est pas membre ou des groupes avec lesquels il n'a pas de contact direct (Hawkins, Le mieux et Coney, 1998).

Veblen montre qu'en matière de consommation, les individus ont tendance à se conformer au groupe auquel ils appartiennent, mais aussi une tendance à se rapprocher de la consommation du groupe immédiatement supérieure, tout en essayant de se démarquer de leur groupe de provenance. Toutefois, selon Kaiser, les individus se comparent souvent à d'autres membres du groupe auquel ils appartiennent, mais ils peuvent aussi se comparer avec des gens ou un groupe avec qui ils n'interagissent pas, mais qui leur servent d'un point de référence. C'est le cas des groupes de référence. Selon Kotler et al. (2009), les classes sociales sont des groupes «relativement homogènes et permanents, ordonnés les uns par rapport aux autres, et dont les membres partagent le même système de valeurs, le même mode de vie, les mêmes intérêts et comportements ».

Par ailleurs, Bourdieu stipule que les goûts se transmettent d'une classe à une autre selon deux mécanismes. Vertical et horizontal. Transmission des goûts d'une classe à une autre (Trigg, 2001). Le premier mécanisme reflète une vision verticale de la société, où les valeurs de la classe dominante sont les mieux valorisées. Motivés par la reconnaissance sociale, les individus adoptent les valeurs, les goûts, les attitudes et les comportements de la classe dominante. Le deuxième mécanisme de transmissions des goûts proposé par Bourdieu tient compte des interactions entre des différentes composantes de la société. Il reconnaît que, dans certains cas, la classe dominante accepte les valeurs et les goûts des classes inférieures.

L'étude de l'influence sociale sur le comportement du consommateur cherche à déterminer l'influence des autres (individus et groupes) sur la prise de décision et les préférences individuelles (Evangelista, et al., 2011). En effet, l'influence des groupes sociaux dans le comportement du consommateur se traduit par la pression exercée par le groupe sur les membres qui le composent (Somon, 2004) en les poussant à se conformer à ses normes spécifiques. Cela veut dire que le comportement du consommateur se modifie selon le comportement des autres membres du groupe auquel il veut appartenir (Cialdini, 2004), mais aussi du jugement apporté aux comportements des individus.

Deutsch et Gerard (1955) distinguent deux types d'influence sociale du groupe : l'influence informationnelle et l'influence normative. La première concerne les informations retenues pour être analysées et la deuxième est liée à l'évaluation de ces informations. En effet, la conformité d'un consommateur au comportement d'un groupe résulte de la recherche de l'information qui lui permet de réduire le coût de recherche d'informations et le risque lié à la décision d'achat (Aaker et Lendrevie, 1994). En effet, dans sa démarche de recherche d'informations, l'individu se réfère aux opinions des gens qu'il considère bien informés ou en observant leur comportement (Park et Lessig, 1977). Ainsi, le choix du consommateur sera influencé par son entourage.

Selon Deutsch et Gerard, l'influence informationnelle renvoie à « la tendance à accepter l'information obtenue d'autrui comme une évidence concernant la réalité ». Bearden et al. (1989) précisent, cependant, on ne peut parler d'influence informationnelle que si les informations recueillies d'autrui accentuent la connaissance du consommateur nécessaire à la prise de décision. L'influence informationnelle reflète la volonté du consommateur de prendre une bonne décision. En effet, Kelman a suggéré qu'un individu accepte une influence qui améliore sa connaissance et capacité de faire face à l'environnement. Donc, l'influence informationnelle n'aura lieu que si l'individu considère le comportement et les valeurs des membres de groupe de référence seront potentiellement utiles. On peut dire que l'influence informationnelle est grande lorsque le consommateur ne dispose pas des connaissances suffisantes concernant le produit ou le service qu'il va acheter. Dans ce cas, il perçoit plus facilement les informations et la recommandation de son groupe de référence est jugée comme crédible parce qu'il a confiance en eux.

Burnkrant et Cousineau (1975) définissent l'influence normative comme étant « la tendance à se conformer aux attentes d'autrui ». Ces auteurs stipulent que l'influence normative est formée de deux volets : l'influence utilitariste et l'influence de la valorisation de soi. L'influence utilitariste est celle reflétée dans les tentatives des individus à se conformer aux attentes du groupe en vue de remporter des récompenses ou d'éviter des sanctions (Bearden et al., 1982). En effet, dans le but d'atteindre leur

objectif, les individus passent par le processus dit de « compliance » ou d'obéissance. C'est-à-dire : si l'individu est motivé pour atteindre une récompense ou éviter une punition, on s'attend à ce qu'il se conforme aux normes du groupe (Bumkrant et Cousineau, 1975).

On peut expliquer cette influence par ce qu'on appelle « le processus de conformité » dans lequel un individu est amené à satisfaire l'espérance d'un certain groupe pour obtenir l'éloge ou éviter la punition du groupe (Kelman, 1961). Ce phénomène est largement exploité dans les pratiques publicitaires où l'on suggère aux consommateurs qu'ils peuvent obtenir l'approbation sociale et l'acceptation par la simple utilisation de certaines marques de shampoing antipelliculaire, le déodorant, ou l'eau dentifrice (Jiaqin et al., 2007).

Selon Park et Lessig (1977), on peut parler d'influence utilitariste quand l'individu perçoit une récompense du groupe ou une sanction au cas où il ne se conformerait pas. Cela nécessite que son comportement soit visible et donc susceptible d'être reconnaissable par autrui et. Cela nécessite également que l'individu soit motivé par la réaction des autres. Enfin, l'influence utilitariste n'est envisageable que si la récompense ou la punition est réelle.

Par ailleurs, l'influence de la valorisation de soi renvoie au « désir de l'individu d'accroître son estime de soi en se conformant à un groupe de référence » (Kelman, 1961). En effet, dans un souci de valorisation de soi le consommateur veut s'identifier à un groupe de référence. L'identification est l'adoption des comportements et des opinions d'autrui afin de satisfaire son estime de soi (Brinberg et Plimpton, 1986).

Kelman (1961) distingue trois processus d'influences : la complaisance ou l'acquiescement, l'identification et l'internalisation. Le déclenchement de chacun des processus dépend du poids du groupe, la valeur que l'individu lui accorde et enfin la nature de l'objet de la consommation.

Pour résumer, on peut dire que face à l'influence d'une classe sociale, le consommateur peut développer trois types de comportements, un comportement conforme aux normes d'un groupe particulier, un comportement partagé entre d'autres groupes et enfin un comportement non conforme aux normes d'un groupe.

Le rôle de la religion dans le comportement de consommation

D'une manière générale, la religion joue un rôle important dans le comportement de l'individu. Elle affecte le matérialisme et le rapport à la consommation, le rapport au travail, à l'argent et au profit (Mandel, 1991). S'agissant de la consommation des biens et des services, ce rôle se manifeste dans la perception, la formation des attitudes et, partant, des comportements à l'égard de l'offre (Sollomon, 2008)

L'islam propose à ses adeptes des normes, qui régissent tous les aspects de la vie quotidienne (Algaoud et Lewis, 2007) et déterminent sa finalité, par rapport la vie éternelle dans l'au-delà. Certaines de ces valeurs sont en contradiction avec celles de la théorie économique occidentale. En effet, l'islam a établi des règles relatives à la conduite des affaires, à la liberté de l'économie de marché et à la résolution des problèmes dans les échanges de marchandises, d'une façon qui assure l'intérêt de l'individu et celui de la communauté (Al-Buraey, 2004). Tandis que la théorie économique occidentale repose sur la maximisation de la valeur (l'utilité) pour l'individu et sur le profit.

Selon Saeed et al. (2001), le musulman doit assumer quatre types de responsabilité : responsabilité envers Dieu, une responsabilité envers la société, une responsabilité concernant le propre bien-être du commerçant ou producteur et enfin, une responsabilité vis-à-vis de l'environnement. Par ailleurs, et contrairement à certaines idées reçues, Zainul et al. (2004) soulignent que le Coran encourage les individus à travailler. Le travail est considéré comme un devoir. Toutefois, la finalité du travail dans l'islam est le succès et le confort de l'individu sur terre, mais aussi pour sa vie future. Cela veut dire que, bien qu'il soit toléré, le profit n'est pas la seule motivation de l'individu. Ce que l'islam condamne est l'obtention facile de quelque chose, sans labeur, ou l'obtention d'un profit non justifié par un travail effectif.

Concernant la consommation, l'islam encourage la modération et condamne la consommation ostentatoire. Cela va nous amener à nous interroger sur l'image que font les consommateurs de la marque et de la consommation, dans une société largement influencée par les valeurs islamiques.

Il est à souligner que le comportement du consommateur musulman dépend de son degré de religiosité. Même dans les pays où les populations musulmanes sont majoritaires où le degré d'engagement

religieux est élevé (Rice et Al-Mossawi, 2002), force est de constater que le comportement des individus n'est pas homogène. D'une manière générale, on peut distinguer deux catégories de consommateurs musulmans, les conservateurs et les modérés. Les conservateurs sont ceux qui appliquent les principes islamiques dans toutes les facettes de leur vie (Saeed et al., 2001). Cela se traduit par un refus catégorique de toute forme de recours aux instruments de financement conventionnelles, l'assurance, le jeu, le tabac, l'alcool... etc. Les modérés affichent, par conviction ou par pragmatisme, une certaine souplesse dans l'application des préceptes de l'islam et acceptent, par exemple, de traiter avec les banques conventionnelles ou acheter des produits et des marques occidentales.

CADRE METHODOLOGIQUE DE LA RECHERCHE

L'étude a été menée sur un échantillon aléatoire composé de 523 individus âgés entre 18 et 54 ans. Cette méthode d'échantillonnage est très utilisée dans les études du capital client de la marque. Les sujets sont recrutés en fonction de leur accessibilité et de leur motivation (parce que le questionnaire est relativement long). La population mère a été choisie en fonction des recommandations faites par des auteurs ayant effectué des recherches similaires concernant (Ohl. F. 2003 ; Samama A. 2003), elle regroupe l'ensemble des consommateurs de ces catégories de produits.

Par ailleurs, notre étude a porté sur les marques de voitures touristiques. Ce choix est justifié par la nature même du produit. En effet, la voiture occupe une place particulière auprès des consommateurs à cause notamment de son prix très élevé. Le prix moyen d'une voiture moyenne de gamme dépasse les 800000 DA ce qui représente 50 mois de salaire (le salaire minimum garanti étant à 12000 DA). Le choix des voitures comme objet de l'étude est également justifié par le fait que la décision d'achat de ce genre de produits implique fortement des facteurs sociaux tels que la classe sociale, le style de vie (Solomon M. 2005).

Nous avons, ensuite procédé à l'examen (observation) des réponses des individus et leurs appartenances socioprofessionnelles. La méthode statistique la plus adaptée est le test de la variance. Cette méthode permet de vérifier l'existence de différences significatives entre les moyennes des scores du capital client de la marque de chacune des CSP, groupes de revenu, groupe d'âge...etc. L'ANOVA permet également de réduire le risque de premier degré très important qu'engendre l'utilisation de plusieurs tests de Student.

Aussi, nous avons retenu le concept de capital client de la marque comme ou de la valeur de la marque aux yeux du consommateur (Aaker, 1991 ; Keller, 1993 ; Kapferer, 1998) comme indice qui nous renseigne sur le comportement du consommateur vis-à-vis des marques et des produits ou services offerts sur le marché. En effet, le capital client de marque renvoie à la fidélité à la marque, la notoriété de la marque, la qualité perçue et l'image de marque (Aaker, 1991).

En fin, la réalisation de notre étude passe par le test des hypothèses suivantes :

- Il existe une relation significative entre la catégorie socioprofessionnelle et l'indice du capital client de la marque.
- Il existe une relation significative entre le niveau d'instruction et l'indice du capital client de la marque.

RESULTATS DE LA RECHERCHE

L'étude de l'effet des CSP sur l'indice CCM renvoie à s'interroger sur l'existence de différence significative entre les valeurs des moyennes arithmétiques des scores CCM obtenues dans chaque groupe (hypothèse H1) ou non (hypothèse H0).

L'analyse de la variance permet de rejeter l'hypothèse H0 car $F=23,808 >$ et $\text{sig } 0,000 < 0,05$. Ce qui veut dire qu'il y a une différence significative entre les quatre catégories retenues. Ainsi, notre hypothèse qui stipule l'existence d'une relation significative entre les catégories socioprofessionnelles est vérifiée.

Toutefois, les comparaisons deux à deux des scores obtenus dans chaque catégorie socioprofessionnelle nous a permis de déceler la différence spécifique à chaque catégorie. Une différence est considérée comme significative si sa probabilité est inférieure à 5%.

Les résultats n'ont montré l'existence d'un lien significatif qu'entre certaines catégories. En effet, la différence de moyennes n'est significative qu'entre la catégorie des Cadres supérieurs et professions libérales (2) et toutes les autres catégories à savoir: Indépendants (1), Cadres moyens (3), Employés

(4). Cela nous emmène à conclure que la catégorie socioprofessionnelle ne suffit pas à elle seule pour faire apparaître les disparités en matière de consommation.

L'étude de l'effet du niveau d'instruction sur l'indice CCM renvoie à s'interroger sur l'existence de différence significative entre les valeurs des moyennes arithmétiques des scores CCM obtenue dans chaque groupe (hypothèse H1) ou non (hypothèse H0).

Dans un souci de simplification, nous n'avons retenu que 03 niveaux d'instructions : le primaire, le secondaire et l'universitaire. L'analyse de la variance que nous avons effectuée nous a permis de prendre le risque de rejeter l'hypothèse H0, car $F=21,686 >$ et $\text{sig } 0,000 < 0,05$. Ce qui veut dire qu'il y a une différence significative entre les quatre catégories retenues. Cela veut dire que la deuxième hypothèse est vérifiée.

Pour pouvoir faire des comparaisons deux à deux des scores obtenus dans chaque niveau d'instruction, nous avons procédé à une analyse post hoc. Cette opération nous a permis de déceler la différence spécifique à chaque niveau d'instruction. Une différence est considérée comme significative si sa probabilité est inférieure à 5 %.

La différence entre le niveau intermédiaire (secondaire) et le niveau supérieur n'est, cependant pas significative. Cela veut dire qu'au-delà d'un certain niveau, le rôle que joue l'éducation dans l'évaluation de la marque baisse.

Ainsi, on peut dire que le niveau d'instruction permet une classification de la population en deux groupes. Le premier regroupe les individus n'ayant pas dépassé le niveau primaire et le deuxième groupe pour ceux ayant un niveau d'instruction supérieur.

CONCLUSION

Cette étude décèle une différence significative entre certaines catégories socioprofessionnelles prises en considération, à savoir, les Indépendants, les Cadres supérieurs, les Professions libérales, et les Cadres moyens/Employés. Toutefois, seule la catégorie des Cadres supérieurs et Professions libérales affiche une différence significative par rapport à toutes les autres catégories en ce qui concerne la relation avec le capital client de la marque. Cette différence s'explique par le revenu, le statut social et le niveau d'instruction qui caractérisent la catégorie des cadres supérieurs et professions libérales. Ce résultat est en adéquation avec la théorie du champ social, qui stipule que les classes supérieures ont tendance à se distinguer par leurs choix de consommation. Par ailleurs, nous avons trouvé que certaines valeurs ont le même poids à travers les groupes. Cela est dû au mécanisme de transmission circulaire des valeurs du genre.

Cette étude nous a permis de conclure que le rôle de l'appartenance sociale n'apparaît pas d'une manière claire dans les réponses des personnes interrogées contrairement à la majorité des études réalisées dans les pays occidentaux,

Par ailleurs, le rôle important que joue le niveau d'instruction dans les réponses des personnes interrogées dans cette étude confirme le rôle socialisant de l'éducation. Toutefois, l'effet de niveau d'instruction n'est significatif que pour le niveau supérieur.

L'explication de ces résultats vient de la spécificité culturelle des personnes interrogées largement influencées par la religion islamique qui incite à modestie et au comportement communautaire.

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La genèse de la Finance Islamique

La genèse de la Finance Islamique : de la notion de « Bayt Al-mal » à celle de la Banque Islamique

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Résumé :

Le présent papier présente une revue de l'histoire de l'évolution de la notion de Bayt Al-Mal à celle de la banque islamique. Cette revue est réalisée à travers l'analyse de l'évolution de l'Etat islamique depuis sa naissance jusqu'à sa décadence. L'examen des écrits de l'histoire font ressortir cinq grandes époques étalées sur une durée de 12 siècles (du 7^{ème} au 19^{ème} /début du 20^{ème} siècle). En se basant sur les principales références bibliographiques de l'histoire (Ibn kathir, Tabari, Alkawardi, Ibn Alhakam, Ibn Assakir entre autres), nous avons identifié cinq grandes phases ayant marqué l'évolution de l'Etat islamique et par conséquent celle des notions de Bayt almal et de banque islamique. Ces phases sont : Epoque du Prophet Mohamed et des Khoulafah Rashidun (612-661); Epoque Omeyyade (661-750) ; Epoque Abbasside (750-1075) ; Epoque Ottomane (1517-1924) et Epoque de 1924-Aujourd'hui.

A travers l'histoire de l'Etat islamique, la notion de Bayt Al-Mal a été souvent utilisée pour désigner le trésor public (au sens actuel du terme), mais aussi pour parler du métier de Serrafa. Ainsi on parlait des banquiers (Sarrafines) qui détenaient des Boyout Al-Mal au lieu d'utiliser le terme Banque. L'examen des services offerts par ceux-ci sont souvent similaires à ceux offerts par les banques islamiques d'aujourd'hui. L'Etat islamique a toujours veillé à ce que ces Boyout Al-Mal exercent dans le respect de la shariâ.

Mots clés : Bayt Al-Mal, Etat islamique, Banque islamique, Riba, Crédit, Sayrafa,

LA GENESE DE LA FINANCE ISLAMIQUE : DE LA NOTION DE « BAYT AL-MAL » A CELLE DE LA BANQUE ISLAMIQUE

Introduction :

Depuis la chute du mur de Berlin en 1989, suivi de la chute de la grande puissance soviétique (l'ex-URSS), le monde s'est vu contraint d'entrer dans l'ère du nouvel ordre économique mondial, remplacé par la notion de la mondialisation au début du 21^{ème} siècle. Une mondialisation qui se veut au départ économique pour se traduire ensuite, en une mondialisation de la pensée unique : celle du capitalisme libéral dans lequel la finance a pris la main sur l'humain. La suprématie de cette pensée n'a fait qu'appauvrir les classes moyennes et d'enrichir les élites (plus particulièrement les propriétaires de capitaux) au point de parler de l'impérialisme financier instaurant « une nouvelle hiérarchie des valeurs et des priorités » chez les décideurs.

Seulement, la succession des scandales financiers (Enron, Worldcom, Madoff aux Etats-Unis et Kerviel en France entre autres...) a mis à jour les limites de ce courant capitaliste libéral. La financiarisation et la globalisation de l'économie a débouché sur « une sorte de spirale infernale, une fuite en avant de pays occidentaux dans une économie de la dette », redéfinissant le capitalisme comme étant « la nationalisation des pertes et la privatisation des bénéfices ». Face à cette mouvance « meurtrière » des valeurs et de la morale, la pensée économique islamique (PEI) en particulier la finance islamique (FI) connaît un regain d'intérêt. Celle-ci est-elle en mesure de répondre aux nouvelles aspirations d'un contexte en quête d'identité morale et éthique ?

Pour répondre à cette question, une revue historique des pratiques financières à travers l'évolution de l'Etat islamique est essentielle pour mieux comprendre la FI sous son aspect actuel. Ce papier propose

une étude de la genèse de la finance islamique. S'appuyant sur une analyse longitudinale des faits historiques à la fois sous leurs aspects temporel et spatial, de Médine à l'époque actuelle, notre étude essaiera de mettre en lumière les relations de cause à effet entre l'évolution de l'Etat islamique et celle de la finance islamique : comment a-t-on évolué de la notion de « Bayt Al-Mal » à celle de la banque islamique moderne ?

Avant d'examiner cette évolution (section 2) et pour mieux appréhender la progression qu'a connue la finance islamique, nous estimons légitime de rappeler les principes de base de la pensée économique islamique qui régissent la vie économique de la société et des individus tels qu'ils sont définis par la Shariâ (section 1).

LA FINANCE ISLAMIQUE : PRINCIPES DE BASE

L'islam a mis en place un certain nombre de principes et de règles définissant la relation de chaque individu avec Dieu et avec ses semblables. Ces principes ne dissocient pas le spirituel du temporel. Cet ensemble de dogmes sont révélés dans le Saint Coran et complétés par les propos et les pratiques du Prophète à travers la Sunna.

"إن الحكم إلا لله أمر ألا تعبدوا إلا إياه" يوسف, الآية 40 .

"إنا أنزلنا إليك الكتاب بالحق لتحكم بين الناس بما أراك الله" النساء, الآية 105 .

Etant donné que la principale source des lois islamique est le Coran (révélation du Dieu), on peut conclure d'une part, que celles-ci sont immuables abstraction faite des responsables, du temps et de l'espace (Tabbarah, 1995). D'autre part, ces lois imposent, bien évidemment, le respect et d'y avoir confiance, et toute déviation à ces lois génèrent des conséquences qui peuvent nuire aux croyants dans leur vie d'ici bas :

"و ما كان لمؤمن و لا مؤمنة إذا قضى الله و رسوله أمرا أن يكون لهم الخيرة من أمرهم. ومن يعص الله و رسوله فقد ضللا مبينا" الأحزاب, الآية 36.

Par ailleurs, sur les affaires qui ne sont pas traitées par le Coran et la Sunna, l'islam a délégué aux savants (les Aûlamas) et à ceux qui détiennent le commandement (les Ouli Alamr) d'y légiférer à travers de ce qu'on appelle Alijtihad. Mais si l'interprétation d'une affaire peut susciter la discorde, la référence principale reste toujours le Coran et la Sunna, comme il est précisé dans le verset suivant :

"يا أيها الدين آمنوا أطيعوا الله و أطيعوا الرسول وأولي الأمر منكم فإن تنازعتم في شئ فردوه إلى الله و الرسول إن كنتم تؤمنون بالله و اليوم الآخر ذلك خير و أحسن تأويلا" النساء, الآية 59 .

Mais si l'Etat islamique doit fonctionner conformément à la Shariâ, cela ne veut pas dire que celui-ci peut être considéré comme un Etat théologique au sens propre du terme, mais un Etat dans lequel les lois sont exécutées et respectées par l'ensemble des croyants qui choisissent parmi eux la ou les personnes qui doivent veiller sur l'application et le respect de ces lois selon des critères bien définis.

Par ailleurs l'islam ne se limite pas, dans sa doctrine, à l'organisation matérielle des affaires de la société mais travaille en profondeur sur l'aspect spirituel et consciencieux des Hommes pour susciter en eux le désir de mériter la miséricorde de Dieu et sa récompense, « autrement dit, l'islam fixe des objectifs à atteindre et tente de les réaliser par l'adhésion volontaire des Hommes à ces objectifs » (Cafouri, 2000)

Ainsi, dans les transactions économiques et financières en islam, il ne faut pas chercher de frontière entre l'acte spirituel et celui matériel. Ces transactions doivent se faire dans le respect absolu de la Shariâ promulguée par la loi divine. Les travaux de certains savants musulmans (Ibn Khaldoun ابن خلدون, Ibn Almuqffa المقفع, Aljahiz الجاحظ, Ibn Miskawayh ابن مسكويه, ALghazali الغزالي, Ibn roshd ابن رشد...), ont été recueillis et analysés par des économistes musulmans et occidentaux (Tabbara, 1995, Akalay 1991, Cafouri, 2000, Madani, 2008, Verrier, 2009, Blin, 2012, Tijani 2012) pour faire ressortir les principes de base de la pensée économique islamique.

Parmi les principes de base de l'économie islamique qui conditionnent de manière directe toute transaction financière, nous abordons les plus fréquemment cités dans les écrits relatifs à la pensée économique islamique :

Principe de la succession (Alistikhlaft) : selon ce principe, Dieu est le maître absolu et unique de toutes les richesses, et l'individu ou la société est mandaté pour gérer et développer ces richesses tout en respectant les consignes édictées par la shariâ, et par conséquent, la richesse et l'argent constituent un moyen et non et une fin :

"وأنفقوا مما جعلكم مستخلفين فيه" الحديد, الآية 7. "هو الذي جعلكم خلائف في الأرض" فاطر, الآية 39

Le respect de ce principe implique que le délégué (individu ou communauté), dans l'exercice de sa mission, doit veiller à éviter certaines pratiques qui ne lui permettraient pas de s'acquitter de ses obligations vis-à-vis du Dieu et de la société. Parmi ces pratiques prohibées par l'islam, nous citons : Riba (l'usure), le vol, la spéculation, la corruption, la spoliation, Al gharar (ambiguïté), al mayser (les jeux du hasard), la dilapidation... :

"ولا تأتوا السفهاء أموالكم التي جعل الله لكم قياما وارزقوهم فيها واكسوهم و قولوا لهم قولا معروفا" النساء, الآية 5

S'il est admis que L'islam respecte et encourage la propriété privée, dans le verset coranique ci-dessus, il est formulé clairement que si l'argent, même s'il est privé, n'est pas géré dans l'intérêt de la communauté, les responsables doivent intervenir pour le protéger contre toute dilapidation et acte qui peuvent nuire au propriétaire en premier lieu et à toute la communauté en second lieu.

Principe de construction et de développement (Aliâmar) : ce principe oblige les individus à s'acquitter de l'une des missions pour laquelle ils ont été créés à savoir la construction, le peuplement et le développement de la terre. Plusieurs versets coraniques évoque cette question en utilisant différents mots (ex. Alistiâmar, Alintichar, Addarb fi alard) qui convergent vers la même idée à savoir celle d'encourager l'investissement et la production afin d'assurer le développement de la communauté :

"... هو أنشأكم من الأرض واستعمركم فيها" هود, الآية 61. "فإذا قضيت الصلاة فانتشروا في الأرض وابتغوا من فضل الله واذكروا الله كثيرا لعلكم تفلحون" الجمعة, الآية 10. "وآخرون يضربون في الأرض يبتغون من فضل الله" المزمل, الآية 20.

L'Etat en tant qu'institution doit assurer tous les moyens permettant à l'individu de mieux réussir cette mission. Nous citons l'exemple du quatrième Calif Ali, cité par Abd elassadi et Kadhim hamid (2012), lorsqu'il a écrit à son gouverneur d'Egypte l'incitant à préparer un climat favorable à l'investissement et de ne pas donner la priorité à la collecte des impôts : "و ليكن نظرك في عمارة الأرض أبلغ من نظرك في : استجلاب الخراج لأن ذلك لا يدرك إلا بالعمارة, ومن طلب الخراج بغير عمارة أضر بالبلاد و أهلك العباد ولا يستقيم أمره إلا قليلا" (Alimam Ali cité par Abd elassadi et Kadhim hamid, 2012, p 22).

Pour atteindre cet objectif d'Istiâmar, l'islam a, d'une part, condamné la thésaurisation (aliktinaz) : "و الدين يكثر من الذهب و الفضة و لا ينفقونها في سبيل الله فبشرهم بعذاب أليم. يوم يحصى عليها في نار جهنم فتكوى بها جباههم و جنوبهم و ظهورهم, هذا ما كنزتم لأنفسكم فذوقوا ما كنتم تكنزون" التوبة, الآيات 34, 35

D'autre part, il a encouragé le travail. Tout profit généré doit être combiné au travail (Tijani, 2013). "Du point de vue de l'Islam, le travail quel que soit son niveau est un honneur pour l'Homme, et est préférable au fait de tendre la main aux autres ou d'exercer toute autre activité peu honorable" (Cafouri, 2000, p 238).

Principe de la circulation de la richesse (Tadawol atharwa) : Ce principe cherche à garantir et instaurer le principe de la solidarité et de la justice sociale hautement défendus par l'islam. Cherchant à ce que les richesses ne soient pas entre les mains d'une minorité : "لكي لا يكون دولة بين الأغنياء منكم" : l'islam a mis un certain nombre de mécanismes qui peut garantir une meilleure répartition des richesses afin d'assurer la justice sociale. Parmi ces mécanismes, nous citons : Zakat (l'aumône obligatoire), sadaqat (L'aumône volontaire) et khomos (le un cinquième). Aussi, toute forme d'exploitation pouvant conduire à une situation de monopole, devrait être limitée et planifiée. Il incombe donc à l'État, et plus généralement à toute la société, d'intervenir pour freiner une telle forme d'exploitation et l'empêcher de se développer (Cafouri, 2000).

Au terme de cette section, ce qu'il faut retenir est que l'argent en islam n'est qu'un moyen permettant d'assurer le bien être de l'individu et de la communauté, et utilisé dans le respect absolu de la Shariâ, afin de garantir la justice sociale. L'Etat, en tant que représentant légal des individus, doit être le garant de la bonne application des lois islamiques et doit mettre en place tous les mécanismes susceptibles de réduire les déséquilibres sociaux.

Après cette mise au point relative à quelques principes de la pensée économique islamique, nous examinerons dans ce qui suit, l'histoire de l'évolution des transactions financières au sein de l'Etat islamique, à travers les notions de 'Bayt Al-Mal' et celle des banques islamiques.

DE LA NOTION DE BAYT AL-MAL A CELLE DE LA BANQUE ISLAMIQUE : UNE REVUE DE L'HISTOIRE

Nous avons identifié cinq époques dans la revue de l'histoire de l'évolution de la banque islamique : Epoque du Prophète Mohamed (SAAWS) et des Khoulafah Rashidun (612-661); Epoque Omeyyade (661-750) ; Epoque Abbasside (750-1075) ; Epoque Ottoman (1517-1924) ; Epoque de 1924-Aujourd'hui. Entre 1075 et 1517, l'empire islamique a connu la succession de trois grandes invasions qui ont précipité la chute des Abbassides : l'invasion des Seldjoucides (11^{ème} siècle) ; celle des Mongols (13^{ème} siècle) ; et celle des Turcomans (14^{ème} siècle). La revue de l'histoire de l'Etat islamique à cette époque démontre qu'aucun apport intéressant relatif à l'évolution de la notion de Bayt Al-Mal ne peut être évoqué. C'est pour cela, cette partie de l'histoire de l'Etat islamique ne sera pas abordée dans cette recherche.

Mais avant d'aborder notre revue de l'histoire, nous allons essayer de définir les deux notions, objet de notre analyse, celles de Bayt Almal et de la banque islamique :

Bayt Al-Mal (BA) : appelé aussi « Bayt Mal Almouslimin » est défini comme étant « The national treasury. Everybody in the Muslim state that pays taxes has the money go into the baitul mal (the house of currency). The money from this is used to fund the state, its endeavors and to support the poor” (Islamic dictionary, 2013). Il est sous la responsabilité du Calif. Ses principales recettes sont : Zakat, Kharaj (impôt foncier), Jizyeh (impôt sur les non musulmans), 1/5 d'alghanima (butins des guerres), Alfaye (Butins reçus sans guerres), Mokouss (droits douaniers), Almawarith (héritage sans héritiers) (Annabahani, 2004). Les dépenses de cette institution sont limitées aux : Salaires des fonctionnaires (Calif, juges, militaires, autres fonctionnaires), équipements militaires, infrastructure (ponts, barrages, routes, administrations, mosquées...), dépenses des hôpitaux et prisons, répartition des allocations aux pauvres, orphelins, veuves et toute personne sans prise en charge (Serjani, 2010, Sultan, 2013).

Banque islamique : Selon Assaâdy (2006), la banque islamique est un établissement bancaire commercial dont les transactions sont basées sur les lois islamiques (selon la Shariâ). Autrement dit, la BI est une institution qui offre les mêmes services que la banque commerciale conventionnelle mais dans le respect de la Shariâ.

L'époque du Prophète (S.A.A.W.S) et des Khoulafah Rashidun (612-661) :

La première révélation que le prophète Mahomet (SAAWS) a reçu, fut en 612 de notre ère dans les environs de la ville de la Mecque. A partir de 622, date de l'hégire vers Médine, les choses vont changer rapidement. Il y a un consensus de la part des historiens, que cette date là marque le début de l'institution de l'Etat islamique. En effet, le Prophète (SAAWS) va jouer le rôle non pas uniquement de chef religieux, mais aussi de chef temporel de la communauté « *Il sera amené à régler des problèmes qui ne touchent pas directement la religion : des problèmes juridiques, économiques, sociaux, qui vont lui permettre de tenir en main sa communauté et lui assurer un certain développement parmi les populations médinoises* » (Donckier de Donceel, 2002, p 4).

Notons que parmi les populations médinoise qui avaient une grande puissance économique, à l'époque, il y avait les juifs. C'est pour cela que parmi les grandes démarches entreprises par le Prophète, lors de l'institution de l'Etat islamique, est la mise en place d'une feuille de route directrice réglementant les relations (en particulier les transactions financières) entre musulmans, et entre ceux-ci et les juifs. Existait-il un Bayt Al-Mal à l'époque du Prophète ? La plupart des sources bibliographique examinées dans ce papier s'accordent sur l'existence de cette institution mais sous une forme très basique et pas très organisée comme nous allons le voir ci-après. Ceci, pour une simple raison, est qu'il y avait peu de ressources financières à gérer, et que ces dernières sont réparties immédiatement (Sultan, 2013 ; Asmadi, 2012 ; Serjani, 2010). D'autant plus, la vie, étant limitée entre la Mecque et Médine, n'était pas très complexe à gérer.

La même situation fut constatée à l'époque du premier Calif « Abu bakr » (632-634). L'expansion de l'Etat islamique ne s'est pas faite rapidement. Le Calif a focalisé son attention sur la stabilité de la situation politique après la mort du Prophète (SAWS) en 632. Abu Bakr avait installé un Bayt Al-Mal à la sortie de Médine puis il l'a transféré chez lui (Assayouti cité par Sultan, 2013). Toutes les recettes étaient distribuées dans les trois jours qui suivirent leur réception (Asmadi, 2012).

Ce n'est qu'à l'époque du Calif Omar IbnAlkhattab, qu'on peut parler de Bayt Al-Mal en tant qu'institution proprement dit. Ceci pour deux raisons : la première est l'expansion de l'Etat islamique

avec la conquête des provinces du Sham, de l'Iraq et de l'Egypte. La seconde est la croissance des recettes de l'Etat. Ce qui a poussé Omar à réfléchir sur une manière de mieux gérer les deniers publics en instaurant ce qu'on a appelé à l'époque « Diwan الديوان/الدواوين ». Diwan est un registre dans lequel sont enregistrées toutes les transactions réalisées en termes de dépenses et recettes, et toute autre richesse détenue par l'Etat.

Almawardi, dans son célèbre ouvrage « Alahkam Soultania » (1989) rapporte que, pour certains, l'idée de mise en place de diwan par Omar, lui a été proposée par un homme suite à son discours relatif à l'argent qui lui a été rapporté par Abu Hurayra du Bahrain (un montant de cinq cent milles dirhams). Cet homme lui a suggéré de faire comme faisaient généralement les Etats non arabes qui tiennent des registres appelés Dawawins. Pour d'autres, l'idée lui a été formulée par Khalid Ibn Alwalid. Ce dernier lui a parlé de ce qu'il a vu en Syrie (Sham) :

"فقد كنت بالشام فرأيت ملوكا قد دونوا ديوانا و جندوا جنودا" (Almawardi, 1989, p 259).

Le Calif Omar a apprécié l'idée et il a nommé, immédiatement, Aqil Ibn Abu Taleb, Makhrama ibn Nawfal et Joubayr ibn Moutâm pour mettre en place le diwan. Dans ce dernier, il est enregistré l'ensemble des deniers publics (en numéraire ou en nature comme les terres, les bétails, les récoltes entre autres). La tenue des Dawawins était très impactée par les pratiques des perses et des romains. C'est pour cela, le Diwan d'Aliraq était tenu en perse, et celui des provinces du Sham en romain. Cette situation était maintenue jusqu'au venu des Omeyyades au temps de Abdelmalik Ibn Merouane (Sultan, 2013) qui a arabisé l'ensemble des Dawawins (voir le paragraphe 2.2.). Avec les Califs Othman Ibn Affane et Ali Ibn Abu Taleb, il n'y avait pas des changements importants dans la manière de gérer Bayt Almal. Ils ont maintenus les mêmes procédés.

A l'époque des Califs, Bayt al-mal était considéré la propriété de tous les musulmans et chacun d'eux (en particulier les militaires, les fonctionnaires et les personnes sans prise en charge) a une part qu'il reçoit chaque fin du mois⁹ (Serjani, 2010). De même, tout le monde avait le droit d'y emprunter de l'argent sans distinction du rang social (les riches comme les pauvres). A ce propos, nous citons l'histoire de Hind Bent Otba rapportée par Al Imam Tabari (923) qui nous informe que Bayt Almal accordait des crédits pour la réalisation des transactions commerciales. En effet, Hind bent Otba est allée voir Omar Ibn Alkhattab (qui était le responsable du Bayt Almal) et elle lui a demandé de lui accorder un emprunt de 4000 (dirhams ou Dinars) pour les besoins de son commerce. Malgré les pertes qu'elle a réalisées, Omar a exigé à ce qu'elle rembourse son dû, du fait que l'argent emprunté appartient à Bayt mal Almouslimine en lui disant :

"لو كان مالي، لتركته لك، ولكنه مال المسلمين" (Tabari 923, p713)

Albaladri (1996) cité par Serjani (2010) rapporte, aussi, l'histoire de Othman Ibn Affane qui a emprunté cent mille dirhams de Bayt Almal et qu'il a remboursé à l'échéance.

L'époque des Omeyyades (661-750) :

En 661, débute la dynastie des Omeyyades qui marquera l'instauration du premier grand empire musulman, mais aussi la transmission du pouvoir de façon héréditaire. Les dirigeants accomplissaient leur devoir tout en remplissant les conditions pour être Calif parce que le peuple leur donnait la Bayâ, et en appliquant l'islam dans son intégralité. Les conquêtes extérieures se poursuivaient et les frontières de l'empire s'étendaient dans toutes les directions (à l'Est comme à l'Ouest). Le centre de décision était la ville de Damas qui est devenue la capitale administrative de l'Etat islamique. Wilson (1950) cité par Chachi (2005) décrivait l'impact de l'islam sur l'histoire de l'humanité en écrivant :

« *The sudden eruption of the Arab (muslim) people in the 7th Century is something unique in history. In three generations a collection of scattered tribes, some settled, some nomadic, living by trade and subsistence farming, had transformed itself into a rich and powerful empire dominating the whole of southern Mediterranean and the Near-Est from Afghanistan to Spain... they had succeeded in welding*

⁹ Le Calif Omar Ibn Alkhattab a instauré un système de répartition conformément à la Shariâ (Diwane Alâtae, le registre des donations), mais aussi selon les critères de lien familial avec le Prophète (SAWAS), les années d'ancienneté relative à la conversion en islam et la distinction entre ceux qui ont combattu à côté du Prophète et ceux qui l'ont combattu. Pour plus de détail voir Almawardi, 1989, Alahkam Soultania wa alwilayat Addinia. Pp 259-284 et le livre de Abi Obaida, AlAmwal (1989)

together peoples of diverse beliefs and languages into a unified society based on a common religion, a common language and common institutions” (Chachi, 2005, p9).

Cette expansion de l’Etat islamique a généré des ressources considérables à Bayt Almal. On a rapporté que l’argent envoyé par Maslama Ibn Moukhallad, gouverneur de l’Egypte, à Mouâwiya Ben Abi Soufiane, s’élevait à six cent mille dinars nets des donations et des salaires des fonctionnaires de Diwane Misr (Serjani, 2010). Ce montant provenait uniquement d’une seule province, alors, qu’en est-il des autres ressources financières provenant des autres provinces ?

Selon les références bibliographiques de l’histoire de la dynastie Omeyyade, le système financier s’est développé sous le règne de trois Califs : Moâwiya Ibn Abi Soufiane, Abdelmalik Ibn Marouane, et Omar ibn Abdelaziz. L’institution de Bayt Almal (BA) a continué à jouer le même rôle qu’à l’époque du Prophète et des Khoulafas Arrachidines. Ses ressources étaient composées de : Zakat, Faye, le 1/5 du Ghanima, Alohour, Alkharaj, Jezya. Ses dépenses étaient de nature militaire (salaires et industrie militaire), administrative (salaires et autres dépenses de fonctionnement), relative à zakat et Alfaye (bénéficiaires cités dans le Coran), relative à la solidarité sociale (aides en nature ou en numéraire ou les deux à la fois) (Assallabi, tome 1 & 2, 2008).

Les responsables Omeyyades ont adopté un système décentralisé de l’institution de BA. L’administration centrale de BA était basée à Damas avec des filiales dans chaque province soumises à l’autorité des responsables (appelé Alkhazen) nommés par les Califs. Ces derniers avaient le pouvoir de gérer les BA de la même manière que BA centrale en ce qui concerne la collecte des recettes et la gestion des dépenses. L’excédent est transféré à l’administration centrale à Damas. Les citoyens des provinces avaient le droit de contester l’excédent transféré s’ils ne sont pas sûrs que les ayants droit ont reçu leurs parts conformément à la shariâ (Serjani, 2010). Nous citons l’histoire d’un citoyen d’Egypte à l’époque du Calif Moâwiya :

”فقد نهضت الإبل بالأموال تريد دمشق، فلقبها أحد رجالات مصر، و هو برح بن حسل المهرى، فقال : ما هذا؟ ما بال مالنا يخرج من بلادنا؟ فردوه حتى وقف على المسجد، فقال : أخذتم أعطياتكم و أرزاقكم، و عطاء عيالكم؟ قالوا : نعم. فقال : ” (Ibn Abdelhakam, p 78).

L’ère de Abdelmalik Ibn Marouane a été marquée par l’arabisation de l’ensemble des Dawawins de l’empire Omeyyade. Il a commencé par le Diwan de la province du Sham arabisé en l’an 81 de l’hégire ; suivi par celui de l’Iraq et puis celui de l’Egypte arabisés en l’an 86 de l’hégire. La raison derrière l’arabisation des Dawawins était de normaliser les pratiques de comptabilité et de contrôle, et aussi de permettre aux musulmans de superviser la gestion financière de l’Etat islamique (qui était, auparavant tenue par des non musulmans soit par des romains ou des perses ou des Qoptes). Le processus d’arabisation a touché aussi la monnaie (Assallabi, tome 1, 2008).

Par ailleurs, l’Etat islamique a connu un essor économique très important avec le développement du commerce (vue son emplacement géographique), de l’agriculture et de l’industrie. Le climat d’investissement était favorable (en particulier à l’époque de Moâwiya et Omar Ibn Abdelaziz). Ceci a encouragé les commerçants à développer leurs commerces et à créer des sociétés financières qui offraient un financement à travers le mécanisme de Modaraba (Assallabi, tome 1, 2008). L’abondance des richesses (en particulier les recettes de l’Etat) était la conséquence directe de cet essor notamment sous le règne d’Omar Abdelaziz.

Parmi les objectifs fondamentaux d’Omar Abdelaziz était l’instauration de la justice sociale et la distribution équitables des richesses. Les citoyens de tout l’empire adhéraient à cet objectif et s’acquittaient volontairement de leurs impôts sans contraintes de la part de l’Etat. Il a inventé des techniques de redistribution des richesses qui ont permis de surmonter certaines crises. Nous résumons sa politique en citant ses propos avec le gouverneur de l’Iraq Abdelhamid ben Abderrahman :

”أخرج للناس أعطياتهم، فكتب إليه عبد الحميد : إني قد أخرجت للناس أعطياتهم، و قد بقي في بيت المال. فأمره بأن يقضي ديون المعسرين من بيت المال، إذ قال : أنظر كل من دان في غير سفة، ولا سرف فأقض عنه. فكتب إليه : إني قد قضيت عنهم، و بقي في بيت مال المسلمين مال. فأمره أن يزوج المعسرين من شباب و فتيات المسلمين، فقال : أنظر كل بكر ليس له مال فشاء أن تزوجه فزوجه، و أصدق عنه. فكتب إليه : إني قد زوجت كل من وجدت، و قد بقي في بيت مال المسلمين مال. فأمر عمر بأن تتم عملية التسليف الزراعي من بيت المال بصفته بنكا للدولة، حيث يقدم القروض للمزارعين إذا ما أصابتهم نائبة أو ضائقة، فقال لواليه : أنظر من كانت عليه جزية فضعف عن أرضه، فأسلمه ما يقوى به على عمل أرضه، فإننا لا نريد لهم لعامين” (Ibn Assakir, 1996, tome 45, p213).

On peut qualifier BA, à l'époque d'Omar Abdelaziz, de la banque solidaire qui portait secours à toute personne en difficulté financière dans le respect intégrale de la Shariâ.

Malgré les grandes réussites à la fois politiques et économiques réalisées par l'empire Omeyyades, la vie luxueuse menée par les membres de la famille régnante et sa cour, le traitement sévère affligé aux citoyens, la corruption de certains gouverneurs faisaient éloigner les Califs omeyyades de leur devoir spirituel au profit de leur pouvoir temporel qui ne plairait pas aux plus pieux des musulmans. « L'islam prenait une allure très différente de ce qu'il était sous la férule du Prophète et de ses premiers successeurs » (Donckier de Donceel, 2002, p5) à l'exception du règne d'Omar Ibn Abdelaziz. Plusieurs soulèvements se sont succédés pour aboutir au règne des « Abbassides ».

L'Epoque des Abbassides (750-1075)

Les Abbassides s'emparent du pouvoir en 750 profitant du mécontentement de la population et se réclamant héritiers de la famille du prophète. Leur règne s'est étalé sur plusieurs siècles (presque 8 siècles) et la capitale s'est déplacée de Damas vers la nouvelle ville de Mésopotamie « Baghdad » construite par le Calif Almansour. Les historiens distinguent trois époques dans le règne des Abbassides : la première époque du 750 à 847 caractérisée par une forte présence et influence des perses dans le pouvoir ; la seconde du 847 à 946 connue sous l'époque de la présence turque au pouvoir ; la troisième s'étalant du 946- au 1075 connue sous l'ère des Seldjoucides (Assallabi, 1998). La période Abbasside du 8^e au 11^e siècles est appelée « l'âge d'or » de l'islam. C'est la grande époque de la naissance des arts, des sciences et des lettres. C'est aussi l'époque de la grande prospérité économique. A côté de l'agriculture et l'industrie, le commerce constituait le pilier principal de l'économie. Un grand commerce à l'international s'est développé (Donckier de Donceel, 2002, p7) : *« tous les textes de l'époque montrent que les marchands musulmans avaient des comptoirs à Canton, avec des bateaux sillonnant l'Océan Indien, avec des caravaniers apportant depuis la Chine par la Route de la Soie, de la soie, de la porcelaine, de la faïence. C'est un mouvement formidable d'Est en Ouest, avant que les marchandises ne soient réexpédiées vers l'occident »*. Ceci fût expliqué par Lieber cité par Chachi (2005, p9) : *« This is, perhaps, because Islam is one great religion which affords the merchants a highly honoured place in society and promises him an elevated position in paradise if he deals with honesty, justice and benevolence »*

Cette énorme activité commerciale a eu un impact considérable sur le développement du système financier à l'époque des Abbssides. Du côté de la finance publique, l'institution de Bayt Almal a vu ses recettes se multiplier et se diversifier. A l'époque du Calif Arrachid, on comptait chaque année un excédent de sept mille et cinq cent quintaux de dinar (Serjani, 2010). Ibn Kathir, dans son livre « Bidaya wa Nihaya » (Tome 11, p373), nous informait qu'à la fin du règne du Calif Almouâtadid, on avait compté à peu près dix sept mille mille dinars (sachant qu'à l'époque un dinar valait 4,25 g d'or).

Aussi, à l'époque des Abbassides sont apparues les notions de Bayt Al-mal Alâmma (publique) et Bayt al-mal Alkhassa (privée) (Sultan, 2013). La première est destinée à gérer les recettes et les dépenses du peuple. La seconde est chargée de la gestion des recettes et des dépenses du palais et de sa cour. Les grands Califs de l'époque (Almansour, Arrachid, Almoâtadid) ont été connus pour leur gestion modérée des deniers publics et leur vigilance quant aux méthodes de contrôle et de formalisation des procédures de gestion financière (Serjani, 2010). Le Calif Haroun Arrachid a demandé à son grand Juge Abi Youssef Al Ansari de transcrire dans un livre toutes les procédures de collectes et de distributions des deniers de l'empire islamique. Ce travail a donné lieu à la publication de son célèbre ouvrage « Kitab Alkharaj كتاب الخراج ».

Avec le développement de ce grand commerce à l'international se développaient des opérations bancaires. Certains auteurs confirment qu'à cette époque, il y avait certes une activité bancaire, mais, on ne peut prétendre l'existence des banques au sens actuel du terme. Udovitch (1975) cité par Chachi (2005, p10) rapportait : *“we encounter bankers and we encounter extensive and ramified banking activities but we do not encounter banks. That is, we cannot identify any autonomous or semi-autonomous institutions whose primary concern was dealing in money as specialized if not exclusive pursuit”*. Seulement, l'examen de certains écrits de l'histoire relatifs à l'époque Abbassides confirment l'existence des banquiers exerçant des activités bancaires telles qu'elles sont pratiquées aujourd'hui. Ces banquiers, on les appelait Jahabidha ou Sayareffa/Sarrafinés. Les notions de Bayt Almal ou de Diwane remplaçaient celle de la banque (Addouri, 1995 ; Alhamdani, 2000 ; Chapra et Khan 2000).

A l'origine, Jahabidha étaient des percepteurs d'impôts (Koutab alkharaj). Ils avaient comme tâches de percevoir les impôts, de présenter des comptes mensuels des revenus appelés « Alkhatma » et des comptes annuels appelés « Alkhatma aljamiâ », et de s'assurer que tous les revenus de l'Etat sont transférés à Bayt Al-mal. En contre partie de son travail, Aljahbadh recevait un salaire proportionnel à l'impôt collecté. Ce salaire est appelé « Haq Aljahbadha » (Addouri, 1995). A Baghdad, il y avait une cour pour jahabidha appelée : Diwane Aljahbadha, parmi les obligations de son président est de préparer à la fin de chaque mois et chaque année, les comptes des recettes et des dépenses et les présenter à Bayt Al-mal.

Avec la nomination de certains commerçants en tant que jahabidha pour collecter l'impôt de certaines provinces, le rôle de ces derniers est passé de celui de percepteur d'impôt à celui de propriétaires de Boyout malya. Ce développement est survenu lorsque le grand vizir Ibn Alforat, en 912, a nommé deux commerçants juifs Youssef Ben Finhasse et Haroun Ben Imran jahbadhayen de la province d'Alahwaz. A l'origine de cette nomination, le besoin de l'Etat de liquidité avant la date de collecte d'impôt. Ce deux jahbadhayen se sont engagés à prêter de l'argent à l'Etat en contrepartie ils se faisaient rembourser de l'impôt perçu d'Alahwaz. La détérioration du trésor de l'Etat a poussé le grand vizir Ali Ibn Aissa d'inciter les deux juifs à créer la première banque centrale en 913, ayant pour objectif de prêter de l'argent à l'Etat en leur disant :

"إني أحتاج في كل هلال إلى مال أدفعه في ستة أيام من ذلك الشهر إلى الرجال مبلغه ثلاثون ألف دينار، و ربما لم يتجه في أول يوم من الشهر ولا الثاني، و أريد أن تسلفاني في أول كل شهر مائة و خمسين ألف درهم، وترجعانها من مال الأهواز في مدة الشهر، فإن جبهة الأهواز إليكما فيكون هذا المال سلفا لكما واقفا أبدا" (Addouri, 1995, p188)

Le capital des jahabidha était constitué, en premier lieu, des bénéfices de leur commerce. En second lieu, des dépôts des vizirs et des hauts fonctionnaires de l'Etat (Addouri 1995 a cité parmi d'autres exemples, celui du grand vizir Ibn Fourat qui avait déposé chez Ben Finhasse et Ben Imran un montant d'un million quatre cent soixante dix mille cinq cent quarante six dirhams, voir Addouri, 1995, p190). La troisième ressource provenait de la collecte d'impôt.

Assayarifa ou Sarrafines avaient pour activités l'évaluation de la qualité et du poids de la monnaie et les transactions de change monétaire pour les besoins du commerce. La détermination du cours de change était basée sur l'état du marché, du commerce, mais aussi en considération du prix de l'or et de l'argent. Avec l'expansion du commerce, l'activité de Sarrafines s'est orientée, en plus, vers l'acceptation des dépôts, l'intermédiation financière et l'offre de crédit. Cette activité de Sayrafa s'est tellement développée qu'il y avait dans chaque ville Masraf et qu'il y avait des marchés dédiés à Sayariffa comme celui de Derb Aloyoun à Karakh à Bagdad (Alhamdani, 2000).

Les transactions financières entreprises par Sayarifa, comme les a décrites l'historien Addouri (1995) démontrent le rôle important joué par Sayarifa dans le développement du commerce de crédit, en particulier au sein du grand port de Bassora :

"إن المعاملات التجارية في البصرة تجري كما يلي : كل من كانت له نفائس يودعها عند صراف، و يأخذ منه وصلا. و عندما يشتري التاجر شيئا يعطي حوالة على الصراف و هذا يصرفها. فكان التجار طيلة إقامتهم بالبصرة يتعاملون بالحوالات على الصيارفة" (khassrou cité par Addouri, 1995, p193)

Addouri (1995) rapportait, aussi, que les commerçants et les Sarrafines se réunissaient chaque jour à trois heures de l'après midi jusqu'au soir pour discuter des problèmes liés au commerce, régler tous leurs comptes et compenser le manque de liquidité généré par les traites (hawalat) mises en circulation. Ces réunions jouaient le rôle des « chambres de compensation ». Toutes ces transactions se faisaient sous l'œil vigilant de l'Etat pour éviter tout dépassement ne respectant pas la Shariâ. On racontait qu'à l'époque du Grand Prince Nasser Addawla Alhamadani (Addouri, 1995, p194) :

"بلغه أن الصيارفة يربون ربا ظاهرا، فأحضرهم و حذرهم و أحلفهم فتحسن أمرهم قليلا"

La plupart des Sayarifa de l'époque étaient des Chrétiens ou des juifs.

De ce qui précède, on peut conclure, que l'activité bancaire s'est développée avec l'expansion de l'Etat islamique et plus particulièrement avec le développement du commerce à l'international. La notion de Bayt Al-mal (ou Masrif) s'appliquait sur des institutions qui jouaient bien un rôle similaire à celui d'une banque au sens actuel du terme, mais tout en restant sous le contrôle de la réglementation dictée par la Shariâ.

L'Epoque des Ottomans (1517-1924) :

Les Ottomans sont des Turcs Seldjoucides qui se sont installés dans l'Est de l'Anatolie. Après la prise de Constantinople (devenue Istanbul) en 1453, les territoires Ottomans incluaient l'Asie mineure, la Syrie, l'Iraq, l'Egypte, l'Afrique du nord (sauf le Maroc), les régions côtières d'Arabie, L'Azerbaïdjan, l'Arménie, les Balkans, la Hongrie, l'Albanie, la Serbie, la Croatie, la Bosnie Herzégovine, le Kosovo, Chypre. A cela s'ajoutent les Etats dépendants du Khilafah dans la région de la Volga et des steppes méridionales de Russie (Albadil, 2012).

L'étendue de l'empire a généré des recettes importantes, mais aussi a exigé des dépenses similaires. Les responsables Ottomans ont maintenu la gestion dite « sharîa » du budget de l'Etat. La notion de Bayt almal est maintenue, mais on utilisait plus souvent celle du trésor. Les recettes et les dépenses sont regroupées et gérées selon leurs natures dans des Boyout almal. On y distingue : Bayt mal azzakat, Bayt mal alkharaj, Bayt mal alghanaim, Bayt mal addawaïe (Gunduz et Oztourk, 2008). Comme dans le temps des Abbassides, On distingue le Hazine-i hassa (trésor personnel du sultan) et le Hazine-i âmire (trésor de l'Etat). Ces trésors sont gérés par un haut fonctionnaire nommé par le sultan et connu sous le nom de « Daftardar ». Le Bach Daftardar dirige toutes les structures avec une pléthore de scribes (koultabs) répartis dans les différents départements.

La notion de Bayt al-mal (Sheikh Alardh, 1942, p116) est restée aussi liée au métier de Sayrafa. Ainsi financier/banquier (Saraf) détenait un Bayt A-mal où il exerçait l'ensemble des transactions financières (dépôt, change, crédit, participation (Modaraba) dans des sociétés, commerce, transfert d'argent...). Assayarifa (on les appelait aussi les usuriers 'Almouraboune') étaient parmi les plus riches et la plupart d'entre eux étaient installés à Istanbul à Galata (Gunduz et Oztourk, 2008). L'origine de ces Assayarifas était soit des levantins, des juifs ou des Arméniens.

Certains écrits rapportent que la pratique de l'intérêt était très fréquente à cette époque et même autorisée par les juges et les Aulémas (Pamuk, 2005). Les taux variaient entre 10% et 20%. Une autre ressource de crédit et de financement qui est apparue à l'époque Ottomane était ce qu'on appelait les fondations d'argent 'Waqf Nukud'. Ce sont des institutions créées en vue de financer les projets des particuliers, des petits commerçants et agriculteurs. Ces crédits sont accordés avec un taux d'intérêt inférieur à celui pratiqué en réalité ne dépassant pas 13% (Pamuk, 2005).

Parmi les plus grands bénéficiaires des crédits, on cite essentiellement l'Etat et les hauts fonctionnaires. Pour faire face à ses dépenses de plus en plus importantes, l'Etat s'est vu obligé de recourir à des crédits à court terme. Au départ, le recours aux crédits se faisait de manière indirecte à travers le système de l'affermage des revenus fiscaux connu sous le nom d'Iltizam. « l'Iltizâm constituait une capitalisation des ressources de l'Etat ayant pour but le financement à court terme du trésor impérial » (Eldem, 1995, p5).

Un autre moyen qui contribuait au financement indirect de l'Etat est la 'vénalité des emplois' qui rentre dans ce qu'on appelait l'investissement politique. « Tout membre de l'élite se voyait dans l'obligation d'emprunter de fortes sommes afin de subvenir aux besoins de sa fonction et de son statut politique : achat d'un poste, obtention d'une ferme ou d'une rente viagère, maintien d'une maisonnée 'kapi), et d'une clientèle à la mesure de ses ambitions... » (Eldem, 1995, p6). Derrière chaque élite, il y avait un Sarraf (banquier) qui subvenait aux besoins financiers de son client/protecteur moyennant souvent des intérêts très élevés. Ainsi, le système de crédit à cette époque reposait essentiellement sur la richesse politique et la stabilité des membres élites du gouvernement impérial. Cette situation de Sarrafines en tant que principal bailleur de fonds de l'Etat et de ses membres élites perdurait jusqu'à la fin du 18^{ième} siècle créant une grande place financière à Istanbul connue sous le nom de Galata Bankers (banquiers de Galata).

Certes, comme le souligne Pamuk (2006, p27) : « *Ottoman institutions of private and public finance retained their Islamic lineage and remained mostly uninfluenced by the developments in Europe until the end of the seventeenth century* » ; mais pour faire face à ses besoins accrus en fond, ce même Etat s'est vu contraint de faire appel aux institutions financières européennes. Celles-ci ont commencé à ouvrir des filiales locales telles que la Banque Ottomane Impériale qui a été créée à Istanbul en 1863 par des capitaux franco-britanniques (Pamuk, 2005) marquant la naissance des banques commerciales selon le modèle occidental.

L'époque de 1924 à Aujourd'hui :

Le choix de l'année 1924 comme marquant le début de cette époque est motivé par des raisons purement politiques et non économiques. Fidèles à notre analyse qui lie l'évolution de la notion de Bayt Al-mal à celle de l'Etat islamique, cette année marque la chute du dernier empire (ottoman) qui incarnait l'Etat Islamique au sens conventionnel et la naissance de la Turquie laïque. La notion de Bayt Al-mal ou de celle de sayrafa était déjà abandonnée avec l'installation des banques européennes au milieu du 19^{ième} siècle à Istanbul.

A partir du milieu de 19^{ième} siècle, la plupart des Etats musulmans étaient directement ou indirectement sous l'emprise de la puissance occidentale. Ainsi les lois et les systèmes réglementaires notamment ceux relatifs aux transactions civiles et commerciales étaient basées sur le modèle européen (Chachi, 2005). Le système bancaire n'a pas échappé à cette influence. Les transactions commerciales se référant à la shariâ étaient de 'l'histoire ancienne'. Malgré leur indépendance, et les efforts de nationalisation, le système bancaire des pays islamiques continuait et continue à fonctionner selon les mécanismes et les principes du modèle occidental (en toute violation des principes de la Shariâ).

L'émergence des banques islamiques (ou banques sans intérêts) offrant des services conforme à la réglementation musulmane, s'est réalisée à travers, d'une part, des initiatives privées entreprises par des personnes cherchant à faire renaître la Shariâ. D'autre part, des initiatives étatiques comme le cas du Soudan, de l'Iran et du Pakistan. Les premières tentatives de création d'une banque islamique a été faite au milieu des années quarante en Malysie et à la fin des années cinquante dans la campagne pakistanaise (Zaher et Hassan, 2001 ; Chachi, 2005 ; Almohandiz, 1999 ; SidAhmed, 1982), mais sans réel succès ; comme le soulignait Wilson (1983) cité par Chachi (2005, p15) :

"Although there was no shortage of borrowers, the depositors tended to view their payments in the institution as a once and for all effort and the institution soon ran short of funds. In addition, the depositors took a considerable interest in how their deposits were loaned out and the bank officials enjoyed little autonomy with no new deposits forthcoming, and the problems over recruitment of bank staff, who were unwilling to give up lucrative and secure careers in city commercial banking for an uncertain venture in the countryside, the institution soon foundered...But just as the Pakistan venture was being ended a new experiment was being tried in Egypt".

Le 25 juillet 1963, un certain El-Naggar a fondé la première banque islamique sous forme de banque d'épargne rurale à Mit-Ghamr dans le delta du Nil en Egypte : Mit-Ghamr Islamic Saving Bank (MGISB). L'objectif était de mobiliser l'épargne de la population sans transgression de la shariâ en garantissant des revenus 'halal'. Cette expérience a connu un succès impressionnant durant ses trois premières années. Le nombre des dépositaires a dépassé les 250 mille en 1967 (Chachi, 2005). Malgré sa réussite, l'expérience de Mit-Ghamr a pris fin en 1967 pour des raisons purement politiques (Almohandiz, 1999, Chachi, 2005). La disparition de MGSIB a donné naissance en 1971 à une autre banque islamique à caractère beaucoup plus social qu'économique : Nasser Social Bank.

Parallèlement à l'expérience de Mit-Ghamr, une autre tentative réussie a été menée en Malysie la même année (1963) : la naissance de la Société Fond des Pèlerins (Tabung Haji ou Pilgrims Fund Corporation). Cette société représentait une alternative aux institutions bancaires à intérêt. A côté de son objectif principal qui est l'épargne pèlerinage, Tabung Hajji offrait aussi des opportunités d'investissement respectant les règles de la Shariâ.

Les années 70 sont celles de l'institutionnalisation des banques islamiques. Plusieurs conférences ont été organisées et qui ont eu comme conséquence la création d'une banque intergouvernementale : la Banque Islamique de Développement (BID) en 1975. La vague de création des banques islamiques privées s'est poursuivie avec la naissance de Dubai Islamic Bank en 1975, Faisal Islamic Bank en 1977. Cette période a vu aussi la création du premier groupe financier islamique en Suisse « Dar Al-Mal Al-islami », suivi du groupe « Al-Baraka » créé en 1983. Les banques islamiques sont installées partout dans le monde dans des pays musulmans et non musulmans¹⁰. Comme le souligne Niehaus (1988, p90) : *"these Islamic Banks have grown to financial institutions of a respectable size within a relatively short period of time"*.

¹⁰ En 2011, on compte plus de 400 institutions financières ayant des opérations financières soit en tant qu'activité principale, soit en tant qu'activité complémentaire, réparties dans plus de 60 pays (Alwi et Sultan, 2012).

Vu la diversité des services qu'elles offrent (du plus classiques au plus modernes) et l'expansion qu'elles ont réalisée, la notion de banque a cédé sa place à celle d'institution financière beaucoup plus représentative du rôle que joue actuellement ces banques dans la sphère financière internationale. Il reste à noter que la majorité des banques islamiques opèrent, dans les pays où elles sont installées, en parallèle avec le système bancaire conventionnel. Une exception est à souligner pour les Etats de l'Iran, le Pakistan et le Soudan qui ont islamisé leurs systèmes bancaires et financiers.

Conclusion :

Après cette revue de l'histoire de l'évolution de l'activité bancaire dans l'Etat islamique, il est légitime de se demander s'il est possible d'assimiler la notion de Bayt Al-Mal à celle d'une banque islamique ? Si on fait un rapprochement en termes d'objectif derrière la création de l'une ou de l'autre, la réponse est certainement non. L'analyse historique menée ci-dessus nous informe que Bayt Al-Mal est une institution qui a été créée pour gérer les deniers publics. On peut l'assimiler beaucoup plus au trésor public et dans certain cas, à un ministère des finances. Mais cette institution à certaines époques (en particulier sous le règne du Calif Omar Ibn Abdelaziz) a étendu son rôle à celui de bailleur de fond pour tous ceux qui sont en difficulté financière (commerçants, agriculteurs, particuliers...).

Puis le terme de Bayt A-Mal est repris pour désigner l'établissement détenu par toute personne qui exerce le métier de Sayrafa au sens large du terme (voir le paragraphe 2.3.). Ainsi, si on fait un rapprochement en termes d'activités, la réponse est, à notre avis, oui. En effet, si on fait un rapprochement en terme d'activités, nous avons vu que l'institution de Bayt Al-Mal offrait les mêmes services basiques qu'offre une banque islamique d'aujourd'hui : Dépôt d'argent, crédit sans intérêt, participation à des investissements sous forme de Modaraba ou Mocharaka, Ijara... Ces institutions exerçaient leur métier sous l'œil vigilant de l'Etat qui veille sur l'application de la Shariâ (l'application du système de Hisba). En plus de ces activités, ces Boyout Al-Mal, à certaines époques, étaient le principal bailleur de fond de l'Etat.

Certes, les banques islamiques offrent, actuellement, des services beaucoup plus variés et complexes que ceux qui étaient offerts par Bayt Al-mal, mais cela est expliqué par l'évolution des marchés financiers et aussi par la complexité des besoins en financement des entreprises. Ces banques, contrairement à l'époque de Bayt Al-Mal, opèrent sous le contrôle (Raqa Sharîya) des institutions créées sous des initiatives privées (à l'exception des Etats de l'Iran, Pakistan et Soudan) cherchant à renouer avec des pratiques respectant la Shariâ.

Au terme de notre analyse, on peut conclure que Banque islamique ou Bayt Al-Mal sont deux notions qui se croisent et qui véhiculent les préceptes du même courant de pensée économique : celui de l'Islam. Les banques islamiques prennent de l'importance dans la sphère économique et académique parce qu'elles ont réussi à faire face aux différentes crises financières. Malgré cette réussite, il reste encore un long chemin à parcourir pour ces institutions pour avoir la main mise sur les marchés financiers internationaux. Celle-ci passera certainement par la valorisation de la pensée économique islamique et de son histoire. Une pensée basée sur le Coran et la Sunna, mais aussi sur 'Ijtihadat' de nos ancêtres, là où il faut piocher pour aller de l'avant. *« Pendant la conversation, le général Bonaparte dit aux cheikhs que les arabes avaient cultivé les arts et les sciences du temps des Califes, mais qu'ils étaient aujourd'hui dans une ignorance profonde et qu'il leur restait rien des connaissances de leurs ancêtres : le cheikh Sadat répondit qu'il leur restait le Coran qui renfermait toutes les connaissances »* (Brasseul, 2004, p20).

Enfin, nous devons souligner que cette lecture de l'histoire présentée dans cette recherche reste générale et panoramique. Il existe certainement des sources de l'histoire locales non connues qui relatent d'autres initiatives, relatives à la finance islamique, entreprises dans certaines régions de l'Etat islamique non citées dans notre recherche. De telles expériences doivent être dévoilées à travers l'encouragement des études et des recherches monographiques, seules capables de nous permettre de forger une idée plus complète sur la pensée de la finance islamique et ses interactions avec les particularités locales de l'Etat islamique de la perse au Maghreb et de l'Andalousie jusqu'au fin fond du Soudan.

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Résumé :

La finance islamique a connu un essor particulier depuis la fin du siècle dernier. En effet, cet intérêt accordé au système financier islamique, tant au niveau privé qu'au niveau public, ne cesse de se développer aussi bien dans les pays du monde islamique et non islamique.

Les produits islamiques se veulent désormais concurrents de ceux classiques, grâce à l'absence du concept de Riba (intérêt) interdit par l'Islam, et à leurs principes éthiques et sociaux.

Le Maroc est parmi les pays islamiques qui ont initié l'introduction de ces produits dans leur système financier, dans l'attente du grand pas celui de l'arrivée des banques islamiques.

Nous nous interrogeons sur les produits islamiques déjà en place au Maroc, sur leur fonctionnement en dehors du mécanisme de l'intérêt, les divergences avec les produits classiques, et sur ses perspectives d'avenir avec l'arrivée des banques islamiques au Maroc.

Ce travail tente d'apporter des réponses pratiques à ces questions, en étudiant premièrement les origines et les premières banques initiatrices de ces produits au Maroc, ainsi que leurs pratiques en matière de crédit islamique. Et en comparant, deuxièmement le financement classique et le financement alternatif dit islamique. (Cas pratique de crédit immobilier avec intérêt et sans intérêt Attijari waabank).

Mots clés : Financement islamique, Financement classique, Riba (intérêt).

INTRODUCTION

L'évolution impressionnante de la finance islamique dans le monde combinée à la succession des crises financières, ont favorisé voire imposé son introduction et instauration graduelle dans le système financier mondial.

En effet, la FI présente une bonne santé et une panoplie de potentiels en toute contradiction avec la finance conventionnelle. Elle se présente comme une alternative à la crise.

Cette finance tend vers une moralisation bancaire via l'interdiction de l'intérêt (Riba et Faïda) et de la spéculation (Gharar). Encore, son activité est adossée à des actifs tangibles de l'économie réelle afin de permettre le partage des pertes et profits que cet actif génère.

Par ses principes de base de la Charia, la FI prône le retour aux vraies valeurs morales de la société, et surtout un retour à la religiosité des populations à cause des problèmes géopolitiques¹ qui ont accentué l'antagonisme des musulmans envers le capitalisme. En effet, la FI s'impose comme une pratique alternative qui met le développement durable et l'économie réelle au centre de son intérêt, et prohibe tout investissement dans les secteurs tels que l'alcool, l'armement, la pornographie...

Le marché financier islamique (banques alternatives et assurances Takaful) présente dans le monde presque 300 banques islamiques et 250 compagnies d'assurance Takaful. Les pays qui ont introduit ce

système financier islamique conforme à la Charia et certifié par les organismes spécialisés, ont créé des banques islamiques, un marché islamique de capitaux notamment en matière de Sukuk et de fonds islamiques des compagnies d'assurances Takaful et un système de micro-finance islamique.

Après s'être développées dans le monde arabo-musulman (Moyent-Orient, l'Asie du Sud-est...), les institutions financières islamiques se propagent également dans les pays occidentaux et dans quelques uns d'Afrique occidentale et au Maghreb.

Le Maroc, conscient des biens faits de la FI, a entamé depuis les années 1980 plusieurs tentatives d'implantation d'un système financier alternatif conforme à la Charia. Pour ce faire, le royaume est en phase de développement d'un cadre législatif juridique et fiscal favorable à la Finance alternative. En effet, cette finance dans son aspect contemporain, requiert des efforts importants en ce qui concerne le développement de méthodes propres de gestion et la standardisation de ses pratiques qui la rend accessible aux particuliers et aux entreprises.

¹ *L'attentat du World Trade Center, les tensions Israélo-Palestinien, la guerre de l'Iraq, le printemps arabe...*

Notre écrit est une contribution à l'avancé de la pensée en cette matière de Finance islamique, au Maroc en particulier. Et c'est dans cet objectif que nous allons essayer de traiter quelques questions d'ordre théorique et pratique formulées comme suit :

Une question qui se pose est celle de savoir si la finance islamique avec ses produits peut être comme une solution ou un palliatif à la crise de liquidité qui prévaut au Maroc ?

Et quel est son apport pour l'économie et les citoyens marocains ?

Quelle différence avec les autres produits classiques sur la place marocaine ? et quelles sont les questions que se posent les agents économiques désireux de contracter ce type de financement ?

Pour répondre à ces questions, cet écrit donne dans un premier temps un aperçu global sur la FI dans le monde. En étudiant dans un deuxième point les origines et les premières banques initiatrices de ces produits au Maroc, ainsi que leurs pratiques en matière de crédit islamique. Et en comparant, finalement, le financement classique et le financement alternatif (islamique) en matière de fondements, de coût, d'accessibilité... : Cas pratique de crédit immobilier avec intérêt et sans intérêt Attijari waabank.

I/ LA FINANCE ISLAMIQUE DANS LE MONDE.

Les actifs des institutions de financement islamiques (IFI) valaient presque cinq milliards de dollars US en 1985 pour dépasser les 100 milliards de dollars à l'aube du troisième millénaire, avec un taux de croissance de leurs encours de plus de 15% par an, comparé à celui des banques conventionnelles qui varie entre 2 à 3%.

Au début des années 80, l'Iran et le Pakistan furent les deux pays qui ont introduit à grande échelle les pratiques de la Finance Islamique. Ces dernières années voient la multiplication des IFI partout dans le monde spécialement dans les pays majoritairement musulmans : Arabie Saoudite, Bahreïn, Emirats arabes unis, Jordanie, Malaisie, et même en Turquie pays laïque. Voir Tableau : *Quelques institutions de financement islamiques privées et publiques (Annexe N°1).*

L'Afrique ne fait pas l'exception à la règle : Egypte, Sénégal, Soudan, Tunisie et Maroc, sont des pays qui développent également l'activité financière islamique.

Il existe également des IFI dans des pays non musulmans où vit une minorité musulmane relativement importante et en expansion : au Danemark, aux États-Unis, particulièrement dans la région de Détroit et en Californie, en Grande-Bretagne, aux Philippines et aussi au Canada. À Montréal, une société islamique de financement hypothécaire fonctionne depuis 1991.

Certaines des IFI ont en outre choisi d'installer leur siège ou d'effectuer une partie de leurs opérations dans des places financières internationales connues pour leur respect du secret bancaire et leurs avantages fiscaux, comme les Îles Anglo-Normandes, le Luxembourg et la Suisse².

Le développement de la communauté musulmane à Londres (Presque 2 millions de musulmans) a encouragé l'ouverture d'une banque quasiment islamique : IBB Islamic Bank of Britain en 2004.

Dernièrement, il ne faut pas négliger les non musulmans qui sont très intéressés par la valeur morale et les garanties moins risquées que présentent la FI à l'inverse de la Finance conventionnelle. En effet, des banques occidentales ont ouvert des succursales dans des pays musulmans avec deux principales fonctions : le dépôt et le prêt conventionnel de type occidental, et l'autre islamique. Exemple : ABN Amro, HSBC... dont les produits islamiques présentent plus de 17% de leurs actifs totaux.

² André MARTENS, « LA FINANCE ISLAMIQUE : FONDEMENTS, THÉORIE ET RÉALITÉ » Centre de recherche et développement en économique (C.R.D.E.) et Département de sciences économiques, Université de Montréal. CAHIER 20-2001.

Ainsi, le développement de la FI depuis le milieu du XXe siècle s'explique par plusieurs raisons :

Le regain de vitalité de la religion musulmane elle-même, ces dernières années, et la montée en puissance de certains pays musulmans;

la possibilité qu'a donnée la FI aux musulmans pour redorer le blason et se démarquer de l'époque coloniale du XIXe siècle et de la première moitié du XXe siècle, période dominée par le système bancaire occidental dans ces pays;

les chocs pétroliers des années 70, qui ont enrichi certains pays Musulmans surtout ceux du Golfe;

la possibilité pour les IFI de prendre, dans certains cas, le relais du secteur bancaire conventionnel lorsque celui-ci est soumis à des politiques officielles de répression financière, sous la forme de taux d'intérêt bas et d'un contingentement du crédit.

La succession des crises et scandales financiers, qui ont mis en cause la fiabilité du système capitaliste, et par conséquent, le recherche de l'alternative comme la FI qui prend le relais de plus en plus grâce à ses principes sociaux, éthiques et religieux.

Actuellement, il existe déjà plus de 300 établissements dans 74 pays³ : banques islamiques, établissements de leasing et factoring, de micro finance islamique, fonds d'investissement et fonds souverains, compagnies d'assurance et de réassurance islamiques (Takaful et re-takaful), marchés financiers islamiques et leurs intervenants en courtage et en investissement.

La lutte contre l'immoralité, principale cause des crises, et le retour à de vraies valeurs morales en finançant l'économie réelle, constituent son principal avantage et point fort.

En outre, elle œuvre dans l'intérêt de l'Umma, puisque les banques islamiques interviennent pour redistribuer une partie de ses richesses et revenus sous forme de *Zakat*. Elles se chargeront même de les reverser pour ses clients et être ainsi intermédiaires entre ces derniers et le bénéficiaire.

Ces banques islamiques accompagnent également les entrepreneurs à maximiser la rentabilité économique de leurs projets alors que les banques classiques ne se soucient pas de cette rentabilité une fois le prêt est accordé.

Toutes ces qualités font de cette discipline une finance éthique. « La finance islamique est une finance rassurante, de par ses principes qui constituent d'une façon ou d'une autre des avantages » selon Mohamed Ali Morad⁴.

³ *Financial Islam*, « L'enjeu de la finance islamique au Maroc », 02/01/2012. *Le soir Echos*.

⁴ Fondateur, PDG de MENA Finance première société de conseil d'affaires en FI en Afrique du Nord.

II/ INTRODUCTION DE LA FINANCE ISLAMIQUE AU MAROC.

Le Maroc, conscient de la morose crise de liquidité actuelle ainsi que de la faible valeur ajoutée de son secteur financier et économique, se trouve obligé à céder de la place aux produits islamiques. En effet, suite à la pression des citoyens, des banques et du marché, le gouverneur de la BAM a enfin signé la

recommandation autorisant les banques à commercialiser leurs produits labélisés halal en 1^{er} Septembre 2007.

L'introduction de ces produits par les banques marocaines est restée une tentative timide à cause de l'absence d'une approche intégrée de la FI. Et ce n'est qu'en 2012 que la finance islamique ait regagné d'intérêt grâce à la demande populaire croissante, mais surtout à cause des crises de liquidité et de risque croissant des marchés mondiaux. Cette phase a été marquée par la présentation par le législateur marocain de trois projets de lois régissant ces produits alternatifs et leur introduction officielle dans le système bancaire.

La banque centrale insiste sur le fait qu'aucune allusion ne devra être faite au volet religieux. Cependant, les contrats liés aux trois solutions retenues (Mourabaha, Moucharaka, Ijara) sont alignés sur les règles de l'AAOFI (Accounting and Auditing Organisation for Islamic Financial Institutions) qui siège à Bahrein.

Cependant, ces lois sont toujours en attente alors qu'elles auraient dû l'être fin 2012. Aussi, l'intégration de ces produits alternatifs dans le système bancaire se heurte à de sérieuses contraintes et leur commercialisation reste limitée.

La question qui se pose à ce niveau est celle de savoir si l'introduction au Maroc des produits alternatifs dans premier temps et des banques participatives dans un deuxième temps, sera un palliatif à la crise actuelle de liquidité et aux crises économiques en général ?

2.1 Les différents produits alternatifs sur le marché marocain :

Attijariwafa Bank fut la première banque qui a lancé les produits alternatifs deux semaines après son lancement par Bank -Al- Maghreb⁵.

Les autres banques à l'instar du Groupe Banque Populaire, la BMCE Bank, la BMCI ont fini par suivre la tendance et la concurrence après avoir été réticentes à ce genre de produits.

Attijariwafa Bank :

Ses produits lancés sur le marché sont « *Miftah Al khir* » qui n'est qu'une déclinaison des concepts « Morabaha » pour l'acquisition des biens immobiliers, et « *Miftah Al Fath* » dérivé de la formule « *Ijara wa Iqtinaa* » pour la location d'immeuble avec option d'achat.

⁵M.C, 2008, « *La fiscalité pénalise lourdement les produits bancaires islamiques au Maroc* ».

La filiale Wafasalaf s'est lancée par la suite dans la niche du crédit automobile en mettant en place le produit « *Ijar Al Wafaa* » puis en 2008, le produit « *Taksit auto* » qui est une déclinaison de Mourabaha.

En 2013, Attijariwafa Bank a créé sa filiale « *Dar Assafaa* » premier organisme financier spécialisé en la commercialisation des produits alternatifs.

Groupe Banque Populaire :

Ce groupe commercialise les deux produits « *Ijara Wa Iqtinaa* » pour le crédit leasing dédié uniquement au leasing immobilier. L'offre du produit *Mourabaha* s'est penchée au financement d'un bien immeuble (appartement, terrain, maison,...), ou bien meuble (équipement, marchandises, automobile,...). L'opération d'acquisition par la banque se fait sur la demande du client, régit par un contrat tripartite, liant l'organisme financier (premier acheteur), le client (acheteur final) et le fournisseur (vendeur).

BMCE Bank :

Cette banque n'est pas encore déterminée en cette matière de lancement de produits alternatifs. A part le produit « *Ijara* » qu'elle a laissé tomber en 2008 sous prétexte qu'aucun contrat n'a été signé depuis l'apparition de ce produit.

BMCI :

Depuis 2007, cette banque a activé la commercialisation de deux produits alternatifs : *Ijara Wa Iqtinaa* pour le financement des biens immobiliers et la *Morabaha* pour financer les véhicules et les

équipements. Sauf que les chargés de clientèle de cette banque déclarent que la demande à ces produits n'est pas massive.

Il est à signaler que la commercialisation de ces produits alternatifs est toujours accompagnée d'un contrat assurance conventionnelle. Et qu'ils soient Halal ou non, ils se sont alignés sur les règles prudentielles de la Banque Al Maghreb, et suivent les mêmes règles de gestion de risque.

2.2 La FI au Maroc : Remède à la crise de liquidité et créatrice de valeur ajoutée.

Les crises économiques s'accompagnent toujours d'une crise de liquidité qui assèche le financement de l'économie. Et c'est le cas aujourd'hui dans la plupart des pays occidentaux et émergents qui souffrent d'une illiquidité accrue creusant ainsi leur déficit budgétaire, et faisant des marchés financiers internationaux la principale source de leur financement.

Le Maroc a commencé à ressentir les effets de la crise mondiale depuis ces deux dernières années 2011-2012, et souffre déjà d'une crise de liquidité en devise et en Dirham.

Un manque aigu en devise, vu que les importations marocaines sont toujours de valeur supérieure aux exportations à faible valeur. Aussi les transferts des MRE⁶ ont nettement baissé vu la crise de la zone euro principale capteur des travailleurs marocains. Par contre, la facture des carburants et de matières premières ne cesse d'augmenter suivant ainsi l'explosion de leurs cours mondiaux.

La crise en devises s'accompagne toujours d'une crise en dirhams qui se traduit essentiellement au niveau du système bancaire. En effet, une partie de la monnaie marocaine est consacrée à l'achat de devises pour faire face aux besoins d'importations.

La situation de sous-liquidité dans laquelle baigne le système bancaire marocain appelle à s'ouvrir sur ce système financier islamique qui promet de doper le taux de bancarisation et d'injecter de l'air frais dans l'économie marocaine. Car en plus de son niveau bas, l'épargne marocaine se caractérise d'une maturité trop courte pour financer les projets d'investissement long terme.

Pour Mohamed Najib Boulif ⁷ « La finance islamique devrait améliorer le financement des PME. Ce qui va stimuler d'avantage le tissu productif, a-t-il martelé en indiquant que ce modèle de la finance pourra être une solution efficiente à de nombreuses questions économiques. De plus, la FI devrait améliorer le taux de bancarisation qui ne dépasse pas 54% ».

Pour les particuliers, la FI créera des emplois et réduira le chômage. L'introduction des produits et banques islamiques ne fera qu'accentuer la concurrence et par conséquent, réduire les taux des deux côtés. S'ajoute à cela, la conscience tranquille des gens qui cherche des produits répondants à la Charia islamique.

2.3 Les limites au développement des produits alternatifs au Maroc.

Les prévisions de commercialisation des produits alternatifs, après la recommandation de Banque AL-Maghreb N° RN33/G/2007, n'ont été pas prometteuses par rapport aux réalisations. En effet, la mise en marche de ces alternatifs se heurte à plusieurs obstacles qui freinent leur développement.

La lenteur de l'adoption du projet de lois concernant l'introduction de produits et par la suite de banques islamiques s'explique par la volonté du législateur de maintenir la concurrence entre les organismes financiers déjà existant sur le marché (19 organismes actifs) et les produits entrants.

⁶ Marocains résidents à l'Etranger.

⁷ Ministre délégué auprès du chef du gouvernement chargé des affaires générales et de gouvernance.

Les limites réglementaires :

Le point fort de commercialisation de ces produits alternatifs par rapport à ses concurrents c'est la labellisation « Halal », et c'est ce qui fait la différence entre eux et les autres produits sur place, surtout qu'ils sont plus chers. Cependant, Bank Al-Maghreb a interdit les organismes financiers d'utiliser ces mots « Produits islamiques, conformes à la Charia » ou de faire référence à la religion lors de la commercialisation de ces nouveaux produits.

En pratique, il est insensé et même difficile de ne pas faire allusion à la connotation islamique de ces produits car c'est leur principal argument de vente, et la principale différence avec l'autre catégorie de produits conventionnels.

Les limites tarifaires :

Une deuxième limite qui freine la popularité et la facilité de commercialisation de ces produits alternatifs fait référence aux frais supplémentaires. En effet, ces frais (frais de deux transactions⁸ et le coût fiscal⁹) pèsent lourd sur leur coût et les pénalisent sur le plan concurrentiel. S'ajoute la rémunération du risque pris par la banque qui fixe sa rentabilité au maximum vu que le prix fixé ne donne pas droit à la révision par opposition au taux d'intérêt.

Les banques appliquent un taux fixe pour le calcul de leur gain, majoré d'une prime fiscale et ce, pour se prémunir contre le risque de renchérissement des ressources (taux d'intérêt, Taxe sur la Valeur Ajoutée sur la marge commerciale¹⁰).

De ce fait, le client supporte cette marge appliquée par la banque plus importante que les intérêts du produit conventionnel, ce qui revient plus cher¹¹.

Les limites liées au canal de distribution :

Depuis le lancement des produits islamiques appelés alternatifs en Octobre 2007, la campagne publicitaire et de sensibilisation des citoyens fait défaut ! En effet, aucune campagne n'a été officiellement menée à part les dépliants et affiches distribués dans les agences sans mentionner qu'ils sont Halal ou conformes à la Charia¹².

S'ajoute à cela la réticence du personnel des banques pour ces produits à cause du manque de communication interne d'une part, et du manque de formation en le domaine de la finance islamique.

⁸Une 1^{ère} transaction entre l'organisme financier et le fournisseur (vendeur de biens meubles ou immeubles), et la 2^{ème} transaction entre l'organisme financier et l'acheteur final (le client).

⁹Le coût des transactions et la marge bénéficiaire de la banque ne sont pas des charges financières déductibles fiscalement.

¹⁰La marge commerciale étant considérée comme un produit financier taxable sur la Valeur Ajoutée.

¹¹Voir exemple comparatif du crédit immobilier avec les deux formules de financement classique et alternatif.

¹²Chose interdite par Bank Al Maghreb afin d'éviter toute comparaison et de taxer les transactions bancaires classiques sur l'intérêt comme Haram.

Limites organisationnelles et de gouvernance :

Une principale entrave au développement des produits alternatifs est l'absence d'un marché interbancaire islamique. De ce fait, les banques et sociétés de financement se procureront des fonds auprès du marché interbancaire existant, donc de l'argent non labélisé « Halal ».

C'est tout le système qui fait défaut et non pas la formule de ces produits. Le produit en lui-même est labélisé « Halal » mais le système en place est mixte. La responsabilité incombe également au Conseil Supérieur des Oulémas au Maroc qui n'intervient pas pour bien expliquer aux citoyens les fondements de ces produits financiers alternatifs, et les sensibiliser quant à leur conformité à la Charia.

Vu le retard enregistré dans le développement du marché des alternatifs financiers au Maroc, les autorités ont élaboré un projet de lois définissant les fondements de ces produits entre l'autorisé et l'interdit selon la loi islamique. Il précise que l'argent ne doit pas être un objet de commerce mais plutôt un moyen pour faire du commerce, et doit être basé sur des actifs possédés par le vendeur (la banque) : Le crédit ne doit pas être une source de profit, ne doit pas être l'objet du commerce, dans ce cas là l'intérêt sera prohibé.

Cette loi propose trois types d'établissement : la banque islamique, l'institution financière assimilée à une banque islamique et l'institution financière islamique. Ces établissements n'interviennent pas seulement comme intermédiaire financier mais s'implique dans tout le processus de création, de transformation et de commercialisation de richesse.

Ces établissements sont assujettis à la Charia, aux dispositions de la loi relatives aux établissements de crédit et organismes assimilés, de la loi sur les sociétés anonymes et du code de commerce qui concordent avec la Charia. Cependant, ils sont soumis au contrôle de la Bank Al Maghreb et à ses règles prudentielles.

Le projet de loi prévoit l'introduction progressive des banques islamiques afin de maintenir la concurrence et éviter d'inonder le marché bancaire¹³.

III/ COMPARAISON ENTRE LES PRODUITS DE LA FINANCE ISLAMIQUE & CONVENTIONNELS.

3.1 Les caractéristiques des produits conventionnels au Maroc :

La finance étudie la manière dont les investisseurs allouent leurs actifs en fonction de la valeur temps de l'argent.

La banque est en effet, parmi les principaux acteurs de la finance. Elle collecte les dépôts des agents à capacité de financement et octroie des crédits à ceux qui manifestent un besoin de financement. Son principal intérêt de ces activités est le capital remboursé à l'échéance avec ses intérêts.

¹³Où sont déjà actifs 19 organismes de prêts conventionnels.

La banque et se prémunir du risque de non-paiement, elle exige des garanties susceptibles de couvrir les prêts accordés. **Ces garanties** peuvent être : Réelles (hypothèque, construction, titres, nantissement...), ou personnelles (Caution, salaire, la banque elle-même...).

Quant au **taux de crédit**, est fixé librement par les banques. Ces dernières sont tenues de publier dans leurs offres de crédit le Taux Effectif Global (TEG) qui est calculé de manière identique par toutes les banques. A court terme, les taux interbancaires de refinancement des banques sont fonction des taux directeurs de la banque centrale. A long terme, ce coût de refinancement est directement lié aux conditions du marché obligataire. Le taux de crédit est donc fonction du coût de l'argent pour la banque, du risque de l'opération financée et de la qualité de l'emprunteur.

Les annuités correspondent à l'amortissement financier du capital remboursé et aux intérêts proportionnels à la durée du crédit, à son montant et à son taux.

La prime de l'assurance Décès Invalidité est obligatoire pour tout type de prêt, et est calculée sur le capital emprunté ou sur le capital restant dû selon les politiques des banques.

Les frais de dossier varient d'une banque à l'autre selon le type de crédit, et peuvent être fixes ou proportionnels au montant du prêt. Un minimum est toujours exigé, sauf pour le cas des prêts à taux zéro.

3.2 Les caractéristiques des produits islamiques au Maroc :

A : 1^{er} produit : Miftah Al Kheïr 'Mourabaha'

C'est un contrat par lequel la banque acquiert, à la demande d'un client, un bien immobilier construit à usage d'habitation ou professionnel en vue de le lui revendre moyennant une marge bénéficiaire convenue d'avance. Le règlement par le client se faisant par mensualité constante

Cible :

Particuliers et Professionnels à la recherche de nouvelles solutions de financement pour acquérir un bien immobilier à usage d'habitation ou professionnel.

Age : minimum 18 ans et maximum 70 ans à la dernière échéance.

Caractéristiques :

Quotité de financement : Jusqu'à 100%

Capacité d'endettement : à hauteur de 40% du revenu net

Durée : 25 ans maximum

Périodicité : Mensualité constante

Biens financés : logement ou professionnel

RPAT (règlement par anticipation) : Total des échéances restantes

Assurances : Décès / invalidité + Incendie / Sécurmanzil

Pour l'assurance décès invalidité, la prime d'assurance est mensualisée et intégrée à l'échéance.

Si le prix du bien \leq 200 kdh: souscription à l'assurance Incendie qui est contractée et payée séparément par le client. Il s'agit d'une assurance perte financière suite à incendie total.

Si le prix du bien $>$ 200 kdh: souscription à l'assurance Sécurmanzil (par le paiement d'une prime annuelle).

Pénalité de retard : Commission forfaitaire unique pour chaque impayé de 300 DH.

Frais de dossier : 0.3% du prix d'acquisition par la banque diminué de l'autofinancement avec min 1000 DH et max 4000 DH.

Tarification :

Prix de vente = prix d'acquisition + frais de la 1^{ère} transaction + prime d'assurance + marge de la banque.

Le calcul de la marge est basé sur le prix d'acquisition + frais de la 1^{ère} transaction – Autofinancement.
L'autofinancement est considéré comme une avance sur le prix de vente.

Avantages:

Innovation

Formule de financement basée sur un nouveau concept : la banque agit en tant qu'intermédiaire qui achète et revend le bien au client moyennant une marge bénéficiaire.

Souplesse

Le client à le libre choix quant à la durée de financement et au montant de l'apport personnel.

Possibilité de remboursement anticipé partiel ou total

Garanties:

Hypothèque

Assurance Décès / invalidité et Incendie / Sécurmanzil

Billet à ordre.

Traitement des objections Miftah Al Kheïr “Mourabaha” :

Comment est calculé le prix de vente ?

1/Le prix de vente = prix d'achat + marge bénéficiaire de la banque + frais de la 1^{ère} transaction.

2/ La marge bénéficiaire est calculée en fonction du prix d'acquisition, des frais de la 1^{ère} transaction et de l'apport personnel du client.

Elle est connue d'avance et ne peut en aucun cas être revue à la hausse ni à la baisse

Que représente la marge bénéficiaire ?

La marge bénéficiaire correspond aux services rendus par la banque.

Est-ce qu'il y'a une possibilité de déduire la marge de l'assiette imposable ?

Non, la marge n'étant pas une rémunération d'un capital emprunté, elle ne pourra être déduite de votre revenu imposable.

B : 2^{ème} produit : Miftah Al Fath ‘Tjara wa Iqtinaa’

C'est un contrat selon lequel la banque met à la disposition du client, à titre locatif, un bien immobilier, assorti de l'engagement ferme du client (locataire) d'acquérir le bien au terme du contrat

Cible :

Particuliers et Professionnels à la recherche de nouvelles formules de financement de logement ou local professionnel

Age : minimum 18 ans et maximum 70 ans à la dernière échéance

Avantages:

Accès à la propriété

A la fin du contrat, le client (locataire) a la garantie de devenir propriétaire du bien. Il peut même le devenir avant le terme du contrat.

Souplesse

Le client a le libre choix quant à la durée de financement et au montant de l'apport personnel (max 20% du prix du bien). Le client peut acheter le bien même avant le terme du contrat.

Caractéristiques

Bien à acquérir : Logement ou local professionnel.

Durée :

- Min 10 ans
- Max 20 ans
- la dernière échéance doit coïncider au plus tard au 31/12 de l'année du 70^{ème} anniversaire du client.

Financement :

- Jusqu'à 100% du prix du bien à financer.
- Possibilité de versement d'un premier loyer majoré en cas d'apport personnel (ne doit pas être supérieur à 20% de la valeur totale du bien).
- Valeur résiduelle à payer au terme du contrat : 10% du prix d'acquisition.

Loyers : Fixes et payables mensuellement

RPAP : Pas de remboursement partiel par anticipation.

Assurances : Décès invalidité + Incendie (assurance perte financière suite à incendie total)

Pénalité de retard : Commission forfaitaire unique de 300 DH par Impayé

Tarification :

Loyers fixes, payables mensuellement

Frais à la charge du locataire :

Frais de dossier : 0.3% du capital avec min 1000 DH et max 5000 DH

Frais de 1ère transaction (Frais de mutation, taxe notariale; honoraires notaire)

Frais d'assurance vie et Incendie

Taxe urbaine (pas d'abattement)

Au terme du contrat : Frais 2ème transaction sur valeur résiduelle (enregistrement, mutation, taxe notariale, honoraires notaire)

Traitement des objections Miftah Al Fath "Ijara wa Iqtinaa"

Quelle est la différence entre le leasing Immoclassique et Miftah Al Fath ?

Le leasing immobilier classique proposé par Attijariwafa bank est destiné aux professionnels pour le financement des biens immobiliers à usage professionnel, avec option d'achat. Tandis que Miftah Al Fath est une formule de leasing immobilier destinée aux particuliers et professionnels, et assortie de l'engagement ferme du client (locataire) d'acquiescer le bien au terme du contrat.

De quoi est constitué ce loyer ?

Une partie du loyer mensuel correspond au paiement progressif du prix du bien.

Une autre partie correspond à l'utilisation du bien.

Qui est le propriétaire du bien pendant la période du contrat ?

Le bien reste inscrit au nom de la banque, jusqu'au terme du contrat. Après le règlement du dernier loyer et de la valeur résiduelle, la propriété du bien est transférée au client.

Est-ce qu'il faut attendre la fin du contrat pour devenir propriétaire du bien ?

Non, le bien peut être acheté à tout moment en réglant la totalité des loyers restants dus et de la valeur résiduelle.

3.3 Comparaison entre les produits classiques et islamiques :

Les principales différences entre la finance islamique et conventionnelle résident dans les fondements et les principes de base des deux régimes, comme c'est cité par le magazine Regards¹⁴.

Les principes restrictifs interdisent tout revenu fixé d'avance, non lié à la rentabilité de l'actif financé et ne prenant pas en considération la notion du risque. Donc tout enrichissement sans effort et sans risque outre que l'écoulement du temps est prohibé par la finance islamique.

Cette dernière, et pour garantir la solidarité et la justice, interdit catégoriquement l'intérêt, qu'il soit excessif ou non. Cette prohibition, plus particulièrement dans sa dimension d'usure, est inscrite dans

le coran : « C'est parce qu'ils ont dit que le commerce est similaire à l'usure. Allah a permis le commerce et interdit l'usure. Celui qui a compris le conseil de son seigneur et arrêté gardera ses anciens bénéfices et son état est remis à Allah. Celui qui reprendra écopera de la vengeance d'Allah ».

Ainsi, la finance islamique repose en effet, sur sept principes que sont :

Interdiction du prêt à intérêt (le riba) ;

L'interdiction du risque excessif (Al gharar) ;

L'adossement à des actifs réels ;

La participation aux pertes et aux profits ;

L'interdiction de vendre ce que l'on ne possède pas ;

L'interdiction des activités illicites ;

L'interdiction des échanges différés de valeurs étalon.

Quant à la deuxième catégorie des principes, et celle des principes positifs. Ils consistent en le partage des profits, des pertes et risques entre investisseurs et entrepreneurs. Le partage est convenu à l'avance selon des clés de répartition. La récompense ne peut être liée au temps, mais doit être en relation avec la nature du projet d'investissement. Et puisqu'il y'a un risque attaché au profit, et il peut y avoir même une perte, il s'agit d'un risque licite lié à la performance de l'entreprise.

La règle de base est que l'argent n'est du point de vue islamique qu'un simple intermédiaire et instrument de mesure dans les échanges de produits. Et même s'il assure la fonction de valeur, il ne peut produire un surplus que dans la mesure où il est transformé préalablement en bien réel.

Un tableau comparatif du produit alternatif (Miftah Al kheir et Miftah El fath) avec le produit classique, est présenté ci-dessous pour mettre le point sur les différences pratiques des deux types de financement pour les particuliers et les entreprises :

¹⁴Mehdi ROUZAQUI, 2Novembre 2012, « Regards Lettre d'information », page 2, le lien :<http://www.fgtsharing.com/regards/regards1112.pdf>.

A/ Tableau Comparatif produits

| | Miftah classique | Miftah El Kheïr | Miftah Al Fath |
|--|--|--|--|
| Principe général | La banque prête de l'argent au client pour lui permettre d'acquérir le bien immobilier choisi | Le client choisit le bien. La banque l'achète et le lui revend. | Le client choisit le bien. La banque l'achète, le lui loue et le lui revend au terme du contrat |
| Propriétaire du bien pendant la durée du contrat | Le client | Le client | La banque est propriétaire. Le client est locataire pendant la durée du contrat Au terme du contrat, le client devient le propriétaire du bien |
| Rémunération de la banque | Taux d'intérêt | Marge bénéficiaire | Marge bénéficiaire |
| Mensualité | Une partie correspond au remboursement du capital et une autre aux intérêts sur l'argent prêté | La mensualité correspond au prix de vente au client diminué de l'apport personnel divisé par la durée du financement | Une partie du loyer correspond à l'acquisition progressive du bien et l'autre partie correspond à son utilisation |
| Remboursement par anticipation | Règlement du capital restant dû + pénalité | Règlement de la totalité des mensualités restantes | Règlement de l'ensemble des loyers restants + valeur résiduelle |

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

B/ Exemple : Comparatif des mensualités :

Pour comparer les deux principaux produits avec le produit classique en terme de coût, une simulation a été faite sur la base des données suivantes :

- Aucun apport personnel
- Durée de financement : 20 ans soit 240 mois
- Miftah classique : simulation en taux fixe
- Usage d'habitation

| Prix du bien (en kdh) | Miftah classique | Miftah El Kheïr | Miftah Al Fath |
|-----------------------|------------------|-----------------|----------------|
| 100 | 779 DH | 860 DH | 922 DH |
| 200 | 1558 DH | 1721 DH | 1844 DH |
| 300 | 2337 DH | 2581 DH | 2766 DH |
| 400 | 3116 DH | 3442 DH | 3688 DH |
| 500 | 3895 DH | 4302 DH | 4610 DH |

Il en découle de cette comparaison en termes de coût, que les produits alternatifs sont toujours plus chers que le produit classique. Ceci s'explique par le fait que l'opération commerciale suppose l'achat et la vente, donc deux transactions commerciales en une. C'est ce qui constitue le premier principe de base de ces produits c'est leur cadre commercial ! Par la suite, le coût des deux transactions est supporté par le client acheteur final ce qui alourdit la charge de l'opération :

Le prix de vente = prix d'achat + marge bénéficiaire de la banque + frais de la 1^{ère} transaction.

Et la marge bénéficiaire, qui correspond aux services rendus par la banque, est calculée en fonction du prix d'acquisition, des frais de la 1^{ère} transaction et de l'apport personnel du client, et qui ne pourra pas être fiscalement déduite par le client.

La grande différence de coût entre les deux types de produits appelle les banques à affiner leurs offres en produits alternatifs afin de répondre à l'appétence des marocains, et mettre en place une stratégie pour les promouvoir. Un profond travail doit être fait également en matière d'information des citoyens marocains afin de mieux comprendre les mécanismes et avantages qu'offrent ces produits alternatifs et les rendre compétitifs.

De ce fait, la prédisposition à souscrire aux produits islamiques pourrait être intéressante si certaines conditions sont réunies. En faisant à la fois allusion à la tarification, la compétitivité, l'authenticité et la transparence de l'offre, mais également au Marketing et commercialisation de ces produits alternatifs.

CONCLUSION

L'industrie de la finance islamique connu un essor indéniable ces deux dernières décennies. Et de 1970 à nos jours on compte presque 300 institutions financières islamiques réparties dans environ 75 pays du monde musulman et non-musulman.

En effet, la Finance Islamique a réussi à devenir un système financier alternatif de grand potentiel plutôt qu'une activité périphérique. Comparé à la finance conventionnelle, ce secteur de FI reste encore très jeune, mais très promoteur et le défi est énorme pour les gouvernements et les régulateurs des marchés internationaux.

Au Maroc, les produits alternatifs n'ont été introduits que récemment dans l'attente de l'introduction de la première banque islamique au royaume « Banque Al Fayçal ». Toutefois, cette finance islamique présente un moyen supplémentaire de financement de l'économie marocaine en particulier en période de crises, surtout en présence d'une population intéressée par le système islamique. Cette finance prône de doper le taux de bancarisation et ainsi palier à la crise d'illiquidité du système bancaire, en plus de plusieurs autres vertus.

Néanmoins, il reste encore un profond travail à faire pour surmonter quelques obstacles à savoir :

L'histoire récente de cette discipline devrait pousser à une importante vigilance des opérateurs ;

Le développement des méthodes de gestion des risques appropriées à ce système ;

Le manque de ressources humaines qualifiées ;

Le manque d'harmonisation dans les interprétations de la Charia ;

Et le manque de cohérence dans la communication financière.

Selon les dires des professionnels du secteur bancaire, seul le produit Mourabaha qui a suscité un intérêt réel chez les citoyens, tandis que la commercialisation des autres produits alternatifs reste limitée en raison de la cherté en premier lieu, à la faible voire l'absence de publicité...

Dans ce sens, il est opportun de proposer d'autres interrogations qui devraient être prise en compte pour promouvoir cette finance islamique dans notre pays et la rendre pratique et populaire à savoir :

Vu l'évolution lente de la commercialisation des produits alternatifs, quels sont les étapes prochaines à franchir pour accélérer l'intégration de ces produits dans le secteur bancaire, et l'introduction même de banques islamiques dans le système financier marocain ?

Après presque 6 ans de leur commercialisation de ces produits alternatifs, il semble qu'ils sont toujours chers par rapport aux produits classiques, y'aura-t-il des mesures pour assurer l'équité entre les familles de produits ?

Il faut en effet savoir que les établissements bancaires calculent en interne leur marge bénéficiaire pour les produits alternatifs sur la base d'un taux d'intérêt, exactement comme s'il s'agissait d'un prêt classique. D'où la question est ce que ces produits alternatifs sont de vrais produits islamiques ?

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ANNEXE N°1

Tableau : Quelques institutions de financement islamiques privées et publiques

Arabie saoudite: Banque islamique de développement (octroie des prêts aux pays musulmans en développement), Société de banque et d'investissement Al Rahji

Bahreïn : Banque islamique ABC, Banque islamique Faysal, Première banque islamique d'investissement

Société Al Amin de Titres (Securities)

Bangladesh : Banque islamique du Bangladesh, Banque Al-Baraka du Bangladesh, Banque islamique Al-Arafah

Canada: Islamic Co-operative Housing Corporation Ltd.

Danemark : Banque internationale islamique
Émirats Arabes Unis, Banque islamique de Dubai
Égypte, Banque internationale islamique pour l'investissement et le développement, Banque islamique Faysal, Banque sociale Nasser
Etats-Unis d'Amérique : American Finance House Laribā
Grande-Bretagne : Al Safa Investment Fund
Iran : Toutes
Jersey (Îles Anglo-Normandes) : Société financière Faysal
Jordanie : Banque islamique de Jordanie
Koweït : Société de crédit (Finance House) du Koweït
Luxembourg : Holding international du système de banque islamique
Malaisie : Holding BIMB Berhard
Pakistan: Toutes
Soudan : Banque islamique Faysal, Banque agricole du Soudan
Suisse : Dar al Maal al-Islami, Société financière Faysal
Tunisie : Beit Ettamwil Al-Tunisi Al-Saudi
Turquie : Société turque de crédit Albaraka
Yémen : Banque islamique du Yémen

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Résumé:

Le marketing relationnel a pris une place importante dans le secteur des services. Ce développement d'abord souligné par Berry en 1983, est aujourd'hui analysé par de nombreux auteurs. La banque islamique, soumise à une concurrence croissante, s'est intéressée à cette évolution du marketing pour développer une Gestion de la Relation Client. Cette nouvelle orientation nécessite une évolution de l'organisation pour être pleinement efficace. Clients et personnel dans les banques islamiques ne sont pas toujours favorables à ces changements.

Notre article propose de faire le point sur la Gestion de la Relation Client et les conditions de sa mise en œuvre dans les banques islamiques.

Mots clé : banque islamique, marketing relationnel, la gestion de la relation client.

Abstract:

Relationship Marketing has played an important role in the servicing sector. Its importance was first shown by Berry in 1983 and is now analysed by a number of authors. Competition in the bank islamic sector has grown and the management of the bank is interested in this type of marketing to build a "Customer Relationship Management" (CRM).

This new way of marketing needs organisational changes to become more efficient.

Customers and banking personnel in the bank islamic are not always content with these changes.

Our paper presents the CRM and explains the necessary conditions for putting it into action in the bank islamic.

Key words: Bank islamic, relationship marketing, Customer Relationship Management

Introduction:

Dans un monde où la compétition s'établit non pas uniquement sur le plan local mais également à un niveau mondial, où la majorité des marchés sont saturés, où les produits passent de plus en plus au stade de commodité, les entreprises se doivent de développer des avantages concurrentiels défendables qui leur permettront d'évoluer avec succès dans un environnement toujours de plus en plus hostile. À cet égard, le passage du marketing de l'offre au marketing de la demande s'avère nécessaire et implique une série de changements dans la façon d'aborder le client. En effet, les consommateurs aujourd'hui habitués à avoir le choix et l'accès à des produits de qualité portent une attention grandissante à des aspects autrefois relégués au second plan. Lors de son processus d'achat, le consommateur recherche des aspects comme le plaisir, la sécurité, la considération, la personnalisation et la convivialité. Ces nouveaux critères obligent les entreprises à mettre en place les processus nécessaires à la rencontre de ces attentes. C'est ce qui explique l'implantation accélérée de solutions visant la Gestion des Relations Client ou la Customer Relationship Management (CRM).

Dans les banques islamiques, la fidélisation des clients joue un rôle de plus en plus important dans les activités marketing des entreprises. Ce rôle devient de plus en plus difficile à assumer vu la complexité des approches et la diversité des clients auxquels cette approche s'adresse. Les banques islamiques mettent sur le marché un produit « intangible ». Le consommateur de services bancaires ne dispose pas d'un appui physique pour faire des comparaisons entre les différents produits qui lui sont offerts. La prise de décision repose donc dans sa totalité sur les perceptions du client à l'égard de la valeur des services. Ce sont donc les composantes périphériques qui prennent une importance primordiale. Les effets de bouche à oreille, de mimique, ou de halo jouent à fond par leur influence sur la décision finale du consommateur. Donc la banque islamique prend aujourd'hui conscience de son importance pour fidéliser ses clients. Mais tous les clients doivent-ils être fidélisés ? Et comment mieux connaître ses clients pour être plus réactif à leur demande ? La gestion de la relation client permet de répondre à ces questions.

I. Principe de base sur les banques islamiques:

La montée en puissance d'un secteur privé islamique (banques, sociétés d'investissement et sociétés de placement de fonds) dans l'économie de certains pays musulmans durant les deux dernières décennies soulève quelques questions quant à l'évolution de leur situation intérieure et de leur insertion internationale (Rodinson, 1964). Ce nouveau phénomène économique est, pour l'essentiel, souvent lié à l'émergence du courant islamiste et à l'entreprise de (ré)islamisation de la vie économique et sociale : soit parce que des groupes islamistes ont pris le pouvoir (cas de l'Iran et du Soudan), soit en raison des concessions accordées à ces groupes par le pouvoir (cas de l'Egypte, de la Jordanie, du Palustan).

1. L'émergence des banques islamiques:

La finance islamiques née dans les années 70, et s'est développée dans les pays pétroliers.

Aujourd'hui, elle reste encore très concentrée dans le Golfe persique et en Asie du Sud-Est.

Depuis peu, elle s'exporte aux Etats-Unis et en Europe suite à la très forte augmentation du prix du pétrole ces dernières années. En effet, l'excès de liquidités en provenance des pays du Golfe a, en partie, afflué vers les grandes places financières mondiales, suscitant ainsi un intérêt croissant pour ce système économique (Bauge, 1990).

En Europe, le Royaume-Uni fait figure de pionnier avec l'adoption rapide de mesures juridiques et économiques destinées à favoriser l'émergence de la finance islamique. A ce titre, la place londonienne propose des services et des produits compatibles avec l'esprit de la finance islamique (ouverture de la première banque islamique en Europe en 2004).

De même, en Allemagne, la prise en compte de ce marché est effective comme le démontrent les initiatives prises sur le marché des « sukuk » (produit obligataire islamique). Prenant pleinement conscience de ces phénomènes, un grand nombre de pays européens examinent les opportunités de la finance islamique dans les pays industrialisés, dont La France.

Il n'existe pas de définition unique de la banque islamique mais ce terme est aujourd'hui largement utilisé pour désigner les activités financières et commerciales qui respectent les principes du droit et de la jurisprudence islamiques, plus communément désignés sous le vocable "Chari'a". Le respect de tels principes permet ainsi d'investir et de réaliser des profits en conformité avec les règles du droit musulman (Carré, 1992).

De manière générale, les produits et instruments financiers compatibles avec la Chari'a visent à offrir une alternative éthique viable aux outils de financement traditionnels.

En peut cités les Grandes dates de les banques islamiques comme suite (<http://labanqueislamique.fr//Quequesexamples.html>) :

- en 1963 naissance des principes financiers islamiques en Egypte. □ La Mit Ghamr Saving bank propose des comptes épargnes basés sur le partage des bénéfices et non des produits;

- en 1970 L'Organisation de la Conférence Islamique est créée et lance l'idée de la banque islamique;

- 1974 : Avènement de l'Islamic Development bank la BID organisation multilatéral comprenant 56 pays membres à pour vocation d'apporter son concours aux PVD et PMA et PMMA sous forme d'aide au développement, et avec des techniques de financements islamiques, qu'il s'agisse de financer le commerce extérieur, de lutter contre la pauvreté, de financer certaines infrastructures (routes, Barrages hydro-électrique..) et certains projets sociaux comme la construction d'écoles ou de centre de santé;

- 1975: Création de la banque islamique du développement, et naissances de banques islamiques telles que la Dubai Islamic Bank, la Kuwait Finance House et la Bahrein Islamic Bank.

- Les années 1979, 1981 et 1983 islamisation totale des systèmes financiers des pays du Soudan, Pakistan, Iran comme suite:

1979 : Le Pakistan islamise son secteur bancaire.

1983 : le Soudan et l'Iran convertissent aussi leur secteur bancaire.

- Du 1980 au 2000 Développement de la FI en Asie du sud est et au Moyen Orient;

- Du 2000 au 2008 Développement □ de la FI en Europe et au Moyen Orient, Asie du Sud Est, Afrique du Nord, autant dans les banques islamiques que les banques traditionnelles (HBSC, Deutsche, UBS, IBB, EIB...).

D'autre part, les principales banques islamiques dans le monde sont, par ordre de taille décroissante d'encours en 2006 (<http://labanqueislamique.fr//Quequesexamples.html>) :

- Al Rajhi Bank (arabie saoudite);
- la Kuwait Finance House (Koweït);
- la Dubai Islamic Bank (Dubaï);
- l' Abu Dhabi Islamic Bank (Émirats arabes unis);
- la Bank Al Jazira (Arabie saoudite);
- En Algérie, Al Baraka Bank est une banque islamique;
- Meezan Bank est une des banques islamiques du Pakistan;
- En Tunisie, Banque Zitouna est la seule banque islamique.

2. Les Principales sources de la fonctionnement des banques Islamiques

Les produits et instruments financiers compatibles avec la Chari'a visent à offrir une alternative éthique viable aux outils de financement traditionnels.

Le mot arabe "Chari'a" signifie littéralement "le chemin". A travers des principes et des recommandations, la Chari'a définit un comportement acceptable dans tous les domaines de la vie des musulmans. Elle gouverne la dimension morale, éthique, spirituelle et sociale de la vie privée et publique des musulmans, incluant notamment les activités économiques et commerciales. Le terme Chari'a désigne la loi islamique non codifiée (Roy, 1993). Il s'agit d'un système légal basé sur l'éthique musulmane, qu'il est possible d'interpréter et de développer.

Les deux sources principales de Chari'a sont (Roy, 1993) :

- Le Coran (le texte sacré de l'Islam qui rend compte du message de Dieu tel que révélé au Prophète Mohammed) et les Hadith (les corps de textes regroupant .
- la Sunna, expressions, enseignements et actions du Prophète).

Ces deux sources constituent les bases essentielles permettant de déterminer la conformité de toute action avec les règles et la finalité de la Chari'a.

3. Types de Comptes offerts par les banques islamiques :

De façon générale les banques islamiques peuvent collecter des fonds du public (individus et institutionnels), en utilisant deux types de comptes : les comptes courants et les comptes de partage des pertes et profits (Nienhaus Volker, 196).

a. les comptes courants:

Il s'agit de comptes de dépôts sur demande qui ne génèrent aucun intérêt ni profit ni toute autre forme de rendement. Les titulaires de ces comptes bénéficient gratuitement de chèquiers, de services de transfert de fonds, etc. Ces fonds sont garantis par la banque islamique. Les fonds collectés par le biais de ces comptes constituent une infime partie des ressources de la banque islamique, comparativement aux banques commerciales pour qui ces comptes génèrent beaucoup de ressources.

b. les comptes de partage des pertes et profits:

Il s'agit là de comptes de dépôts à terme basés sur le principe de partenariat mudaraba, (Partage des pertes et des profits) entre la banque et le détenteur du compte. Le détenteur du compte autorise la banque à gérer ses fonds contre des frais de gestion (frais de Mudarib). Il partage les pertes ou les profits d'un pool / fonds d'investissement dans lequel il participe.

Bien qu'il n'ait aucun droit de regard sur la façon dont la banque gère ses fonds, celle-ci ne garantit au détenteur du compte ni son principal ni un taux de rendement prédéterminé comme le ferait la banque traditionnelle.

4. Comparaison entre les banques classiques les banques Islamiques :

Si l'on examine la structure du portefeuille des banques classiques et des banques islamiques, on constate que ces dernières engagent directement plus de ressources que les banques classiques dans les transactions économiques et commerciales. Les banques commerciales canalisent de plus en plus de ressources vers l'acquisition de bons du trésor et d'autres obligations gouvernementales qui génèrent un taux de rendement élevé, représentent peu de risque et s'accompagnent d'avantages fiscaux importants. Dans le cas de la Turquie par exemple au moment où les banques islamiques allouent 80 à 85% de leurs actifs à des activités productives, les banques classiques n'en affectent que 40%. On remarque aussi que dans les pays musulmans, les firmes réduisent de plus en plus leur dépendance vis à vis des banques classiques en recourant aux opérations de Murabaha, les substituant aux lignes de crédit coûteuses que les banques classiques mettent à leur disposition pour financer leur fonds de

roulement. Les opérations dites Ijara ou leasing offertes par les banques islamiques permettent de leur côté aux firmes de financer leurs opérations.

Dans le système bancaire classique, le rôle d'une banque est de collecter des fonds et de les utiliser pour des opérations de prêts, généralement à long terme, c'est à dire pour opérer l'intermédiation financière. La banque tire ses revenus en jouant sur les taux d'intérêts créditeurs et débiteurs. Contrairement à la banque islamique, elle ne se livre pas à des transactions commerciales, industrielles ou agricoles (Le recours à l'intérêt est interdit à la banque islamique. Celle-ci collecte les fonds des épargnants comme la banque classique, qu'elle emploiera dans diverses opérations. Mais ces opérations seront fondées sur le principe de la participation ou celui du Partage des Pertes et des Profits. Dans la philosophie des banques islamiques les clients sont des partenaires. S'ils sont des «déposants» rémunérés, ils doivent accepter de partager les risques des activités financées par les dépôts. S'ils sont « emprunteurs », la banque leur avance des fonds et est de ce fait partenaire dans leurs activités.

La banque islamique, lorsqu'elle s'engage dans un processus d'allocation de ressources (dépôts des clients), elle agit comme fiduciaire des déposants en même temps que principal vis à vis des entrepreneurs actifs à qui elle avance les fonds nécessaires au démarrage d'un projet (Moucharaka). Elle a donc une relation contractuelle double. De cette relation contractuelle double découlent des implications importantes. Malgré les conflits d'intérêt qui en découlent c'est la banque qui sort la grande gagnante.

En effet les déposants tout en assumant la totalité des risques payent des frais de gestion à la banque. La banque ne leur assure pas un revenu fixe sur leurs dépôts comme le ferait une banque classique, mais s'engage à leur verser une part du profit réalisé ou à défaut à les débiter d'une part des pertes encourues le cas échéant. De plus les déposants ne bénéficient d'aucune assurance contre leurs dépôts et n'ont aucun droit de regard direct sur les choix d'investissements faits par la banque (Coelho, Easingwood, 2003). Les entrepreneurs, qui sont en même temps agents et partenaires, ils recevront une part des profits, selon un pourcentage. Si le projet essuie des pertes, seuls le banquier et en dernière analyse les déposants les assument. L'entrepreneur quant à lui, son risque se limite à la perte de son temps et de son effort.

Dans la relation d'agence qui doit s'établir entre la banque et son agent, le choix de l'entrepreneur est donc crucial. Pour assurer un certain contrôle sur les activités du projet, la banque qui est actionnaire insiste toujours pour avoir un siège au conseil d'administration en plus d'imposer certains ratios comptables (covenants) en matière de gestion, le cas échéant. Cette situation est d'autant plus difficile voire normalement inacceptable pour les déposants que la banque ne semble avoir vraiment aucun pouvoir de gouvernance réel sur les dirigeants des firmes où elle investit.

Les investisseurs (déposants) ne sont pas des actionnaires à proprement parler et de ce fait n'ont aucun droit de vote. La banque islamique est l'actionnaire détenant le contrôle des fonds et compagnies d'investissement. C'est la banque qui à travers ces fonds a droit de regard sur les entreprises où ces fonds mutuels investissent. Les investisseurs (déposants) n'en ont aucun contrôle.

Les banques islamiques, n'étant pas prêteuses au sens classique du terme, n'ont aucun moyen de discipliner les dirigeants des firmes en tant que créancier comme le ferait une banque commerciale. Celle-ci se doit d'intervenir, par exemple, lorsque des indicateurs de défaut de paiement d'un prêt apparaissent. Les banques islamiques pour leur part ne peuvent intervenir qu'en tant qu'actionnaire par leur présence au conseil d'administration. Reste à savoir si cette présence au conseil d'administration conduit, en cas de besoin, à des changements au niveau de l'équipe de direction de la firme. En définitive il ne semble, donc, pas aisé pour les banques islamiques d'avoir une influence décisive en matière de gouvernance corporative.

Grâce aux indicateurs financiers, la banque islamique peut en principe intervenir par le biais de sa représentation au conseil d'administration, mais on ne connaît pas la véritable capacité des banques à discipliner les hauts dirigeants des entreprises. Les banques ne semblent pas être les garants de la gouvernance corporative. Elles ne semblent pas être équipées pour jouer un rôle de surveillance des hauts dirigeants des firmes.

La dette force les dirigeants à agir d'une manière plus conforme aux intérêts des actionnaires. Ce schéma suppose bien entendu que les dirigeants ne détiennent pas d'actions. Dans un contexte islamique, cependant, certaines nuances sont de mise.

Les marchés financiers dans les pays islamiques ne sont pas très développés et encore moins les marchés pour le contrôle corporatif. Le financement par voie de dette est supposé être prohibé, puisque tout financement doit se faire par voie d'équité ou sous d'autres formes excluant l'intérêt, telle le leasing ou la Moudaraba. Par voie de conséquence, il est difficile de parler d'une structure de capital optimale dans un contexte islamique, vu l'inexistence d'emprunts.

Cependant, on constate que dans un contexte où le schéma classique de transformation des dépôts en prêts est en train de perdre du terrain, les banques islamiques ont une longueur d'avance sur les banques classiques dans les pays musulmans en matière de «sécurisation» et de produits de même nature aux investisseurs (déposants). L'avantage des banques islamiques réside dans le fait qu'en plus de la satisfaction psychologique sur le plan religieux que retirent les clients, les profits distribués par les banques islamiques ont toujours au moins égal aux intérêts que reçoivent les déposants des banques classiques pour des montants similaires.

Il ne faut pas, cependant, oublier que l'industrie bancaire islamique est à ses premiers pas, dont le véritable départ a commencé voilà une décennie seulement, comparée à l'industrie conventionnelle qui remonte à 500 ou 600 ans.

II. Notions général sur la gestion de la relation client:

1. Le marketing relationnel:

La première apparition de la notion de marketing relationnel date des travaux de Berry en 1983. Il définit le marketing relationnel comme le fait d'« attirer, maintenir et renforcer la relation client ». Cette définition met l'accent sur comment l'entreprise doit s'y prendre pour créer une vraie relation avec ses clients. Pour Evans et Laskin (1994), « Le Marketing relationnel est une approche centrée sur le client, où l'entreprise cherche à créer des relations d'affaires de long terme avec les prospects et les clients existants ». Cette définition évoque la problématique de la fidélisation de la gestion du cycle de vie du client. Le cycle de vie du client étant la durée que ce dernier a passée en étant client de l'entreprise. D'autres comme Gronroos (1997) définissent le Marketing relationnel comme suit : « c'est l'identification, l'établissement, le maintien et le développement de relations avec les clients et les autres partenaires, avec profit, de manière à ce que les objectifs des parties impliquées soient rencontrés. Ceci est atteint suite à un échange mutuel et à l'accomplissement des promesses faites ». C'est une vision globale qui incite à une certaine coordination entre les différents partenaires. Cette définition met également l'accent sur l'échange entre les différents partenaires de l'entreprise. Elle coïncide avec la volonté des entreprises éditrices de logiciels de relations clients qui intègrent des fonctionnalités qui permettent de gérer non seulement la relation avec le client mais aussi les différents échanges avec les fournisseurs. Cette vision globale du marketing relationnel place l'entreprise au centre d'une relation tripartite entre client et fournisseur.

Kotler et Dubois (2003) pensent que : «le marketing relationnel consiste à offrir d'excellents services aux clients grâce à l'utilisation d'informations individualisées, avec pour objectif la construction d'une relation durable avec chacun d'entre eux ». Nous avons un paramètre nouveau dans cette définition, il s'agit de l'information individualisée. Selon les deux auteurs, pour pouvoir entretenir une bonne relation avec quelqu'un, il convient d'avoir les bonnes informations sur ce dernier. La quête de l'information client est aujourd'hui le graal de la gestion de la relation client. Ceci se justifie par la prolifération des bases de données clients et des cartes de fidélité qui sont de véritables vecteurs de l'information.

Le marketing relationnel repose sur 4 piliers fondamentaux : la confiance, l'engagement, la personnalisation et la réalisation de bénéfices partagés.

- La confiance correspond à un ensemble de présomptions accumulées quant à la crédibilité, l'intégrité et la bienveillance du prestataire (Gurvies et Korchia, 2002). Elle joue un rôle moteur dans la relation car elle renforce l'intention de coopérer et la volonté de continuité de la relation (Anderson et Narus, 1990).

- L'engagement est un comportement, dont la force est fonction de la confiance construite entre le client et le prestataire. Lorsqu'il y a engagement, le partenaire est plus enclin à accepter des requêtes spécifiques (conformisme), la propension au départ diminue et enfin la coopération s'accroît (Anderson et Narus, 1990).

- La personnalisation de la relation constitue le troisième pilier du marketing relationnel. La mise en œuvre d'un processus individualisé de la relation repose sur l'identification et l'anticipation des spécificités des clients afin de leur offrir un service personnalisé et une valeur accrue (Gutiérrez et al., 2004).

- la réciprocité des bénéfices de la relation c'est le quatrième pilier de marketing relationnel. Le client intégré dans une relation privilégiée reçoit un produit/service plus approprié. Pour le prestataire, il coûte significativement moins cher de retenir les clients actuels que d'en acquérir de nouveaux ; une fidélité accrue permet aussi un bouche-à-oreille positif par les clients satisfaits et engagés (Garbarino et Johnson, 1999).

2. Définition de la gestion de la relation client:

Le CRM (Customer Relationship Management, ou en français GRC, gestion de la relation client).

Aujourd'hui, nul ne peut douter de l'importance et de l'utilité du CRM pour l'avenir des affaires. Les entreprises consacrent des sommes importantes pour l'intégration du CRM afin de mieux comprendre leurs clients et prendre avantages des opportunités offertes par cette technologie surtout en ce qui concernent l'interaction avec le client. L'investissement a atteint des montants inimaginables passant ainsi de 17 billions de dollars en 2004 à 100 billions de dollars en 2006 (Zablah et al, 2004 ; Thakur et al, 2006).

Le terme anglais CRM (Customer Relationship Management) rend compte de la double acception de la démarche : à la fois volonté stratégique et mise en œuvre opérationnelle. Ainsi, la GRC peut être vue sous des angles différents : une stratégie d'entreprise, un processus relationnel, un processus technologique ou un principe d'efficacité organisationnelle (Peelen et al., 2006).

La première approche proposée par Peelen et al. (2006) appréhende la GRC comme une stratégie qui comprend l'ensemble des activités marketing destinées à établir, développer et maintenir des relations d'échange fructueuses. Pour arriver à ces fins, la GRC doit devenir une stratégie d'entreprise impliquant l'ensemble des fonctions de l'organisation (marketing, système d'information, finance...) dans une approche transversale (Jain, 2005). Cette volonté doit être accompagnée par la mise en place et le développement d'infrastructures informatiques permettant l'échange d'informations. Or, bien que la plupart des dirigeants d'entreprise reconnaissent les données clients comme une ressource critique, peu d'entre eux fournissent l'impulsion nécessaire à la mise en place de programmes visant à préserver la valeur de leurs données (Rapport Accenture 2006 ; Henneberg, 2005).

_ Selon la deuxième approche, la GRC vue comme un processus relationnel fait abstraction de la dimension technologique de la relation avec les clients en se centrant sur la nécessité d'accorder une attention accrue aux clients. Elle considère la GRC comme un « processus permettant de traiter tout ce qui concerne l'identification des clients, la constitution d'une base de connaissance sur la clientèle, l'élaboration d'une relation client et l'amélioration de l'image de l'entreprise et de ses produits auprès du client » (Peelen et al., 2006, p.2).

_ Définie comme un processus technologique, la GRC correspond à « l'automatisation de processus d'entreprise horizontalement intégrés, à travers plusieurs points de contact possibles avec le client (marketing, ventes, après-vente et assistance technique), en ayant recours à des canaux de communication multiples et interconnectés » (Metagroup 2000 in Peelen et al., 2006, p. 1). Cette définition, la plus communément partagée dans les entreprises, envisage clairement la GRC dans le cadre des nouvelles technologies de l'information et de la communication. Le risque majeur dans l'entreprise en HC est le fait que les moyens techniques se substituent trop aux moyens humains.

_ Enfin, certains auteurs ou praticiens vont un pas plus loin en recommandant de ne pas s'intéresser à tous les clients, mais de se focaliser sur certains segments seulement. Dans cette perspective, la GRC reprend une dimension stratégique dans un processus aval : en effet, les systèmes de CRM ont généralement deux grandes fonctionnalités, le datawarehousing (qualification et stockage des données client) et le datamining (exploitation des données client afin de transformer les « données » à proprement parler en « connaissances client » et de les utiliser in fine en front office via les différents canaux de communication ou en interne pour une approche analytique du marché et la définition de stratégies marketing). Ainsi, l'entreprise cherche à optimiser conjointement sa rentabilité et la satisfaction de certains clients, en se focalisant sur des segments de clientèle offrant le plus de potentiel,

en définissant des actions marketing et des processus centrés sur ses clients (Peelen et al., 2006). L'ensemble de ces approches s'accordent sur un point principal : il est fondamental de bien connaître les clients (que ce soit selon des canaux formels –NTIC- ou informels –relations humaines-).

III. La gestion de la relation client dans les banques islamiques:

La gestion de la relation client a connu un engouement certain dans toutes les grandes entreprises depuis la fin des années 1990. Le secteur bancaire a montré ce même intérêt mais beaucoup d'entreprises sont aujourd'hui déçues.

1. Les banques islamiques tournées vers le marketing relationnel :

L'approche du marketing relationnel est particulièrement bien adaptée aux services, et donc aux banques islamiques, pour quatre raisons (Berry, 1995) :

- L'essence même du service rend la relation interpersonnelle fondamentale. La répétition des contacts entre les clients et les fournisseurs de services facilite l'approche relationnelle de l'échange. La recherche d'une qualité de service par l'entreprise vise à favoriser la fidélité du client et donc une relation de long terme. Le secteur bancaire a longtemps recherché la qualité de service par la performance des produits et services financiers commercialisés. Depuis quelques années la qualité de la relation interpersonnelle est envisagée, conduisant l'entreprise vers le développement d'un marketing relationnel. L'intangibilité du service rend difficile l'évaluation a priori du service et apporte un risque à l'acheteur. Il doit donc faire confiance à son fournisseur avant d'acquiescer le service. Le marketing relationnel est adapté à cette problématique ;

- le secteur des services a été bouleversé ses dernières années par la dérégulation. Les transports, la distribution d'énergie, la banque ont vu les conditions de la concurrence se durcir et le consommateur plus courtisé. (Reichfeld et Sasser, 1990) ont montré que fidéliser les clients favorise l'augmentation des bénéfices. Leur étude célèbre a montré qu'une réduction de 5% de l'infidélité des clients pouvait augmenter les bénéfices en moyenne dans les entreprises de 25%. Cette augmentation est due au coût de recrutement élevé de nouveaux clients aussi bien qu'à l'augmentation du panier moyen des clients les plus fidèles. Une analyse, menée dans le secteur des cartes de crédit aux Etats-Unis par ces auteurs, a montré que la baisse du taux de défection des clients de 20 à 10% avait doublé la durée de vie moyenne d'un client, la faisant passer de 5 à 10 ans. De la même façon le produit net par client passait de 134 à 300 \$. Ces auteurs ont souligné que si ce taux baissait encore de 5 points, passant ainsi à 5%, la durée de la relation doublait à nouveau et le produit net passait alors à 525 \$. L'entreprise a donc tout intérêt à mettre en place un marketing relationnel ;

- Une meilleure connaissance de son fournisseur réduit le risque perçu du client. La construction d'une relation entre le fournisseur de service et le client valorise ce dernier qui aime se sentir reconnu. Cette reconnaissance sociale a été mise en évidence dans de nombreux secteurs de service et en particulier dans le secteur bancaire (Parasuraman et al 1991). Le secteur bancaire cumule deux difficultés : il fournit un service intangible qui rend la relation interpersonnelle entre le chargé de clientèle et le client fondamentale, il traite d'un « produit » à forte connotations pour le client : l'argent. A ce double titre l'approche relationnelle de l'échange est particulièrement bien adaptée.

- Une façon de répondre à ce défi est de renforcer l'image de marque de l'entreprise (Berry et Parasuraman, 1991). Or la plupart des banques françaises et européennes ont pris conscience de l'insuffisante différenciation de leur marque. En l'absence d'un réel positionnement, le client choisit l'entreprise la moins coûteuse ou la plus proche de chez lui. Les banques qui vont gagner cette lutte concurrentielle seront donc celles qui pratiquent des prix faibles ou ont le réseau de distribution le plus dense. La grande distribution se lance sur le marché financier avec des avantages sur ces deux points. Bado (2004) appelle à la création d'une politique de marque pertinente pour les banques européennes pour gagner cette lutte concurrentielle. On associera alors à la relation interpersonnelle, une relation entre le client et l'entreprise à travers sa marque.

2. Les composantes de la relation client dans les banques islamiques:

On distingue trois catégories de CRM dans les banques islamiques: le CRM analytique, le CRM opérationnel et le CRM collaboratif.

a. CRM analytique:

Il vise à améliorer la connaissance et compréhension du client. Il permet également de diffuser l'information dans l'ensemble des processus commerciaux (entrepôts de données, gestionnaire de

campagnes). Le CRM analytique comprend : la connaissance de la clientèle et les analyses de segmentation, le développement de tableaux de bord pour analyser la rentabilité, la mesure de la valeur client et le calcul de la Life Time Value, les scores prédictifs, les applications marketing avec les bases de données marketing, la gestion de campagnes et l'optimisation de la relation. Cet élément également appelé Business Intelligence analyse et exploite les données brutes de l'entreprise pour aider à la prise de décision.

b. CRM opérationnel:

Le CRM opérationnel est centré sur la gestion quotidienne de la relation avec le client, à travers l'ensemble des points de contact (centres de contacts à distance par téléphone ou Internet, outils de force de vente). Il coordonne les différents canaux d'interaction entre l'entreprise et ses clients en synchronisant les informations pour le marketing, la vente et l'ensemble des services. Ainsi le CRM opérationnel comprend différents outils: des outils de gestion du client à distance avec les centres de contacts (Call Center et Web Center), des outils d'intégration des systèmes téléphoniques et informatiques, des outils de gestion et de partage des connaissances pour optimiser la qualité des réponses apportées (grâce aux bases de données documentaires, aux FAQ - questions et réponses les plus fréquemment posées -), des configurateurs de produits, des outils de pilotage de la force de vente avec la remontée automatique des ventes, de l'activité et le partage des agendas. L'ensemble de ces outils optimise le travail de la force de vente en rendant les contacts avec les clients plus fructueux.

CRM analytique et opérationnel se complètent, le CRM analytique distribue la connaissance au CRM opérationnel, lequel remonte des données au premier pour affiner encore cette connaissance.

c. CRM collaboratif :

Si la banque islamique est d'accord sur les composantes du CRM analytique et opérationnel, on trouve des approches plus variées quant au CRM collaboratif. Par exemple Gartner Group estime que le CRM collaboratif met en avant les technologies entrant en jeu lorsqu'on est en contact avec le client (voix sur IP, web call center...), Scaconsult parle de gestion des connaissances, partage et synchronisation d'informations, d'intégration back office et de bureaux nomades.

Dans une démarche de synthèse, on peut estimer que le CRM collaboratif se traduit par la mise en œuvre de techniques collaboratives destinées à faciliter les communications entre l'entreprise et ses clients ainsi que l'intégration avec les autres départements de la banque islamique : logistique, finance, production, distribution.

Il est également possible de représenter le CRM ou GRC par trois approches : une approche technologique, une approche marketing et une approche organisationnelle.

L'approche technologique comprend l'ensemble des logiciels mis en place pour collecter, traiter et restituer l'information sur les clients et l'ensemble des outils pour communiquer avec les clients : réseau Internet, site web, call center... Cette approche technologique permet d'intégrer les nombreux capteurs de l'organisation marketing (chargés de clientèle, guichets, guichets automatiques, call center, interface web...), les bases de données clients (historique des contacts et des relations, historique des incidents...) et les outils d'analyse (outil décisionnel, data-mining...). Cette approche est nécessaire à la bonne réalisation de la relation client, car elle saisit la vie du client dans son appréhension la plus large mais elle ne doit pas être considérée comme unique ou suffisante.

L'approche marketing révèle l'utilisation du CRM. L'analyse des bases de données permet de mettre en place des stratégies de segmentation marketing efficaces et de personnaliser la relation avec le client. La multiplication des moyens de contact à travers les canaux de distribution permet de répondre aux préférences des clients. Le CRM permet de créer des événements personnalisés. Par exemple l'échéance d'un prêt pousse le conseiller de clientèle à proposer un placement adapté. La rentrée universitaire est favorable à la proposition aux étudiants de prêts personnalisés. Les 12 ans d'un enfant sont l'occasion de proposer à ses parents un livret jeune... Les systèmes d'information forment l'outil qui permet à l'approche marketing de s'exprimer au mieux.

L'approche organisationnelle est fondamentale. Nous avons vu dans le marketing relationnel que la qualité était l'affaire de tous. La culture de la relation client est indispensable à sa réussite et l'ensemble des acteurs de l'entreprise doit donc être intégré dans une démarche CRM. La mise en place de la gestion de la relation client nécessite également une réflexion sur l'organisation globale de l'entreprise.

La répartition du portefeuille client au sein des agences évolue. L'entreprise devient multi-canal, mais si le multi-canal ne fait que s'ajouter à l'organisation existante elle est alors que source de coût.

3. Les points de succès de la gestion de la relation client dans les banques islamiques :

a. Le développement du multi canal dans les banques islamiques :

L'un des apports importants du CRM a été le développement du multi-canal dans les banques islamiques. Le multi-canal consiste à proposer au client de nombreux moyens de contacts. Aux moyens traditionnels que sont le face à face dans les agences et la relation à distance par téléphone ou par les automates sont venus s'ajouter Internet et les centres d'appel. Beaucoup de banques islamiques ont cherché à externaliser des agences les contacts sans valeur ajoutée, sans aller jusqu'à la banque totalement virtuelle. L'échec Le client du banque islamique a besoin d'une relation interpersonnelle. Aux arabie souadite où la communication Internet est très importante, le nombre d'agences ne cesse d'augmenter en même temps que le secteur se concentre.

L'organisation multi-canal est double : par segment de clientèle et par produit. Les clients à fort potentiel sont orientés vers les agences où ils peuvent recevoir des conseils individualisés, où la relation est construite selon un modèle one to one. Les clients à faible

potentiel sont orientés vers les canaux à distance moins coûteux pour la gestion de ce type de clients. La distinction peut également se faire par produit puisque les opérations de gestion courante à faible valeur ajoutée sont privilégiées sur les canaux à distance alors que les opérations à forte valeur ajoutée sont réalisées en agence. Nous retrouverons ces éléments dans les choix bancaires en matière de segmentation de clientèle.

Cette stratégie du multi-canal comporte un double risque : un risque interne et un risque de clientèle. En interne elle entraîne une évolution des métiers des chargés de clientèle. Ils doivent être impliqués dans le projet afin de comprendre l'interaction entre les canaux. Ils doivent également accepter une redéfinition des portefeuilles de clients en fonction de la nouvelle segmentation envisagée. En externe, le risque est que ces outils destinés à favoriser la relation-client afin de tisser des relations plus étroites entre la banque islamique et ses clients ne conduisent à l'effet inverse en supprimant la composante sociale de l'échange que nous avons mise en avant au début de cette réflexion. Ces risques sont pris en compte dans l'évolution des agences bancaires.

b. La nature des produits dans les banques islamique :

Les banques islamiques allouent la majeure partie de leurs ressources dans des opérations commerciales et d'investissement en utilisant les produits financiers

□ Financement de transactions commerciales (Carré, 1992).:

- La Murabaha: Murabaha veut dire littéralement « prise de profit » dans le cadre d'une transaction commerciale. Une opération de Murabaha consiste à mettre des fonds à disposition d'une compagnie qui a besoin de liquidités à court terme. Pratiquement cela implique l'acquisition comptant, par la banque, de matières premières, de produits semi-finis et d'autres biens qu'elle revend à terme à des compagnies qui en ont fait la demande avec une marge préétablie. Ce type de financement allant de six mois à une année constitue une bonne partie des opérations des banques islamiques actuellement.

- La Moukarada: Cet instrument ressemble à une obligation émise par une banque islamique en vue de financer un projet donné. Les investisseurs qui ne sont pas considérés comme actionnaires n'ont pas le droit de vote mais émargent aux profits ou pertes que génère le projet.

- Ijara wa iqtina (Leasing): Les banques islamiques s'engagent dans des opérations de leasing financier à moyen terme allant jusqu'à cinq ans. De telles opérations impliquent l'achat par la banque d'un actif fixe (Sujet à dépréciation), qu'elle loue à une entreprise dans le cadre d'un contrat de leasing financier. L'entreprise effectue des paiements périodiques tout au long du contrat et à la fin de celui-ci le titre de propriété lui est transféré. Ce type de transaction comme le précédant permet de contourner la question de l'intérêt que doit charger une banque commerciale classique. Il s'agit d'une technique de financement relativement récente qui fait intervenir trois acteurs principaux :

Le fournisseur (fabricant ou vendeur) du bien.

Le bailleur (en l'occurrence la banque qui achète le bien pour le louer à son client).

Le locataire qui loue le bien en se réservant l'option de l'acquérir définitivement au terme du contrat de location.

- L'istisna' : Il s'agit du financement du fonds de roulement d'une entreprise par la banque islamique. Plus précisément il s'agit du financement des matières premières ou inputs qui rentrent dans la fabrication des produits destinés à la vente. Dans le cadre d'une opération d'exportation c'est le financement pré exportation

- Bai'Muajjal : Il s'agit d'une transaction commerciale dont le paiement est différé. Le vendeur accepte un paiement s'effectuant à tempérament ou en une seule fois sans pour autant ajouter un coût du fait du différé de paiement.

- Bai' Salam ou Bai' Salaf (contrats à terme): Dans ce type de transaction l'acheteur paie à l'avance le prix de la marchandise vendue, que le vendeur promet de livrer à une date future. Les spécifications de la marchandise quant à la qualité et à la quantité sont déterminées au moment de la vente.

□ Les opérations de type participatif : (Carré, 1992).

Il s'agit de transactions où les parties impliquées partagent les pertes et les profits des activités dans lesquelles elles s'engagent. Celles-ci sont essentiellement les suivantes :

- Mudaraba/Mucharaka: La banque islamique participe dans certains projets viables qui lui sont soumis par les entreprises. Elle y participe soit en fournissant tout le capital requis, et il s'agit alors d'une opération dite de Mudaraba ou en fournissant une partie du capital et il s'agit dans ce cas d'une opération de Mucharaka. La banque et l'entreprise se partagent les pertes et les profits selon un ratio prédéterminé.

Le concept de Mudaraba est utilisé souvent dans les opérations à court terme. La Mucharaka par contre est une forme d'organisation d'affaire dans laquelle un certain nombre de partenaires mettent en commun leur capital financier en vue d'une entreprise commerciale ou industrielle. La Mucharaka s'applique à des activités commerciales ou de production à long terme. Dans cette combinaison le capital humain qui représente le travail et l'effort présent se trouve au même pied d'égalité que le capital financier . Mais elle peut aussi revêtir des formes plus élaborées. En tout état de cause, cette contribution se réalise suivant l'une des deux formules ci-après :

La Moucharaka définitive : La Banque participe au financement du projet de façon durable et perçoit régulièrement sa part des bénéfices en sa qualité d'associé copropriétaire. Il s'agit en l'occurrence pour la Banque d'un emploi à long ou moyen terme de ces ressources stables (fonds propres, dépôts participatifs affectés et non affectés...). L'apport de la Banque peut revêtir la forme d'une prise de participation dans des sociétés déjà existantes, d'un concours à l'augmentation de leur capital social ou la contribution dans la formation du capital de sociétés nouvelles (achat ou souscription d'actions ou de parts sociales). Ce type de Moucharaka correspond dans les pratiques bancaires classiques aux placements stables que les banques effectuent soit pour aider à la formation d'entreprises ou tout simplement pour s'assurer le contrôle d'entreprises existantes.

La Moucharaka dégressive : La Banque participe au financement d'un projet ou d'une opération avec l'intention de se retirer progressivement du projet ou de l'opération après son désintéressement total par le promoteur. Ce dernier versera, à intervalle régulier à la Banque la partie de bénéfices lui revenant comme il peut réserver une partie ou la totalité de sa propre part pour rembourser l'apport en capital de la Banque. Après la récupération de la totalité de son capital et des bénéfices qui échoient, la Banque se retire du projet ou de l'opération. Cette formule s'apparente aux participations temporaires dans le banking classique.

- Musaqat : Il s'agit d'une forme particulière de contrat de Mucharaka relative aux vergers dans le domaine agricole où la récolte est partagée entre les partenaires, qui participent au capital, et ce selon leur contribution respective.

- Muzara'ah : La Muzara'ah est essentiellement un contrat de Mudaraba relative à l'exploitation d'une ferme où la banque peut fournir la terre ou les fonds nécessaires contre une part dans les récoltes.

- L'investissement direct : Il s'agit de l'investissement direct classique avec les restrictions qui s'imposent, à savoir la banque islamique ne peut investir des fonds dans des activités prohibées tel, les distilleries, les charcuteries, les sociétés d'assurance, les banques classiques, les casinos etc.

En somme, tous les instruments que nous avons passés en revue sont conformes à la Charia, et ont un dénominateur commun, à savoir que les taux de rendement qui y sont associés sont plus reliés à la transaction elle-même qu'au temps.

Conformément à la Charia, aucune des transactions ci hautes mentionnées ne peut donner lieu à un rendement fixe pré-établi.

Conclusion :

En conclusion, on peut dire qu'à cause de l'influence de l'environnement intangible les banques islamiques ont un fonctionnement qui leur est propre. En s'inspirant de la Charia pour établir leurs principes opérationnels, les banques islamiques diffèrent des banques classiques sur plusieurs points. La relation entre les banques islamiques et leurs clients n'est pas une relation de type classique entre créancier et débiteur. Il s'agit d'une relation où les deux parties partagent les risques et profits.

Une autre différence réside dans le fait que le profit n'est pas le seul objectif de la banque islamique. Elle doit satisfaire des besoins d'ordre religieux et éthique. Elle doit s'assurer que les fonds sont investis conformément à la Charia. A cet effet un comité de la Charia doit assurer la supervision des opérations de la banque. Etant donné la nature évolutive des opérations financières ce comité doit déterminer ce qui est Halal (licite) et haram (illicite).

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L'approche Culturelle Et La Gestion Integrale De La Qualite

L'approche Culturelle Et La Gestion Integrale De La Qualite: Application Au Secteur Agroalimentaire Algérien

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Résumé :

La démarche qualité totale est fondée nécessairement sur un ensemble de principes de base qui s'applique à toutes les activités et les fonctions de l'entreprise. Ainsi, elle implique des changements radicaux dans les façons de faire et d'être à tous les niveaux de l'entreprise. La qualité totale est l'affaire de tous, du simple employé au cadre supérieur. En effet, ce mode de gestion se focalise sur l'engagement de la direction générale, la gestion participative, l'orientation client et la culture d'entreprise.

Nous avons tenté dans ce travail de traiter l'influence de cette dernière sur la réussite et l'efficacité de la qualité totale pour savoir qu'elle peut être une source de réussite et donc un facteur de performance à toute entreprise. En effet, pas mal d'auteurs ont imputé à la réussite ou l'échec de la démarche de la qualité totale à son adaptation aux dimensions culturelles. Ces dernières jouent un rôle primordial dans la mise en œuvre de la gestion intégrale de la qualité. Dans ce travail de recherche, nous allons essayer d'identifier les préalables culturels nécessaires à l'épanouissement et à l'efficacité de la gestion intégrale de la qualité ou le TQM.

Mots clés : les préalables culturels, la qualité totale, le processus de la gestion intégrale de la qualité.

Introduction

Avec la concurrence et les exigences toujours croissantes des clients, le terme de qualité a évolué et le client devient le seul juge de la qualité. Devant cette situation, l'entreprise se doit d'être évolutive car le produit ou le service d'aujourd'hui n'est plus comme celui d'hier. Pour ce faire, une nouvelle notion globalisante est apparue, c'est la gestion de la qualité totale ou le TQM (Total Quality Management). Le TQM permet à toute entreprise de passer d'un mode de gestion traditionnelle à un mode de gestion centré essentiellement sur les besoins des clients internes et externes, ainsi que sur leur satisfaction. En d'autres termes, la qualité totale met l'homme au centre de l'attention pour l'entreprise.

D'après Ben Fadhel, A (1992, p86) « *la gestion est une science sociale dont la culture véhiculée par les acteurs de l'organisation est un élément déterminant.* » En fait, la culture relativise la gestion afin de l'amener à son contexte social. Gonthier (1992, p44) de son côté, affirme que la réussite de la démarche qualité totale dépend de l'application des valeurs fondamentales de la qualité dans toutes les composantes de l'entreprise : environnement organisationnel, culture et mode de gestion. Alors, le TQM nécessite un ensemble de méthodes qui doivent être employées avec rigueur.

Dans ce papier, nous allons essayer de déterminer les dimensions culturels nécessaires à l'épanouissement et à l'efficacité de la gestion intégrale de la qualité ou le TQM afin de pouvoir répondre à notre problématique qui est la suivante: ***Dans quelles mesures la prise en compte de la culture d'entreprise peut – elle favoriser la réussite du TQM dans les entreprises ?***

Les hypothèses de recherche que nous avons pu formuler à partir de la revue de la littérature sont les suivantes :

H1- la courte distance hiérarchique et le fort contrôle d'incertitude sont positivement corrélés avec la planification de type C.

Cette hypothèse est subdivisée en deux sous hypothèses :

H1-1 La courte distance hiérarchique est positivement corrélée avec la planification négociée.

H1-2 Le fort contrôle d'incertitude est positivement corrélé avec la planification rigoureuse.

H2- le fort contrôle d'incertitude et la courte distance hiérarchique sont positivement corrélés avec l'organisation de type C.

Cette hypothèse est subdivisée en deux sous hypothèses :

H2-1 Le fort contrôle d'incertitude est positivement corrélé avec l'organisation réglementée

H2-2 La courte distance hiérarchique est positivement corrélée avec l'organisation tassée

H3-l'esprit communautaire et la courte distance hiérarchique sont positivement corrélés avec la direction de type D.

Cette hypothèse est subdivisée en deux sous hypothèses :

H3-1 Le collectivisme est positivement corrélé avec le style de direction communautaire.

H3-2 La courte distance hiérarchique est positivement corrélée avec la participation de tous.

H4- la féminité et le fort contrôle d'incertitude sont corrélés positivement avec la motivation de type B.

Cette hypothèse est subdivisée en deux sous hypothèses :

H4-1 La dimension féminité est positivement corrélée avec la motivation par la performance collective

H4-2 Le fort contrôle d'incertitude est positivement corrélé avec motivation par la sécurité

H5- le fort contrôle d'incertitude et le collectivisme sont positivement corrélés avec le contrôle de type C.

Cette hypothèse est subdivisée en deux sous hypothèses :

H5-1 Le fort contrôle d'incertitude est positivement corrélé avec le contrôle strict

H5-2 Le collectivisme est positivement corrélé avec le contrôle collectif

En effet, nous avons testé nos hypothèses de recherche dans le secteur agroalimentaire au niveau de trente-et-un entreprises. Concernant notre travail empirique nous l'avons basé sur la méthode du questionnaire. Nous avons mené une analyse univariée pour identifier les dimensions culturelles de la société algérienne, les dimensions culturelles de l'entreprise algérienne et l'état actuel du processus de la gestion intégrale de la qualité.

La deuxième partie a été consacrée en premier lieu au test des hypothèses à travers l'analyse bivariée. En deuxième lieu, nous avons mené une analyse multivariée pour décrire et visualiser les interrelations complexes entre les variables.

I- De la théorie sur la qualité à la pratique du TQM

L'entreprise a connu un virage important en matière de la qualité qui devient un sujet de réflexion. Ainsi, elle s'élargie afin de toucher toutes les fonctions de l'entreprise. (Caby et al. 2002., p12) D'après Daudin, J et Tapiero, Ch, (1996, p6) « la transformation industrielle nous mène vers un concept de la qualité motivée plus par l'aval que par l'amont et vers une gestion de qualité intégrée qui englobe tous les aspects de l'activité industrielle. » Ainsi, Kélada (1997,p2) explique les raisons de l'apparition de la qualité totale en donnant les justifications suivantes :

- Changement sur tous les plans : politique, économique, social, et technologique.
- Face à ces changements, l'entreprise se trouve obligée de changer leur mode de gestion, leur orientation, leur façon de penser, d'être et de faire.
- La non-qualité engendre des coûts pouvant s'augmenter jusqu'à 25% du chiffre d'affaires d'une entreprise industrielle.
- Les entreprises deviennent face aux défis supplémentaires tels que : la mondialisation de la concurrence, la recherche des produits non polluants, et des produits sont généralement non différenciés.

Il n'existe pas de définition universelle et normalisée du terme de qualité totale. Plusieurs auteurs ont essayé de donner des différentes définitions pour l'éclairer. Tout d'abord, pour Kélada (op-cit, p43) la qualité totale est un ensemble de système qui permet d'assurer la qualité des produits ou des services de l'entreprise.

La qualité totale ou le Total Quality Management (TQM) selon Daudin, J et Tapiero, Ch (op-cit, p11) est un terme révolutionnaire qui ne dépend pas seulement d'investissements matériels, mais aussi d'*investissements immatériels* comme la gestion et l'intégration, la culture propre de l'entreprise, l'environnement culturel, et la motivation personnelle. Également, d'après les mêmes auteurs (Ibidem) la gestion de la qualité totale repose sur un management fondé essentiellement sur une intégration transversale de l'entreprise. Ainsi, ce projet vise à une recherche continue de progrès et des

performances de l'entreprise à court et à long terme. En effet, ces auteurs avancent (Ibidem) : « *la qualité totale est un engagement totale (social, organisationnel et opérationnel) permettant l'utilisation des ressources de la société dans toutes ces activités.* ». En plus, selon les mêmes auteurs, la démarche TQM n'est pas une philosophie abstraite ou une méthode universelle, puisque **elle doit être adaptée à l'histoire et à la culture de chaque entreprise**. La qualité totale pour Kélada, (1994, P 61) *est la satisfaction simultanée et réciproque des trois parties prenantes : actionnaires, clients et personnes de l'entreprise. Encore, il s'agit de la collaboration avec les partenaires externes et le respect de l'environnement.*

Bien que ces définitions soient intéressantes, mais nous allons adopter la définition de Kiser et Sashkin. (In Ben Fadhel. A, 2000, p9) En effet, pour eux la gestion intégrale de la qualité se définit comme la suite : « *Elle signifie que la culture de l'organisation encourage et se définit par l'atteinte constante de la satisfaction du client grâce à un système intégré d'outils, de techniques et de formation. Cela implique l'amélioration continue des méthodes organisationnelles avec pour résultat une qualité élevée des produits et des services.* »

II. Les dimensions culturelles pour la réussite du processus de la qualité totale

Il n'existe pas de formulation simple du terme « culture d'entreprise » où tous les théoriciens soient d'accord. Ce concept reste peu palpable et assez flou. En définitive, la définition d'Edgar Schein (2004, p17) paraît la plus riche et la plus synthétique d'après Thévenet, M (1984,p12) : « *la culture organisationnelle est l'ensemble des hypothèses (assomptions) de base qu'un groupe donné a inventé, découvert ou développé en apprenant à faire face à ses problèmes d'adaptation externe et d'intégration interne, et qui ont suffisamment bien marché pour être considérées comme valide et donc pour être enseignées aux nouveaux comme étant la juste manière de penser, percevoir et sentir vis-à-vis de ces problèmes* ».

III.1 L'opérationnalisation de la culture d'entreprise

A travers la littérature nous déduisons qu'il existe deux types de cultures : bonne et forte. Mais, les auteurs n'arrivent pas à opérationnaliser ces types dans l'entreprise. Pour cela, et pour éviter ce dérapage, nous allons adopter l'évaluation d'Hofstede Geert. Ce dernier a élaboré des dimensions culturelles avec lesquelles nous pouvons facilement savoir le type de la culture approprié pour chaque entreprise. Notre choix peut se justifier par la raison suivante : Hofstede.G a mené une recherche sur les cultures nationales sur cinquante pays. À notre avis c'est une recherche *précise* (concernant la culture), *valable* (utilisé dans la littérature managériale) et à base *empirique*.

Hofstede a mis en place quatre dimensions culturelles indépendantes qui caractérisent chaque culture nationale des pays étudiés. Ces dimensions sont :

Individualisme /Collectivisme : Le niveau d'individualisme « *concerne le type de relation qui existe entre les individus et leur degré de dépendance vis-à-vis des groupes et entreprises auxquelles ils appartiennent.* » (Y.Pesqueux, 2004, p52)

Longue /Courte distance hiérarchique : La distance hiérarchique est la perception du degré d'inégalité de pouvoir entre celui qui dispose le pouvoir hiérarchique et celui qui y est soumis. (Hofstede.G et Bollinger ,ibid., p82)

Fort/ Faible contrôle de l'incertitude : Dupriez.P et Simon.S (ibid., p50) affirment : « *une dimension culturelle qui mesure le degré de tolérance qu'une culture peut accepter face à l'inquiétude provoquée par des événements futurs. Si la tolérance est faible, le contrôle est fort et vice versa* ».

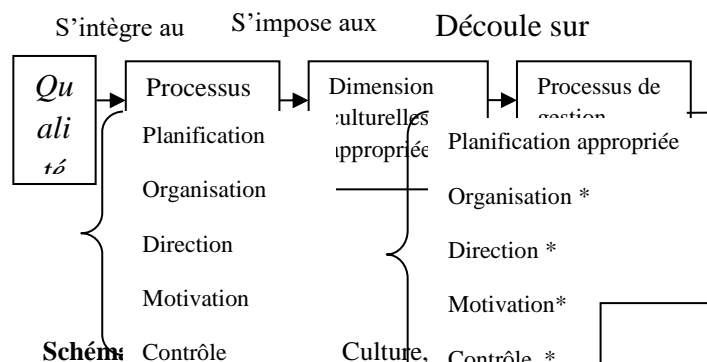
Masculinité/ Féminité : selon Pesqueux, Y (op-cit, p51) « *dans les sociétés à traits masculins, l'homme doit s'imposer et montrer qu'il est le plus fort, tandis que la femme doit s'occuper de la qualité de la vie.* »

Pour Hofstede (in Loth, D, ibid., p48) « *La culture nationale constatée est une sorte de moyenne de croyances et de valeurs autour de laquelle se situent les individus composant cette culture* ». En effet, les individus d'une culture sont conditionnés par leur système de valeurs qui induit des comportements particuliers dans un état donné.

La culture n'influence pas uniquement les comportements individuels au niveau d'entreprise, mais aussi et surtout la **mise en place de certaines pratiques de gestion**. Par ailleurs, parmi ces pratiques influencées par la culture d'entreprise, nous trouvons la démarche qualité totale. En effet, cette démarche cible tous les aspects de l'entreprise vers la satisfaction des besoins de la clientèle. Par

conséquent, avant que les entreprises s'engagent dans cette démarche, il faut veiller l'existence de certains préalables au niveau de leur culture.

La culture est un concept spécifique à chaque entreprise. En effet, elle peut favoriser la démarche qualité, comme elle ne peut pas. Dans cette partie nous allons évoquer les préalables culturels appropriés à la réussite de la qualité totale. En effet, Ben Fadhel, A (2000, p10) avance : « *la qualité totale doit être une action consciente et réfléchie, c'est-à-dire planifiée, structurée, dirigée, impulsée et contrôlée, en un mot la qualité doit être gérée* ». Ainsi, selon le même auteur (ibidem) la gestion intégrale de la qualité est prédéterminée par des facteurs culturels, ce qui nous donne un processus de gestion approprié. De ce fait, ce processus se schématise de la manière suivante :



application aux entreprises vietnamiennes (2000, p7)

Nous avons montré précédemment que la qualité totale est un état d'esprit et elle relève d'une culture d'entreprise. Cette démarche est un mode de gestion dont le succès dépend de l'obtention ou la création par l'entreprise des préalables culturels indispensables. Mais, la question qui se pose à ce niveau : *quels sont les préalables culturels qui déterminent la gestion intégrale de la qualité via le processus de gestion ?*


Nous allons répondre à cette question à partir de la conception d'Hofstede.G (op-cit) qui présente quatre dimensions culturelles précédemment citées et l'extension apportée par Ben Fadhel. A (op-cit, p10).

Selon Ben Fadhel.A (ibid., p5) la planification et l'organisation sont prédéterminées par les dimensions culturelles à savoir : la distance hiérarchique et le contrôle de l'incertitude. Ainsi, l'association de l'individualisme-collectivisme et la distance hiérarchique permet de dégager le mode de direction. En plus, le mode de motivation est prédéterminé par la masculinité-féminité et du contrôle de l'incertitude. Enfin, l'association de l'individualisme-collectivisme et le contrôle de l'incertitude permet de dégager le mode de contrôle.

A. La planification de la qualité totale

Kélada (op-cit, p101) affirme : « *la qualité totale n'est pas l'effet du hasard, elle doit être planifiée avec soin et précision* ». La planification est une activité primordiale de gestion parce qu'elle déclenche le processus, ce qui permet la réussite de la démarche qualité totale. En effet, Kélada (ibidem) note qu'avant de planifier la qualité totale, les gestionnaires doivent appliquer une gestion par extraversion et tenter par se tourner vers l'extérieur. Ainsi, il ajoute que le client doit être au centre de la préoccupation de toute entreprise car il présente le point de départ du processus de planification. En effet, cette dernière est elle-même le point de départ du processus de gestion de la qualité totale. Donc, la planification est une activité très importante, car elle permet de déclencher et de développer le processus de gestion de la qualité totale. Selon, Ben Fadhel. A (op-cit, p11) l'environnement d'aujourd'hui se caractérise par des turbulences, et des risques qui découlent essentiellement d'une concurrence très féroce, ainsi que des clients de plus en plus exigeants. Pour cela, toute entreprise est obligée de mettre en place des planifications, des règles, et des procédures afin de contrôler l'avenir. Ce qui nous conduit à un fort contrôle d'incertitude. Ainsi, selon le même auteur (ibidem) la planification de la qualité totale demande une réflexion associant le dirigeant et l'ensemble des employés en vue de définir des objectifs qualité acceptés par tous. Autrement dit, la planification est une action participative et non pas l'affaire du dirigeant seulement. Ce qui nous conduit à une courte distance hiérarchique. La planification appropriée à la gestion de la qualité totale se base sur un *fort*

contrôle d'incertitude et une courte distance hiérarchique. Autrement dit, une planification de type C. (rigoureuse et négociée)

| | |
|---|--|
| Planification -Non-rigoureuse -Non –négociée Type A | Planification -Rigoureuse -Non –négociée Type B |
| Planification -Non-rigoureuse -négociée Type DH | Planification  -rigoureuse -négociée Type C |

L

Cela nous permet de formuler notre première hypothèse : la courte distance hiérarchique et le fort contrôle d'incertitude sont positivement corrélés avec la planification de type C.

Cette hypothèse est subdivisée en deux sous hypothèses :


H1-1 La courte distance hiérarchique est positivement corrélée avec la planification négociée.

H1-2 Le fort contrôle d'incertitude est positivement corrélé avec la planification rigoureuse.

B. L'organisation de la qualité totale

Kélada (op-cit) affirme que la décentralisation facilite la coordination et l'intégration des activités relatives à la qualité totale. En effet, l'organisation de cette démarche doit être reposée selon Ben Fadhel.A (op-cit, p11) sur un esprit de groupe, où les chefs d'entreprise travaillent avec leurs employés au sein d'une structure décloisonnée qui place la fonction qualité totale horizontalement plutôt que verticalement comme les autres fonctions. Ce qui nous conduit à une courte distance hiérarchique. Selon Kélada (1991, p64) l'entreprise est obligée d'allier et de rapprocher les niveaux hiérarchiques pour motiver et satisfaire les employés afin de séduire les clients, c'est-à-dire d'aller au delà de leur simple satisfaction.

Candau Pierre (1999, p58) avance : « *la satisfaction des clients et celle du personnel sont en forte corrélation : un personnel motivé et impliqué aura tendance à mieux satisfaire le client.* ». Selon le même auteur (ibidem) les entreprises qui sont adoptées la démarche qualité totale ont mis l'accent sur l'importance et la nécessité des ressources humaines afin d'arriver à satisfaire les clients, à accroître leur part de marché et leur rentabilité à long terme. En effet, il ne faut pas oublier de mettre en place des règlements stricts qui permettent d'organiser au mieux ce travail collectif et mener à bien ce projet de qualité totale. Ce qui nous mène à un fort contrôle d'incertitude. L'organisation donc, se base sur un *fort contrôle d'incertitude et une courte distance hiérarchique*. Autrement dit, une organisation de type C (Ben Fadhel.A, op-cit)

| | |
|---|---|
| Structure -pyramidale -Peu règlementée Type A | Structure -pyramidale -règlementée Type B |
| Structure -tassée -Peu règlementée Type D | Structure  -tassée -règlementée Type C |

Cela nous permet de formuler notre deuxième hypothèse : le fort contrôle d'incertitude et la courte distance hiérarchique sont positivement corrélés avec l'organisation de type C.

Cette hypothèse est subdivisée en deux sous hypothèses :

H2-1 Le fort contrôle d'incertitude est positivement corrélé avec l'organisation réglementée

H2-2 La courte distance hiérarchique est positivement corrélée avec l'organisation tassée

C. La direction de la qualité totale DH

Kélada (op-cit) avance : « *le gestionnaire ne fait plus travailler des subordonnés, il travaille avec des collègues et partenaires ; il n'est plus un donneur d'ordres, il devient un animateur et un conseiller pour ceux qui travaillent avec lui* ». Dans le cadre de la gestion intégrale de la qualité, le style de direction doit donner de l'importance au travail de groupe et à l'initiative individuelle. En effet, les groupes de travail organisés, améliorent et détiennent le pouvoir de participer à la prise de décision. La gestion intégrale de la qualité est donc un travail d'équipe. Ben Fadhel.A (op-cit, p11) de son côté, ajoute que le style de direction approprié à la réalisation des objectifs de la qualité totale c'est lui qui suppose : la motivation des individus, la mobilisation des énergies, la participation et la négociation du personnel à la prise de décision. Ceci nous conduit à une courte distance hiérarchique. En plus, selon le même auteur (ibidem) la qualité totale nécessite un esprit collectiviste, car elle est l'affaire de tous, ce qui permettant de fixer des objectifs suite à la collaboration et l'association de tous les individus de l'entreprise. De ce fait, le style de direction adéquat à la qualité totale se base sur l'association de la courte distance hiérarchique et le collectivisme. Autrement dit, un style démocratique (le type D)

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Cela nous permet de formuler notre troisième hypothèse : l'esprit communautaire et la courte distance hiérarchique sont positivement corrélés avec la direction de type D.

Cette hypothèse est subdivisée en deux sous hypothèses :

H3-1 Le collectivisme est positivement corrélé avec le style de direction communautaire.

H3-2 La courte distance hiérarchique est positivement corrélée avec la participation de tous.

Kélada.J (op-cit, p151) cite : « *l'orientation qualité totale est en effet une cause commune qui peut rallier tout le monde, sans préjugés, sans complexe de supériorité ou d'infériorité, sans gallons ni uniforme.* » En plus, Hampden T.Ch (1992, p18) affirme qu'« *il existe un lien absolument vital entre la culture et la direction* ». Parce que le dirigeant contribue à donner forme à la culture, et même cette dernière contribue à donner forme à ses employés. D'après le même auteur (ibid., p19) la structure pyramidale est de plus en plus dépassée, ainsi elle présente une source de confusion. Ouchi.W (in Hampden T.Ch, ibidem) affirme que la culture de la bureaucratie présente un obstacle pour les entreprises. Puisqu'elle est hiérarchisée, segmentée, fondée sur des règlements et très enfermée dans ses divisions, les choses qui s'échappent d'être créatrice. D'où l'environnement d'aujourd'hui se caractérise par une culture souple, rapide et elle ne transmet que l'information attrayante. Cela nous oblige d'adopter la culture de clan, celle qui repose sur des relations profondes, flexibles, durables et capables de transmettre des informations complexes. En effet, le dirigeant à ce niveau, est un harmonisateur de la complexité et le garant de combinaisons appropriées. D'ailleurs, selon Gannouni Kais (2001, p6) la centralisation du pouvoir et l'esprit individualiste freinent les initiatives individuelles et heurtent par rapport aux objectifs de la qualité totale. En plus, celle-ci est une exigence pressante, elle tente de créer une diversité dans la production sans augmenter les coûts. En effet, la qualité totale exige une culture interne qui fonctionne à l'échelle de l'entreprise, et avec énormément de soin et de précision que l'ensemble du processus opère sans faute. (Hampden T.Ch, op-cit, p19) Selon, Kotter.J et Heskett.J (1992, p70) pour avoir une culture qui garantit la réussite durable, l'entreprise est obligée de faire participer tous les salariés en leur donnant la confiance et du respect. Ainsi, elle est obligée de fournir à ses clients des produits de la bonne qualité avec un soutien des intérêts de ses actionnaires.

Il est indispensable de savoir que la culture sera réussie, s'il existe une forte cohésion à l'intérieure de l'entreprise mais aussi à l'extérieur de celle là. En effet, Brunetti .H.W, (op-cit, p136)

souligne que l'entreprise doit respecter la culture de son fournisseur, dans le but d'engendrer des relations à long terme qui permettent d'abaisser les coûts et améliorent la qualité

D. La motivation pour la qualité totale

Landy.F (in Kélada, op-cit, p137) dit: « *plus un employé est heureux, plus il est productif* ». Ainsi, Kiechel (in Kélada, ibidem) de son côté affirme « *l'entreprise doit présenter à ses employés des défis, défis d'équipe où l'employé partage des risques avec l'organisation de laquelle il fait partie* ». Alors, d'après Kélada, (ibid., p139) pour motiver les employés à améliorer la qualité, l'entreprise est obligée de mettre en place une gestion participative qui est basée sur la collaboration de la direction générale avec l'ensemble des employés. Ben Fadhel.A (op-cit, p12) quant à lui considère que la gestion de la qualité se base sur un travail collectif. Ce dernier se développe dans un environnement social qui se base sur des conditions de travail agréables, ainsi une atmosphère amicale qui coopère tous les individus efficacement afin d'améliorer la qualité. Cela nécessite la dimension féminité. Cependant, il est nécessaire de mettre en place un climat de travail sécurisant, autrement dit, des règlements stricts afin de protéger cette atmosphère amicale. De ce fait, la motivation de la qualité totale se base sur *la féminité et un fort contrôle d'incertitude*. C'est-à-dire le type B.

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Thévenet (op-cit, p16) de son côté, proclame que la motivation doit correspondre à l'intégration de la totalité de personnes dans des pratiques de travail collectives. Donc la motivation présente un facteur de performance. Cela nous permet de formuler notre quatrième hypothèse : **la féminité et le fort contrôle d'incertitude sont corrélés positivement avec la motivation de type B.**

Cette hypothèse est subdivisée en deux sous hypothèses :

H4-1 La dimension féminité est positivement corrélée avec la motivation par la performance collective

H4-2 Le fort contrôle d'incertitude est positivement corrélé avec la motivation par la sécurité

E. Le contrôle de la qualité totale

Kélada (op-cit, p102) affirme : « *On ne peut réaliser et améliorer que ce qu'on peut mesurer* ». Le contrôle est l'activité de gestion la plus connue en ce qui concerne la démarche qualité. En effet, le contrôle de la qualité totale vise à mesurer les résultats d'une activité et à les comparer à un objectif fixé, pour indiquer s'il existe un écart entre les deux. (Kélada, ibidem) D'après Ben Fadhel.A (op-cit, p12) le contrôle doit être réalisé d'une manière stricte par l'utilisation des techniques et des méthodes statistiques pour faire face à cet environnement turbulent et mener à bien le projet qualité totale. Kélada (op-cit, p187) de son côté ajoute : « *on utilise les résultats du contrôle comme rétroaction du client pour pouvoir continuellement améliorer la qualité* ». Pour cette raison, le contrôle de la qualité fait appel à des mesures statistiques pour garantir cette amélioration, d'où la nécessité d'un fort contrôle d'incertitude. Alors, le contrôle présente une activité importante et essentielle pour l'efficacité du processus de gestion de la qualité, car il permet d'identifier toute erreur éventuelle, toute anomalie et donc d'empêcher toute non qualité au sein de l'entreprise. Le contrôle de la démarche qualité d'après Ben Fadhel.A (op-cit, p12) ne se fait plus au niveau de l'individu mais au niveau du groupe puisque pour concrétiser cette démarche, l'entreprise doit être organisée sous forme de petits groupes de travail où la participation de chacun est garantie. Ceci nous conduit à dire que le contrôle de la qualité totale se base sur *un fort contrôle d'incertitude et un esprit collectiviste*. C'est-à-dire un contrôle de type C.

C-I

| | |
|--------------------|----------------------|
| Contrôle | Contrôle |
| -individuel | -individuel |
| -lâche Type A | - Strict Type B |

| | |
|------------|------------|
| Contrôle | Contrôle |
| -Collectif | -Collectif |
| -Lâche | -strict |
| Type D | Type C |

Cela nous permet de formuler notre cinquième hypothèse : **le fort contrôle d'incertitude et le collectivisme sont positivement corrélés avec le contrôle de type C**. Cette hypothèse est subdivisée en deux sous hypothèses :

H5-1 Le fort contrôle d'incertitude est positivement corrélé avec le contrôle strict

H5-2 Le collectivisme est positivement corrélé avec le contrôle collectif.

Finalement, afin de garantir la réussite du processus de gestion de la qualité totale, l'entreprise doit adopter une culture qui réunit les dimensions culturelles suivantes : *un fort contrôle de l'incertitude, une courte distante hiérarchique, une féminité, et un esprit communautaire*. (Ben Fadhel.A, ibid, p12)

IV. cadre d'analyse et méthodologie de recherche

Cette deuxième partie nous permet l'opérationnalisation des concepts théoriques et l'évaluation des hypothèses formulées lors de la première partie. En effet, nous avons présenté **notre choix du secteur à étudier, l'outil de mesure** et de collecte des données. Par la suite, nous avons traité le comportement de l'ensemble des variables, nous avons commencé tout d'abord, par une *analyse descriptive des dimensions culturelles du contexte national algérien*, deuxièmement nous avons fait la même analyse concernant les *dimensions culturelles des entreprises algériennes*. Finalement, *nous avons identifié l'état actuel du processus de la gestion intégrale de la qualité en utilisant le tri à plat*. Dans un deuxième lieu, nous avons mené l'analyse bivariée et multivariée. En effet, afin de savoir dans quelles mesures la culture des entreprises algériennes déterminent la réussite de la qualité totale, nous avons mené une analyse bivariée pour tester nos hypothèses de recherche. Cette analyse nous a permis de vérifier le lien entre les variables de la culture d'entreprise et la qualité totale, ainsi, la force de corrélation des liens significatifs. Cela à travers la corrélation de Pearson. Également, nous avons présenté l'analyse multivariée en appliquant la méthode de l'ACP. Elle nous a permis de montrer et de visualiser les interrelations entre les variables de notre recherche et de déterminer les principaux facteurs explicatifs des liens entre les dimensions culturelles et le processus de la gestion intégrale de la qualité. Enfin, ces résultats ont été présentés à partir des graphiques des projections des points variables et des points individus sur ces axes.

Au cours de notre travail de recherche, nous avons suivi une démarche **déductive positiviste**. Cette dernière consiste d'aller du général au particulier, en suivant les étapes suivantes : la modélisation des phénomènes théoriques, la formulation des hypothèses à travers cette modélisation. Ensuite, le choix d'une méthode pour les vérifier empiriquement, puis la collecte des données et finalement l'analyse et l'interprétation des résultats. En effet, pour collecter les informations, nous avons choisi la technique d'enquête par **questionnaire**.

Dans le cas de notre recherche, nous avons choisi deux types d'échantillons : le premier concerne des entreprises tandis que le second concerne des personnes de la société algérienne. Le premier échantillon a été constitué sur la base d'effectif total. Les entreprises doivent compter généralement plus que 100 personnes employées. Nous avons exigé ce critère pour la seule raison : le processus de la gestion intégrale de la qualité ne pose pas un problème majeur dans les petites entreprises qui emploient un nombre limité de personnel. La pratique d'un mode de planification, d'organisation, de direction, de motivation et de contrôle applicables dans une petite entreprise ne le sont pas toujours dans les grandes et moyennes entreprises et inversement. Alors, la population mère est composée de 31 entreprises qui ont le processus de la gestion intégrale de la qualité et qui se trouvent dans l'ouest algérien. En effet, ce choix se fait à l'aide de l'orientation de la chambre de commerce régionale d'Oran et la chambre de commerce et d'industrie de Mostaganem. Aussi, nous avons reçu la réponse de 150 personnes représentatives du tissu social algérien.

IV.1 La méthode de l'échantillonnage

Nous avons utilisé *la méthode non probabiliste*. L'échantillon dans ce cas est constitué d'après un choix raisonné, il se fait selon un certain nombre de critères. (Mayrhofer, U, 2006,p45) Dans le cas de notre recherche, nous avons visité les 31 entreprises et nous nous sommes destinés aux employés de service qualité car ils sont les plus aptes à préciser les actions concernant le processus de la qualité totale. En effet, nous avons reçus à travers ce nombre d'entreprise 139 employés. Cependant, nous avons écarté 21 personnes car ils n'appartiennent pas au service qualité ou ils ne sont même pas capables de savoir le terme de la gestion intégrale de la qualité.

Afin de décrire le comportement de nos variables nous avons utilisé le SPSS (11). Pour répondre à notre problématique et tester nos hypothèses de recherche, nous avons poursuivi l'analyse univariée (le tri à plat ou le tri simple), l'analyse bivariée et l'analyse en Composantes Principales (ACP). Nous avons choisi le secteur de recherche qui répond le mieux aux exigences du sujet. En effet, notre objectif de recherche est de décrire le comportement des entreprises algériennes en matière des dimensions culturelles et le processus de la qualité totale. Ainsi, de tester nos hypothèses. Pour ce fait, nous avons testé ces dernières dans le secteur agroalimentaire situé dans l'ouest algérien, plus particulièrement dans les cinq wilayas : Relizane, Mascara, Mostaganem, Oran et Aïn Defla.

V. Interprétation des résultats

a. L'analyse univariée de la culture nationale algérienne

Nous avons constaté d'après les résultats de cette étude que la culture nationale algérienne se caractérise par : *une longue distance hiérarchique, un faible contrôle d'incertitude, une tendance masculine, un caractère plutôt communautaire.*

Les trois premières dimensions **font défaut** ce qui permet de produire un **décalage avec les exigences de la qualité totale**.

b. Les dimensions culturelles des entreprises algériennes

Nous allons démontrer par la suite les dimensions culturelles de l'entreprise algérienne agroalimentaire pour savoir s'il y a une différence par rapport à l'environnement algérien ou non. Ainsi, nous allons voir si elles favorisent ou non la réussite de la qualité totale. Ensuite, nous allons présenter l'analyse descriptive relative à chaque variable de processus de la gestion intégrale de la qualité.

Nous avons remarqué d'après les résultats de cette étude empirique que la culture des entreprises algériennes agroalimentaires se caractérise par : *une longue distance hiérarchique, un caractère masculin, un fort contrôle d'incertitude, et un esprit communautaire.*

Dans le secteur agroalimentaire, les deux premières dimensions font défaut produisant des décalages avec les exigences de la gestion intégrale de la qualité (GIQ).

En effet, nous pouvons déduire que la culture des entreprises algériennes est largement influencée par la culture sociétale. Cependant, en ce qui concerne la troisième dimension, nous avons démontré que la culture nationale algérienne a une tendance vers un contrôle d'incertitude relativement faible. Mais grâce à l'apprentissage organisationnel, l'entreprise algérienne admet un fort contrôle d'incertitude.

c. Le processus de la gestion intégrale de la qualité adopté par les entreprises algériennes agroalimentaires

Dans la partie théorique nous avons montré que pour la gestion intégrale de la qualité soit efficace il faut l'intégrer dans un processus de gestion. Autrement dit, la qualité doit être planifiée, organisée, dirigée, contrôlée et motivée. Cette étude va nous permettre de savoir comment les entreprises algériennes agroalimentaires ont intégré la démarche qualité totale au sein du processus de gestion.

Une troisième partie de résultats concerne l'état actuel du processus de gestion intégrale de la qualité dans les entreprises algériennes agroalimentaires à travers ses composantes : planification, organisation, direction, motivation et contrôle.

En effet, il semble que la planification dans les entreprises algériennes agroalimentaires est faite selon les impératifs exigés par la qualité totale. Autrement dit, les entreprises préparent des plans afin de faire face à cet environnement turbulent et pour bien maîtriser l'avenir. Encore, la planification est faite selon un processus décentralisé qui fait participer les membres de l'entreprise à l'élaboration des objectifs. Pour l'organisation, il paraît que la structure organisationnelle dans les entreprises algériennes est centralisée et cloisonnée. C'est-à-dire, elle ne correspond pas à la structure exigée par

la gestion intégrale de la qualité. Cependant, il existe un effort réglementaire afin de résoudre les problèmes au sein d'entreprise. Ainsi, le style de direction dans les entreprises algériennes est principalement autoritaire. Il prend tout seul ces grandes décisions. Ce style ne reflète pas au mode de direction exigé par la qualité totale. Enfin, il semble que le mode de motivation et le mode de contrôle sont faits selon les impératifs exigés par la qualité totale. Il s'agit d'un mode de motivation basé sur le travail collectif et la sécurité, et un mode de contrôle strict.

d. Tests des hypothèses et interprétation des résultats

La méthode d'analyse des données utilisée dans notre mémoire est une méthode **quantitative**. En effet, la méthode de corrélation linéaire nous permettra d'analyser la corrélation entre deux variables mesurées avec des échelles métriques (échelle de 1 à 5). Aussi, cette méthode nous permettra d'interpréter le sens de la corrélation. Si le coefficient de Pearson « r » est positif, la corrélation est positive. Ainsi, la corrélation n'est pas validée que si sa significativité ne dépasse pas le niveau de risque d'erreur.

La planification de la qualité totale est prédéterminée par les dimensions culturelles à savoir la distance hiérarchique (DH) et le contrôle de l'incertitude (CI). La confrontation du mode exigé par la gestion intégrale de la qualité et du mode issu des dimensions culturelles des entreprises algériennes, nous donne la configuration suivante :

-----Contact author for graph-----

La qualité totale exige une planification de type C (rigoureuse et négociée), la planification appropriée aux dimensions culturelles des entreprises algériennes agroalimentaires est de type B (rigoureuse et non négociée). Alors, ce mode marque un décalage. (*Notre première hypothèse est plutôt infirmée*)

L'organisation de la qualité totale est déterminée par les dimensions culturelles à savoir le contrôle de l'incertitude (CI) et la distance hiérarchique (DH). La confrontation du mode approprié à la gestion intégrale de la qualité et du mode issu des dimensions culturelles des entreprises algériennes, nous donne le résultat suivant :

-----Contact author for graph-----

L'organisation de la qualité totale dépose une défaillance. La gestion intégrale de la qualité nécessite une structure de type C (organisation tassée et règlementée), alors que les dimensions culturelles des entreprises algériennes engendrent un mode d'organisation de type B (centralisé et règlementé). **Cette hypothèse est donc, plutôt infirmée**

Quant à la direction définie par la combinaison de la distance hiérarchique et collectivisme/individualisme. La confrontation du mode exigé par la gestion intégrale de la qualité et du mode offert par les dimensions culturelles des entreprises algériennes, nous donne la configuration suivante :

La qualité totale impose un style de direction de type D, alors que les dimensions culturelles algériennes imposent un style de commandement de type A. Autrement dit, communautaire et non participative. Donc, le style de direction algérien souffre d'une défaillance. **Cette hypothèse est donc, plutôt infirmée**

Concernant le mode de motivation est défini par les deux dimensions culturelles : le contrôle d'incertitude et la féminité/masculinité. La confrontation du mode approprié à la gestion intégrale de la qualité et du mode issu des dimensions culturelles des entreprises algériennes, nous donne le résultat suivant :

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La qualité totale impose un mode de motivation de type B. c'est-à-dire une motivation par la performance collective et la sécurité. Or, les entreprises algériennes agroalimentaires imposent un mode motivation de type A qui dépend de développements des relations interpersonnelles et la prise

d'initiative. Donc, le mode de motivation pose un problème de décalage. **Notre quatrième hypothèse est partiellement confirmée**

Le mode de contrôle est défini par les deux dimensions culturelles : le collectivisme/individualisme (C-I) et le contrôle d'incertitude (CI). La confrontation du mode exigé par la qualité totale et du mode issu des dimensions culturelles des entreprises algériennes, nous donne le résultat suivant :

Le mode de contrôle pose un problème de décalage dans l'entreprise algérienne parce que la gestion intégrale de la qualité impose un contrôle de type C. Alors, les entreprises algériennes revendiquent un contrôle de type B. **Notre dernière hypothèse est plutôt infirmée.**

L'analyse des hypothèses nous a permis de conclure **que les entreprises algériennes agroalimentaires ne possèdent pas les préalables culturels appropriés à la réussite et à l'efficacité du processus de la gestion intégrale de la qualité.**

Ainsi, nous avons pu remarquer d'après cette analyse qu'il existe un flou concernant la dimension collectivisme/individualisme. Car, dans une hypothèse nous avons conclu de l'entreprise algérienne possède un caractère communautaire, et dans une autre, nous avons constaté le contraire. En ce qui concerne cette dimension donc, nous n'arrivons pas à distinguer clairement la tendance. Alors, l'ampleur de cette dimension reste à vérifier dans le contexte algérien pour le bien précisé.

En effet, le décalage culturel entre les deux situations (les dimensions culturelles exigées par la gestion intégrale de la qualité et celles qui existent au sein des entreprises interviewées) se situe au niveau de la dimension **longue distance hiérarchique**. En effet, la qualité totale n'est pas la responsabilité que des gens bien spécifique, mais de toute une équipe. C'est une nouvelle façon de travailler et surtout de penser. Cela afin de garantir le bon fonctionnement et donc, la réussite de ce projet.

e. L'interprétation des résultats de l'analyse factorielle

Au cours de notre recherche empirique nous avons utilisé la méthode de l'analyse en composantes principales (ACP). Cette dernière est une technique exploratoire permettant de résumer et d'expliquer les corrélations entre les variables à l'aide d'un nombre réduits de facteurs. Ces derniers résument l'essentiel de l'information.

Donc, contrairement à la théorie, nous avons constaté que le mode d'organisation de la qualité totale dans le contexte algérien dépend de deux dimensions culturelles à savoir : **féminité/masculinité et la distance hiérarchique**. En effet, l'organisation tassée au sein des entreprises algériennes est tributaire de la féminité et la courte distance hiérarchique.

Les entreprises algériennes ne connaissent pas encore le sens exact de la gestion intégrale de la qualité et les préalables de celle-là. Ils n'ont pas encore compris que la qualité totale n'est pas une destination bien définie mais c'est tout un voyage.

Après avoir examiné les conclusions les plus importantes de cette étude, nous allons tirer un certain nombre de recommandations qui, nous espérons d'avoir un rôle actif pour mettre en évidence l'importance de la culture organisationnelle. Cela pour créer un environnement fertile permettant de garantir la concrétisation de la gestion de la qualité totale dans les entreprises algériennes :

- ❖ Constituer une équipe qui possède les préalables culturels appropriés à la réussite de la qualité totale.
- ❖ La nécessité d'intégrer la notion de culture d'entreprise comme un concept adopté par la direction générale.
- ❖ la mise en place d'un programme de formation, ce qui permet de bien comprendre la notion de culture organisationnelle et de profiter de l'expérience des autres entreprises dans l'intégration et la réussite de la qualité totale.
- ❖ Cultiver l'esprit de courte distance hiérarchique auprès des dirigeants et le personnel en incitant la participation de tous les acteurs à la prise de décision, en valorisant le travail d'équipe, et en encourageant la création d'un environnement social. Ceci est nécessaire pour que les quatre préalables culturels de la gestion intégrale de la qualité soient réunis.
- ❖ La création d'un environnement amical au sein des entreprises afin de consolider les relations humaines et supprimer les barrières psychologiques entre les supérieurs et les employés.

- ❖ Fournir les moyens techniques et financiers nécessaires pour l'efficacité de la démarche qualité totale.

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Halal Personal Care Products and Muslim Consumers in Pakistan

Analysing Awareness Patterns of Halal Personal Care Products for Muslim Consumers in Pakistan

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ABSTRACT

Purpose – The purpose of this article is to study awareness trends of halal in the new dimension of personal care products, and gauge its impact on Muslim consumers' intent to purchase these products in Pakistan.

Design/methodology/approach – This study employs a mixed quantitative-qualitative research methodology, through open and closed ended questions survey. Target population is urban, affluent and educated consumers in Karachi and Islamabad, Pakistan.

Findings – Muslim consumers are aware of *what* constitutes halal, but are not clear about *how* it is to be consumed regarding non-food products.

Research limitations– This study was carried out in a limited geographical area of Pakistan – Islamabad and Karachi, thus limiting the scope for generalization. Additionally, it focuses on halal personal care products, a concept that is just emerging in this consumer market. Similar studies on other aspects of halal consumption – travel, pharmaceuticals etc.- may be conducted to expand the concept.

Practical implications – This study has the potential to help industry practitioners to identify issues faced while marketing to educated customers who may demand halal certification of personal care products. It may also help the government in developing policies to oversee the import of certified products into the country, following the example of Malaysia and Indonesia, and to curtail import of those that do not comply.

Originality/value – This article contributes to the discipline by introducing and analyzing a potentially new field of consumption, i.e. awareness of halal nonfood.

Key Words: *Muslim consumer behaviour; Halal awareness; Awareness Trends; Personal care products*

INTRODUCTION

Halal, by definition means “permissible” or “allowed” in Arabic. It basically encompasses all that is permissible to be consumed by Muslims, according to Shariah, i.e. Muslim law. It is essentially a way of life which is not solely confined to the types of food that a Muslim is allowed to consume (Mohamed et al, 2012). *Halal*, therefore, refers to the way of life prescribed by Almighty Allah to be followed by Muslims. This has been done by explicitly laying down parameters of what is permissible and what is not, via Quran -The Holy Book, and Hadith -The Sayings of the Prophet Mohammed, peace be upon him.

The traditional interpretation of *halal* consumption has been concentrated solely on consumption of *halal* food and has been studied exhaustively in the past (Lada et al, 2009; Vermier et al, 2007). Shariah, i.e. Islamic law lays down clearly defined, prohibitive acts and substances as a guideline for Muslims. For instance, certain things are strictly prohibited for Muslims. These include acts like gambling, consuming liquor/pork, taking interest on money, consuming blood of animals, the meat of a dead animal sacrificed in the name of other than Allah, indulging in adultery etc (Al-Quran 5:3, 2:219)

In the light of such definitive decrees, there is no ambiguity for Muslim consumers regarding *what* is to be consumed. However, *how* it is to be consumed can be a cause of concern (Mukhtar & Butt, 2012). Uncertainties may include those regarding the ingredients of a product or the method of production

and/or consumption. Therefore, all products that are for the consumption of Muslims should ideally, adhere to Muslim standards of *halal*. This is why recent redefinitions have expanded the concept of *halal* consumption to include 'all products that become a part of one's body' in addition to food and drink, which is directly ingested (Hanzaee & Ramezani, 2011). This is interpreted by recent scholars to include personal care products in the list of *halal*. This is because these products get absorbed through the skin and become part of one's body thereby fulfilling the requisite *halal* consumption condition according to this recent categorization (Hanzaee & Ramezani, 2011).

This very contemporary redefinition has started to cause a paradigm shift in the consumption patterns of Muslim across the world. To fulfil this demand, *halal* cosmetic and personal care manufacturers have begun to mushroom across the world recently. Examples include, but are not limited to, IVY Beauty Corp and Glamore from Malaysia, SaafPure Skin Care and Pure Mineral MakeUp from UK, Amara Halal Cosmetics from North America, and Dead Sea Minerals from Jordan etc. Furthermore, established multinational companies, like Revlon (Voice of America, 2010) and Colgate Palmolive (Colgate Palmolive, 2011) etc. have also started to produce *halal*, vegetable or mineral based products to cater to the growing Muslim market. However, there is little research done on the awareness patterns of Muslim consumers towards buying *halal* personal care products (Hashim & Musa, 2013). Therefore, this research takes a look into awareness levels of Muslim consumers in Pakistan regarding personal care products and analyses whether these consumers are knowledgeable about the presence of *halal* and non *halal* products in the markets. It also explores whether they are actively demanding *halal* certification of non-food products and services, like they do for *halal* food products (Siddiqui & Salman, 2011; Hanzaee & Ramezani, 2011). Therefore, this research seeks to study the awareness patterns of Muslim consumers in Pakistan regarding their conception and perceptions of *halal* personal care products.

LITERATURE REVIEW

Buying behaviour patterns of Muslims have been intrinsically linked to their level of awareness about *halal* status of products. According to Lindgreen-Hingley (2001), it has been established that Muslim consumers are increasingly demanding *halal* certification of non-food items as well. Nonetheless, much of research done in Muslim majority communities shows a paradoxical result. Traditionally, Muslims in Muslim majority cultures *do not* put much emphasis on analyzing labels to check for the presence of non-*halal* ingredients. Examples of past researches regarding *halal* products awareness include a study by Azrina (2006) which states that *halal* products awareness is on the rise in Malaysia. However, this level of awareness is still lower in Indonesia and Thailand. The main factor cited is lack of product information available in the market, leading to low awareness of the said products. Other findings have shown that the awareness of the *halal* concept and the knowledge of *halal* standards among customers are still low (Alam & Sayuti, 2011). It has been estimated in a Malaysian study that 86.5% of respondents want *halal* certification because they are concerned about the *halal* status of their purchased products. However, most of them have very strict standards regarding *halal* food only, especially meat (Tiemann, 2011). Another study by Roslyn (2006) measured the customers' attitude towards *halal* food status in Penang, Malaysia. It was found that although the majority of the population was Muslim, the percentage of those consciously buying *halal* food was very low. Researchers used the observation method in addition to questionnaires, and it was found that only 18% looked at the labels, and about half of those actually read them. This phenomenon was found to have its roots in the fact that Muslims living in Muslim majority societies have low awareness of available alternatives by having complacent attitudes, assuming that all products available in a Muslim society would be *halal* (Reuters, 2013; Siddiqui & Salman, 2011; Roslyn, 2006).

In Pakistan, researches regarding *halal* consumables have been relatively few, and that too have been focused on food (Mukhtar & Butt, 2012; Siddiqui & Salman, 2011). These studies have shown that a *halal* logo on products reiterates faith that the product is safe for Muslim consumption. However, these researches also support findings of Roslyn (2006) that Muslims in a Muslim majority country, e.g. Pakistan, have a complacent attitude towards products available in the country. They possess low awareness of alternative non-*halal* products, because of the general perception that all products available in a Muslim country would be *halal*, whether or not they are certified. Therefore, there is very low prevalence among consumers to actively regard labels while buying consumables.

Additionally, there is little to no awareness regarding personal care products and cosmetics (Mukhtar & Butt, 2012; Siddiqui & Salman, 2011), imported into the country by large multinationals, regarding the *halal* nature of their ingredients. The present study tapped into this gap of Muslim perception and awareness regarding *halal* toiletries and cosmetics in the untapped market of upscale, urban consumer of Pakistan.

THEORETICAL BACKGROUND

Evidence from psychology suggests that behaviour is the result of a combination of conscious and unconscious processes. These processes are hypothesized to influence behaviours and actions both indirectly and directly. Awareness and cognition are examples of such process that induces action across behaviours. According to Chartrand (2005) consumer's awareness (either conscious or unconscious) precedes control, modification, elimination and change in human behaviours and decisions. Thus, effective consumer behaviour can only be materialized through awareness. Dommeyer and Gross (2003) investigate the role of customers' awareness and knowledge in the area of consumers' private information invasion by direct-marketers. Their findings indicate that male and younger users are more aware on privacy-related laws and practices. As a result, these groups have adopted specific strategies to protect themselves from the invasion syndicate. In addition, Ishak & Zabil (2012) suggest a positive relationship between awareness and consumer behaviour also, while investigating consumer rights issues in Malaysia.

Conversely, there is also evidence that awareness about a particular issue does not necessitate a direct effect on related behaviours. For example, a recent study in New Zealand explored the influence of awareness of climate change and its impacts on the respondents' holiday decision-making behaviour (Tiller & Schott, 2013). Results suggest that despite high awareness that tourism affects climate change, respondents did not show the intent to change their travel plans in a way that would minimize the adverse environmental effect. These mixed results evident from literature necessitated for this study to look into awareness and its effect on intent to purchase *halal* personal care products to determine its effect for Muslim consumers in Pakistan.

3.1 Research Objectives

For the purpose of this research, it was proposed that since there is historical evidence that awareness of the product category under study, i.e. *halal* personal care products, is low among the target population (Siddiqui & Salman, 2011), low awareness would lead to a lower intent for Muslim consumer towards buying *halal* personal care products. Therefore, the following research questions were looked into for this study.

Is there a significant relationship between awareness of halal personal care products and intention to purchase the same among Muslim consumers in Pakistan?

What is the awareness level of Muslim consumers in Pakistan regarding halal ingredients of personal care products?

What is the awareness level of Muslim consumers in Pakistan regarding the presence of non halal personal care products in the market?

METHODOLOGY

In this study, the authors have used the variable of *awareness of halal personal care products* as an independent variable for the prediction of intention to purchase personal care products (dependent variable). This has been done to gauge if consumers in Pakistan are actually aware of the concept of *halal* personal care products, and how this awareness may affect their intention to buy personal care products. Historically, consumers in Muslim majority societies are *not* aware of the presence of non-halal products in their markets, as the general perception is that no products containing haram ingredients can be available in a Muslim country (Roslyn, 2006; Mukhtar & Butt, 2012). Contrarily, Muslims in a Muslim minority country, like Canada or the USA, are conscious of the availability of haram ingredients, and actively seek *halal* alternatives (Reuters, 2013). A lack of awareness about availability of Shariah non-compliant ingredients, coupled with a complacent attitude led to the inevitability of measuring the impact of awareness of *halal* personal care products as a determinant of buying behaviour intention for this study.

This study employed a mixed quantitative and qualitative methodology to gauge consumer response towards *halal* personal care products, and to see if it affects their buying behaviour of personal care

products. Data was gathered using personally administered questionnaires. These were specifically crafted with closed-ended, 5 point Likert type questions, in addition to open ended questions. 236 respondents, male and female, participated in this study. The criteria for selection were affluent, urbane and highly educated individuals from Islamabad and Karachi in Pakistan. The reason for such target segmentation lay in the fact that awareness of ingredients of personal care products requires respondents to be educated, so as to realize the importance of ingredients on packaging. Additionally, since ingredients are only displayed on personal care products of large multinationals – luxury products for this market – only affluent individuals would be regular buyers.

Past studies have measured awareness about specific products or ideas through asking direct questions about product attributes and questions about their existence. Following are the examples of items in the questionnaires used to measure awareness.

Halal personal care products are available in the market

| | | | | |
|----------------|-------|---------|----------|-------------------|
| 1 | 2 | 3 | 4 | 5 |
| Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |

I can distinguish between halal and non halal products available in the market.

| | | | | |
|----------------|-------|---------|----------|-------------------|
| 1 | 2 | 3 | 4 | 5 |
| Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |

However, this study used extensive questions, both open ended and closed ended, to analyse this variable. Pearson's correlation was used to assess the relationship between *awareness* and *intent to purchase personal care products*. Analysis of response trends revealed clear behaviour patterns regarding the independent variable.

DATA ANALYSIS & DISCUSSION

Table 1 summarizes the item-wise results of descriptive statistics for *Awareness of halal personal care products*. Generally the values range from 2.32 to 4.18 (1- Strongly Agree; 5- Strongly Disagree), showing an unclear pattern of awareness. Nonetheless, it can be seen that the values are grouped around the moderate to low category. The lowest category, as per the table, is of item '*I know how to differentiate a halal personal care product from a non halal personal care product/ item*' (Mean = 4.18), showing that majority of the respondents replied with Disagree or Strongly Disagree for this item. The items '*I understand the names of ingredients on personal care products packaging*' (mean=3.85), and '*I check for halal logo while buying personal care products*' (mean=3.70) also give high mean values corresponding to low scores. The item '*I read the label on personal care products*' also depicts a moderately low score (mean = 3.09), meaning that broadly speaking, there is a low level of awareness among respondents regarding halal status of personal care products. The last two items '*Personal care products with Arabic names are necessarily halal*' (mean = 2.32) and '*Personal care products with Halal logo are necessarily halal*' (mean = 2.44) show moderately high scores, showing a certain degree of positive awareness, but the overall impact of the variable is that of moderate to low awareness regarding halal personal care products.

Table 1. Item-wise Descriptive Statistics of Awareness of Halal Personal Care Products

| | N | Mean** | Std. Deviation. |
|---|-----|--------|-----------------|
| I know how to differentiate a halal PCP* from a non halal PCP item | 236 | 4.18 | .716 |
| I read the ingredients on PCP labels | 236 | 3.09 | 1.178 |
| I understand the names of ingredients on PCP packaging | 236 | 3.70 | .957 |
| I check for halal logo while buying PCP | 236 | 3.85 | .880 |
| Personal care products with Arabic names are necessarily halal | 236 | 2.32 | .811 |
| Personal care products with <i>halal</i> logo are necessarily halal | 236 | 2.14 | .977 |

*PCP = Personal Care Product

** (Mean values correspond to Awareness Level. 1.0-2.5: High, 2.5-3.5: Moderate; 3.5-5.0: Low)

Table 2. Item-wise Descriptive Statistics of Intent to Purchase Halal Personal Care Products

| | N | Mean | Std. Deviation |
|---|-----|------|----------------|
| I would be willing to buy halal non food e.g. medicines cosmetics detergents etc | 236 | 1.90 | .822 |
| I would buy personal care products coming from mineral or vegetable sources | 236 | 2.05 | .695 |
| I am willing to pay extra premium for personal care products with halal logo | 236 | 1.50 | .700 |
| I am willing to pay extra premium for personal care products with Arabic names | 236 | 1.99 | .894 |
| I am willing to pay extra premium for personal care products made in Muslim countries | 236 | 2.18 | .902 |
| I am willing to drive extra miles in search of halal personal care products | 236 | 1.84 | .958 |
| Valid N (listwise) | 236 | | |

5.1 Awareness and Intent to Purchase

In order to analyse the first research question, Pearson's Correlation test was run on awareness and intent to purchase halal personal care products. This hypothesis posits that

H1: Awareness of halal personal care products has a significant relationship with intent to purchase these products in Pakistan.

Results show the result of correlation for this test. It indicates that $r(236) = .050$, with $p = .445$. These values represent an insignificant relationship between the test variables. There is no relationship between awareness and intent to purchase halal personal care products.

Furthermore, regression shows that t value is also insignificant ($t = .766$, with $p = .445$). Both tables 3&4 show conclusively that there is no significant relationship between these variables and that awareness of halal personal care products is not a significant predictor of intent to purchase these products for Muslim consumers in Pakistan. Hence, hypothesis H1 is rejected.

Table 3. Pearson's Correlation Between Awareness and Intent to Purchase Halal Personal Care Products

| | | Intent to Purchase |
|-----------|---------------------|--------------------|
| Awareness | Pearson Correlation | .050 |
| | Sig. (2-tailed) | .445 |
| | N | 236 |

Table 4. Regression for Awareness and Intent to Purchase Halal Personal Care Products

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------------------|------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.730 | .238 | | 7.269 | .000 |
| | Awareness | .052 | .068 | .050 | .766 | .445 |
| a. Dependent Variable: intent | | | | | | |

This section focuses attention on the additional variable *awareness of halal personal care products*. As shown, results do not provide substantiation to the fact that awareness about halal personal care products has any effect on Muslim consumers' intent to purchase these products in Pakistan. However, the tool used for data collection measured different facets of awareness in order to analyze the characteristics of the variable in depth. It is essential to note here that 'halal personal care products' is a novice concept for this market. Consumers are almost unanimously complacent about checking for halal status of products available in the market (Siddiqui & Salman, 2011). Therefore, for this study, it was found necessary to gauge consumers' actual level of awareness of this cosmetics and toiletries product category, in addition to measuring factors that impact their intent to purchase them. To this effect, two facets of awareness were measured and dissected carefully, one pertaining to awareness

about *ingredients* that constitute halal; the other pertaining to awareness of *availability of alternates* (*non-halal*) in the market.

5.2 Awareness about ingredients

Respondents were asked two sets of questions to ascertain their level of awareness about product ingredients. Questions included

If a product contains the following ingredients, what do you think is the status of the product? (*Kindly select a response for each category*)

| | | | |
|-----------------------------|-------|-------|----------|
| Animal By-products | Halal | Haram | Not Sure |
| Alcohol By-products | Halal | Haram | Not Sure |
| Vegetable/Plant By-products | Halal | Haram | Not Sure |
| Mineral By-products | Halal | Haram | Not Sure |

Results show that a substantial majority of respondents think that personal care products with mineral or vegetable based ingredients are halal (81.8% - vegetable/plant based; 74.6% - mineral based), whereas a substantial majority thinks that personal care products with alcohol based ingredients are haram (61.4%). In the case of products containing animal byproducts, there was a mixed response reported, with 54.7% responding with *Not Sure*, and 27.5% saying its haram.

Tables 5-8 show the descriptive statistics for the responses to this question.

Table 5. Status of Toiletries & Cosmetics with Animal By-products

| | | Frequency | Percent | Valid % | Cumulative % |
|--|----------|-----------|---------|---------|--------------|
| | Halal | 42 | 17.8 | 17.8 | 17.8 |
| | Haram | 65 | 27.5 | 27.5 | 45.3 |
| | Not Sure | 129 | 54.7 | 54.7 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

Table 6. Status of Toiletries & Cosmetics with Alcohol By-products

| | | Frequency | Percent | Valid % | Cumulative % |
|--|----------|-----------|---------|---------|--------------|
| | Halal | 37 | 15.7 | 15.7 | 15.7 |
| | Haram | 145 | 61.4 | 61.4 | 77.1 |
| | Not Sure | 54 | 22.9 | 22.9 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

Table 7. Status of Toiletries & Cosmetics with Vegetable/Plant By-products

| | | Frequency | Percent | Valid % | Cumulative% |
|--|----------|-----------|---------|---------|-------------|
| | Halal | 193 | 81.8 | 81.8 | 81.8 |
| | Haram | 6 | 2.5 | 2.5 | 84.3 |
| | Not Sure | 37 | 15.7 | 15.7 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

Table 8. Status of Toiletries & Cosmetics with Mineral By-products

| | | Frequency | Percent | Valid % | Cumulative % |
|--|----------|-----------|---------|---------|--------------|
| | Halal | 176 | 74.6 | 74.6 | 74.6 |
| | Haram | 2 | .8 | .8 | 75.4 |
| | Not Sure | 58 | 24.5 | 24.5 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

This level of awareness was also checked by using differently worded questions, like I will buy personal care products coming from mineral and vegetable sources.

The response choices were Always, Frequently, Sometimes, Rarely, Never. An additional option of '*I do not know the significance of this phrase*' was added to facilitate a lack of awareness about mineral and vegetable sources. Results from this item also validate the finding from the earlier question, with

76.7% respondents saying they would buy personal care products with mineral and vegetable ingredients. This signifies that as far as the question of *what* ingredients constitute halal personal care products, respondents were aware that mineral and vegetable based products are halal, and those with alcohol or animal ingredients are questionable.

However, when responding to the statement '*I know how to distinguish between halal and non halal ingredients on personal care products' packaging*', 83.5% responded in negative (48.3% with Disagree and 35.2 with Strongly Disagree). Additionally, response to the question '*I read the ingredients of personal care products before buying*' only 34% responded in the affirmative (corresponding to options Always, Frequently). Response to question '*I understand the names of ingredients on halal personal care products' packaging*' yielded 87.6% responses in the negative (corresponding to Never, Rarely, Sometimes).

These results signify a strong positive awareness *in concept* about what ingredients make a product halal or haram. Nevertheless, a significant lack of awareness is projected when considering active awareness and knowledge about *how* to distinguish or what to choose in selecting halal personal care products.

Awareness of presence of non halal products

The second step in gauging level of awareness of Muslim consumers in Pakistan was to investigate their degree of awareness about the presence of non-halal personal care products in the market. Literature supports presence of non-halal personal care products in the markets, including studies from other Muslim majority countries – Malaysia, Indonesia, Iran – where consumers are generally complacent regarding the presence of non-halal products, with the underlying assumption that all products available in the market should be halal as ensuring halal is the responsibility of the government (Lada et al, 2009; Roslyn, 2006). Evidence suggests that consumers from Muslim minority countries are more actively aware of the presence of halal and non-halal alternatives in the market (Vermeir et al, 2007).

Expanding on the same concept, respondents were asked to respond to the following statements.

| <i>Statements</i> | <i>Affirmative (Strongly Agree, Agree)</i> | <i>Negative (Disagree, Strongly Disagree)</i> |
|--|---|--|
| <i>There are non halal personal care products available in the market.</i> | 76.6% | 23.3% |
| <i>Personal care items imported from a non Muslim country have non halal ingredients</i> | 86.4% | 13.6% |
| <i>Personal care items imported from Muslim countries are necessarily halal.</i> | 66.5% | 19.9% (12.6% Neutral) |

Respondents also responded strongly to the statement '*Personal care products should have Halal logo to indicate its status.*' 81.4% respondents said they strongly agreed or agreed that these products should have displayed halal logos to distinguish them from non-halal alternatives. This followed naturally from the statement that a majority (83.5%) did not know how to distinguish between halal and non halal alternatives, based on their ingredients.

Another set of questions related to the level of awareness about local vs. imported products. These included statements like

I am most concerned about the halal nature of the following products. (*You may choose multiple responses*)

| Personal Care | Origin of Personal Care Items | Other |
|---|---|--|
| Toiletries(toothpaste/shampoo/soap etc.) Perfume /Deodorant Skin Care (cleanser, toner, moisturizer creams & lotions etc.) Cosmetics (makeup products) | Toiletries and cosmetics manufactured in Pakistan Personal care products imported from non Muslim countries Personal care products imported from Muslim countries | Leather goods (shoes, bags, belts etc.) Medicines |

| | | |
|--|---|--|
| | Personal care products smuggled into Pakistan | |
| | None of the above | |

76.4% respondents chose *personal care products smuggled into Pakistan*, and 59.8% chose *personal care items imported from non-Muslim countries*

In addition to these closed ended questions, respondents were given open ended questions. Examples include:

Do you think **halal** personal care products are easily available in the market? Kindly provide reason/s for your response. _____

Do you think **non-halal** personal care products are easily available in the market? Kindly provide reason/s for your response. _____

The most prevalent answer to the first question was a variation of *Yes, because Pakistan is an Islamic country* (35.3%) and *Yes, because it is the government's responsibility to ensure presence of halal products in the market* (32.8 %). The second question got most responses in the affirmative, with majority of responses citing the main reason to be *no regulatory checks by the government* (42.6%). However, 29.1% respondents expressed views to the effect that *halal is not an issue in non food products, so it does not matter if certain products contain questionable ingredients*.

CONCLUSION

To summarize, an overall analysis of responses related to level of awareness showed these intriguing results.

Awareness was found to be an insignificant predictor of intent to purchase. Results were investigated using Pearson's Correlation and regression.

Respondents are knowledgeable about *what* ingredients constitute halal products.

Respondents are aware that non halal products are available in the market

Respondents are not knowledgeable about *how to distinguish* between halal and alternative personal care products.

Respondents responded positively for the need of 'Halal' mark or logo on the packaging of personal care products.

Thus, this study yielded most fascinating results as an outcome of analysis of *awareness of halal personal care products* as a unique variable. Awareness about halal personal care products was not found to be correlated to intent to purchase these items. This result was contrary to general perceptions, as well as past studies that place awareness of a product category to be central in predicting intention to buy that product (Ishak & Zabil, 2012; Dommeyer & Gross, 2003). The reason of this incongruence lies in the fact that awareness measures showed a dichotomous result.

Consumers are aware of what constitutes halal. That is, they know which ingredients are permissible for use, and which are not. A majority regards mineral and vegetable/plant based products to be safe for consumption, whereas they largely expressed concern over possible inclusion of alcohol and animal based ingredients.

However,

Consumers were *not* knowledgeable about how to distinguish between halal and non-halal ingredients on products' packaging.

Furthermore,

Consumers' awareness of availability of these products is also very low. The general perception is that personal care products that are manufactured in Pakistan, or are legally imported into the country are halal. The reason cited most frequently by respondents is that since Pakistan is a Muslim majority country, it is the responsibility of the government to ensure the presence of halal products, across all product categories (food as well as non-food).

This confusion may have led to an insignificant relationship reported between awareness and purchase intent. Consumers expressed high intention to purchase halal personal products (mean value = 1.91, corresponding to a high positive level), with strong positive willingness to pay extra for halal products,

and a high willingness to drive extra miles to purchase halal products (Table 9 & Table 10). However, their lack of knowledge about how to choose halal personal care products appears to hamper their intention to actively purchase them. Lack of awareness, thus, leads to an inability to make informed purchase decisions when it comes to halal toiletries and cosmetics in Pakistan.

6.1 Implications & Significance

This study forms part of a very limited pool of knowledge that addresses the issue of consumer awareness regarding halal personal care products in a Muslim majority market, and strives to scrutinize this variable in order to identify specific elements that define consumer perceptions.

In addition to this theoretical implication, this study has a very distinctive practical implication as well. By addressing the issue of consumer awareness, it has unearthed the need for personal care products to have displayed 'halal' logos, signifying their status. It may help industry practitioners to identify issues faced while marketing to educated customers who may demand halal certification of personal care products.

Another practical implication lies in the fact that it may help government to develop policies to oversee the import of halal certified products into the country, following the example of Malaysia and Indonesia, and to curtail import of those that do not comply.

Table 9. Frequency Distribution (*I am willing to pay extra premium for personal care products with halal logo*)

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------|---------------|--------------------|
| Valid | Strongly Agree | 94 | 39.8 | 39.8 | 39.8 |
| | Agree | 51 | 21.6 | 21.6 | 61.4 |
| | Neutral | 90 | 38.1 | 38.1 | 99.6 |
| | Disagree | 1 | .4 | .4 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

Table 10. Frequency distribution (*I am willing to drive extra miles in search of halal personal care products*)

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|---------|---------------|--------------------|
| Valid | Strongly Agree | 120 | 50.8 | 50.8 | 50.8 |
| | Agree | 42 | 17.8 | 17.8 | 68.6 |
| | Neutral | 68 | 28.8 | 28.8 | 97.5 |
| | Disagree | 4 | 1.7 | 1.7 | 99.2 |
| | Strongly Disagree | 2 | .8 | .8 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

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Conceptual Islamic Marketing Strategy on Islamic Bank in Nigeria

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ABSTRACT

Marketing is dynamic in the global business activity either in the convectional banking or in the Islamic banking sector of any economy of the world. Some bank employees observed that during their job that some bank customers are willing to deal in Profit and loss sharing accounts as Islam prohibits the interest based transaction. The main objective of the study is to examine Islamic marketing strategy that can be adopted to create awareness on Islamic banking products and services in the Nigerian banking sector. Therefore this study is modest to investigate an area which has attracted very little research. From the finding of the study, it is recommended that there is the need of aggressive marketing strategy of the Islamic bank products and services to recognize Islamic principles in marketing.

KEY WORDS; *global business activity, Islamic banking sector, bank customers, interest based transaction, aggressive marketing strategy.*

Introduction

Marketing is dynamic in the global business activity either in the convectional banking or in the Islamic banking sector of any economy of the world. The significance of marketing in creating awareness of a product or service cannot be overemphasized in the contemporarily world, because its create awareness of the existence of a particular product or services.

Basically banking sector as a financial institution had contributed greatly in the development and growth of modern industrial society, large production and capital formation of the magnitude involved, would not been possible without the financial assistance of the banks. The commercial banks have been in a position to offer the needed fund through bank credits to businessmen for investment purpose and it has played a dominants role in the distribution of the company available financial resources among various sectors.

Islam is not merely a religion but is a way of life for a Muslim whom its guides in all affairs of business transaction. Islam is a very practical religious which contains well and what is beneficial to mankind irrespective of time, place, and culture, social and technological development in the Islamic system. A Muslim is first of all the servant of ALLAH and he has to obey ALLAH in totality, because everybody must be called upon to give his or her allegiance to ALLAH.

Before the influx of modern banking form, there was a system of direct finance where the owner of capital deals directly with the user of capital. So the savers were dealing with the investors directly, with the passage of time, there was observed a rapid growth in trade and manufacturing industries that lead to an increased demand in their financial requirements. Direct financing seemed to be unable to fulfill the financial requirements of the investors at this stage and banks came into existence to facilitate financial transactions between savers and investors. Now banks are dealing in various transactions like receiving, collecting, transferring, paying, lending, investing and many more in order to facilitate and achieve excellence in their consumer's insights.

Some bank employees observed that during their job that some bank customers are willing to deal in Profit and loss sharing accounts as Islam prohibits the interest based transaction. Most of the clients of

the bank belong to business class or rich people and a great fraction of common population is not involved in doing business with the bank.

The main objective of the study is to examine Islamic marketing strategy that can be adopted to create awareness on Islamic banking products and services in the Nigerian banking sector. And to address customer complaint as observed by the bank employees on interest prohibition instead of profits sharing based transaction.

There are already running both modes of banking sectors in Nigeria. The other specific objective of the study is to find out how Islamic banking can grow in an environment where conventional banking sector has deep roots. What are the opportunities and threats for new entrants and old stakeholders in this sector? For any industry to succeed in the longer run, ethical issues must be tackled carefully, so we'll examine the ethical perspective along with cultural values as well.

There has been observed a tendency of opening one window for Islamic banking in already running conventional banks in order to meet the requirements of the consumers and to retain the customers. Keystone Bank is the only bank which started its operations according to Islamic banking rules and is progressing in the region.

Accordingly, the significance of the study is manifold.

First, in fact at the moment of the research is not aware of any study on this scope on the Islamic marketing strategy in Nigeria. Therefore this study is modest to investigate an area which has attracted very little research.

Second, the study would help top management to review their bank policies in line with the existing realities and to evaluate their contributions to socio-economic development vis-à-vis other developing nations in the world.

Literature Review

Islamic banking has shown tremendous growth in the past 20 years, with estimated deposits surpassing \$80 billion in more than 45 countries. Annual turnover is currently estimated at \$70 billion and is projected to pass \$100 billion by 2000. For the last 60 years, the mode of banking in Nigeria was totally of interest based but now there is a shift from western banking to Islamic banking in number in Nigeria and also there are some new banks like Jaiz bank which is totally based on Islamic banking. In 2013 Jaiz Bank creates a significant milestone in the history of Islamic Banking by opening its first branch in the city of Kano. With three (3) branches in 3 cities which include kaduna Gombe and Abuja, clearly positions the Bank as one of the most fast growing Islamic Bank in Nigeria.

Service quality is gaining more importance in the banking industry and the value of improving service quality should be determined Berry and Thompson (1982) suggest that developing strong relationships between customers and financial institutions serve as incentives for customers to remain loyal and thus provide financial institutions with a source of differential advantage. Similarly Teas (1993) finds that a centrally important aspect of a commercial customer's dealing with a bank is the quality of the long-term relationship that develops with the bank. Several researchers' models have provided a basis for many of the quality initiatives adopted by financial services companies (Boaden and Dale, 1994; Howcroft, 1993; Kwan and Hee, 1994; Laroche and Taylor, 1988; LeBlanc and Nguyen, 1988; Lewis, 1989, 1991; Lewis and Smith, 1989; Smith and Lewis, 1988, 1989; Teas and Wong, 1991; Tilston, 1989; Wilkinson et al., 1991). Tilston (1989) believes that a few initiatives have "had any significant impact, either on customer perceptions or on commercial results". Teas and Wong (1991) developed a measure of concepts related to retail bank customer's perceptions of retail bank service delivery systems. The results of their research indicate four potentially important aspects of the retail bank service delivery systems; general bank personal service, teller personal service, reaction capacity, and location convenience. The research results support the hypotheses that retail bank customer's

perceptions of these issues may be related to customer satisfaction and intentions to do business with the bank in future. These include intentions to purchase additional products and intentions to give the bank a larger percentage of the customer business. LeBlanc and Nguyen (1988) focused on service quality in financial institutions and discussed six factors that explain perceived service quality:

- (1) Degree of customer satisfaction;
- (2) Contract personnel;
- (3) Internal organization;
- (4) Physical environment and instruments;
- (5) Corporate image; and
- (6) personnel-customer interaction during the service encounter, contribute to service quality.

Smith and Lewis (1989) studied service quality programs and the way in which the customer care philosophy permeated organizations from top management to customer contact staff in 31 major UK organizations spanning financial services, retailing, and leisure. One aspect of the research was to identify what the management thought were the key elements which comprise good customer service, i.e. what external customers expect from the company.

The main suggestions related to quality and knowledge of personnel, speed and efficiency, systems and procedures, retail design, technology, and product range. Finally, service quality theory was validated in an Asian banking industry. For example in Singapore (Kwan and Hee, 1994) examined measuring service quality in Singapore retail banks using a SERVQUAL instrument developed by Parasuraman (1998). They found the overall results indicated that performance as perceived by customer (P) was below their expectations (E) across all service quality dimensions. Islamic banks are trying to fulfill the requirements of their customers needs by offering innovative products and services over and above their customers so as to get advantage above their competitors in the market.

Islamic banks strategy in financing contracts and its implications for practitioners in Islamic perspectives include the following; Murabaha: (Cost plus)

A Murabaha transaction is basically a cost plus profit financing transaction in which a tangible asset is purchased by an Islamic bank at the request of its customer from a supplier. The Islamic bank sells this asset to its customer on a deferred sales basis with a mark-up that is bank's profit. The mark up on the asset cannot be altered during the life of the contract. The Murabaha deals offer enough flexibility to be used in real estate and project financing.

Ijara and Ijara wa-Iqtina: (leasing and lease purchase)

Ijara and Ijara wa-iqtina are Islamic leasing concepts similar to western operating and finance leases. Ijara is similar to conventional operating lease, where in an Islamic bank (lessor) leases the asset to the client (lessee) for agreed on lease payments for a specified period of time, but with no option of ownership for the lessee. The maintenance and insurance is the responsibility of the lesser. On the other hand in ijara wa iqtina, lessee has the option of owning the asset at the termination of the lease. In both types of leasing, the lease payments must be agreed on in advance to avoid any speculation.

Istinsa: (leasing structured mode)

Istinsa is a leasing mode which is used to finance long term or large scale facilities involving like construction of a sugar plant. In this mode, bank could either own the plant or charge the lessee a fee based on profits or sell the plant to the company on a deferred basis similarly like the Murabaha transaction.

Mudaraba: (profit-sharing) Mudaraba is a trust based financing agreement in which an investor e.g. Islamic bank give capital to an agent for a project. Profits are based on prearranged and agreed ratio. In case of loss earn no return and the agent receives no compensation for his effort.

Musharaka: (equity participation)

Musharaka is similar to a joint venture in which bank and agent jointly invest in some project. They agreed on some prearranged profits and losses.

There are mainly two types of banking systems operating in Nigeria. The first and older one is conventional banking that is based on interest based economy and the second recent one is Islamic banking that is interest free banking.

Practical applications and differences between Islamic and conventional banking system globally can be described as follows:

- 1- In a conventional bank, a customer is given finances by a contract of loan where the bank is creditor and the customer is debtor. On the other hand in Islamic banking, finances are given to a customer by a contract of sale i-e a deferred sale contract. In this contract, either bank itself buys goods or appoints the customer to buy on its behalf and later sells them to the clients with a mark-up (cost plus an agreed profit margin). Payment is done in installments over a specific period of time.
- 2- Islamic banks earn their profit by trading and investment activities and this profit can be said legitimate as it involves risk and efforts as compared to conventional banks which earn their profit by financing the customers at a fixed interest rate.
- 3- . Participation in partnership business is the fundamental function of the Islamic banks. So they have to understand their customer's business very well. Whereas lending money and getting it back with compounding interest is the fundamental function of the conventional banks.
- 4- The Islamic banks have no provision to charge any extra money from the defaulters. Only small amount of compensation and these proceeds are given to charity. On the contrary, conventional banks can charge additional money (penalty and compounded interest) in case of defaulters.
- 5- The nature of Islamic banking is not simply lending the money as experienced by a conventional bank, but it is involved in selling and buying the commodity. Thus the selling price which is a cost price plus the profit margin, which is the contracted amount, in conventional banking practice, interest is regarded as the price of loan. For example, if the worth of asset is \$ 50,000 and interest rate is 15% per year, the price of the loan to be paid by the customer will be \$57,500.
- 6- Profit amount agreed once between the customer and an Islamic bank remains the same, e.g., in murabahah or cost plus profit is fixed at the time of contract and must be agreed upon by the customer. If customer is unable to pay on time, bank cannot ask for a higher price due to delay in settlement of dues. While interest rate is also prefixed at the time of contract would be either unchangeable or would change according to the Base Lending Rate (BLR) which is monitored by the central Bank.
- 7- Islamic banks face more risk as compared to conventional banks. Although both have to take credit risks, capital adequacy, liabilities and asset-matching risks, currency fluctuation and liquidity risks, the risk for Islamic banks is higher. Because Islamic banks have to face profit and loss in each deal in order to earn profit but in conventional banks, the risk of loss is borne entirely by the client and the lender (bank) safeguards itself against any possibility of loss. However interest rate risk is faced by only conventional banks and not by Islamic banks as interest is not permitted in their operations.
- 8- Islamic banks cannot remain unconcerned about the nature of the activity for which they are financing. They cannot finance any business which is against the teachings of Islam. While

conventional banks don't have to follow any limitations of religion and they may finance any profitable activity e.g., a gambling casino or an alcoholic manufacturing industry etc.

Many of the services provided by conventional banks that are not related to interest, are also performed by the Islamic banks in the same way e.g., letter of credits, collections, foreign exchange and financial advising etc.

As it is a newly growing industry, there is much more space available for new investors. It has been observed during our literature review that there has not been done sufficient research work for the Islamic marketing issues of the banking sector. Marketing strategies must be analyzed and tackled carefully for any newly growing industry in order to get sustainable development.

Islamic marketing strategy is one of the most important issues that must be examined carefully in order to improve performance and ensure sustainable growth of Islamic banks as competition in the banking industry intensifies. A suitable Islamic marketing strategy becomes essential as Islamic banks operate in an environment where service quality and financial returns are supposed as the essential criteria from customer's point of view, Along with Islamic banking sector to compete conventional banks which have better experience and expertise in banking business. Once religion was thought the primarily force to drive Muslims to use Islamic banking services, but now has become irrelevant to Muslim Customers. Due to increased competition from both Islamic and Conventional banks and changes in customer's perception, it is of supreme importance for Islamic banks to assess the effectiveness of their marketing strategy.

Limitation and suggestion areas for further Research

The study examines the relationships between the various aspects of the conventional banks and Islamic banks separately and jointly as well as its practical implications for its practitioners, however, customer loyalty, intent to revisit or intent to recommend, are not examined. These remain fruitful areas for future research.

Corporate image and customer relationship structure may also be examined in the content of Islamic marketing this study employs a direct disconfirmation scale and while replication studies may be conducted in the same Service context utilizing the same questions, but employing a "perceptions only" scale to assess the predictive quality of perceptions-only scores compared to disconfirmation scores. This would shed additional light on the continuing argument in the services marketing literature as to the relative merits of each method, Future research can be conducted to address the limitations outlined above.

Managerial implications This study investigated many of the services provided by Islamic banks that are not related to interest based economy, are also performed by the diagnostic information obtained may be applied to detect gaps in performance.

Summary and conclusion

As we discussed in the beginning that Islamic banking is a growing sector nowadays, so we have choose this sector for our research area. Most customers are not aware of Islamic banking products and services in Nigeria. We are not considering "Islamic Banking" in the parameters of religion but we are considering it as a newly growing industry and its marketing strategy from Islamic perspective. From the finding of the study, it is recommended that there is the need of aggressive marketing strategy of the Islamic bank products and services.

In summary the perspective of Islamic banking products are five tenets which include: The sellers; Islamic banks and banks participating in Islamic banking, the buyers; the customers of the banks, the relevant products/asset, the exchanges made according to the various Islamic civil contracts, selling price.

Recommendations

The study which is to recommends to national and international audiences to recognizes Islamic principles in marketing, as Islam have recognizes that one of the ways is to satisfy man want is through buying and selling, not through stealing, robbing and taking people properties by force.

Allah commands in the Qur an meaning; “O ye who believe eat not up your property among yourselves in vanities, but let there be amongst your traffic and trade by mutual good will” (Surah An-Nisaa ,ayat 29).The study strongly recommend that Muslims must also strictly avoid satisfying their wants through loans with interest, following Allah command, meaning -----“but Allah had permitted trade and forbidden usury.” (Al-Qur an, surah Al-Baqarah, Ayat 275)

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If suitable this article is to be published in *African Journal of Business and Economic Research*

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Abstract

Purpose – This research work has examined the performance of Islamic mutual funds in contrast to their conventional counterparts in Pakistan for a period of six years starting from September 2002 to August 2008. The purpose of this study is to assess the performance of Islamic mutual funds by exploring whether there exist any significant incentive or penalty for choosing to invest in them on the basis of Shari'ah guidelines.

Design/methodology – The data of all the mutual funds, whether Islamic or conventional working in Pakistan during the period under consideration, has been selected for the study. The sample consists of seventy two mutual funds, out of which 59 are conventional and 13 are Islamic mutual funds. The investigation of funds' performance is carried out using two different approaches. One approach involves the application of traditional performance measures including average return, Sharpe ratio, Treynor ratio, Jensen Index, Information ratio and MM measure while another approach engages Data Envelopment Analysis (DEA) to assess the relative efficiency of mutual funds. Three DEA models (CCR, BCC and SBM) are applied on the sample of 50 mutual funds and the two risk measures, standard deviation and beta are taken as input variables while average return is considered as output variable. KSE 100 Index is used as the market proxy.

Findings - The results of analysis demonstrate weak performance of both mutual fund groups in contrast to the market. All the traditional performance measures indicate that both conventional and Islamic mutual funds perform lower than the market during the study period. However the underperformance gap between conventional funds and market is relatively narrower than that of between Islamic funds and market, thus signifying that the conventional mutual funds work relatively better than the Islamic mutual funds in Pakistan. The results given by different DEA models also illustrate that although the functioning of both Islamic and conventional mutual funds is weak and needs upgrading in their management policies and investment criteria however among the two categories, conventional funds perform marginally better than Islamic mutual funds in Pakistan during the period under consideration.

Originality/Value - The academic literature in the field of Islamic mutual funds in Pakistan is quite scarce. Therefore, this research intends to fill this gap in the literature of the relative efficiency of Islamic mutual funds in contrast to that of the conventional mutual funds in Pakistani market.

Keywords – Islamic Mutual Funds, Fund Performance, Data Envelopment Analysis, Traditional Performance Measures.

Paper Type – Research Paper

Introduction

Worldwide two types of financial systems have been operating simultaneously, the conventional system representing non Shari'ah compliant products and services and the other is Islamic financial system. Originally created in a faith based context and in conformation to the principles of Shari'ah in all aspects of life, Islamic mutual funds were initiated for the first time in 1980s and subsequently launched in Pakistan in 2002. The Islamic financial industry in Pakistan however started receiving attention in 2003 after the commencement of State Bank of Pakistan's strategy to endorse a parallel Islamic Banking system. Since then, significant growth has been observed in this sector although it co-exists with a parallel system of conventional funds thus providing the investors with an opportunity to select between two parallel tracks of investment. Over the last years, many financial groups have entered this sector as professional experts offering newer and innovative financial products and providing a large distribution network for the investors. However, the performance of mutual funds

and their ability to dispense superior profitability is important in order to encourage growth in the mutual funds industry. The effective management of mutual funds and their performance is extremely imperative for the growth of funds, thus significance of fund performance evaluation and identification of key variables influencing the performance has become an indispensable phenomenon for Pakistani research scholars (Afza & Rauf, 2009).

Complying with the argument made by Friedman (1970) that recognizing accountability other than just amplifying profits may entail a burden on returns, several researchers, during the last two decades after the development of Islamic mutual funds, have directed their research interest on functioning of Islamic mutual funds. According to the portfolio theory, when the list of investment opportunities gets limited, performance of a portfolio may suffer due to insufficient diversification. The same has been relevant for Islamic funds. Thus through this research work, an effort has been presented to uncover whether the Islamic funds in Pakistan perform better or worse than their conventional counterparts.

Objective of Research Paper

The recent emergence of Islamic mutual funds in Pakistani market has amplified its importance for investors but the volume of research regarding both the conventional and Islamic mutual funds is nonetheless very scarce. Therefore, this research work is envisioned to contribute towards the literature of the relative efficiency of Islamic mutual funds in contrast to that of the conventional mutual funds in Pakistani market. The objective of this research paper is to enhance the knowledge base of investors, managers and regulatory authorities regarding the performance of Pakistani mutual fund industry in general and Islamic mutual funds in specific.

Literature Review

The performance assessment of mutual funds has always remained the issue of argument among financial analysts. Initially, Sharpe (1964) and Lintner (1965) introduced the Capital Asset Pricing Model (CAPM) to estimate the price of an individual asset or a portfolio and determine the required rate of return for an asset. Using the propositions of CAPM, Jensen (1968) conducted one of the preliminary researches to appraise performance of mutual funds and verified EMH as well. He selected 115 mutual funds and evaluated their performance by comparing actual return generated by the funds with return expected from the funds provided the level of systematic risk over a 19 years period (1945-1964). The benchmark chosen was S&P 500. He aimed to evaluate the forecasting skills of the fund managers. The results showed that no fund could significantly perform better than the benchmark when transaction costs were included in the analysis. Jensen concluded that fund managers could not outperform market simply on the basis of their forecasting skills and that the market behaved in the favor of EMH. At the same time, Treynor and Mazuy (1966) also intended to explore the sensitivity of mutual funds' returns to changes in the market conditions and found that mutual fund managers did not possess ability to "beat the market" on the basis of their forecasting abilities.

Carlson (1970) investigated the performance of mutual fund portfolios over a 20 years period (1948-1967). He deduced that mutual funds behaved in accordance to the risk return implications of CAPM. Few years later, McDonald (1974) selected the Jensen's alpha, Treynor ratio and Sharpe ratio to estimate the performance of 123 American mutual funds during the period of 1960-69 and selected New York Stock Exchange (NYSE) as the benchmark. He found that majority of funds performed lesser than the benchmark.

Grinblatt and Titman (1989) evaluated mutual funds during the 10-year period of 1974-1984 and found that some mutual funds showed performance superior to market and to remaining sample as well but their management fees were higher than those of others in the sample. When these management fees and transaction costs were deducted, none of the mutual funds displayed significant outperformance suggesting that investors cannot benefit from the superior skills of expert investment managers simply by investing their money in those mutual funds.

Fama and French (1993) introduced a three factor model for the evaluation of asset and securities. They criticized CAPM for being very simple as it overlooked other reasons that influenced stock returns. The three-factor model described that stock returns are not only affected by market risk but are also influenced by size and value factors.

Elton, Gruber and Blake (1996) and Carhart (1997) disapproved previous researches for ignoring biases in their sampling techniques. They pointed out towards a "survivorship bias" in earlier studies

as mutual funds that moved out of the market during the study period could not become part of the sample. This would lead to overestimation of returns of mutual funds because the funds that performed well enough to survive were included in the samples. Carhart (1997) investigated the performance of mutual fund with a sample that is free from survivorship bias and inferred that functioning of mutual funds was weaker than the benchmark and moreover, this underperformance was almost equal to their additional investment expenses. This implied that some mutual funds might show superior performance but additional management fees and higher transaction costs usually offset such superior returns (Carhart, 1997). He also found that continuity in the performance and behavior of mutual funds was due to stock momentum factor and thus disapproved any extra contribution made by skilled and well informed investment managers.

Leong and Aw (1997) used multiple indices for comparing mutual fund performance against the market in Malaysia. They employed KLCI and Exchange Main Board All-Share Index (EMAS) as market proxies. They found that the number of funds which outperformed the market when EMAS Index was employed was greater than the number of funds outperforming the market when KLCI was used. Thus more funds showed superior performance than market when EMAS Index was utilized as market benchmark (Leong & Aw, 1997).

Sengupta (2003) selected a non-parametric approach to assess the performance of a sample of 60 mutual funds during the period of 11 years (1988-1998). He used average return as output while risk, turnover, expense ratio and load costs were the inputs and concluded that some mutual funds possessed the ability to outperform the market. Morey (2005) studied the phenomenon of persistence in mutual fund's outperformance and used Morningstar ratings as criteria for outperformance. He concluded that when a mutual fund received 5-Star rating in a year, then three years later, the performance of that fund suddenly dropped and thus recommended that investors should be vigilant while considering such ratings in selecting mutual funds.

Malhotara et al. (2006) studied relationship between the age and management costs of mutual funds and found that by keeping the size of mutual fund unchanged, the dollar cost of management for older mutual funds was lesser than that of younger funds. The results also showed that behavior of fund managers with higher costs was relatively more risk taking as compared to less expensive fund managers.

Mutual Fund Performance Evaluation using DEA

Recently some studies have employed Data Envelopment Analysis (DEA) technique, for performance evaluation of mutual funds, which takes into account multiple inputs and outputs especially transaction costs. Murthi et al. (1997) used DEA to judge the working of mutual funds for the first time and formulated an index named as Data Envelopment Analysis Portfolio Efficiency Index (DPEI) which incorporated the effect of transaction cost of funds as an input for the first time in funds' performance measurement studies.

Basso and Funari (2001, 2002) contributed significantly to mutual funds' performance assessment by developing three indices named I_{DEA-1} , I_{DEA-2} , and generalized DEA model. They considered investment costs such as subscription and redemption fees because these fees are directly paid by investors and not the operational expenses that are already adjusted in funds quotations and named it as I_{DEA-1} model. Then they added stochastic dominance as another output variable in addition to return in I_{DEA-1} model and called it I_{DEA-2} model. The generalized DEA model incorporates traditional indices of Sharp, Treynor, and Jensen as output variables in addition to funds' return and stochastic dominance variables.

Chen and Lin (2006) initiated using two risk measures named as variance of fund returns (VaR) and covariance of fund returns (CVaR) as inputs into the Generalized Performance Attribution Model proposed by Basso and Funari (2002) and analyzed the performance of a sample of closed ended mutual funds of China. They concluded that by introducing more variables in appropriate combination as inputs into the DEA models, the results would be more elaborative and broadly reflect the mutual funds overall performance.

Research Studies on Islamic Mutual Funds

Mohamad, Annuar and Hassan (2000) performed study on Malaysian mutual funds during the period of 1995-1999 by applying Sharpe ratio, Treynor ratio and Jensen ratio, and used KLCI as the market

benchmark. They examined the performance of passive and active mutual funds. Their sample was biased as it consisted of conventional funds along with the Islamic ones and therefore could only be an approximate proxy for the performance of Islamic mutual funds. They concluded that the performance of both active and passive funds was not considerably different from one another and both fund categories performed weaker than the market. Moreover, both active and passive funds were not properly diversified and their diversification level was less than half of the benchmark's diversification level.

Abdullah, Mohamad and Hassan (2002) conducted an investigation of Islamic equity mutual funds in Malaysia and used multiple measures of performance evaluation such as Sharpe ratio, Information Ratio and Modigliani and Modigliani Measure. A comparative analysis was carried out between Islamic and conventional mutual funds across various economic situations such as bullish and bearish market trends. The results revealed that performance of both mutual fund categories was slightly lower than that of market. The security selection skills and market timing abilities were quite weak for all fund categories. The analysis signified that Islamic funds were lesser risky in contrast to conventional ones. The results further revealed that Islamic funds overperformed their counterpart in bearish market whereas conventional category worked better than Islamic ones in bullish markets. This pattern of behavior of fund categories provided investors with choices to change between the conventional and Islamic fund categories with respect to their personal interests and the economic factors as well.

Girard and Hassan (2006) examined the behavior of Islamic and conventional indices by comparing their returns through match-pair analysis for the period 1996-2005. They deduced that Islamic benchmarks earned returns better than conventional benchmarks during 1996-2001 while conventional indices indicated better returns during the remaining time period (2002-2005). They detected that Islamic indices usually suffered from lower diversification and this caused their cost to increase by 31 basis points above the average conventional index.

Haddad, Homaifar and Elfakhani (2007) investigated the systematic risk (beta) and return characteristics of Islamic mutual funds by applying single factor Schwert and Seguin (1990) model for the period 1997-2002. The results proposed that Islamic fund portfolios indicated the existence of volatility behavior in their betas over time. The volatility pattern of Islamic mutual funds was quite different as compared to market's volatility behavior. The results also pointed out that the persistence in volatility of Islamic funds and their betas are significantly linked.

Maheran and Mokhtar (2008) evaluated the workings of Malaysian Islamic equity funds in respect of risk and return during the period of 2002-2006 using Sharpe and Treynor ratios. The results suggested that on the average, there was only one Islamic equity fund that indicated higher return than the market index while the remaining funds underperformed the market. In respect of risk, the same mutual fund had risk level lower than the rest of the sample. The value of beta coefficient of all the funds in the sample was less than one demonstrating that Islamic equity funds indicated low sensitivity to market.

Research Studies on Mutual Funds in Pakistan

Shah and Hijazi (2005) studied 14 out of 33 listed mutual funds during the period of 1997-2004 in order to obtain a survivorship bias controlled sample of equity and balanced funds and used Sharpe, Treynor and Jensen's indices for performance evaluation. He concluded that mutual funds, on the overall basis, outperformed the market. However, at the same time, results pointed out that some mutual funds underperformed the market because of the diversification problems being faced by them.

Sipra (2006) measured the performance of 30 Pakistani mutual funds for the period 1995-2004 using traditional Indices of Sharp, Treynor, and Jensen. The performance of funds was measured in two laps, 5-year and 10-year periods. On the basis of Sharpe ratio, almost all the mutual funds' returns were inferior to that of market's returns. While Jensen and Treynor ratios proved that nearly 50% of funds outperformed the market index during 5-year period, however when Fama's net selectivity measure was used to adjust the risk, market outperformed all mutual funds with the exception of one fund. Sipra found the existence of semi-strong form of EMH in Pakistani market and suggested that this semi-strong form exists more robustly in developing economies than in developed economies.

Afza and Rauf (2009) investigated the relationship between fund performance and different fund attributes such as asset size, fees, load, expense ratios, turnover, liquidity and age of fund by selecting 43 open ended mutual funds during 1999-2006. The study concluded that risk-adjusted fund return

was positively related to expenses, turnover and age. However, these results were not statistically significant. Nevertheless, the results did not indicate any considerable difference between no-load funds and load funds and showed that size of asset was not a distinguishing feature for the identification of inferior or superior funds.

Nazir and Nawaz (2010) studied 13 family equity mutual funds for the period 2005-2009 using random effect and fixed effect models to evaluate the determining factors for the growth of mutual funds in Pakistan. He found that expense ratio, family proportion and assets turnover are progressively contributing to the growth of funds while risk adjusted returns and management fees are adversely related to mutual funds' growth (Nazir & Nawaz, 2010).

Corresponding to the previous researches and findings, the fundamental and underlying intent of this research is to uncover the consequence of penalty, if there is any, for selecting Islamic funds over conventional funds. This assessment could set a direction for further research on this subject.

Research Methodology

The mutual funds' performance assessment involves comprehension of multiple issues related to their returns. Thus in order to finely understand the performance of mutual funds, this study involves two different approaches for the appraisal of mutual fund performance. The first approach comprises of the use of traditional performance measures that have been employed for the estimation of mutual fund performance in numerous studies since their introduction in the field. These measures include average return, Sharpe ratio, Treynor ratio, Jensen Index, Information ratio and MM measure.

Another approach involves the use of a non parametric, operational research methodology, named Data Envelopment Analysis (DEA) that was first proposed by Charnes et al. (1978). However, it has been applied for mutual funds' performance appraisal for the first time in 1997 by Murthi et al. (Basso & Funari, 2001). One main reason to opt this method for the comparative analysis of Islamic mutual fund industry in Pakistan is to add new dimensions regarding the Pakistani mutual funds industry in the literature. The DEA models used in this research are CCR (constant returns to scale) model, BCC (variable returns to scale) model and SBM (slacks-based measure) model. In this study, input-oriented version of all the three models is applied as the selection of appropriate level of risk has vital impact on the DMUs return. Mutual funds in the sample are taken as the decision making units in the DEA models. Mutual funds using lesser inputs to get desired output or maximizing output level with given inputs will be the efficient ones. DEA selects best performing (efficient) funds amongst the sample and treats them as benchmark for the remaining inefficient funds in the sample. The performance of inefficient funds is then compared to that of efficient ones and suggestions are also given regarding the reductions (both in amount and percentage) in inputs of the inefficient funds to make them efficient. There are two input variables and one output variable used for DEA models. Input variables are standard deviation and beta while average return is taken as the output variable.

The sample consists of 72 mutual funds working in Pakistan out of which 59 are conventional while 13 are Islamic mutual funds. Although Islamic mutual funds are far smaller in number than conventional mutual funds for comparison purposes but there is no other choice as Islamic mutual funds are relatively newer in market as compared to the conventional ones. This study includes data of all the mutual funds, whether Islamic or conventional, working in Pakistan during the period under consideration.

DEA has the positivity property that all of its inputs and outputs must be greater than zero (Bowlín, 1998). Thus due to this positivity property, it was needed to ignore 22 mutual funds that had negative values in either of the input or output variables. To carry out the analysis, DEA software was run on the remaining 50 mutual funds, out of which 8 are Islamic and 42 are the conventional mutual funds. The Net Asset Value of all the mutual funds is collected on daily basis from September 2002 to August 2008. The reason of collecting data since September 2002 is that the first Islamic mutual fund in Pakistan was launched on 26th August 2002. The corresponding daily values of KSE 100 Index during the study period are also recorded and used for the calculation and analysis of market return.

Empirical Results and Analysis

The overall comparative analysis of the two mutual fund categories, Islamic and conventional mutual funds, along with the investigation of the performance of market is summarized in table I. The averages of all the performance measures or ratios for both mutual fund groups and the market are calculated.

Table 1 Result of Performance Measures

| Fund Category | No. of Funds | Average Return | Sharpe Ratio | Treynor Ratio | Jensen Index | MM Measure | Information Ratio |
|---------------------------|--------------|----------------|--------------|---------------|--------------|------------|-------------------|
| Islamic Mutual Funds | 13 | -0.0002202 | -0.1427229 | -0.5489589 | -0.0004867 | -0.0031743 | -0.0852305 |
| Conventional Mutual Funds | 59 | -0.0000655 | -0.1381236 | -0.0561543 | -0.0003363 | -0.0031033 | -0.0814589 |
| Market (KSE 100 Index) | - | 0.0012153 | 0.0627476 | 0.0009694 | - | - | - |

The performance of both mutual fund groups on the whole is weaker than the performance of market. Although these ratios are difficult to interpret when negative, but still the results are meaningful enough to indicate the poor performance of mutual funds as compared to the market. The returns given by both Islamic and conventional fund categories on average are negative while the market's average return is positive. Similarly the average Sharpe and Treynor ratios for both the fund categories are negative while the Sharpe and Treynor ratios of market are positive. This again signals that both Islamic and conventional mutual funds underperform the market. The results given by Jensen Index are consistent with the previous measures and their values being less than zero indicate disappointing performance of both fund categories as compared to the market. Modigliani Measure shows that by having the same level of risk as the market, Islamic mutual funds generate average return 0.317% lesser than the market while conventional funds earn 0.31% lesser than market. Similarly information ratio embodies about how well the fund is pursuing its benchmark, reveals that Islamic mutual funds and conventional mutual funds have returns 8.5% and 8.1% respectively lesser than the market. Therefore, although both fund categories perform weaker than the market but among the two, conventional mutual funds' performance is relatively in good form than the Islamic mutual funds' performance.

Mutual Funds Risk Differences

The two risk measures employed in the analysis are standard deviation and beta which are used to assess the total risk and systematic risk, respectively, of the mutual funds. The results, summarized in table II, indicate that the conventional mutual funds display greater standard deviation in their returns in contrast to that of the Islamic mutual funds. This shows that the Islamic mutual funds' returns are less wavering and not as much risky as the conventional mutual funds.

The average beta value of 0.0204 for conventional mutual funds is also higher than the average beta of 0.0230 for Islamic mutual funds indicating that the element of systematic risk is higher for conventional mutual funds as compared to Islamic funds. These results imply that the Islamic mutual funds are less susceptible to ups and downs of the market in contrast to the conventional mutual funds and variations in the market conditions of the economy are more likely to affect the conventional funds as compared to the Islamic ones. These findings are quiet anticipated as the Islamic mutual funds face several limitations imposed by the Shari'ah Board and are allowed to participate only in the Shari'ah submissive investment horizons which are relatively less risky as contrasted to non-Shari'ah submissive investment products.

Table II Mutual Funds Risk Differences

| Fund Category | Number of Funds | Standard Deviation | Beta | Significance (5% level) |
|---------------------------|-----------------|--------------------|--------|-------------------------|
| Islamic Mutual Funds | 13 | 0.0066547 | 0.0204 | 23.08% |
| Conventional Mutual Funds | 59 | 0.01121191 | 0.023 | 30.51% |

DEA Results

The result put forth by the three DEA models is almost similar to the one given by traditional performance measures. The difference however lies in selection of benchmark. In traditional ratios and indices, the benchmark chosen is market (KSE 100 Index) while DEA method selects best performing (efficient) funds amongst the sample and treats them as benchmark for the remaining inefficient funds in the sample. The DEA solution using the CCR model shows that out of the sample of 50 mutual funds, there are only two efficient mutual funds. One is Islamic and the other is conventional. When BCC model is applied to the same sample, the number of efficient funds increased to 6. This is due to the fact that in BCC model the constraint, that DMU must not only be technical but also scale efficient, is relaxed however this constraint is applied in CCR model. Thus, by changing the return to scale from constant (CCR model) to variable (BCC model), the number of efficient mutual funds increased from 2 to 6. Out of these 6 efficient funds selected, one is Islamic and five are conventional mutual funds. These results point out that conventional mutual funds function and work better than Islamic mutual funds. However, if the picture is broadened, then it can be seen that 5 efficient funds out of total 42 funds (11.9%) is not a big deal for conventional category as compared to 1 efficient fund out of total 8 funds (12.5%) of Islamic category. Thus, on overall basis, improvement needs to be done in the performances of both mutual fund groups. The results of DEA models along with the correlation among the input and output variables are summarized below:

| Model | CCR Model | BCC Model | SBM Model |
|-------------------------|-----------|-----------|------------|
| Average Scores | 0.18275 | 0.313106 | 0.16365443 |
| No. of efficient DMUs | 2 | 6 | 2 |
| No. of inefficient DMUs | 48 | 44 | 48 |

Correlation Matrix

| | Standard Deviation | Beta | Average Return |
|--------------------|--------------------|------------|----------------|
| Standard Deviation | 1 | 0.79151119 | 0.920423 |
| Beta | 0.79151119 | 1 | 0.704338 |
| Average Return | 0.92042257 | 0.70433799 | 1 |

Table III Input Projection of Mutual Funds by SBM Model

| Fund Category | Number of Funds | Standard Deviation | Beta | Average Return |
|---------------------------|-----------------|--------------------|---------|----------------|
| Islamic Mutual Funds | 13 | -81.35% | -82.64% | 0.00 % |
| Conventional Mutual Funds | 59 | -79.67% | -88.23% | 0.00 % |

Like CCR, SBM model has selected two mutual funds, one Islamic and one conventional, as the best performing funds and ranked them at the top while remaining 48 funds are chosen as the inefficient funds. SBM model gives detail about the reductions, in amount of risk variables, required to put the inefficient funds on the efficient frontier and make them efficient. The results are summarized in table III. On average, Islamic mutual funds need to reduce their standard deviation by 81.35% and conventional mutual funds are required to cut it down by 79.67% while keeping the average return

level same for both the categories. These high percentage reductions required signal the excessive risk levels of mutual funds in Pakistan and is an indicator of their weak performance which is unable to earn enough returns needed to cover the elevated risks involved. The difference between the percent reductions in standard deviation of Islamic and conventional funds is quite narrow and shows that the overall Pakistani mutual funds industry is suffering from this high risk problem.

When looked at the other risk measure, beta, then SBM indicates that on average 82.64% and 88.23% reductions are needed in Islamic and conventional funds respectively. It means that the conventional funds need to reduce their beta more than Islamic funds and the economy wide factors are influencing their performance more as compared to that of Islamic funds. This finding is reinforced by the fact that Islamic financial guidelines restrict investment in sectors or businesses with higher debt to asset ratio as it is a signal of high risk levels. When the overall economy is in boom, business with high debt ratio generates more profits while during the recession of economy; it has to face heavy losses. On the other hand, conventional funds have no such limitations; therefore they being involved in more risky investments are highly affected by the changes in business cycles, interest rates, governmental policies and economic trends. These results indicate that on the whole, both mutual funds are taking too much risk to generate this current level of average return. Although, it is a general principle that more risk one takes, more will be the returns earned. However, in case of mutual funds, their performance is so weak that they are not capable to reap the benefits of taking high risks and are unable to cover the risk involved.

Conclusion & Implications

All the results given by different traditional measures and DEA models illustrate that the functioning of both Islamic and conventional mutual funds perform lower than the market during the study period. This clearly points out that the performance of mutual funds in Pakistan is not satisfactory and needs upgrading in their management policies and investment criteria. Mutual funds are either taking high levels of risk than required or their performance is too weak to earn a level of return necessary to cover the element of risk incorporated in them. So, the mutual fund managers should not only focus on their risk management strategies but also review their asset selection guidelines in order to minimize their risk levels and maximize their returns. However among the two categories, conventional funds function marginally better than Islamic mutual funds in Pakistan within the period under consideration. However, this enhanced performance is at the cost of high risk involved in conventional funds as compared to the risk embraced by Islamic mutual funds. Currently, conventional funds are at a better edge due to their experience and deep penetration in the market however Islamic mutual funds are not too far behind them in terms of performance. With some improvement in their management, scale of operations and asset selection policies, and by broadening their customer base, Islamic mutual funds can enhance their performance and pose a serious threat to the conventional mutual funds in Pakistan.

Implications

The mutual funds industry in Pakistan is not in boom presently. Being a developing country, its market is highly volatile and there is lack of awareness among the potential investors. Government should design their policies that encourage their people to save rather than consume. Mutual Fund Association of Pakistan can also play a vital role in improving the market conditions and extending the customer base of the mutual fund companies by creating awareness among the potential investors. It should have a proper check on policies of the mutual fund companies to ensure that the companies follow their stated goals and objectives to build trust between investors and the fund management. In order to improve their performance, the mutual fund managers should either trim down their risk at the same return or increase return at the same risk level. Investors should also be properly educated about the benefits of investing in mutual funds. Thus there is enormous scope for extending and deepening the range of mutual funds industry in Pakistan.

Limitations & Further Research

There are always certain limitations and some reservations should be considered before generalizing the results of study. The age and size of the sample are uncontrollable. Conventional mutual funds have been working in Pakistan since 1962 while Islamic mutual funds entered the Pakistani market in 2002. Sample size is another issue. The sample consists of a larger number of conventional funds and fewer Islamic funds. However, the sample includes all the mutual funds working in Pakistan during

the study period. The limited timeframe of the research, September 2002 to August 2008, may impact the significance of the study and vigilance should be taken before generalizing the results. Moreover, the DEA models present the results that are not directly statistically tested by the DEA software. Ramanathan, R. (2003) discussed that there is no direct approach to find out whether the deviation of a DMU from its efficient frontier is statistically significant or not. The number of output and input variables applied in DEA models may be another limitation for this research. The use of three months T-bill rate as risk free rate may be questioned for the assessment of performance of Islamic funds as Islamic fund managers are not allowed by Shari'ah Supervisory Board to invest in such instruments. However to date, due to the non-availability of Islamic risk free asset in the market, it is still the most convenient risk-free benchmark instrument. But the need of time is to develop an Islamic risk free asset that will remove this difficulty.

Further Research

Although this study is intended to add considerable value to the scarce amount of academic literature in the field of Islamic mutual funds in Pakistan, yet chances of improvement are always there. For this purpose, review of the above mentioned limitations will facilitate a lot for future research implications. The larger sample size and the longer timeframe of the research will enhance the validity of results. Addition of more variables, especially the input variables such as investment and administration costs, in DEA models will open new prospects of distinction between the Islamic and conventional mutual funds. Furthermore, DEA may be used in conjunction with some form of sensitivity analysis such as regression analysis to verify the statistical significance of the results. Much more work needs to be done on the organizational and regulatory aspects of the Islamic mutual funds in Pakistan so as to facilitate a comprehensive and fair contrast between conventional and Islamic mutual funds.

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The Islamic Leadership Model

The Islamic Leadership Model: An Empirical Study in the Kingdom of Saudi Arabia

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Abstract

The purpose of this paper is to test a proposed Islamic Leadership Model (ILM) (Egel & Fry, 2013) in an organization operating in a strict Islamic context. The ILM is a theoretical transposition of the Spiritual Leadership Model (SLM) developed by Fry (2003, 2005, 2008). A case study methodology is employed and the evidence presented validates the model on all its components. The discussion sets the tone for leadership development and future research that arise from theory, research, and practice of Islamic leadership through spiritual leadership.

Keywords. Islamic Leadership, Spiritual Leadership, case study, Saudi Arabia

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Abstract

According to the recent research, *Halāl* food market is 16% of the total global market and in the coming years the potential is expected to increase two folds in size. A huge potential, therefore, lies in the target market of Muslim consumers. In order to penetrate the *Halāl* markets, firms are heavily employing brand Islamization strategies, however, most firms are doing so to exploit commercial gains, without proper preparation. In this paper an effort has been made to introduce and highlight some of the ethical aspects of Islamic moral system in branding practices. The purpose of this paper is to analyze specific commercial activities carried out in the name of brand Islamization. One of its objectives is to make a realization that increasing apprehensions about *Islamic branding* are in fact masked activities of utilizing the huge potentials that exist both for Muslim and Non-Muslim firms in *Islamic branding* activities. New ways of incorporation of Islamic ethics in the brand designing and developmental strategies are also explored in this paper. It is clarified here that *Islamic branding* is not limited to the “*Halāl*” factor but is one that is purely *Sharī’ah* compliant, both, in substance and matter.

Key Words: Islamic Branding, commercial gains, Commodification, Islamic ethical system

1. Introduction

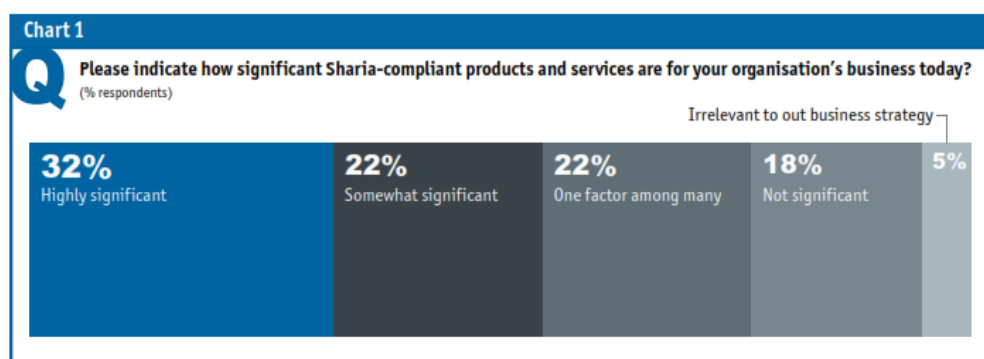
The concept of Islamic marketing is gaining momentum the world over. This rising trend holds its roots in the reality that Muslims make a good portion of world population. Business corporations, the world over, in collaboration with academic circles, are studying the consumption patterns of Muslim consumer markets. In the last few years many changes have taken place in the Muslim communities all around the world that has lead academic and managerial circles to devote closer attention towards Muslims and their requirements.

Muslims are like supra-nationals who share common beliefs and value systems. These core values have a direct effect on their consumption patterns (Alihodzic, 2012). Muslim populations form a major portion of consumer markets, and research confirms that Muslim consumer market segment has been the fastest growing sector over the years (Rizvi, 2012). The growth rate clearly highlights the potential of Muslim consumer market. Contemporary brand analysts and brand managers are giving special focus on this market segment “the Muslim population”, and are analyzing their consumption patterns in respect to their religious commandments to capture this market share. The multinationals too have been captivated by this emerging market as approximately 90% of the global *Halāl* market is being governed by them. Despite the attention that the Muslim consumer market segment is receiving in light of the high potentials available, there is still no single specialized market that serves its specific needs (Temporal, 2011b).

Islamic branding is currently in its infancy stage. Most of the people do not have a common understanding as to what Islamic branding actually is? Islamic branding can be defined or described in three ways: 1. products developed by an Islamic country; 2. products developed to satisfy the needs of Muslim consumers; and 3. *Sharī’ah* compliant products (Alserhan, 2010b).

A school of thought labels branding and marketing activities as prohibited in Islam. There are arguments against this belief through which suggest that Islam allows Muslims to do business, and other daily activities, in harmony with the ethical code of conduct.

Provisioning for Islamic marketing and branding services has constantly been gaining momentum. In a recent survey conducted by The Economic Intelligences Unit Limited (2012), organizations were



enquired about the importance of developing *Sharī'ah* compliant products and services. Respondent firms showed highly significant results regarding the demand of *Sharī'ah* compliant products and services as given in the following table:

While most multinationals are trying to fulfill the needs and wants of the fast growing Muslim market segment, most managers at top level are unaware of the true spirit of Islamic laws and values. *Halālness* is considered as the sole criteria for a brand to be Islamic or un-Islamic, whereas Islam requires brand developers to have a deeper sense and understanding of its core values. This research work emphasizes on the understanding of Islamic values while developing an Islamic brand. Value maximization, trust worthiness, charging fair prices, and the use of appropriate promotional campaigns are some of the areas that have been highlighted in this research work.

The first and foremost objective of this research work is to develop a deeper understanding of the concept of *Islamic branding*. The second objective is to evaluate the potential that Muslim consumer markets hold in them. The third objective is to analyze the contemporary branding practices that are exploiting the of Muslim consumer markets in the name of religion. The last, but not the least objective of this research work is to draw a framework consisting of core Islamic values that should be taken into account by brand developers and should be incorporated efficiently in brand developing strategies. This study will hold significance as the research is done in order to bridge the gap between literature on Islamic branding and marketing. Facts have been interlinked with contemporary branding activities by various firms, the world over. This will lend insight to the managers to understand the Islamic core values and their implications. Some of the misconceptions of Islamic rulings by managers have been highlighted, which are the primary reason for neglecting brand building on the basis of Islamic law. It has been advised that firms should not focus on short terms profits, but try to reap long term benefits through brand building.

2. Literature Review

Islamic marketing is an emerging field. Due to various political, economic, and social factors the interests in understanding the needs and wants of Muslim consumers has risen. The rulings of Islam are complex and multifaceted backed by a very strong culture spread over centuries. These characteristics give a special dimension to Islamic markets, requiring special marketing techniques known to date as Islamic marketing (Sandikci & Rice, 2011). Sandikci & Rice (2011) explained the reasons for an increasing interest in promoting Islamic brands and involvement of the big corporations in Islamic marketing related activities. The author recommended firms engaged in Islamic marketing not to rely on the sole feature "*Halālness*", and instead promote Islamic brands in their true spirits. This paper proved an effective addition in the field of marketing. Yet, the writer touched the area of Islamic marketing only generically. To fill that void, this paper tries to scrutinize commercialization of Muslim consumer market's potential through branding, and incorporate Islamic ethics in such practices.

Nasr (2009) attributed the growing consumer trend towards the increase in Muslim middle class population. This class is dispersed around the world and can afford branded goods and services. Jafari

(2012) wrote about the emergence of Islamic marketing, and criticized the use of Islam as a mere marketing tool. According to him this approach of marketers is limiting the scope of Islam. This paper has introduced the real Islamic marketing in its true spirit and indicated the resulting potentials/prospects. However, the researcher has not touched the area of Islamic branding in particular.

Islamic branding is the next new thing that has evolved in the global markets over the last few years. Alserhan (2010a) wrote on the importance and essence of Islamic branding, making a special note for *Halāl* products. The researcher has also critiqued various activities associated with it. Wilson & Liu (2010) analyzed the use of *Halāl* in Islamic marketing and branding. The terminology is still not clear to many. Researchers stressed that terminology “*Halāl*” is vast and can have far more applications, than merely analyzing the ingredients of eatables in accordance with the ruling. The researcher concluded that there is need for further investigations in order to unveil the full range of interpretations underlying the term. The paper tries to expand on the term *Halāl* and portrays it as an Islamic brand. Wilson & Liu (2011) addressed the challenges that are being faced by *Halāl* conscious consumers in another research work. Researchers emphasized that there was a need for Islamic brand developers to understand in depth the underlying Islamic values because most of the brand managers still did not know how far they could apply Islamic values in pursuing customers attention toward *Halāl* products. Lada, Tanakinjal & Amin (2009) applied the Theory of Reasoned Action (TRA) in order to investigate whether marketers can predict the intentions of consumers to buy a *Halāl* product or not. The study was conducted in Malaysia and the response of Malaysian consumers was analyzed. Findings of the study showed positive results, which means TRA can be applied in order to predict the behaviors of consumer choices for *Halāl* products.

Unfortunately, most of the branding activities are unscrupulously involved in blending religious and materialistic approaches. Heavenly actions are blended and portrayed alongside worldly actions. By branding on the basis of Islamic philosophy most brand developers focus on the concepts of *Halāl* and *Harām*. Instead, Islam requires far more qualities in any product for it to be branded on the basis of Islamic teachings. Brand developers seriously need to keep in consideration the spiritual requirements of Muslim consumers (Alserhan, 2010 b).

Temporal (2011a) analyzed the malfunctions in current practices of Islamic branding. He discussed in details the impact of religiosity on Muslim consumer choices. God consciousness highly affect’s Muslim consumers’ choices. The researcher suggested managers to get a share of Muslim consumer segments, but after thorough understanding of the underlying concepts and philosophies of Islamic ethical teachings. Branding and marketing activities, today, are mixed with religion. Instead of developing religious brands, firms should develop brands that are consistent with the religious beliefs. Islam shares unique values that should be incorporated in brand Islamization processes (Temporal, 2011b). Islam highly impacts the purchase behavior of its followers. Alihodzic (2012) in his research work analyzed the impact of Islamic values and beliefs on the purchase behaviors of its followers.

Strong link exists between consumer choices and religion. It has been established by various studies that religious teachings direct and influence the behavior of its followers in a significant way (Cornwell et al., 2005; Erdogan, Fam, & Waller, 2004). *Shari’ah* is the Islamic law which governs the behaviors of Muslims. It has been evidenced that production and promotion of various products has been obstructed in various Muslim countries. This reveals the significance of religious teachings in making purchase decisions on the hands of consumers (Jong, Fan, Butt & Run, 2010).

Some studies directly measured the impact level of religiosity on brand attachment (Mokhlis, 2006; Wuyts, Dekimpe & Gijbrecchts, 2010). MacInnis, Priester & Park (2006) stressed on the importance of studying the impact of religious teachings on consumer behaviors. The researchers suggested that brand developers should first analyze to what extent the degree of being religious impacts the brand selection decisions of consumers.

Hassan, Chachi and Latiff (2008) described various Islamic ethical values that can guide Islamic marketing personnel. According to the researchers, no doubt, every firm aims at profit maximization, but the incorporation of justice and equity developing strategies is the essence of Islamic marketing. Dimensions of Islamic ethical behavior pertaining to the matters of Islamic marketing were analyzed by Mohiuddin & Haque (2012). The researchers emphasized why it was important for firms to behave

ethically. Values of a conventional system and Islamic system were compared by the researchers in order to evaluate the significance of Islamic ethical system. Tufail & Irfan (2009) evaluated various ethical systems that are prevalent in the business world today. The researchers laid stress on the importance of one's sense of self responsibilities and personal duties.

Rice & Mossawi (2002) wrote on the importance of Islamic values while preparing some advertising message for Muslims. In this article, researchers analyzed the impact of religious beliefs on consumer behavior. Since consumer behavior is highly influenced by religious beliefs, managers should incorporate religious values in their advertisements. The knowledge shared by researchers has been taken up in this article in order to introduce Islamic ethical values in the field of Islamic branding.

3. Methodology

This is a purely conceptual paper. Descriptive methodology has been adopted to meet the objectives of this study. Scarcity of literature exists since, the concept of Islamic branding and marketing has not been much researched. Existing literature has been studied to carve out a well thought out paper to bridge the gap in literature.

Current practices of *Islamic branding* have been facing serious challenges regarding acceptability as most of the Western multinationals are engaged in the practice of developing *Islamic brands*. This owes mostly to the lack of in-depth knowledge on the part of brand developers in these organizations. An in-depth analysis has been performed in this research paper that holds significance for managerial implications.

4. Branding

4.1. History and definition of brand

Brand is derived from *brandr*, a word from the Old Norse language, which means "to burn." This evolved from the practice which most producers or owners of cattle used to perform by burning a special ownership mark, later termed as "brand" on their products (Ritson, 2006). Italians are said to be the first who used "branding" practices, as they used to draw some recognizable images or patterns known as "watermarks" on their papers (Colapinto & John, 2011). Branding over the last few decades has become part and parcel of commercial life. Every fine organization, firm, nonprofit organizations, or even the political parties are now mounting their image in the form of elegant brands to captivate audiences. In this ceaseless progression of brand building the concept of brand equity has gained significance as a vital element of any firm's value. Firms are engaged heavily in cultivating potential brand images and then reaping the fruits of uniqueness that those brands provide. As Niall Fitzgerald, Chairman of the Unilever puts it "a brand is a storehouse of trust that matters more and more as the choices multiply... People want to simplify their lives" (Pettersen, 2004, p.). Everyone is, therefore, creating persuasive and exclusive images of their products which allow people to choose from.

4.2. Definition of Brand

Brands are defined in various ways and in various terms. Parameswaran (2003, p. 1) defines brands in his book as,

"A brand is a symbol of trust, a symbol of warmth, A symbol of value, a symbol of premium or a symbol of loyalty. A brand is all this and more."

According to American Marketing Association (2007) "A brand is a name, term, sign, symbol, or a combination of these, which, identifies the product or service of one seller or a group of sellers and differentiates it from those of the competitors" (p.). Usually the brand is a composite of a persuasive promotional message containing an idea or a message along with the contents of the brand. The brand form, linguistic sign is functionable at three levels i.e., form of linguistic record (representativeness, meaning, and name positioning), meaning of the linguistic sign (semantic and stylistic values plus lexical formula), and finally the linguistic record (color, motifs, design of the symbols and type), (Kall, 2001).

4.3. Islamic Branding

Another term being increasingly used is *Islamic branding*. Multinational firms, after scrutinizing effectual academic material on the subject, are seeking immense opportunities in this field. Young Miles, after attending the World Islamic Economic Forum in Kuala Lumpur, said "*Islamic branding* is going to receive serious public attention. There is new big thing in the world of marketing – and it's

green. Not the familiar grass green of the environment, however, but a deeper green- the traditional color of Islam (Young, 2007)¹¹.”

Islamic branding can be defined in three pertinent ways: a) branding products in compliance with *Sharī'ah*, also termed as *Islamic branding* by religion b) products that gained the tag Islamic brand owing to their location/origin or also known as *Islamic branding* by origin, and c) *Islamic branding* by the type of customers, brands that are specially created for Muslim inhabitants of Non Muslim countries (Alserhan, 2010).

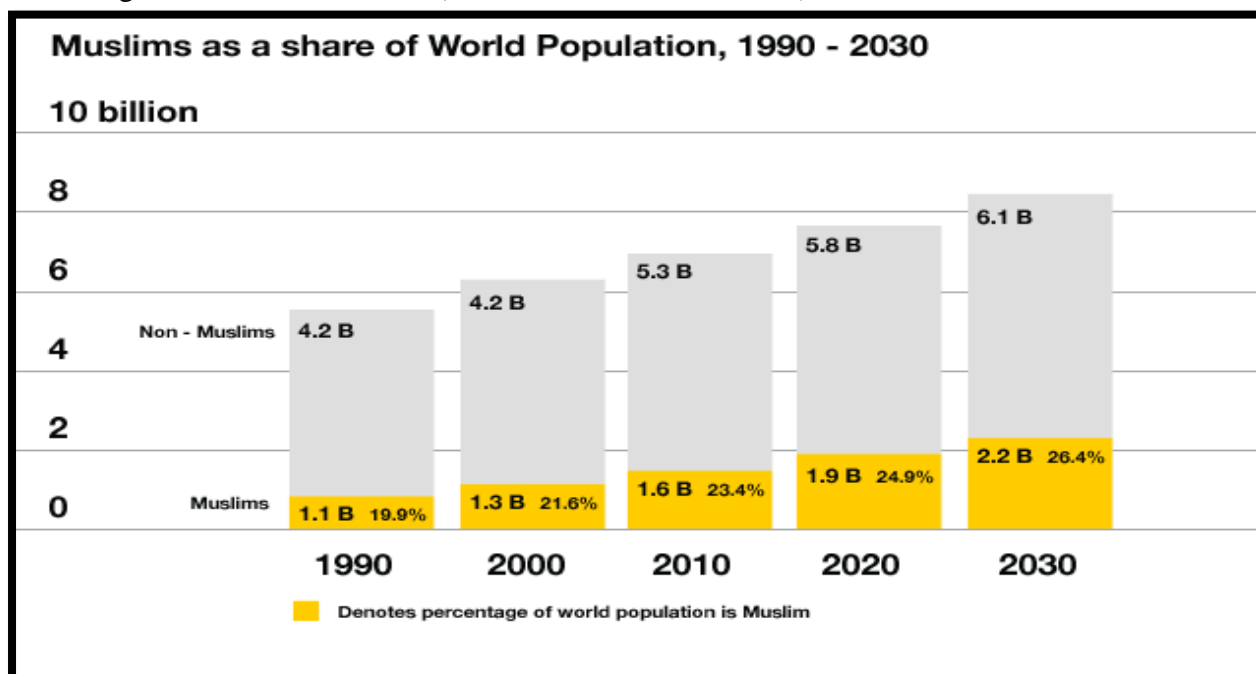
Shan, the market leader in food category in Pakistan, is more than a suitable example of a food product that is being branded and advertised in the *Halāl* way. In spite of the fact that target audience of their products is women, they have never advertised or tried to develop a Brand by stereotyping women. There are other good examples of *Islamic Branding* which are not only using *Halāl* means as their finances, but also marketing their Brands in *Sharī'ah* compliant ways. Similarly “JJ” (Junaid Jamshed) and Shahid Afridi are two brands, which are in total compliance with *Sharī'ah*. These Brands have never used or stereotyped women with their brands; in fact they do not show up the faces of male models even.

5. Potential for Commercial Gains

5.1. Potential of Muslim consumer market

A huge and mounting *Halāl* tagged purchasing power by Muslim consumers exists in countries like South Africa, Turkey, Morocco, Malaysia, India, Egypt, Iran and Saudi Arabia. US Commerce Department has targeted ten big emerging markets for export promotion, out of which Turkey and Indonesia are purely Muslim states, while the other two i.e. South Africa and India have significant Muslim minorities. Some developed non-Muslim states (e.g. Germany, UK, USA) have a substantial market of Muslim consumers. In France Muslim population is almost one tenth of the whole population (Viorst, 1996), while US has been a country with the fastest growing Muslim population which ranges from six to eight million (Abdul Rahman & Tug, 1998).

According to a recent report on the future growth of Muslim population, the world’s Muslim population is expected to grow by about 35% rising from 1.6 billion in 2012 to 2.2 billion in 2030. The growth of Muslim population is twice that of the growth of non Muslim population – 1.5 % of Muslims vs. 0.7% growth of Non Muslims (Pew Research Center, 2011).



[Source: The research report of Pew research center named “the future of the global Muslim population”]

¹¹ Young, M. 2007. The world More to Islamic Branding than Meet the Eye?

It was published in *Halāl Journal* (Power, 2009), a Kuala Lumpur based Magazine, that *Halāl* food market has exploded its growth in the past few years by gaining an annual estimated size of \$632 billion comprising 16% of global food industry. Out of many factors identified for the immense growth of this *Halāl* and Islamic type economy, whether in the finance sector or other products like real estate, hotels, fashion or insurance, was the single important factor of 1.6 billion Muslim population. In a proficient industry video shown at the conference held at World *Halāl* Forum (2007), a statement was delivered to the delegates that “industry is at a verge now where *Halāl* has become more than a religious duty.”

According to a recent survey of Economics Intelligence Unit (2012) the Muslim population of the world has risen to 1.8 billion, offering the businesses to turn their attention towards these demographics as 50% of Muslim population is under the age of 25 years and comprises 10% of the world population. It was stated in the survey that if the Multinationals and other organizations are targeting *Sharī’ah* conscious consumers, then they are doing so at their own behest because the future of this target market seems outstandingly bright. Potentials are emerging in various product and service categories ranging from food, finance, fashion, tourism, to pharmaceuticals.

5.2. Commercialization of the potential

Temporal (2011-b) in his recent book “*Islamic branding* and Marketing: Creating a global Islamic Business” has stated that most of the Islamic Brands are not doing well. A list of causes is presented some of which are given below:

Most of the companies are focusing on short term gains instead of building long term bonds;

Most of the executives involved in brand building through advertisement or promotions are doing so without keeping in view that Islam is a complete code of life, hence ignoring that *Islamic branding* needs to cover something more than the ordinary promotional techniques

Firms are relying heavily on the status-quo or in other words targeting only those countries that have abundant resources - wealthy nations

There is lack of support by Islamic governments for clean and accurate *Islamic branding* practices

Many western economies, and predominantly the USA have revolutionized their economies by a transformation from agricultural and manufacturing base to informational services and products (Sussman, 2012). Selling of the symbols (e.g. images, media, immaterial commodities is one of the most crucial function of such economies. It has led to the widespread “religion” and an ever increasing exposure to numerous promotional activities, which has resulted in the branding of everything around us from a street car stop to bus tickets (Moor, 2007). The evolution of the new market and brands especially targeted to the Muslims are often taken as the expansion of the capitalistic economic system into Muslim framework. It is often stated about capitalism that it influences whatever new opportunities abound in the market, even by assigning different names and terms to those opportunities. According to Clauser (1989), this can be another form of global capitalism (which highly depends on images and symbols), with diversified terms, based on market economies, possessing a different approach i.e. moving economies toward profit making by fulfilling consumer desires. Hence, the symbols of this new economic system are reconstructed in the form of commodities. In most of the Islamic markets, consumer goods and services are not major concerns; instead the consumers are influenced toward consuming symbols, moving signs or words (Ameur, 2011).

The concept of Muslim purchasing has evolved over the years, expanding from the limited connotation of avoiding alcohol and pork, and buying meat from the *Halāl* butchers, to include other facets that are *Shari'ah* compliant. The significance of this Muslim customer segment came into prominence at the third annual World Health Forum where numerous stalls contained a basket full of Islamic brands put on view by different multinationals. For instance, Nestle had its *Halāl* breakfast cereals, power bars and smarties at its stalls with the “*Halāl*” word written, bold and prominent. Even red bull presented a newer version of its drink for Muslims. Colgate and Maggie were also there ensuring Muslim consumers that their products were *Halāl* and contained no prohibited ingredients. Even though all of these big multinationals were presenting the *Islamic branding* versions of their

products, yet there were many things which were not making those brands Islamic in real sense. As shown in the picture above, saleswomen with their heads covered up with scarf are presented in such Forums and Conferences, which is not totally in compliance with *Shari'ah*. Islam does not allow using women as an object to allure others, or use evocative language or behaviors (Hassan, Chachi & Latiff, 2008). It is evident in the picture that young ladies are selling “*Halāl Skincare*”, for customers intending to perform Pilgrimage. One could simply state this act of the cosmetics company as the



[Source: retrieved from Time Magazine]

“commodification” of Islam because to Muslims, Hajj, is an obligatory duty where every Muslim completely submits himself before Allah. There remains no distinction between rich or poor; white or black. The so called *Halāl* company is especially commercializing skincare products linking it to the sacred duty of Muslims. Recently sun silk introduced a new Shampoo in its existing range as especially designed for those Muslim females who are used to wearing *Hijāb*. They have targeted a very sensitive and fundamental aspect of Muslim consumers. Their brand offering was non *Shari'ah* compliant i.e. showing a beautiful young lady wearing a very elegant scarf with jeans, which is contradictory to Islamic teachings.

Commodification as described by Shirazi (2010) originates from the profit motive, attaching an idea, art, item, and belief to a commodity making it highly influenced by religious and cultural values. These values thereby influence branding and advertising decisions.

Islamicization of commodities has become a common commercial activity by the firms owned by Muslims, and in particular by Non Muslims, for the sake of profit generation. Many people have raised their voice against religious commodification emphasizing that by dressing up a doll with “*Hijāb*” and naming them “*Hijābi Dolls*” or simply putting a label ‘*Halāl*’ does not make those products “*Shari'ah* compliant”. “Islam” has become a buzzword for the commodification of numerous toys, household goods and a variety of services (Shirazi, 2010). Most Muslims do not accept such type of innovations associated with religious matters which Christians may term as adaption of the religion to modern times (Eaton, 1994).

There have been other examples of commercialized branding. It was discovered in France, in early 2011, that a *Halāl* brand’s sausage, claimed to be made by poultry, was actually DNA tested and confirmed to be of pork fats. This is *Harām*, but the Muslim community had been using it because it was claimed to be a *Halāl* Brand (Economist Intelligence Unit, 2012b).

HSBC a worldwide renowned bank has recently banned their operations of its Islamic Banking branches in few Muslim countries and limited their product line to the provision of only a few services (in Qatar, KSA etc.) because the legislative bodies required all Islamic banking brands to affirm to the *Shari'ah* compliant procedures. However, in other countries where much focus is not paid on this issue its Islamic banking branches are still operative. Sometimes firms owned by Muslims also seem to engage in Islamization related brand activities e.g. Mecca- Cola was introduced as a

Source: Barbie and Islam
(Shirazi, 2010)

substitute of the coca-cola after the boycott of the western products. The brand was established subject to the resentful emotions of the Muslim consumers. It was, however, a purely commercialized activity of *Islamic branding* as the people disposed off the bottles and cans of the drink into dust bins after use and no one cared of throwing the cans inspite of the fact that they had the holy word “Mecca” written on them (Alserhan, 2010).

Most of the times, *Islamic branding* of consumer goods is not rationalized by the brand developers or marketers. For instance, in Yemen “Islamic Socks” are sold for females with a stamp saying made in



China and showing a photograph of a Muslim girl with her face covered by veil on the packing. If we analyze the *Shari'ah* traditions, we find that there is no particular provision in *Shari'ah* for Muslim females to use such socks. This commercialized attitude of non Muslim / Muslim organizations is making the “*Islamic branding*” a suspicious activity. Muslims are feeling serious concerns whether a product is particularly designed and developed to fulfill their religious orientations or is just a clever strategy towards commercial gains by targeting the developing Muslim market segment. Another growing concern is about the promotional campaigns of ‘Islamic brands’. Most of these brands are being developed and advertised through mega branding companies who do not take into account the essence of *Shari'ah* compliance.

5.3. Consumer behavior model and brand preferences

5.3.1. Religiosity and consumer behavior

Religion plays a very significant role in establishing the behavior and attitude of humans (Armstrong, 2001; Arnould et al., 2004). It has been established by various studies that degree of being religious directs the purchase behaviors of its followers. Religiosity is a crucial aspect of human behavior and attitudes, and the depiction of the same is often associated with the degree of being religious. This is a multi-faceted notion containing numerous elements within like practices, beliefs, experiences, and their impacts on an individual's everyday life (O'Connell, 1978). It greatly influences human lives by affecting their goals, satisfaction levels, and motivations (Eliason & Cole, 1982). Culture has crucial impact in marketing activities, and religion being its fundamental part, highly affects consumption behaviors (Cornwell et al., 2005). Religion, therefore, is said to play a critical role in consumer world in terms of influencing and shaping consumption patterns (Erdogan, Fam, & Waller, 2004). It directly impacts the marketing communication by acting as an edifying lens in the course of which marketers often decode important messages relative to the consumption patterns (Michell & Al-Mossawi, 1995). Few studies have been conducted on the influence of religiosity on marketing (e.g. Delener, 1994; Hirschman, 1981; Sood & Nasu, 1995; Tellis, Stremersch & Yin, 2003; Wilkes, Burnett & Howell, 1986). Islam has a very deep impact on the lives of its followers, and in a Muslims society religion is craved and is an integral part of their statehood (Kavoosi, 2000; Lawrence, 1998). In all researches about religiosity's impact on consumer choices, much of the focus has been on the impact of religious affiliation on the product choices and preferences (Brown, Sherry & Kozinets, 2007; Muniz & Schua, 2005; O'Guinn & Belk, 1989). Since *Shari'ah* based law is implemented and followed almost in all Islamic countries, *Shari'ah* codes have highly influential effects on the consumption behaviors of the Muslims. Most of the famous products in the West face serious issues in Muslim societies, hampering the advertisement and promotion of these brands (Jong, Fan, Butt & Run, 2010).

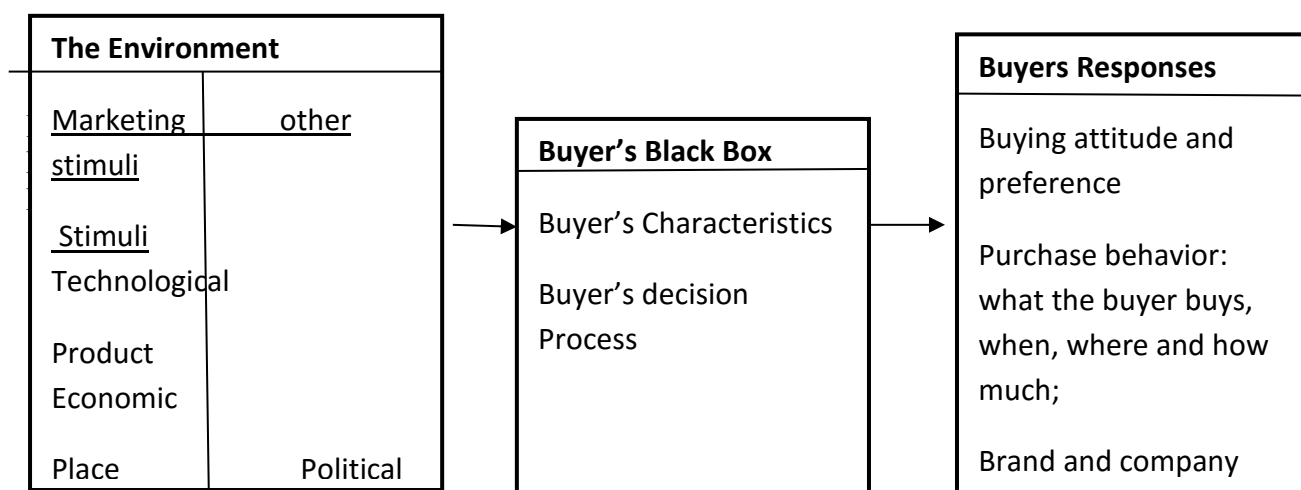
5.3.2. Religiosity and brand attachment

Brand attachment is often defined as a cognitive and emotional strength that connects a brand with the self. There are two unique elements of this definition out of which first is attachment of the brand with the self, while the second element is a strong emotional and cognitive strength that diverts and channels the resources of a person towards that particular brand (Priester, MacInnis & Park, 2006a). According to Keller (2003) the form of relationship that a consumer develops with some brand may be of two types, it can be a cognitive preference (Brand loyalty), or emotional attachment (self connectedness). Emotion and cognition are the basic elements that tie brands with the self and personalize experiences of an individual. Memories of one's usage of brand induce strong cognitive plans that link a brand with personalized elements (Berman & Sperling, 1994). Links, that connect self with the brand, are inherently self relevant to the individual concerned (Mikulincer & Shaver, 2007). At the same time the emotional element has a connection with self, giving it a hot effect (Ball and Tasaki 1992; Mikulincer et al. 2001; Thomson, MacInnis and Park 2005). Religion is said to be the most important element of cognition (Mokhlis, 2006). Religiosity, hence, plays a vital role in the connectedness of the consumers with particular brands (Wuyts, Dekimpe & Gijsbrechts, 2010)

5.3.3. Cumulative effect

In recent years marketing has been delving to ascertain consumer responses toward brands. Marketers need to predict how consumers might respond toward a particular brand (MacInnis, Priester & Park, 2006) and in the case of commercialization of *Islamic branding* practices, religiosity, which affects and enhances attachment of the consumers with the brand, needs to be taken as a moderator. Use of suggestive language in promotional campaigns of Islamic brands allures the consumers to develop a self connectedness with these brands because they hit both the cognitive and emotional elements of brand attachment. Religion also plays a crucial role in consumers' decision making processes by directing their attitudes (Gould 1995; Rossauw 1994). Consumers predominantly develop attachment with these brands because of the religious affiliation and identification. This process of self identification, also known as socialization, guides individuals to learn various values, practices and behavioral patterns that are socially acceptable (Storm, 1987). However, in Islamic law, the qualification of any decision depends on the independent and free judgment of the concerned individual. The same needs to be applied to the global marketing activities (Ahmad, 1995). It can be concluded from the above that in most cases development of Islamic brands is performed in a way that contains a "hot effect" for the buyer's black box. It directly hits the decision process of buyers which ultimately leads them to purchase particular brands *per se*.

Consumer decision making process:¹²



6. Opportunity for the Introduction of Islamic Ethics

¹² Consumer decision making model. Resources: Principles of marketing

With the increasing focus on *Islamic branding* in the global market, many multinationals have started commercially exploiting this potential in the Muslim consumer markets without giving any credence to the essence of the term *Islamic branding* and its deeper effects. The growing concerns about *Islamic branding* can be used as an opportunity to introduce the Islamic ethical practices in branding process and create necessary awareness and understanding. The unscrupulous intentions of segmenting markets focusing on the customers' religion should be relinquished, and a ban placed on targeting consumers because they belong to a specific religion. In this way many firms can focus on satisfying the needs and desires of a large and growing segment that has common values and practices (Temporal, 2011c).

Islam is a natural way of life and moral values are cornerstones of the teachings of Islam. In the strength of the nations, morality plays a vital role, while its absence causes the decline of nations and civilizations. Some fundamental rights regarding welfare of humanity are established by Islam, enforced not only by legality but by morality as well, and these are the core concepts to be followed under all circumstances. It is unanimously accepted by Muslims that whatever is conducted with the view to provide welfare to the society, and is not against the basic principles of Islam, is morally good (Islam.com).

A complete code of conduct is presented to the followers of Islam regarding moral and ethical behavior that serves as a moral filter for doing a business in fair way. Islamic moral system touches each and every aspect of human life, ranging from simple greetings to diversified international relations. It requires that people must fulfill their promises and avoid cheating and other prohibited activities. The guidelines for this Islamic ethical system have been drawn from the interconnected concepts of justice, unity, and trusteeship (Rice, 1999).

The moral system of Islam commands Muslims to practice the good and abstain from all evils, in each and every aspect of their life. A *Hadith* of Holy Prophet (SAW) explains the required practices in the following words: "My Sustainer has given me nine commands: to remain conscious of Allah (SWT), whether in private or in public; to speak justly, whether angry or pleased; to take on moderation, both when poor and when rich; to reunite friendship with those who have broken off with me; to give to him who refuses me; that my silence should be occupied with thought; that my looking should be an admonition; and that I should command what is right."

6.1. Disclosure

Islamic ethical system upholds the dignity of human rights in every aspect of life, and having a complete disclosure about the products and services, that a consumer wants to acquire, is the primary right of all consumers.

In most of the cases of *Islamic branding* today some traits are missing that are the core of a *Shari'ah* compliant business activity e.g. there is a lack of honest communication and most brands are using exaggeration and deception while representing their brands. Some of the Islamic teachings pertaining to these matters are clearly addressed in *Qur'an*:

"Truly, God guides not him who is a liar."¹³

"... Give just measure and weight, nor withhold from the people the things that are their due."¹⁴

The Prophet Muhammad (PBUH) expressly condemned all manipulative promotional behaviors stating that, "One who cheats us is not one of us" (*al-Nawawi* 2:770).

It is clear from the above *Qur'anic* texts and *Hadith* that the first and foremost duty of brand developers is to disclose actual quality and quantity in brand development process.

6.2. Pricing

It is a common practice that most of the well known brands charge highly, owing to their credibility in the market, as compared to others. Most of the times these prices become unjustified and is usually charged to give a false impression to the customer that s/he is getting something of superior value (Shaw, 1996a). Brands formalize their pricing strategies and policies in a way to exploit the psychological apprehension of the consumers which Islam clearly rejects. Ibn-e- Taymiah (1982)

¹³ *Al Qur'an* 39:3

¹⁴ *Al Qur'an* 11:85

denounces all pricing practices where consumers are being charged very high prices without offering a justified quality or quantity. All instances of charging high prices come under the head of injustice in *Sharī'ah*. As the holy Prophet (SAW) said (Al- Nawawi, 2:270):

“Do not raise prices in competition.”

Brands often charge very high prices for their creditworthiness and most of the times the prices remain unjustified. In contrast, Islam also does not approve getting something easily, without working or striving hard for it (Shaw, 1996b). It may be clarified here, that the debate is not on charging high prices for brand values with relation to precious commodities. Islam accepts that the wealthy people can spend their money on expensive things. The advertising and branding of luxury goods and services by that logic is acceptable in wealthy communities:

“... He has raised you in ranks, some above others; that He may try you in the gifts that He has given you.”¹⁵

“... Wear your beautiful apparel at every time and place of prayer....”¹⁶

However, Islam at the same time condemns the flamboyant and showy consumption of these luxury products as the extravagance in the form of luxurious living and boasting of one's wealth is not allowed in Islam. Islam does not allow burning out one's resources (Chapra, 1992).

“... and spend of your substance in the cause of God and make not your own hands contribute to your destruction; but do good...”¹⁷

“... Wealth and children are allurements of the life of this world”¹⁸

“... of their wealth take alms so that you might purify and sanctify”¹⁹

As the most important character building traits of any Muslim are humility and piety, so it can be stated that the use of luxurious brands have a hot effect on these characteristics, and may lead to the edifice of arrogance and glitzy nature. A Muslim must, therefore, keep his desires in his control, rather than let his desires have the better of him.

“And turn not your face away from people (with pride), nor walk in insolence through the earth. Verily, Allah (SWT) likes not each arrogant boaster. And be moderate (or show no insolence) in your walking, and lower your voice. Verily, the harshest of all voices is the voice (braying) of the ass.”²⁰

Piety is described in Islam in the following way:

“It is not righteousness that you turn your faces towards East or West; but it is righteousness (the quality of) the one who believes in Allah (SWT) and the Last Day and the Angels, and the Book, and the Messengers; who spends of his wealth, in spite of love for it, to the kinsfolk, to the orphans, to the needy, to the wayfarer, to those who ask and for the freeing of slaves; and who is steadfast in prayers, and gives *Zakāh* (Alms); and those who fulfill their covenants which they made; and who are patient and perseverant in poverty and ailment and throughout all periods of fighting. Such are the people of truth, the pious.”

A righteous person is the one who is most reliable and honest. The concept of piety is based on the belief that Allah *Subahana O Tallah* sees all of our actions and the accountability of every act depends upon the intentions while performing that action. This concept of intention has incredible alignment to the concept of Islamic marketing, advertising, and branding. This concept is also very much relevant to the perception of *Tazkiyāh*. Baig & Tarin (2010) define *Tazkiyāh* as the pruning of destructive and prohibited elements off human minds. The desire to showing off expensive brands that one uses is

¹⁵ *Al Qur'an* 6:165

¹⁶ *Al Qur'an* 7:31

¹⁷ *Al Qur'an* 2:195

¹⁸ *Al Qur'an* 18:46

¹⁹ *Al Qur'an* 9:10

²⁰ *Al Qur'an* 31:18-19

detrimental to the piety of a Muslim. Hence, the ongoing process of *Tazkiyāh* should be kept alive by conscientious consumers.

6.3. Conversion of wants into needs

With the passage of time self generated economy is being exploited by the marketers and is commercialized over time (Bovee, Thill, Dovel & Wood, 1995). Wants and desires are being converted into needs. This approach is not approved by the moral system of Islam.

The concept that without having a particular brand a person feels deprived is not accepted in Islam. It does not allow material world to fill the hearts of Muslims, rather ordains them to be filled with the remembrance of Allah (SWT). A Muslim needs to keep material world in his hand, and Allah (SWT), in his heart.

Islamic ethics teaches us to stay firm and steadfast and not be lured by the worldly gains, which means that a true person should not be distracted towards monetary gains, should remain solid and dedicated, and counter any act leading to corruption. Morality should remain supreme:

“And Allah (SWT) loves those who are firm and steadfast.

Moral system of Islam is permanent and absolute; very much different from the other moral systems that are prevalent in society and are subjected to change for the purpose of convenience. The moral system of Islam remains the same over time, and cannot be altered in order to obtain worldly proceeds (Baig & Tarin, 2010).

6.4. Profit maximization vs. value maximization

Islam does not approve the concept of profit maximization without taking care of the exploitation of the others rights. Islam approves a centralized approach of value maximization in which a firm undertakes to maximize the value while incorporating the philosophies of integrity and impartiality in its strategies that result in the welfare of the whole society. Islam advocates the welfare of the society rather than the affluence of a few people (Baig & Tarin, 2010). Ahmed, Mukhtar & Saeed (2001) produced a rich document dealing with the ethics of Islamic marketing based on the concepts of justice. They have elaborated the system of Islamic ethical system and have explained three basic characteristics, which are as follows:

The basis of all types of Islamic ethics is the Holy Quran. It is a divine guidance for all mankind.

By origin these ethics are absolute and cannot be subjected to any type of manipulation.

Islam approves the theory of value maximization, rather than the self-induced motive of profit maximization.

A blend of the above mentioned characteristics provide a guideline for all marketing personnel and brand developers that Islam does not approve any kind of alteration in ethical values for the sheer sake of profit maximization. Hence, all marketing heads who engage in Islamic marketing should keep this outlook of Islamic moral system in their minds, and actions.

6.5. Trustworthiness

Islamic moral system never allows anyone dishonoring others' trust and expectations. When a brand is developed as an Islamic brand, the expectations of its consumers (i.e. Muslims consumers in most instances) greatly increase. Brand developers should not be dishonest or cheat its consumers by making false statements about the core values of the brand e.g. if consumers recognize a brand to be *Halāl*, it should actually be *Halāl* in all of its values and forms.

6.6. Promotional ethics

“Make your utterance straightforward . . .”²¹

Islam does not allow promoting a thing which may lead towards misconduct or obscenity. It is incorporated in the Islamic ethical system regarding marketing, branding and promotional techniques not to exploit others' needs and wants by the use of any suggestive language or appeals e.g. fear appeal,

²¹ *Al Qur'an* 33:70

sexual appeal, or emotional appeal. Sometimes brand promoters use artificial research appeals and pseudo evidences in order to fascinate customers. These appeals and pseudo mechanisms are not approved in Islamic ethical system, as they exploit the minds and encourage extravagance in customers by motivating their instincts towards the acquisition of particular brands.

Almost all promotional campaigns, whether they are for some Islamic brand, or other commercial products, stereotype women as an alluring object. It has become a common practice to fantasize things in promotions of brands in an excessively exploitive way to attract consumers. Islam has incorporated a complete moral and ethical system that guides the designing of these promotional ads (Al-Misri, 1991). Our beloved Prophet (SAWW) forbade and condemned all promotional behaviors that were formulated especially to manipulate and deceive others. He (SAWW) said (Al- Nawawi, 2:770)”
“The one who cheats is not one of us.”

It is, therefore, recommended to organizations, whether Muslim or non-Muslim, involved in the process of *Islamic branding*, to develop a complete understanding of Islamic ethical system. They should keep in view all *Sharī'ah* related issues while designing, manufacturing, and developing an Islamic Brand. It is recommended in *Sharī'ah* to enter into divine guidance with complete submission. The verse from the *Holy Qur'an* containing this message is as follows:

“O you, who have believed, enter into Islam completely [and perfectly] and do not follow the footsteps of Satan (Devil). Indeed, he is to you a clear enemy.”²²

This verse teaches us of building an Islamic state and an Islamic society purely based on the complete moral code of conduct that is presented by Islam for the welfare of the whole society.

7. Managerial Implications of research

This research work holds significance with respect to certain managerial implications. Brand developers, Muslims and non Muslims, develop Islamic branding strategies in order to develop Islamic brands. Most of the Western multinational firms are engaging themselves heavily in the development of Islamic brands without even knowing the spirit of Islamic values and beliefs. This research work will produce beneficial effects both on academic and managerial sides.

Another aspect to be kept in mind for the strategy developers is that Islam does not prohibit profit taking, rather it is the exorbitant profit taking that is not appreciated in Islam.

The relationship between Islam and modern terminology of Islamic branding has evolved recently. Numerous changes have been taking place in this market segment since last few decades. These changes require managers to apply the essence of Islamic values while developing Islamic brands.

8. Suggestions

While analyzing various evidences of brands' development in the name of Islam, the researchers have devised following suggestions for Islamic brand developers:

Managers should not consider Muslims as a pre-existing homogenous segment. Despite the fact that Muslims share pivotal common beliefs and rules, their approaches do differ, even while choosing from Islamic brands.

Brand developers should focus on the traits of trustworthiness instead of building credit worthiness.

Value maximization is the core principle of Islamic teachings regarding responsibilities of business world toward society. Firm, in order to penetrate deep into Muslim consumers' market segment should keep a clear focus on this concept, rather than maximizing exorbitant profits.

Firms should not simply tag each and every product “Islamic”. For instance in the aforementioned case of socks sold as Islamic socks.

Use of evocative language should not be used while promoting Islamic brands. Similarly, the use of female models should be avoided, at all costs, to promote an Islamic brand.

Packaging and promotion of Islamic brands should be carried out thoroughly in line with Islamic moral and ethical values.

9. Discussion and Conclusion

²² *Al Qur'an*, 2: 208

Branding is not a new concept; it has been carried out even when the term was not even coined. At present, branding is being used by almost all big business firms to earn higher profits.

Enormous opportunities have been sought out in the global Muslim markets in recent years. Surveys have shown a growing potential in Muslim market segments. Both, Muslim and non Muslim firms are heavily engaging in Brand Islamization processes. Business organizations are using brands with Islamic tags. Some multinationals, like Nestle, are appropriately presenting a new product line of Islamic brands and *Halāl* products. Similarly some other Western multinational are presenting Islamic product lines and engaging themselves in capturing a good portion of Muslim consumer markets.

However, challenges are being faced by these business organizations in penetrating and getting acceptance in this market segment. These challenges are attributed to the lack of awareness/knowledge of Islamic rules, practices, principles and procedures imbibing the true spirit of Islamic values, and undue belief in brand developers. In addition, cultural differences persist in various Muslim countries, which in most cases, is not taken into account.

Shift in the focus of the major organizations toward *Islamic branding* is no doubt a good sign for Muslim consumers and provides a real potential for Muslims who can develop their own markets in Islamic ways (Temporal, 2011c). However, firms should first adopt sincere, holistic approach towards the Islamic moral system and culture. Lack of desired attributes in Islamic branding practices is criticized in academic and religious circles. This can be a mere outcome of the contemporary differences that prevail between the existing and actual Islamic values and norms. Alserhan (2010b) criticized the practice of contemporary brand developers, who, according to him, discuss Islamic branding while sipping wine and eating pork. This deprives Islamic branding of its soul, because brands are built by emotions and feelings, through which consumers develop allegiance to a brand.

Among various contradictory rulings and beliefs, some are highlighted in this study, a comparison is preformed among contemporary practices, and numerous Islamic values, that need to be incorporated in branding practices. Islam lays stress on the principle of value maximization for society, where as contemporary business philosophy revolves around the principle of profit maximization. Brands are developed on the basis of credit worthiness, which leads firms to charge excessive prices. This comes under the prohibition of extravagance in Islam as spending too much on a thing, though not prohibited in Islam, is against the principle of piety. Piety or *Tazkiyāh* are significant Islamic beliefs that direct the behaviors of Muslim consumers.

Apart from product development ethics, Islam also lays stress on promotional ethics. Use of suggestive language, persuasiveness, alluring pictures, using females as objects are some of the promotional ways which are not appreciated and accepted in Islam. Proper disclosure should be made while promoting any product. It has become a common practice attributed to brand developers that they do not disclose product features clearly.

Anyone involved in the process of designing and introducing Islamic Brands need to understand core Islamic principles and practices that are relevant, and comply with them in letter and spirit (Rice, 1999). Further research in the area of Islamic marketing is also required. One important aspect that everyone from academic and managerial circles should keep in focus is that instead of emphasizing and forming superficial policies, individuals and organizations should put in sincere efforts to reap maximum benefits.

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Everybody loves Dubai: Determinants of city's identity

Everybody loves Dubai! A resident's perspective on the determinants of city's identity

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Abstract

In ten years, Dubai has become a city of superlatives with 59 world records and draws a new map of power. It is also a dynamic business community that fosters investment and facilitates the development of trade. The municipality has created favorable conditions such as the absence of taxes and tax free zones, reduced or no tax burden, high growth (relative to population growth) which generates growth, an unemployment rate of 0%, and a controlled inflation. Indeed, if it possesses an international vision, most forgot that Dubai is the capital city of an Islamic country and in which UAE national residents are minorities compared to 20 other ethnic groups that make up its population. It therefore represents a stimulating research object that has been poorly addressed by academic research.

As a living entity, Dubai updates continuously. In that sense, the city develops strategies to support, to 'sell' and advertise itself within the global market. Urban investments are progressively translated in competitive advantages and then branded in order to attract relevant stakeholders. These efforts led to the creation of a very heterogeneous community of several million local and foreign people mixing different ethnic and social backgrounds and whose length of residence is very variable. Thus, whether a place, a brand, or a conjunction of both, everybody seems to love Dubai. However, it is more a question than a statement. In this regard, do these marketing and branding initiatives contribute to create an increasing attachment to the city and thus ensure its sustainability through a strong identity?

Academic literature reveals that there are mainly three approaches for promoting cities: cultural mega events, restoration and promoting heritage and the construction of iconic buildings (Hankinson, 2006; Kavaratzis, 2005). However, when a city combines the attributes of an international tourist destination and business center, a multicultural hub, and finally a place to live, branding issues should be addressed through a holistic perspective. Indeed, numerous studies have been conducted on place marketing/branding but we argue that current concepts do not fully capture the reality of multiethnic cities in Islamic economies. Finally, there is a call for scholars and practitioners to make the essential move from a predominantly descriptive to a normative stage to allow the field to continue to grow as an area of research and practice (Gertner, 2011). This research aims at filling this gap.

Keywords: Place/City marketing, Place/City branding, Place/city attributes, Place attachment, Place identity, Diversity, Residents, Holistic approach, Islamic country & economy, Dubai.

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Abstract

This project developed two expert systems, the first one was to help end-users in identifying the inheritance distribution according to Islamic Sharia (law) and the second system was developed to help end-users to calculate the amount of their Zakah. The project utilized Visual Basic Software as the programming development tool. The systems development life cycle (SDLC) and project management processes were followed in implementing the project. Expert systems which is a special type of artificial intelligence, is defined as “a computer system that emulates the decision-making ability of a human expert” (Giarratano and Riley 2005, pp. 5). Expert systems are often developed to help end-users in making decisions in a consultative manner.

THE PROJECT SIGNIFICANCE AND OBJECTIVES

The inheritance and the Zakah rules are among the most relevant issues to Muslims lives. The Islamic law (Sharia) mandates that every Muslim who meets certain requirements to pay Zakah on his/her wealth. Additionally, once a Muslim passed away his/her wealth will be distributed among his kinsfolks according to specific rules. The developed applications will enable Muslims to identify the distribution of the wealth among the right inheritors and the amount of the Zakah by just providing the inputs required by the software applications. The outcomes of this project are two software applications (one for the Zakah calculation and the other one is for the Inheritance calculation) that will be easy to use and very useful to many sectors in the society such as the educators in the college of Sharia, Ministry of Awqaf, and the general public. The two applications, by no means, intended to replace the traditional formal way of consulting the Sharia scholars for such issues. However, they will help in educating general public about such important matters in their religion. The objectives of this research project were:

Developing an expert system that enables end-users to determine the amount of inheritance for each deserving inheritor;

Developing an expert system that enables end-users to determine the amount of Zakah on their wealth;

Making the applications available for educators to use them as training (simulation) tools ; and

Giving students the chance to learn and apply research skills by linking concepts to practice.

With the teamwork spirit among the students and close supervision by both faculty members, the above objectives were achieved. The two applications were developed and they will be available for educators to be used in the classrooms and for general end-users. Students applied the concepts they have learned in different courses such as systems analysis and design and introduction to programming as well as other related courses while working on this project.

METHODOLOGY

Students were able to follow the system development life cycle which includes planning, analysis, design, implementation, and post implementation (support) in developing the applications as described in (Shelly and Roseenblatt, 2011). To ensure the quality of the development process, project management processes (initiation, planning, executing, controlling, and closing), as recommended by Project Management Institute, were utilized in managing the project. The Microsoft Visual Basic software was used to create the two expert systems (Zakah and the Inheritance).

Since this project focuses on the inheritance and Zakah rules in Islamic Sharia, the domain problem of the expert system identified the correct distribution of the wealth and/or the Zakah amount based on the case conditions. As the human expertise is included in many Islamic books that explain the inheritance and Zakah rules, two books were used in extracting the knowledge based rules for the two applications (Fiqh Al-Zakah by Yousef Alqardawi, and Hukam Almirath Fil Al Sharia Al Islamia by Abu Alyaqathan Atia). Additionally, a Sharia scholar (Dr. Ibrahim Al-Ansary of Sharia College, Qatar University) was consulted during the knowledge acquisition process. The knowledge-base was then prepared mainly by converting the collected information into rules in a form of "if. .. then" or "case" statements. Before coding these rules, the knowledge-base was checked for verification and validation by human experts in the area of Islamic rules of inheritance and Zakah. Finally, the expert system was then created using Microsoft Visual Basic software.

RESULTS AND DISCUSSION

Students were able to successfully design both expert systems (The inheritance application and the Zakah application) by following the common standards in programming. Both applications are easy to use as shown in later in this section. Due to the complexity of the inheritance rules, the application covered selected cases which represent most of the common cases. With respect to the Zakah application, it covers almost all zakatable items. Due to the scope of the complexity of the rules of Zakah and Inheritance, extensions to the applications will be proposed for another external grant in the near future.

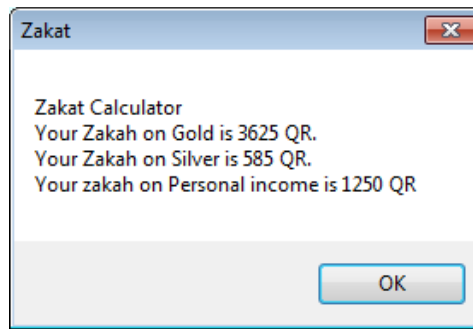
ILLUSTRATION OF EXAMPLES OF THE APPLICATIONS

The Zakah Application (For User Guide, please refer to Appendix A1)

The following are screen shots for an example using the Zakah expert system.

Case 1: You have 1000 Grams of Gold at rate of 145 QR per gram and 10000 grams of silver at rate of 2.34 QR per gram. Also you have a personal income of 50000 QR. For all above items, a one Hijri year was elapse. To use the application, first you need to select "Yes" in the group box labeled "Has one Hijri year elapsed?" Then you need to enter your information as shown below:

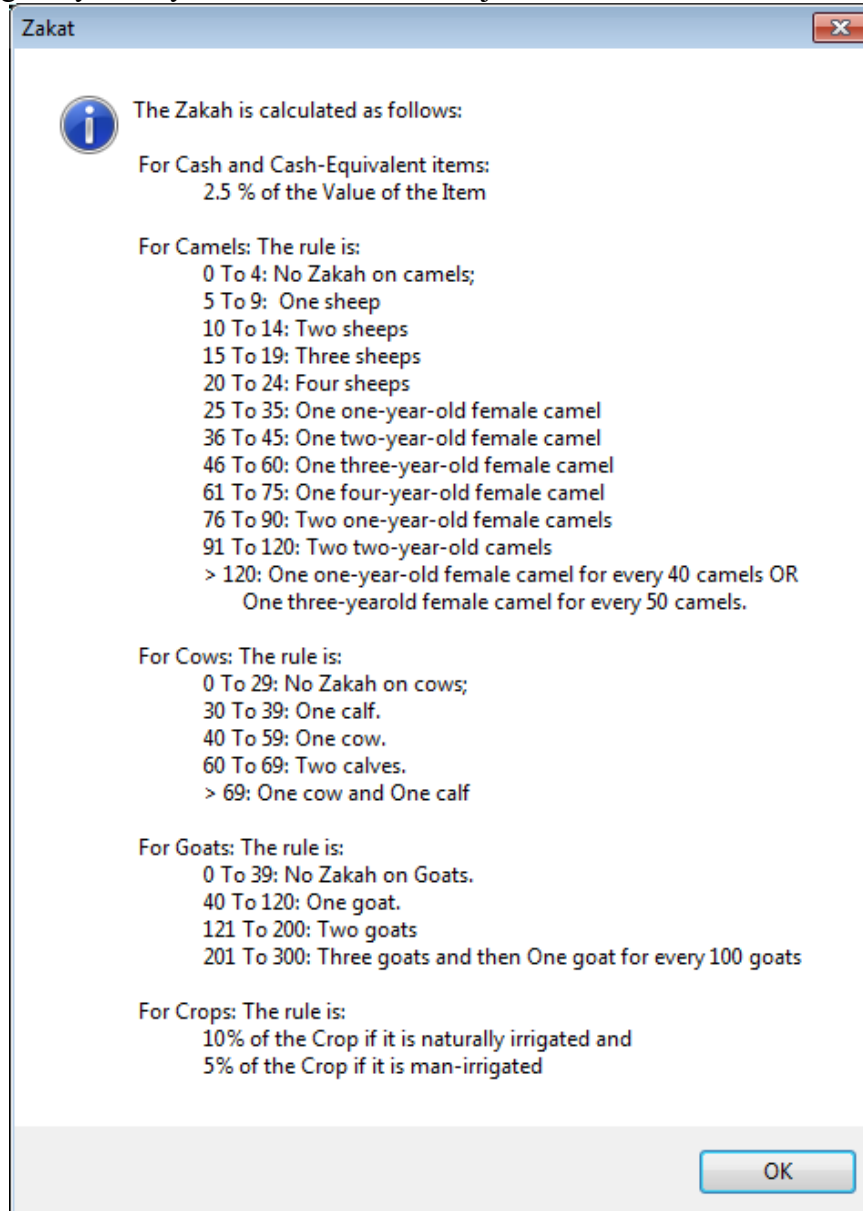
Then Click on "Calculate" Button. The Zakah amount due will be displayed as shown below.



Click “Ok” Button to go back to the previous screen.

If you want to see the basic rules for the calculation, you may click on “Explain” Button.

To close the program you may click “Exit” Button or just click on close “x” button



The Inheritance Application (For User Guide, please refer to Appendix A2)

The following are screen shots for an example using the Inheritance expert system.

Case 1: Deceased is a female and the inheritors are: husband, full sister, uncle from father, and the mount is 30000 QR. To use the application, first you need to select the gender for the deceased by selecting “male” or “female”. Then you need to enter your information for the selected case (for the list of cases, Appendix B).

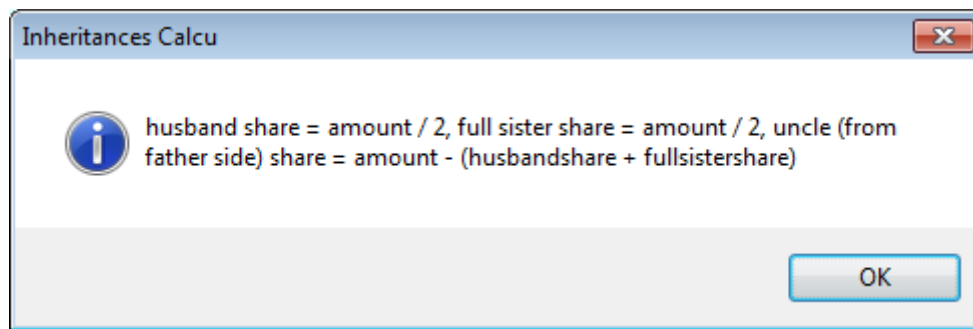
Since the deceased is female, then you need to select gender as female.

Enter the amount (e.g, 30000)

Enter the inheritors' information as follows:
 Enter 1 in the box next to husband label
 Enter 1 in the box next to full sister label.
 Enter 1 in the box next to uncle from father label.

Click on Calculate, the results will appear next to each box you selected as shown in below

Click on “Explain” Button If you want to know the explanation of the distribution of the inheritance, a message box will appear as shown below.



To run another case, you need to click on the “Clear Form Button” before you enter the case information.

To close the program you may click “Exit” Button or just click on close “x” button

CONCLUSION

This project developed two expert systems for helping end-users in identifying the inheritance distribution according to Islamic Sharia and the amount of Zakah. The inheritance and the Zakah rules are among the most relevant issues to Muslims lives. These two expert systems are easy to use and very useful to many sectors in the society such as the educators (e.g., the college of Sharia), Ministry of Awqaf, and the general public. The project utilizes Visual Basic Software as the programming development tool and. The developers followed the systems development life cycle (SDLC) and project management processes in implementing the project.

APPENDIX A1

User Guide for the Zakah Expert System

This document explains for the users how to use the application. You do not need to have on your computer system the VB software, instead you will be able to run the program by just double clicking on the executable file named” Zakah” for the Zakah application. This version of the application runs on the Microsoft Windows operating system.

Instructions for Using the Zakah Application:

Double click on the file named “Zakah”

The following interface will be open.

You need to indicate if the full Hijri year has elapsed since you owned items to be selected. This done by selecting one of the radio buttons in radio group labeled “Has one year of ownership elapsed?”

You are required to select the items you want to calculate their Zakah and enter the amounts of these items. The items categories include:

Gold & Silver | Savings | Rental Income | Livestock | Personal Income | Shares & Stocks | Business Crops

Click on the “Calculate Button” to see your Zakah for each selected item.

If you want to know the explanation of the Zakah amount, you may click on the “Explain Button”.

To exit the application, you may click on the “Exit Button”

APPENDIX A2

User Guide for the Inheritance Expert System

This document explains for the users how to use the application. You do not need to have on your computer system the VB software, instead you will be able to run the program by just double clicking on the executable file named” Inheritance” for the Mirath application. The version of the application runs on the Microsoft Windows operating system.

Instruction for Mirath Application:

Double click on the file named “Inheritance”

The following interface will be open.

Inheritance Calculator

Gender of the Deceased: ☒ Male ☐ Female Amount:

Specify The Male Muslim Relatives:

| (Please Insert Number Of) | Share Is: |
|------------------------------|-----------|
| Son : | 0.00 |
| Son Of Son : | 0.00 |
| Son Of Son Of Son : | 0.00 |
| Father : | 0.00 |
| Grandfather (Father Side) : | 0.00 |
| Full Brother : | 0.00 |
| Step Brother (Father Side) : | 0.00 |
| Step Brother (Mother Side) : | 0.00 |
| Nephew (From Full Brother) : | 0.00 |
| Nephew From Step Brother : | 0.00 |
| Uncle From Mother Side : | 0.00 |
| Uncle From Father Side : | 0.00 |
| Cousin From Mother Side : | 0.00 |
| Cousin From Father Side : | 0.00 |
| Husband : | 0.00 |

Specify The Female Muslim Relatives:

| (Please Insert Number Of) | Share Is: |
|------------------------------------|-----------|
| Mother : | 0.00 |
| Daughter : | 0.00 |
| Daughter Of Son (Grand Daughter) : | 0.00 |
| Granddaughter of Son : | 0.00 |
| Wife : | 0.00 |
| Grand Mother (Mother Side) : | 0.00 |
| Grand Mother (Father Side) : | 0.00 |
| Grand Grand Mother : | 0.00 |
| Full Sister : | 0.00 |
| Step Sister (From Father) : | 0.00 |
| Step Sister (From Mother) : | 0.00 |

Buttons: Calculate, Explain, Clear Form, Exit

You are required to enter the following:

The gender of the deceased | The Amount of the Inheritance | The number of the male and female inheritors.

Click on the “Calculate Button” to see the share of each inheritor in the box under the column labeled “Share is”

If you want to know the explanation of the distribution of the inheritance, you may click on the “Explain Button”.

To run another case, you need to click on the “Clear Form Button” before you enter the case information.

To exit the application, you may click on the “Exit Button”

Since the expert systems are domain focused by their nature, the following cases were implemented for this application. For any additional case, the application will refer the users to a website where they can get help.

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Abstract

Islam plays a powerful symbolic and cultural role in the constitution of consumer preferences. In order to quantitatively study this role in the consumption patterns of Muslim consumers we need a suitable scale for religiosity. However, the existing scales of religiosity have been developed primarily for Christian respondents and have validity issues. This study addresses these challenges by re-conceptualizing the religiosity construct for Muslims and developing a new scale of religiosity. We followed a three stage process for developing this measure with sound psychometric properties.

Introduction

Theory development in the discipline of marketing and consumer research is essential for these fields to progress (Hunt, 2002). An essential part of this development is making connections between abstract theoretical constructs²³ and observable empirical phenomenon (Churchill, 1979). Hence, we need elaborate procedures for operationalizing constructs and must attempt to establish multi-item interval measurement scales to measure these constructs. A composite score calculated by summing up the respondent's score on the scale items then provides a measure of the corresponding construct. These are essential for quantitative investigations of social phenomena and serve to link the abstract conceptual foundation for a study to its concrete procedures. This is the reason that scale construction continues to be a popular activity in the field of marketing (Gerbing & Anderson, 1988).

Despite the importance of developing measurement scales, the task becomes difficult with complicated and multifaceted constructs. One such construct which has gained recent popularity in the discipline of marketing is the construct of religiosity. It has been defined in various ways but one definition commonly used in the consumer behavior literature is provided below:

“Religiosity refers to the faith that a person has in God and the extent to which they are pursuing a path considered set by God” (Singhapakdi et al., 2013).

²³ A construct is a conceptual term used to describe a phenomenon of theoretical interest that cannot be observed directly.

Conceptually, we would expect religion to be an important part of decision making of a typical consumer. This is because it is a key element of any cultural system that contributes to an individual's values and thereby influences his behavior (Fam et al., 2004; Bailey & Sood, 1993). In fact, religion and its associated value systems permeate society to such an extent that even nonbelievers are influenced by it (Khraim, 2010).

Despite the importance of this topic, the empirical literature to assess how religion influences consumer behavior is still in its infancy. Many studies just relate religion to consumer behavior highlighting the topic's exploratory nature and make no attempt to either provide a strong theoretical foundation or to develop a specific scale. Moreover, all the existing measurement scales are developed in the West for primarily Christian and Jewish communities. There is no specialized scale for many other religious beliefs including Muslims. This article attempts to bridge this gap by developing a scale for the Muslim consumers and also contribute to increase understanding of the religiosity construct as understood in Islam. What is conspicuous about religiosity research is a lack of analysis of how the modern life has restricted the meaning of religion to matters of private belief in the world of rituals rather than the public realm. We have also tried to address this concern in our paper.

We first underscore the theoretical importance of religiosity for consumers and review the existing literature of marketing related with the effect of religiosity on consumer behavior. We then discuss the dominant economic explanation of religiosity used in the marketing literature and highlight its limitations. Afterwards we examine the existing scales of religiosity and draw attention to their inadequacies in capturing Muslim religiosity. Finally we present the methodology we used to develop the scale for religiosity for Muslims and discuss the analysis of the obtained data. We finish the paper by outlining the future research in this stream of literature.

Importance of Religion for Consumers

It is established in the extant literature that religion as a system of beliefs and practices dictates individual's preferences, their behavior and consumption patterns (Delener, 1990). In an early consumer ethics study, Hirschman (1982) found that religious affiliation could influence the ways in which consumers evaluate brands. He treated religious affiliation as a cognitive system that affect values, beliefs, and behavioral tendencies of consumers.

The initial theoretical links with the value system of an individual is made by Sheth (1983) in his shopping preference theory. He argues that shopping motives are influenced by personal, social and epistemic values. Some studies in the consumer behavior literature have provided empirical support for Sheth's theory identifying religion as provider of personal values that influences consumption (Swimberghe et al., 2009; McDaniel & Burnett, 1990). However, research in this stream did not study religion as an inherent human value. In an important empirical investigation, Wilkes et al., (1986) found that religiosity correlated with several aspects of consumer's life-style variables which ultimately affect the choices made by the consumer.

Another strand of this literature examines the differences between Jews, Protestants and Catholics regarding the type of brands or retail outlets they prefer. One finding of this stream is that the degree of religiosity, regardless of religion, is a more reliable predictor of consumer behavior than simply religious affiliation (see Essoo & Dibb, 2004; Delener, 1994; McDaniel & Burnett, 1990). However, other researchers including Hirschman (1981) found that compared to their cohorts, Jewish consumer displayed more information seeking and consumption innovativeness. Hence, the fact of being Jewish represented a suitable segmentation variable.

On a broader level, Belk et al., (1996) argued that religious systems shape and manifest differences in the nature of consumer desire. Studies also reported differences in shopping and consumption patterns of individuals motivated by either intrinsic or extrinsic religiosity (Sood & Nasu, 1995). Applying the same theory in the arena of ethical decision making, Vitell et al., (2006) found out that intrinsic religiousness significantly impact consumer ethical identity and beliefs.

However, most of these studies only consider religiosity to be a segmentation variable. There is very little focus on religion as a social force that frame, shapes and legitimizes consumption practices. Furthermore, one needs to consider the growing size of the Muslim market. The behavior of this segment of the market is significantly influenced by Islamic teachings. Recently, there has been evidence of a religious awakening and a drive towards a return to tradition in the Muslim world (Sinanovic, 2012; Turner, 2007). Hence, Islam as an integral part of the life of a Muslim must be studied by a marketing researcher trying to understand the consumption patterns of Muslims (Jafari & Suerdem, 2012; Cornwell et al., 2005).

In essence, there is evidence that religious factors affect both attitudes and behavior of consumers. In order to further extend and refine the religiosity literature, the marketers need to develop suitable scales with good validity and reliability. Since the measures need to be consistent with the theoretical understanding of the construct, let us turn to a short discussion on the theoretical explanations of religiosity as available in the marketing literature.

Economic Interpretation of Religion

The dominant theoretical explanation for religiosity in the discipline of Marketing and Consumer Behavior is driven from economics. The economic interpretation of religion has been influenced in many ways by the rational choice theorists, including but not limited to Rodney Stark, Roger Finke, Laurence Iannaccone and Stephen Warner. For these theorists, the religious behavior of an individual can be explained by a rational process. For example, an individual may join a church for the wonderful music, another for fellowship of the people involved, another for avoiding bad outcomes in the next life and so on. In rational choice theory, all these decisions are 'rational' in the sense that they are centered on the satisfaction of wants. However, in its essence the rational choice theory is morally neutral. It does not in itself classify the decision of consumers as good or bad.

The rational choice approach is not without its critics, however. Steven Bruce (1999), for example has critiqued this theory based on its ignorance of cultural, socioeconomic, gender, and other sociological factors that play an important role in the manner by which we perceive religious experience.

Moreover, this theory is totally focused on the dynamics of the Christian religion. Regarding Christianity some scholars, including Bryan Wilson, have argued that it has survived in this postmodern world at the cost of its orthodox theological content. Wilson, in his book, *Contemporary Transformations of Religion* (, argues that Christianity had simply accommodated belief and practice to the predominant values and lifestyles of a postmodern consumer society. What this implies is that modern religions are inauthentic since they survive at the cost of their doctrines and hence make few demands on their followers. One might say that religion, in this economic interpretation, has become merely religiosity. Once this particular concept of religiosity is ingrained in our minds, it then becomes very easy for us to bypass any discussion of the meaning and the symbolic elements of any religion in the lives of consumers.

However, this notion is very problematic for other conceptualizations of religion. For example, the traditional Islamic scholars treat Islam not as a religion but as a *din*, which implies a complete code of life. It encompasses the secular with the spiritual, the mundane with the celestial and hence forms the basis of the ethical and juridical attitudes and laws towards any social phenomenon. Hence, the concept of religiosity as is currently being used in the Marketing literature cannot be directly applied in some areas.

This problem is not only evident in the theoretical explanation of religiosity but also in its measurement.

Existing Scales of Religiosity

One can classify the existing scales for religiosity based on their unique focus on any of its singular dimension. This classification results in scales of intrinsic (religion as an end), extrinsic (religion as a means), and quest (religion as a search), which are different ways of conceptualizing religion. However, as discussed earlier, these conceptualizations are entirely different from the Islamic notion

of *din*. The table 1 below depicts all the relevant empirical literature utilizing some measurement of religiosity.

Table 1: Scale development efforts for the religiosity construct

| Reference | Publication Type | Sample | Religious Variable | Scale | Focus of the Study |
|--------------------------|--|---|--------------------|--|---|
| Putney & Middleton, 1961 | Social Forces | 1,126 Christians | Religious ideology | Religious ideology scale | Scale development |
| Allport & Ross, 1967 | Journal of Personality and Social Psychology | 309 Christians (Catholics and Protestants) | Religiosity | 20 item Intrinsic/Extrinsic orientation | Relationship between religion and ethnic prejudice |
| Wilkes et al., 1986 | Journal of the Academy of Marketing Science | 602 mostly protestants | Religiosity | Four item scale measuring Church attendance Importance of religious values Confidence in religious values Self-perceived religiousness | Measurement of religiosity and its link with life style variables |
| McDaniel & Burnett, 1990 | Journal of the Academy of Marketing Science | 314 Protestants, 264 Catholics, 39 Jews | Religiosity | Religious affiliation through an open-ended question Religious commitment by developing a scale | Effect of religiosity on retail store patronage |
| Sood & Nasu, 1995 | Journal of Business Research | 125 Shinto Buddhists, 105 Protestants | Religiosity | Developed a scale | Religious differences in shopping behavior in Japan and the US |
| Worthington et al., 2003 | Journal of Counseling Psychology | 52 Buddhists, 12 Muslims, 10 Hindus, 117 nonreligious | Religiosity | 10-item Religious commitment inventory (RCI-10) | Scale development |

It is evident from Table 1 that most of the scales were developed using Christian respondents. We don't know if the same scale is appropriate for Muslim respondents.

We also categorized the existing empirical literature of religiosity in marketing using these scales. The results are reported in Table 2.

Table 2: Frequency of usage of religiosity scales in the marketing literature

| Scale | Frequency | Studies |
|--------------------------|-----------|---|
| Allport & Ross, 1967 | 9 | Delener & Schiffman (1988), Delener (1990), Delener (1994), Essoo & Dibb (2004), Vitell et al., (2006, 2007), Schneider et al., (2011), Patwardhan et al., (2012), Singhapakdi et al., (2013) |
| McDaniel & Burnett, 1990 | 3 | Siguaw & Simpson (1997), La Barbera & Gurhan (1997), |

| | | |
|--------------------------|---|--|
| | | Rashid & Ibrahim (2008) |
| Wilkes et al., 1986 | 3 | Vitell & Paolillo (2003), Lindridge (2005), Moschis & Ong (2011) |
| Putney & Middleton, 1961 | 1 | Baker et al., (2013) |
| Worthington et al., 2003 | 1 | Mokhlis (2009) |

Let us now discuss the important scales and their limitations.

Allport & Ross, 1967 (Intrinsic-Extrinsic religiosity Scale):

The measurement of religiosity was initiated by Gordon Allport and his colleague Michael Ross (1967). They differentiated between two dimensions of religiosity namely intrinsic and extrinsic religiosity. The former involves the internal commitment to religion due to its innate capacity to serve the common good while the latter reflects the pursuit of religion to gain social approval or to further one's own agenda. However, Allport realized that the religiosity construct is much more complex than only two dimensions. In his own words,

“the roots of religion are so numerous, the weight of their influence in individual lives are so varied, and the forms of rational interpretations endless, that uniformity of product is impossible” (Allport, 1950: 26).

Despite this limitation, Allport & Ross simply suggested that extrinsically motivated individuals “use” their religion, whereas the intrinsically motivated “live” their religion (Allport & Ross: 1967: 434). This distinction has generated considerable research over the past few decades and the findings are generally consistent with this theory. Hence, for most of the researchers this scale captures much of the complex nature of religiosity.

However, this scale presents some limitations. First, researchers claim that extrinsic and intrinsic must be treated as independent scales, not as a continuum as initially conceived. Moreover, this scale fails to define, in a clear manner, religious orientations in value-neutral terms (Hill & Wood, 1999). Other problems include weaknesses in the factorial structure, reliability, and construct validity of this scale (Kirkpatrick & Hood, 1990). Finally, the scale has defined religiousness independent of belief content which in our view is its major limitation.

Wilkes et al., (1986) scale:

This is a four-item 9-point Likert type scale that measures: church attendance, importance of religious values, confidence in religious values, and self-perceived religiousness. This scale is also used extensively in the literature since it taps several dimensions including beliefs, commitment, and behaviors. However, due to only 4 items, this scale does not capture all the theoretically-relevant dimensions of the religiosity construct. Moreover, it is appropriate only for exploring the extent to which strength of religious beliefs per se results in different decision processes of consumers.

McDaniel & Burnett (1990) scale:

These authors operationalized religious commitment as having cognitive and behavioural dimensions. The cognitive dimension is defined as “the degree to which an individual holds religious beliefs” (1990: 103). This is measured by three items designed to evaluate the importance of religion. The behavioural dimension, on the other hand, is assessed using two items – church/synagogue attendance and monetary giving.

Other scales which have tried to assess Muslim religiosity include the MARS scale and the self-rating of religiosity scale. These scales are not present in the marketing literature but have been used in the counselling psychology literature.

Wilde & Joseph, (1997) Muslim attitude towards religiosity (MARS) scale:

This scale contains 14 items adapted from the Francis Scale of Attitude towards Christianity (Francis & Stubbs, 1987). Example items include: “I find it inspiring to read the Qur’an”, and “Mohammed (peace be upon him) provides a good mode of conduct for me”. Each item is rated by the respondent on a 5-point Likert scale ranging from “strongly disagree” to “strongly agree”. This scale tries to measure the commitment to basic Islamic beliefs and practices.

Nevertheless, since this scale was adapted from a Christian scale, some items were not relevant for Muslims. For example one item for female respondents is “I observe my daily prayers in the mosque”. The traditional understanding of Islam considers it preferable for females to pray at home. We also observe in our daily lives that Muslim women generally pray in their homes. Hence, this item should not be part of a religiosity scale for Muslims.

Abdel-Khalek (2007) Self-rating of religiosity (single item):

This item asks the respondents, “What is the level of your religiosity in general”? on a Likert, 5-point scale ranging from one (not religious) to five (very religious). This single item measure has been used in many studies involving Muslims (see Abdel-Khalek, 2007a, Abdel-Khalek, 2007b, Abdel-Khalek, 2013).

Considering the complex nature of religiosity, a quality measurement of this construct is essential (Wilkes et al., 1986). While advanced statistical methods allow single items to serve in statistical models, a real question must be raised about not only reliability but also validity since a single item measure can be ambiguous with respect to the intended meaning and can be changed by the context of the previous items. Reliance on single-item measures at the exclusion of multi-item measures weakens results. More than two decades ago, marketing researchers (Churchill, 1979; Jacoby, 1978) alerted researchers to the “folly of single indicants” (Jacoby, 1978: 93).

Reliability of measurement is better assured and often obtained through psychometric development of scales comprised of multiple items. A single item to assess behavior not only is psychometrically unreliable, but often grossly over-simplifies consumer behavior. In sum, the existing scales of religiosity are not suitable for application in a Muslim environment and hence there is a need to develop a better scale.

Challenges in developing a scale for Muslim religiosity

It is very important for scale developers to have an explicit conceptualization of the population for whom the scale is intended. Understanding the population is critical for developing good items, even beyond the obvious implications for item content. Without a good handle on different characteristics of the target respondents, it will be difficult to consider such issues as reading levels and cultural appropriateness in wording the items.

One challenge in developing a scale for religiosity is its myriad dimensions which for some researchers go to a maximum of six (e.g., Burroughs & Rindfleisch, 2002; DeJong et al., 1976). These dimensions encompass different aspects of religious belief, practice, experience, knowledge, commitment and participation. However, which dimension is the most salient is an empirical question which is unresolved.

For matters relating to discriminant validity, we need to conceptually understand the difference between religiosity and spirituality. The latter refers to “spiritually-related beliefs and experiences common to most religions” (Rindfleisch et al., 2004: 13). However for Muslims spirituality is an integral part of their religion. Spirituality has been referred to as *taqwa*, *tazkiyah* (purification), *khashiat* (fear of Allah) and in the *hadith* as *Ihsan* and all of these are regarded as the essence of religion (Khan, 1965).

Another problem is of distinct meanings of the same terms as used in English and Arabic. We have already discussed the problem of the word *din* but other such terms include *fiqh* and *Shariah*. *Fiqh* is

the study of Islam to infer legal and religious principles. It is therefore not the same as 'Islamic jurisprudence' as understood in terms of Western legal theory and philosophy. On a similar basis, the word *Shariah* is not exactly the same as Islamic law. *Shariah* is divided into the categories of transactions (*Muamilat*), worships (*ibadat*) and punishments (*uqubat*).

Moreover, no difference is made between religion and morality in the Marketing literature since religion is considered to be a system of morality. However, the traditional scholars of Islam consider the word *din* as having divine connotations conveying meanings outside the realm of morality where as the word *Khuluq* (morality) is characterized by a human connotation.

Hence, Islam not only calls for theoretical virtue (knowledge) but also for practical virtue (good behavior). All these elements, which form part of content validity of the construct of Muslim religiosity, are not part of the Western canon.

Hence we felt a need to develop an appropriate scale for Muslim religiosity. We relied on the psychometric approach for development of this scale by which we would generate data and then find an aggregate pattern of variances and co-variances in the data. We assume that these patterns will reflect relationships at the aggregate level. Now we turn to the methodology that we adopted for scale development.

Methodology

We divided our scale construction effort into three stages: a qualitative stage, designed to achieve coverage of all the important content, a quantitative stage, designed to test instrument psychometric properties and a stage of item selection to address feasibility and acceptability of the scale. The early phase of our scale development effort called for an initial exploration. This consisted of not only reviewing the relevant literature but also conducting an extensive qualitative data gathering exercise as the first stage. We did qualitative research by carrying out focus groups, in-depth discussions and interviews. In depth interviews were conducted with experts on *Shariah*, corporate executives and common Muslim consumers to gather detailed and holistic information on the importance of religion in customers' choice. Moreover, focus groups were conducted with users and non-users of Islamic banking with sub-categories. We chose Islamic banking since it represents a unique industry based on religious ideals governing financial affairs.

Insights from qualitative research

The focus groups allowed access to a rich set of data based on the dynamic and lively focus group discussions regarding the customers' criteria for selecting banks as well as the general perception of and awareness about Islamic banks, their products and their authenticity. The data analysis of the interviews revealed certain broad themes. One overarching theme was the artificial distinction in religious practices and civil obligations by Muslims. Although Islamic *fiqh* is divided into two main parts: worship (*ibadat*) and civil obligations (*muamalat*); these two parts are supposed to be mutually reinforcing each other. The philosophy of *ibadat* is that they are held to be immutable and perennial for all societies at all times. They comprise the five pillars of Islam, namely: the profession of faith (*shihada*), the five prayers in a day (*salat*), payment of religious tax (*zakat*), fasting in the month of Ramadan (*siyam*) and the once in a lifetime pilgrimage to Mecca (*hajj*). The other part of *fiqh* concerns civil obligations (*muamalat*). This deals with the relationships between two different individuals and between an individual and an Islamic state. *Muamalat* is concerned with the practicalities of a Muslim's mundane daily life. A significant portion of *muamalat* is the conduct of a Muslim's economic activities within the economic system. However, these *muamalat* needs to be traced back to *fiqh*, to *Sharia*, to Islam and finally to *Allah*. In this holistic sense, *ibadat* and *muamalat* cannot contradict each other in the spheres of social, legal and economics. Hence, it was surprising for us to note that Muslim consumers have or want to separate their secular with their religious world.

Similarly, awareness of the 'religious obligation' to avoid *riba* (interest) as well as the mechanics of banking products and services provided by Islamic banks was also gauged in terms of how it impacted

Muslim consumer choices. The majority of Muslims and non-users of Islamic banking expressed concerns over its authenticity, whereby many perceive it to be an offshoot of traditional banking system.

Questionnaire development for survey:

The next phase of scale development involved developing a questionnaire to tap into Muslim religiosity. Initially a tentative questionnaire was designed. It was then pre-tested by five experts, not included in final sample, who were requested to carefully scrutinize and provide feedback on each and every detail from the look of questionnaire to the flow of questions. This was in line with the guidelines of scale development and served multiple purposes related to maximizing the content validity of the scale (DeVellis, 2012). Based upon the feedback, the questionnaire was further revised and amended. After the modification of questionnaire, final refined questionnaire was developed in English (refer to Appendix A).

Sample characteristics

The self-administered questionnaire was distributed to walk-in customers of conventional and Islamic banks, including Islamic windows of conventional banks. The researchers visited more than 32 branches of banks in Lahore, the second largest city of Pakistan. Total number of 110 surveys was distributed among conventional and Islamic Banking customers in equal proportion. From these surveys, seven were discarded due to discrepancies and the remaining 103 surveys were used.

The demographics section indicated that 70 percent of the respondents were male while 30 percent were female. Moreover, the data revealed that most of the people were either graduates or post graduates. Almost 82 percent of people in the conventional bank user's group were graduates or above whereas Islamic Bank users were slightly more qualified with 85 percent of them having graduate and higher degrees. However, more people in the conventional group were postgraduates than people in the Islamic bank group. The data also pointed out that more than 70 percent of the respondents had studied about Islamic banking at some point in their study life.

Reliability refers to the extent to which a measure is repeatable and consistent (Nunnally & Bernstein, 1994). Since reliability is a necessary condition for validity, unreliable measures lessen the observed correlation between measures. We checked reliabilities of all measures through Cronbach alpha and all the values were sufficient for scale construction.

Do people consider ethical conduct of *muamlaat* as much a part of their religion as *ibadat*, given that religion is the most important factor in determining if one is a user of Islamic bank or not? In order to address this, two questions in specific were asked in the questionnaire. The first one required respondents to rank their own level of religiosity on a scale of one to ten (1 being not religious at all and 10 extremely religious), while the second one attempted to understand the perception of religion in terms of what practices they considered as being a part of their religion. The initial analysis involved factorizing all the variables involved in understanding the perception of one's religion. Using factor analysis as before, six factors were formed namely '*Muamlaat_Ethics & Society*', '*Apologist*', '*Ibadat*', '*Muamlaat_Law*', '*Azeemat*' and '*Muamlaat_Business dealings*' (See Table3).

Table 3: Factors loadings for the six factors in the '*maumlaat* are not part of the religion' category extracted using principal component extraction and orthogonal rotation

| Components | Factor Labels | | | | | |
|-------------------------|---------------------------|-----------|--------|--------------|---------|----------------------------|
| | Muamlaat_Ethics & Society | Apologist | Ibadat | Muamlaat_Law | Azeemat | Muamlaat_Business dealings |
| Respects his/her elders | 0.811 | | | | | |
| Keeps his/her promises | 0.779 | | | | | |
| Refrains from Bribery | 0.749 | | | | | |

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Helps those in need regularly | 0.729 | | | | | |
| Respects and his/her parents | 0.704 | | | | | |
| Does not fight with others | 0.703 | | | | | |
| Does <i>sadqa khairaat</i> | 0.592 | | | | | |
| Takes interest only as a last option | | 0.752 | | | | |
| Cheats only if it doesn't hurt anyone | | 0.748 | | | | |
| Bribes when it does not hurt anyone | | 0.743 | | | | |
| Only bribes when absolutely necessary | | 0.714 | | | | |
| Pays interest but does not take interest | | 0.541 | | | | |
| Does not pray regularly but remembers God at all times | | 0.503 | | | | |
| Does not pray regularly but has a strong spiritual connection with God | | 0.502 | | | | |
| Prays five times at home | | | 0.871 | | | |
| Fasts daily during the month of <i>Ramzan</i> | | | 0.854 | | | |
| Prays five times in a mosque | | | 0.811 | | | |
| Prays <i>Jumma</i> regularly | | | 0.77 | | | |
| Follows traffic rules | | | | 0.797 | | |
| Abides by the laws of the state | | | | 0.794 | | |
| Pays full tax | | | | 0.762 | | |
| Wear a <i>hijab/niqab</i> | | | | | 0.732 | |
| Has a beard | | | | | 0.722 | |
| Does not interact with <i>non-mehram</i> | | | | | 0.647 | |
| Turns off music at time of <i>A'zaan</i> | | | | | 0.593 | |
| Avoids interest at all costs | | | | | 0.555 | |
| Does transactions according to <i>Shariah</i> | | | | | | 0.697 |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

To further analyze the above mentioned hypothesis *cluster analysis* was performed. Two clusters, namely 'moderately religious' and 'highly religious' were obtained. These clusters were formed by initially applying *hierarchical* clustering (Ward's method), to obtain the number of clusters to be used. Then *K means* clustering was used to obtain the various dimensions of these clusters. The resultant clusters had means of 8 and 5 signifying the respondents of our sample either fell into 'highly religious' or 'moderately religious' cluster respectively. Further details of two clusters are given in Table 4a and 4b.

Table 4a: Cluster Centers

| | Cluster 1 | Cluster 2 |
|---|------------------|----------------------|
| Cluster mean | 8 | 5 |
| Respondent's perception of their own religiosity: Cluster Label | Highly Religious | Moderately Religious |

Hierarchical Ward's and K means clustering.

Current Iteration is 3

Table 4b: Number of cases in each cluster

| | Number of cases |
|----------------------|-----------------|
| Highly Religious | 33 |
| Moderately Religious | 69 |
| Valid | 102 |

These clusters were then compared against the factors by using independent samples t-test. The results of the test indicated that there was a significant difference between the means of the two clusters at a 95% significance level. This meant that people falling in the cluster of ‘highly religious’ attach more importance (Table 6a and 6b below) to ‘*Azeemat*’ i.e. religiously and ethically sound actions and to ‘*Muamlat_Business dealings*’ i.e. economic transactions according to *Shariah*. This is a very important finding because the heart of Islamic banking, i.e. avoiding interest at all costs, is predominantly considered a key part of the religion by highly religious individuals only. Likewise, if doing transactions according to *Shariah* is believed to be fundamental part of religion, it should attract a lot of customers for Islamic banks but, as witnessed from these results, only a fraction of the population believes it to a fundamental part of religion.

Future Research

There are many avenues of future research on this topic. First, other researchers can perform structural equation modeling techniques to further evaluate the psychometric assessment of our religiosity scale in terms of its dimensionality, reliability and validity (see Martinez-Lopez et al., 2013; Hair et al., 2012; Steenkamp & van Trijp, 1991). Moreover, we need to examine relationships between this new scale and consumer purchase behavior, consumer innovativeness, consumption patterns and ethical beliefs of consumers in order to develop a nomological network and establish criterion-related validity (Cronbach & Meehl, 1955). We also did not measure construct validity since the same sample should not be used both for scale development and construct validity due to common method variance (Hinkin, 2005). Hence, other researchers can use an independent sample to test construct validity and for enhancing generalizability of this new measure of religiosity.

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Appendix A

From your perspective of religiosity, how would you rate a person who displays the following characteristics?

| A person who | Not Religious Highly Religious Nothing to do with Religion | | | | | |
|---|--|---|---|---|---|--------------------------|
| Prays five times in a mosque | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Prays five times at home | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Fasts daily during month of <i>Ramzan</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Prays <i>Juma</i> regularly | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Keeps his/her promises | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Does transactions according to <i>Shariah</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Refrains from bribery | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |

| | | | | | | |
|---|---|---|---|---|---|--------------------------|
| Doesn't pray regularly but has a strong spiritual connection with God | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Avoids interest at all costs | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Turns off music at time of <i>A'zaan</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Doesn't interact with non- <i>mehram</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Recites Holy Quran on a daily basis | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Respects his/her elders | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Doesn't fight with others | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Fasts occasionally during month of <i>Ramzan</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Pays interest but does not take interest | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Only bribes when absolutely necessary | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Has a beard | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Pays full <i>zakat</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Recites Holy Quran occasionally | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Helps those in need regularly | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Does <i>sadqa, khairaat</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Cheats only if it doesn't hurt anyone | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Wear a <i>hijab/niqab</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Has a <i>mehraab</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Wears eastern clothing always | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Doesn't pray regularly but remembers God at all times | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Respects and loves his/her parents | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Believes in the power of <i>dua</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Pays full tax | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Doesn't listen to music at all | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Takes interest only as a last option | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Follows traffic rules | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Prays and fasts regularly during <i>Ramzan</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Says <i>durood</i> regularly | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Regularly visits shrines of <i>pirs</i> and spiritual figures | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Stays up and prays on Holy nights like <i>Shab-e-Mairaj</i> | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| Bribes when it doesn't hurt anyone | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| mm. Intentionally stocks goods to create an increase in quantity demanded | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |
| nn. Abides by the laws of the State | 1 | 2 | 3 | 4 | 5 | <input type="checkbox"/> |

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Abstract

As marketing develops as a scientific field, it is inevitable that its reach and impact extend on the further segments of society composed of various cultures, subcultures, ethnic groups, far and near geographies, and most importantly religions.

Broadening marketing to include religion or religious institutions is not a new concept as religious institutions have products to serve and satisfy the needs of customer groups {e.g. Church offers religious experience to its members} (Kotler and Levy, 1969; Kotler, 1972). Whether Muslim consumers are brought into the attention of marketing practitioners and researchers for a set of reasons (Sandikci, 2011; Sandikci and Rice, 2011), serving and satisfying Muslim consumers' needs encourage marketing to be broadened under the name of Islamic Marketing.

Now with an academic journal and dedicated conferences, Islamic Marketing is placed under the microscope of marketing researchers. However, as Alserhan (2010), Arham (2010) and Wilson (2012b) suggest there are a lot of gaps and areas that needs to be filled due to the depth and breadth of Islamic Marketing. Specifically, Wilson (2012a) finds it appropriate to contribute with conceptual papers so that research agendas can be determined and building upon those conceptual work, literature and empirical data can be amassed in the field. Along this purpose, this paper will seek to establish the position of Islamic Marketing in general marketing science and theory building, will identify alternative positions to some of the current debates in Islamic Marketing and, finally, will propose broad frameworks and models to approach to and understand Islamic Marketing.

1. WHAT ARE THE SOURCES OF CURRENT DEBATES IN ISLAMIC MARKETING? WHAT ALTERNATIVE STANDPOINTS EXIST?

As Islamic Marketing is at its infancy stage; there are many debates at stage regarding the role of scholars studying Islamic Marketing, culture and technology, other misconceptions that elevates the academic discussion from its due course. Though these debates and misconceptions are not limited to what I discuss here, I will elaborate on the topics which could give insights for further discussion, as my purpose is to clarify and point to alternative positions in Islamic Marketing.

As a first issue, I will begin to draw the desired knowledge boundaries for aspiring Islamic Marketing researchers. This knowledge is vast and challenging as it is mainly comprised of philosophy of science and Islam, Islam in itself and, at last but not the least, history. In the following first issue, I will elaborate on the role of researchers' position and background in doing research in Islamic Marketing. Then, I will seek to identify alternative viewpoints in relation to culture and religion intersection and in relation to the discussion of religious versus socioeconomic changes in consumers' lives. This section of the paper will end with the impact of technology on Islam and lack of central authority in Islam.

1. 1. Subject Integrity of history, Islam, and Islamic philosophy

In regards to the boundaries of knowledge to do research in Islamic Marketing and to develop it; Wilson (2012a) lists three desired skills of a scholar aiming to study Islamic Marketing: a specialization in an area of marketing, a working knowledge of Islamic codes of conduct, traditions and rulings, and, finally, an ability to identify homogenous Muslim subsets of Muslim population. I agree that scholars should have a working knowledge of Islamic codes. I tend to believe that Islam constitutes a very large study area and I am doubtful that current marketing academicians including myself are capable enough to analyze it from our own current perspectives and current level of knowledge and bring those discussions to marketing sphere.

First of all, philosophy of science discussion in current marketing literature is challenging for many scholars. If the amount of knowledge stretching until Greek philosophers from modern schools of thought is immense in this sphere; discussion of Islamic philosophy and its philosophy of science in a comparative fashion, which is unfortunately rather omitted in general management and marketing literature, is rather challenging. Despite this difficulty, erecting Islamic Marketing on its philosophical

bases is mandatory as Itiqadiyya (matters to faith and theological/philosophical foundations) precedes Fiqh (deeds/daily tasks/anything that is part of daily life as pertaining to Islam) and a Muslim life is basically built first upon the faith system and, then, its application and deeds in daily life. As well, the paradigms and philosophical foundations marketing scholars adopt affect their subsequent methodologies and their approach to Islamic Marketing. For example, Jafari (2012) argues for multiple understandings of Islam and hints upon the need for studying Islamic philosophy to develop a critical thinking perspective and applying inductive methods rather than heavy reliance on deductive approaches.

Secondly, partial knowledge in Islam (e.g. lack of knowledge in general Fiqh or in general Itiqadiyya), fore-fronting certain aspects of the religion such as generosity and ignoring other areas are likely to lead to biased and inconsistent viewpoints in Islamic Marketing. Islam encompasses all aspects of daily lives of its adherents, as proclaimed from birth till death and afterwards, from the belief till deeds. (Arham, 2010)

Finally, as Jafari (2012) suggests, overlooking the historical development of Islam is rooted in the projects of Orientalism and Self-Orientalism. Therefore, the academicians should develop a keen knowledge of history as pertaining to Muslim groups in the world against the historical amnesia. Such knowledge will help academicians develop their understanding of contemporary Muslim groups and the underlying mechanisms and drivers behinds their consumption patterns as pertaining to Islam.

1. 2. Agents and Researchers of Marketing as outsiders

Defining Islamic marketing has brought about questions such as whether researchers of Islamic Marketing or marketers executing Islamic Marketing should be Muslims or what level of knowledge of Islam they should have. An analogy of a social media marketing researcher who has never used Facebook may clarify this matter. There are no obstacles for this researcher to study social media marketing. There is neither a condition to use Facebook in person. This researcher can make use of subject opinions, Internet screenshots or user reviews and descriptions to continue her research. However, there will be questions as to the quality and nature of the insights that can be gained from such a study. On one extreme, such a research may result in very unique ideas with a complete outsider eye while it may lack the basic mechanisms and knowledge that will be accrued from a participatory research.

In Islamic Marketing, there is a clear need for more academicians and marketers for whom religion is part of their upbringing and which constitutes an important characteristic in their daily lives. Exploring how veiled Muslim women consume fashion in a country is comparatively challenging to an unveiled Muslim researcher there (Sandikci and Ger, 2010), more challenging to a Christian female researcher from another country, and much more challenging to a Christian male researcher again from another country. In contrast, a veiled researcher studying veiled women's fashion habits is more likely to arrive at more grounded research findings and in a faster manner.

This challenge represents the flesh of the difficulty that lies ahead for the non-Muslim or non-practicing Muslim researchers. The spirit of the difficulty lies in nuances which can be understood only after internalizing the religious processes either through long years' upbringing or being immersed in the religion after lengthy timeframes. For example, for an outsider, mosque may pose a serious institution whereby prayers and certain requirements of religion are carried out solemnly. However, for a Muslim, it may have other meanings and connotations. Giggling during prayers and angering elder people will bring smiles to people who went to mosque with their mothers and fathers during childhood. Or, mosque means a reminder of loss of a grandparent or reminder of summer time where Koran is learnt with friends. All these scenarios have different implications for marketing.

1. 3. Culture and religion

As there are calls to study Islamic Marketing as a culture with the underlying assumption that Islamic communities are not homogenous and culturally diverse (Sandikci, 2011; Jafari, 2012), the position of culture and religion should be ascertained in relation to each other. The basic question is whether religion is a subset of culture or whether culture is a subset of religion. Are they distinct from each other with certain overlaps? Does culture create and affect religion or does religion affects the cultures? Sasaki and Kim (2011) lists a summary of views ranging from Weber (1930) who sees religion as playing a role in developing cultures through traditions and ideologies to Cohen (2009) who sees

religion as a specific form of culture. Hulsether (2005) argues to adopt the premise that culture is an umbrella category with religious culture as a subset. Geertz (1970) defined religion as “(1) a system of symbols which acts to (2) establish powerful, pervasive, and long-lasting moods and motivations in men by (3) formulating conceptions of a general order of existence and (4) clothing those conceptions with such an aura of factuality that (5) the moods and motivations seem uniquely realistic. (p. 90)”. Such a definition bears a constructionist perspective and sees religion as man-made culture. A similar opinion is stated by Jafari (2011) that religion is enacted in the reality of everyday life, defined historically, and, the result of a discursive process.

As religion and culture intersection is a discussion beyond the means of this article and still remains to be solved by sociologists and anthropologists, Islamic Marketing researchers need to identify their relevant position in their analysis of culture and religion rather than acknowledging only one sided view ignoring the alternatives. If we are to view religion from the perspective of culture, and, especially with a constructionist viewpoint, the Islamic Marketing will lose its importance to a need to identify and study cultural clusters. This will rather limit our view and the interplay between religion and culture will be ignored.

For example, shaking hands between men and women is easily acceptable in Sudan while some religious people will abstain from it in Turkey. Here Sudanese culture affects religion in that a religious order is not followed. On the other hand, Ramadan fasting and all modern culture associated with it is originated from Islam in Turkish Muslim communities.

On another dimension, while religion plays a pivotal role in creating an umbrella culture, cultural differences may be observed across different Muslim groups. For example; Qurban is same activity across all Islamic groups but how you distribute the Qurban meat to poor is a cultural aspect. Or drinking tea is partially spread wider in Islamic communities as a replacement for banned alcohol. However; the differential stewing of tea is a cultural aspect. Women covering their body parts (only hands, feet and face can be revealed according to Islam), but the Afghan women wear burqa, Turkish women headscarf, Iranians disclose hair in the forehead, Malay women wear white. So, if a fashion brand is to set out to transform Malay white veil into red, this remains as an issue to be solved in the territory of culture, but trying to transform this dress into a hat which discloses hair is a religious aspect.

1. 4. Class struggles versus religious aspects

One of the challenges facing Islamic Marketing is sociopolitical and class discussions along the religious consumption practices. A prime example of class versus religion struggle is possible over veil in Turkey. Tesettur is actually term devised by the secular elite to denote veiled women who belong to relatively higher classes in Turkish society and, therefore, poses a problem to the status of pro-western secular elite in the society (i.e. a challenge to their socioeconomic stance as wealth and sources of power are changing or have the potential to change hands). Headscarf, an artificial split for veil created by seculars, denotes women from lower classes who are only visible in rural areas, or cleaners in the city (Sandikci and Ger, 2010; Izberk-Bilgin, 2012). Even this definitional perspective makes clear tesettur/headscarf conception more a representation of class struggle than veil's destigmatization as a fashion object as focused by Sandikci and Ger (2010).

However, another perspective to tesettür creates questions as to the understanding of the concept. Tesettur is rather the general hejap of women involving not only the veil but general hejap of women body. When Muslim communities were more informed, higher above their traditional socioeconomic ladder and started to appear in public life in Turkey in 1980s, they created a new wave of awareness and visible application of religion. This included covering not only the head but overall body as instructed by the religion. However, devoid of such a conceptualization, the secular elite focused on the veil and in an effort to undertone their criticism of veil, an artificial split between headscarf and Tesettur is created as veil is against the modernization project of Turkey. As a result of this artificial split, secular elite are able to criticize and accuse Tesettur heavily as a reversal of modernization (even named by some as ‘counter-revolution’) while they are able to not offend general public with “headscarf” including some of their own family members such as grandmothers.

Though their grounding of the veil in the larger stigmatization-destigmatization concept in a qualitative study; Sandikci and Ger (2010) provide an interesting study of sociopolitical struggles grounded in a

discussion of de-stigmatization and how religion intertwines with political tensions and historical structures (Izberk-Bilgin, 2012). According to a study by Ipsos KMG in 2012; 60% of the women in Turkey veils outside of their home, 37% of women covers their head at home, 42% of 18-24 age women veils. Therefore, an argument in a religious domain can in fact be an identity statement of women, who were once in periphery, who now feel more informed about the liberties, constitutional and human rights in front of the state and who now feel more empowered towards the other suppressing segments of the society.

Similarly, fashionable veils are as well criticized among the veiled women as being scrupulous and excessive. On the other hand, it is inevitable that women advancing in social ladder will adopt better lifestyle in clothing, decoration, or transportation such as more luxurious cars. The criticism towards more fashionable dresses of Muslim women can in fact be a criticism of social class if analyzed from a sociological perspective.

Finally, Jafari and Suerdem (2012) point to the role of how women are defined and expected to behave in their respective societies while discussing the role of veil. This discussion in our opinion is rather a sociological matter and, hence, context dependent. Whether ruling part of a society (males, elites, an ethnic group) decides to turn a religious act into a form of suppression, it is not a discussion of religion but a discussion of sociology, and, hence, should not be confused with a homogenous and transcendental view of religion.

1. 5. Impact of technology on Islam

Technology has an impact on Islamic marketing as it enables new products and services, for example, like reading Koran on iPad or going to Umrah more frequently due to advances in transportation. Additionally, culture, technology and religion are blended in certain situations. For example, telecommunications operators offer calling packages during Eid holidays or customized SMS packages during Mi'raj Night. So, the developments in technology create new questions and gaps in religion to be answered such as how to handle smart phones if they host Koran apps, whether someone should carry out Umrah as many times as he desires. Technology aspect is largely ignored in Islamic Marketing while it presents challenges and new research areas for both marketing and the religion itself.

1. 6. Lack of central authority

One of the difficulties to conceptualize Islamic marketing, especially as a homogenous and essential religious community, results largely from a lack of a central authority, which also acts in the creation and perception of a scattered Islam image across the world. Papal efforts in Christian world against birth control or Chief Rabbinate of Israel managing many personal life issues such as marriage are good examples of how such an authority can determine consumption practices of its followers.

As for the modern status of the institution of the Caliphate as the central authority of Islam, it was abolished by Atatürk in 1924 in Turkey and caliphate has not been re-established since then. According to Izberk-Bilgin (2012), abolishment of caliphate, as Caliph was the political and spiritual leader of the Muslim world, symbolically marked the end of the Islamic Civilization attracting criticisms from Muslims around the world.

Lack of this central authority currently allows and, in some ways, contributes to the strengthening of local applications, cultures and localities of Islam making it challenging for academicians to understand local applications of Islam in the respective geographies. In this setting, the implication for researchers of Islamic Marketing is to ensure proper communication and the use of information from local government institutions and authorities such as Directorate of Religious Affairs (Diyanet) in Turkey or local strong institutions such as Al Azhar University in Egypt.

In summary; Islamic Marketing needs to overcome these challenges discussed above ranging from technology to culture's impact on Islam. Alternative viewpoints originating from other disciplines, for example, unquestionably sociology, history, anthropology, philosophy of religion, politics, should be identified in relation to Islamic Marketing and should be guidance for further theory building in this area.

Not only other disciplines but also marketing literature and discussions of philosophy of science as to the role of marketing as a science constitute a greater contribution to and a more concrete base for

Islamic Marketing. In the next section, I will discuss the position of Islamic Marketing in the trajectory of philosophy of science referring to debates regarding the scientific status of marketing in literature.

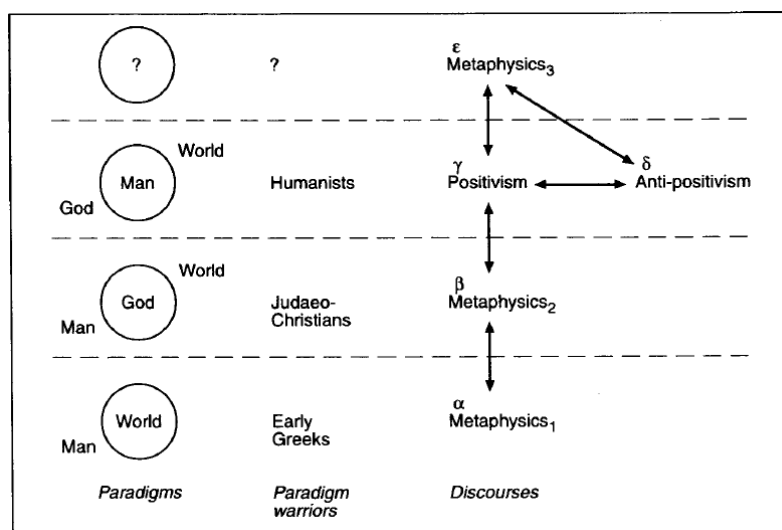
2. WHAT IS THE POSITION OF ISLAMIC MARKETING IN THE TRAJECTORY OF PHILOSOPHY OF SCIENCE?

Sandikci (2011) proposes ethnoconsumerism as a viable framework to study Islamic Marketing. As this proposition has its merits, it requires a closer look to understand its meaning, roots and fit for such a scientific enquiry into Islamic Marketing. Venkatesh (1995) states that ethnoconsumerism follows a comparative method and, hence, it is based on a subjectivist-interpretivist approach while comparing description, comparison and generalization goals of research. Whether Islamic Marketing can benefit from such an approach and the derived methodologies of this approach closely resemble the intellectual debates that took place to discuss marketing as a scientific field.

The historical trajectory of interpretivist-positivist or essentialist-social constructionist viewpoints, very familiar to marketing researchers, is presented in a simple map by Kavanagh (1994) in Figure 1. In this figure, four paradigms in Kuhnian sense were outlined. In Metaphysics₁, Man is postulated by Greek philosophers to exist as World exists and Man is not different from the world qualitatively. However, seeing Man different from plain atoms expanded into Metaphysics₂ placing a Supreme Being in the epicenter making Man and World secondary entities. Positivism is developed as Descartes emphasized the mind and, in the Enlightenment Age, science and reason took place of metaphysical beliefs, particularly Judea- Christianity. In this paradigm, Man is central and God is secondary.

The trajectory between Positivism and Antipositivism (γ to δ) is where the debates between realism and relativism take place currently in marketing sphere. Here, Kavanagh argues that this paradigm changes are basically about the ontological problems, i.e. whether reality exists out there or whether it is a product of mind. However, he continues that both sides (positivists and relativists) agree in rejecting the metaphysics and take an anthropocentric stance (placing man in the center) as continuation of what he calls the grand modernity project that Enlightenment launched. According to him, the basic dispute between two schools of thought is epistemology, the basic question of “how can I know what I know?” while both sides accept the centrality of the man in the epicenter. This epistemological dispute is rather a puzzle solving inside the paradigm rather than a paradigm shift.

Figure 1 – Metaphysical and Epistemological Discourse



Source: Kavanagh (1994)

Metaphysics₃ represents a shift from realism-relativism debate towards a new paradigm. Kavanagh compares this paradigm with post-modernism. But, he finds that even post-modernism is anthropocentric and opponents of postmodernism claim it nihilistic and post-modernism has been short of a viable alternative to positivism. Therefore, he elaborates on the insights provided by Bhaskar (1978, 1986). Bhaskar argues that ontic and epistemic fallacy should be avoided and one can adopt a realist ontology and a relativist epistemology simultaneously. Hence, Kavanagh argues that Bhaskar

has found a way out of this realism-relativism debate leaving aside the anthropocentric view both approaches adopt in essence.

So, the basic question Kavanagh wants to refocus marketing's philosophical discussion is "what should replace Man's, God and World's position in the new paradigm." Because of marketing's heritage that supports a scientific rather than a theological discourse, there is not much theological discussion in marketing. He cites two reasons why marketing should be involved in more theological discussion:

1 – There are vast array of people including scientists who publicly display theological and religious belief. Given religion is still adhered despite positivist efforts, there is no reason not to study religion in marketing

2 – If positivism is criticized, positivism's position to reject metaphysics should be criticized.

In our opinion, Metaphysics₃ as postulated by Kavanagh has potential room for a broadening of marketing to include Islamic marketing. Indeed, there is no reason not to include Islam as a theological discussion in marketing as an aberration from marketing's positivist heritage. As another criticism; the current historical trajectory of Kavanagh misses to indicate early Islamic philosophy that coincides Metaphysics₂. At this time frame, Islamic scholars were involved in translations from Greek philosophers and their advanced works in many fields including philosophy contributed to the Enlightenment as a contrast to Judea-Christian tradition against which the Enlightenment was an antidote. Therefore, I see no obstacles in a re-evaluating God's position in our modern age in relation to Man and World from an Islamic perspective and how this new theological discussion can enliven marketing.

Indeed as Haneef (1997) states the difference of "economic man" who does not submit in any form to a transcendent God in conventional economics, which as a concept differs in Islamic philosophy. In Islam, Human is Allah's envoy, and the world is entrusted to the human to be managed in line with Allah's will. (Arham 2010) So, God is central in allowing man to control the world within His permission.

Ontology and Epistemology in Islamic Marketing

Following the fact that academic scholars are experimenting with various paradigms, viewpoints and their subsequent methodologies to study Islamic Marketing, it is important to clarify ontological and epistemological status of Islamic Marketing.

Two schools are dominant in Islamic philosophy, namely Ash'ariyya and Mu'tazila. As Mu'tazila lost its prominence in 13th century after Mongol invasion (with limited influence in Shiite Persia and Zaydis in Yemen in our time), Ash'ariyya has been influential among the theologians and philosophers of Islam. According to Ash'arite school; truth is determined by God through His word in Koran. So what is true as God says is true.

Another perspective into the nature of truth can be found in the discussions of early Islamic thinkers especially represented in the works of Al Farabi, Ibn Sina, Ibn Rushd under Neo-Platonist and Aristotelian school of thought, whose ideas were challenged by Al Ghazali and Ibn Khaldoun. These thinkers not only varied in their viewpoints in regards to the reality but also in their epistemological methods. While many thinkers applied various methods including Greek skepticism, use of logic has become the predominant way of handling philosophical matters in Islam. However, the use of logic is in a way limited to whether one accepts the basic religious sources as the basis of these logical arguments rather than a secular viewpoint.

In my opinion, academic scholars interested in Islamic Marketing should identify their position as to whether they are going to work on the premises of Islamic philosophy, for example, taking an Ash'arite (predominantly Sunni) viewpoint and accepting the truth and knowledge according to Islam, hence accepting an essential and transcendental view of the religion. This point is also strongly related to the researcher's own religious belief as will be understood from the differences in these schools of thoughts very briefly outlined above.

Another way to approach the ontology and epistemology of Islamic Marketing is accepting the truth in general social sciences and marketing and hence develop a study framework as applied to Islamic Marketing from this viewpoint. In our opinion, Sandikci's (2011) approach resembles it as this study suggest to omit an essentialist approach to Islamic Marketing and fosters ethnoconsumerism as a subjectivist-interpretivist methodology.

A similar view is presented by Jafari (2012). While seeking an answer to questions such as whether there is Islam in the singular, he defends a position that a transhistorical view of Islam (religion having an autonomous essence, unchanged in throughout the history, Islam practiced today is the Islam of 14 centuries ago) ignores the “historical development of Islam, its experiences of enlightenment, and change on its route to modernity”.

A final alternative, which I think fit to Islamic Marketing, is adopting different approach in ontology and epistemology. Islam in my belief system is essential in its origin, commandment and ideal application to daily life and transcendental given the time considerations since its establishment. I hold the truth true as determined by God. I do not agree with the position that Islam’ core essentials have changed, Islam is progressive towards “modernity”, an implied higher objective. I also think that the ummah indicates a certain homogeneity and collectivity among Muslims unlike Jafari (2012) who mistakenly defines Ummah a collective nation of states. Ummah is first and above of all solidarity among Muslims, a collective supranational community of Muslims (Sandikci and Rice, 2011).

However, as for the epistemology, to reach to the essential truth, there are many ways involving quantitative and qualitative methods including hermeneutics and ethnoconsumerism. Accepting a singular ontic position does not prohibit a pluralistic approach to methods to arrive at the knowledge whether one adopts inductive or deductive methods.

In the same way, as Arham (2010) suggests, marketers need not be rigid in the application of Islamic marketing and try to be as creative as possible as long as they do not violate Islamic law, which is the ultimate guidance, just, perfect and the source of goodness.

3. WHAT ARE THE BASES OF THEORY BUILDING IN ISLAMIC MARKETING FROM A TRANSCENDENTAL AND ESSENTIALIST PERSPECTIVE?

Advancing with a premise that Islam offers a homogenous conceptualization and theory building for the consumption practices of larger Muslim community, I will set forth certain frameworks which help initiate academic work, establish the basis of cross-cultural research designs, and which will help overcome the challenges put forward in the preceding section.

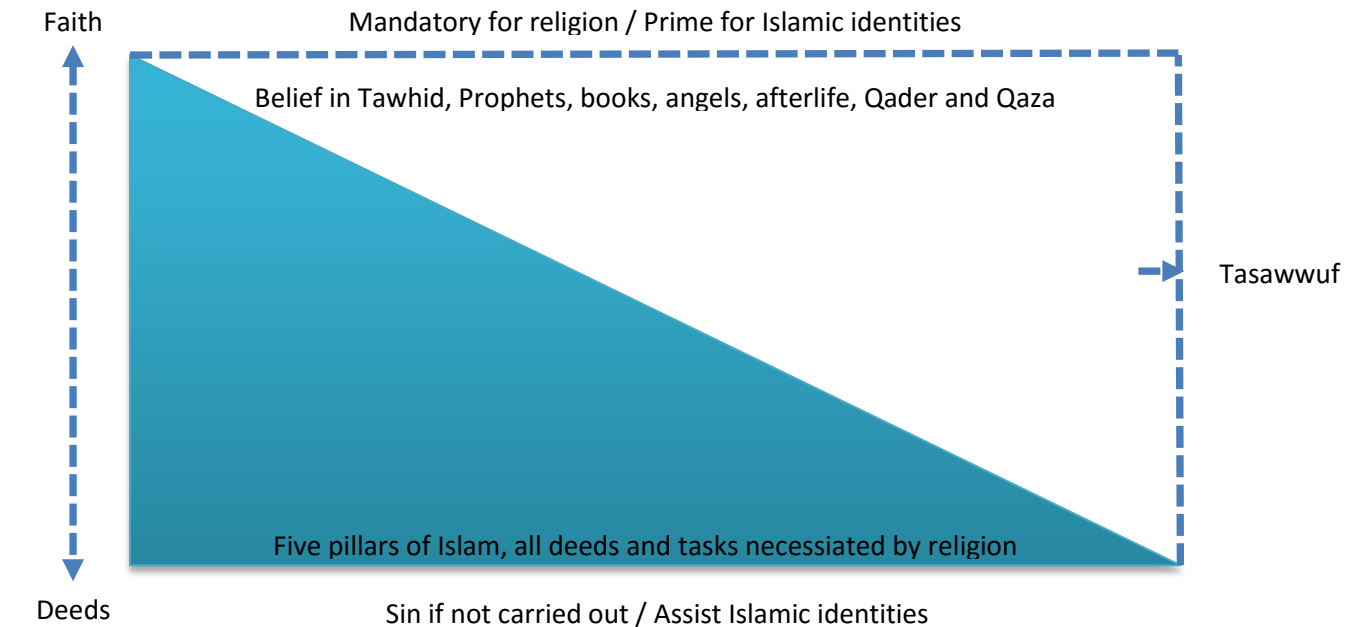
Basically, as Islamic philosophy is evidently a part of research paradigms in Islamic Marketing and clarifies the lenses and subsequent methodologies researcher will adopt, it is critical to differentiate between two main domains of Islam. First and superseding domain of these two (Arham, 2010) is Faith or Iman. As faith is the foremost condition for a person to become and stay a Muslim, it is more critical than practice/deeds/five pillars and other practices of Islam. Faith area is also governed by the Itiqadiyyah which sets the rules of faith, is a methodology to extract the rules from holy sources such as Al Quran and Hadith, two main references of Islam, and informs Muslims on the aspects of faith. This area is critical for Islamic Marketers especially desiring to work with an ethnoconsumerist approach as differences between Shia and Sunni, or differences between different geographies can be identified and enlightened by knowledge in this field.

The second dimension is Fiqh, daily tasks and practices such as five pillars of Islam and deeds required by the religion. It is important to note first that Islam covers every aspect of daily life along the old adage from birth till death and afterwards, if it is fully practiced. This area is very important for researchers of Islamic Marketing as consumption takes place in this sphere.

Another dimension in understanding Islam as an overall system is the tasawwuf which has an interaction between faith and the deeds. In order to practice tasawwuf, it is mandatory for a person to fully practice Sharia which is the daily deeds and attain a finer level of faith. Therefore, tasawwuf is a larger application domain which encompasses both Faith and Deeds. The most important aspect of tasawwuf for researchers of Islamic Marketing is that this area relates to self concept. Very briefly, self-concept in Islam is antithetic to its conceptualization in the current marketing literature. For example, while self-product congruency is indicative of some consumption (Sirgy, 1982), Tasawwuf conceptualization of self discourages consumption along the will of self. Or while it is important to expose one’s conspicuous characteristics along impression management, Tasawwuf necessitates suppression of one’s such conspicuous qualities in front of people.

This relationship between Faith, Deeds and Tasawwuf can be illustrated in Figure 2.

Figure 2 – Relationship between Faith, Deeds and Tasawwuf



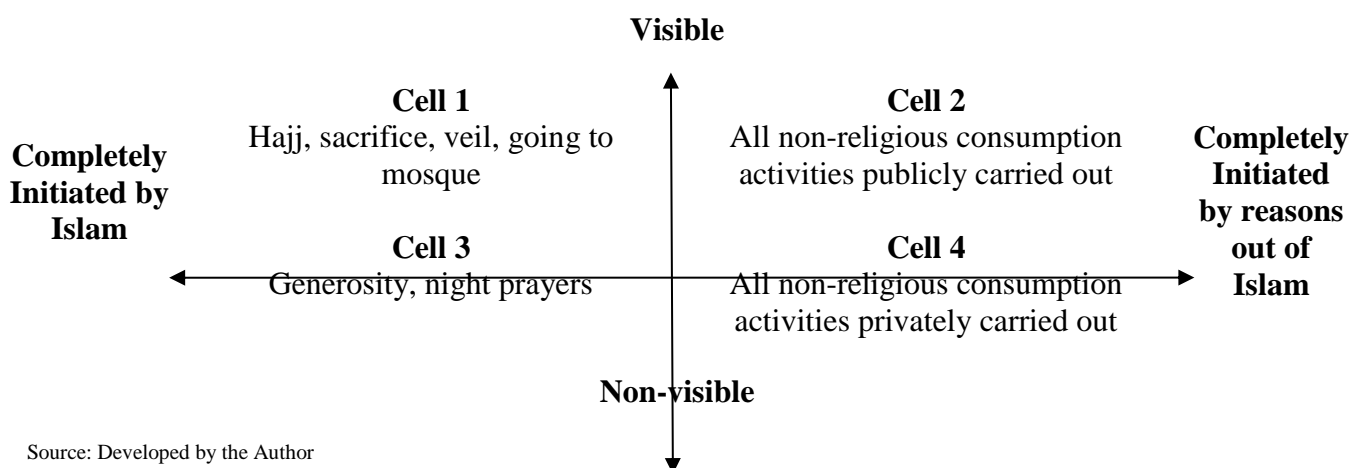
Source: Developed by the Author

As mapped in Figure 3 below, one important aspect of religion is visibility such as headscarf or beard in males or going to a mosque, or going to hajj. On the other end of continuum there is a non-visible act, for example generosity, which should be carried out in secrecy, or night prayer which is not visible to other people. In between, there are deeds which Muslims can choose to make known such as fasting (A Muslim can disclose if he is fasting and expect a level of respect from non-fasters but may not as well to maintain his Taqwa).

Not all consumption is related to religion naturally and the acts and practices solely initiated by religion should be the domain of Islamic Marketing as a study area.

From marketing perspective, those visible deeds completely initiated by Islam constitute a larger area of research and practice for Islamic Marketing as they already constitute consumption acts, are inherently consumption activities, and consumption can be related to those activities. Cell 3 is important to marketers, especially in the nonprofit areas, to establish suitable venues for these consumption acts such as payments systems that do not expose the identity of donor.

Figure 3 – Islamic deeds as visible or non-visible for marketing approaches



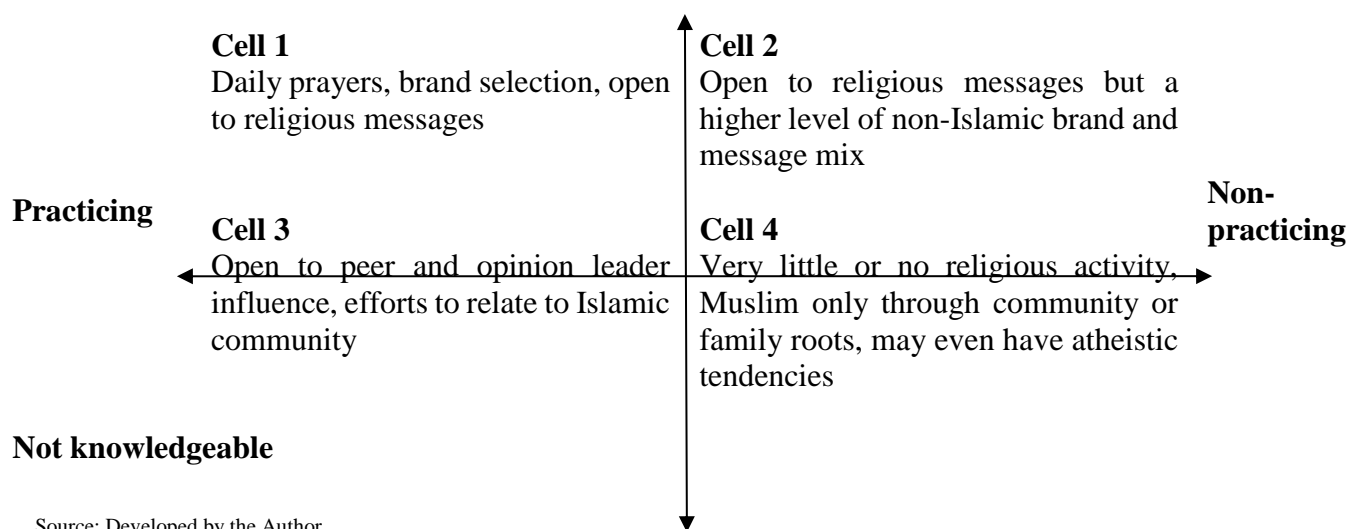
Source: Developed by the Author

Finally, Cell 2 is as well important as some consumption acts such as food may not be initiated by religion however religion has a strong impact on the food types and practices such as pork or alcohol. Although some researchers criticized that most prior work in Islamic Marketing literature is segmenting studies (Sandikci, 2011), it is crucial to understand a general typology of Muslim consumers. Not all consumers in Muslim communities are strong adherents of Islam, and even not as much knowledgeable about their religion. As shown in Figure 4, at the basic level; in Cell 1, there may

exist devout Muslims whose life is largely directed by Islam in contrast to Muslims in Cell 4, who have relationship with Islam only through the family roots or through the community they live in. It is evident that marketing communications and marketing mix towards these basic groups will be differentiated.

Figure 4 - Muslim consumer typology for marketing approaches

Fully knowledgeable



These typologies and frameworks are interrelated and complementary to each other while doing research or marketing in Muslim communities. For example, a person can have a faith in Islam but may belong to the Cell 2 in Figure 4 and may show less of Cell 1 activities in Figure 3. Similarly a person may not have faith and belong to Cell 4 but may engage in Cell 1 activities (For example, going Umrah to experiment with spirituality as commonly observed in Turkey.)

4. CONCLUSION

This paper contributes to Islamic Marketing literature by offering alternative viewpoints and emphasizes that Islamic Marketing should be evaluated with reference to many debates in general marketing literature in relation to its philosophical and scientific status. A social constructionist perspective needs not be the only paradigm researchers can use as a lens to look at Islamic Marketing. Due to Islam and its philosophical heritage, which is apparently omitted in literature and generally unknown by researchers in this field, philosophical foundations of Islamic Marketing need further attention to build relevant theories and literature.

In this respect, it is very crucial to revisit basics of marketing and philosophy science. The basic question we should ask is whether we desire to study Islamic Marketing scientifically. If the answer to this question is positive, then, distinguishing characteristics of science enlighten Islamic Marketing further. First of all, a science must have a distinct subject matter. As exchange behavior is distinct subject matter of marketing science, Islamic Marketing would be interested in exchange behavior that is driven by Islam, not culture as enacted by consumers, which is the study of anthropology and not sociopolitical issues, which is the study of sociology and politics.

Second question that needs an answer for Islamic Marketing to be scientific is whether there are underlying uniformities and regularities among the phenomena that constitute the subject matter of Islamic Marketing. As Hunt (1983) states, this question can be answered a priori and empirically. In this paper, I argue both a priori and empirically that Islam provides the grounds and a solid life style for uniformities and regularities. Therefore, as a scientific enquiry, Islamic Marketing research should set out to discover these empirical regularities, lawlike generalizations, principles and theories. (Hunt, 1983) If Islam did not provide an essential and homogenous subset of consumers, it would be useless to have a subcategory of marketing under Islamic Marketing as theory building would be impossible. And, finally, if non-essentialist perspective is to be adopted, then, again there is no need for Islamic

Marketing as consumer research and marketing fields already allow cultural studies of exchange behavior.

Besides revisiting the basics of science, religion, and culture; philosophy of science and philosophy of Islam are challenging subjects and result in Islamic Marketing scholars to have blurred perspectives. One way to overcome this barrier is to identify and clarify scholars' research paradigms and standpoints before proffering a single viewpoint. Islamic Marketing can be discussed in a wide array of viewpoints as even Islam itself was heavily discussed by the greatest thinkers during its golden ages in 13th century. However, the critical point is to be informed and crystal of one's standpoint among existing alternatives. In the first section of this paper, I outlined major debates where such ambiguities may be present.

Finally, as science's primary aim is to broaden knowledge which enables prediction and control of events, I offered a general framework of faith and deeds. Marketing researchers desiring to specialize in philosophical foundations of Islamic Marketing and differentiating characteristics of Islam from Western paradigm (such as self concept in Tasawwuf) can start with this very broad framework.

Additionally, I offered two typologies for Islamic deeds (involving consumption activities) and consumers that may fall into the scope of Islamic Marketing. All these framework and typologies carry an essentialist viewpoint of Islam but, in my opinion, provide sound grounds to build theories in this field, even allowing cross-cultural studies.

Finally, Islam and Islamic Marketing have the potential to allow for more humane and ethical conduct of consumption and marketing, which is deeply needed in the modern times. Islamic Marketing in this sense will transform the marketing science into a more humanistic, ethical, environmental and peaceful endeavor.

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Retailing Mix, Service Quality and Moslems' Customer Satisfaction

Retailing Mix, Service Quality and Moslems' Customer Satisfaction: Dirasah Halah Dukkan Malizia Wahidah

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Abstract

The study attempts to answer questions pertaining to the relationship between retailing mix strategies, service quality and customer satisfaction at the one Malaysia people retail shops. The one Malaysia retail shop concept is new and fast developing, yet there is none or very few research been conducted to study about it. Consequently, there are a few complaints and dissatisfaction about its product quality, indifferent prices and about a few other retail mixes, has prompted this research to be conducted. Data were collected by distributing structured 59 items questionnaires to respondents patronizing the outlets. The respondents were randomly selected while they were visiting the shops at major towns in four designated regions in the peninsula. The data collected were coded and entered into the SPSS version 17.0 software for analysis. The descriptive and inferential statistic analysis was employed to answer the research questions. The analysis found that there are significant relationships between the retailing mixes (product, price, place, promotion and personality) with service quality and customer satisfaction. The multiple regressions analysis found that the retailing mixes and service quality explained only 67.5% of the variance in the customer satisfaction. Conclusions and recommendations for further research were discussed at the end of the report.

Keywords: *retailing mixes, service quality and customer satisfaction.*

Introduction

For improving the citizens' quality of life, government of Malaysia initiated Economic Transformation Plan (ETP) and the key result areas (NKRA) in business management. Department of domestic trade and consumer affairs has established a network of one Malaysia retail stores for the people also known as "Kedai Rakyat 1 Malaysia" (KR1M) which is an example of Malaysian government efforts to bring tremendous benefits to many.

The first 'Kedai Rakyat 1 Malaysia' was opened at Kelana Jaya LRT station and the latest one has been operating at Mambong, Sarawak (Kedai Rakyat 1 Malaysia, n.a). Todate, there are more than 85 KR1M stores nationwide operating. 'Kedai Rakyat 1 Malaysia' serving as hypermarkets which emphasis on consumers with basic essential needs, and most of the items are packaged in smaller pack size to ensure the lower income consumers can still buy according to their needs and within their means (Berita Harian, 7 October 2012). One segment of the KR1M website exemplified that the assortments total almost reaching 250 grocery items and the list keeps increasing over time. Between October and December 2011 alone, over 600,000 sales receipts were recorded at KR1M stores (Performance Management & Delivery Unit, n.a). The existence of 'KR1M' will also act as the medium for the Government to control prices, to curb and lessen the monopolization of products which has long been dominated by the multinational manufacturers (Utusan Malaysia, 18 December 2012).

The objective of Kedai Rakyat 1 Malaysia shop is to ease the burden of people's daily expenses, and grocery products available for them on easy accessible locations. At the people grocery stores, Malaysian products are sold at cheaper and affordable prices. For retailers wanting to build relationships with their customers, being able to track their levels of 'satisfaction' with the key elements of the supermarket environment is extremely important (Abubakar *et al.*, 2001). In addition to selling tangible goods, customers also experienced business transactions that can be evaluated based on customer service and satisfaction theory (Gronroos, 2010).

Theory of customer service and satisfaction is concerned how to keep customers happy and keep coming back for more. Malaysian brand loyalty is the key element. It is a practical and theoretical understanding of strong relationship. Without basic principles of customer service, a people grocery store could not survive. From the retailer's perspective the aim is to minimize the reasons for complaints and dissatisfaction and the cost of a service recovery plan (McCollough *et al.*, 2000). People do not want to do business with a store that does not bother customers comfort and inattentive to customers needs (Cronin & Taylor, 1993).

Works of Adam Smith (1776), called "The Wealth of Nations" had emphasized customer service as the main focus of the basic theory of competition. If the dealer or store managers to be successful, he must be involved to meet the needs of customers, or customers will switch to other stores. Morgan *et al.*, (2012) stated the formula of customer service as 'customer service = customer focus + operational excellence'. Thus, for profitable store, regardless of what their actual motivation, had to treat customers with respect and expect loyal regular customers coming back to buy more. Great customer services are the output of clarity of understanding about customers' needs and the ability to respond and deliver a responsive service every time (Morgan *et al.*, 2012).

Knowing the main business customers are the core competency for successful businesses. Customer service is compatible with customer loyalty and customer satisfaction. It is related in a large network. Customer service makes customers satisfied and thus makes loyal customers (Zeithaml *et al.*, 2009). Loyalty build up in customer guaranteed the business to run for long and more profitable relationships. Fornell (1992) showed that higher customer service (satisfaction) translates into higher improved customer loyalty with a strong link to improve profitability.

Retailers must be responsive to customer needs; therefore, they should be more flexible. Customers should be guaranteed that the 1M grocery store is always consistent in meeting their needs as well as for fresh products. Staff should have empathy with the client to produce sincere friendship relations to retain customers. From tangibility aspect the store should be neat and tidy. This includes physical appearance and basic design and attractive interior environment. If possible, let the shop premises look good, ready to receive and welcome customers. It should be an excellent place to do business.

This study attempts to answer the question of whether the relationship between the retail mix, service quality and customer satisfaction that ultimately makes customers loyal to the brand, one Malaysia people shop. Levy *et al.*, (2011) posited that retailers do consider retail mix elements during strategic planning. The sequence of strides must get along with the variation in customers' preferences and perform appropriate different things at different times. Some customers prefer the high level of customer services; some need the best quality products. As long as a retailer satisfies the mix of qualities sought by its core customers, it can succeed, even in a stiff competitive market place.

Problem Statements

Although there were many studies about the grocery stores made overseas, the study of one Malaysia people stores has not yet been studied in terms of the retail mix. One Malaysia people stores provide valuable goods which are lower than the price in the open market and other large supermarkets. But still very few or no research on acceptance and customer satisfaction of these retail stores. It is not known whether the acceptance of products, promotional strategy, products or merchandise assortments, and service quality satisfy the customers.

Community is still skeptical of the quality of goods sold due to low prices and the packaging carries a logo of one Malaysia. In general, average consumers equate price with quality or assess the quality with the price of a products or merchandise (Lovelock & Wright, 1999). Despite that government continues to open more stores (Berita Harian, 2012). The question is whether the decision was made because of popularity alone or on the basis of customer satisfaction?

How do retailers determine the location of the premises of retailing, modeling, promotional and community acceptance and service quality, has not been answered clearly. This research is very important, relevant and timely for the finding might help the survival of the people shop employing 1Malaysia concept.

Objective of the study

The study is attempting to determine the relationship between the retail mix, service quality and customer satisfaction of Kedai Rakyat 1Malaysia. Besides that, the study also going to examine how much the independent variables could contribute to the dependent variable *i.e.* customer satisfaction at the people shops. After reviewing the literature, the following conceptual framework was developed.

Conceptual Framework

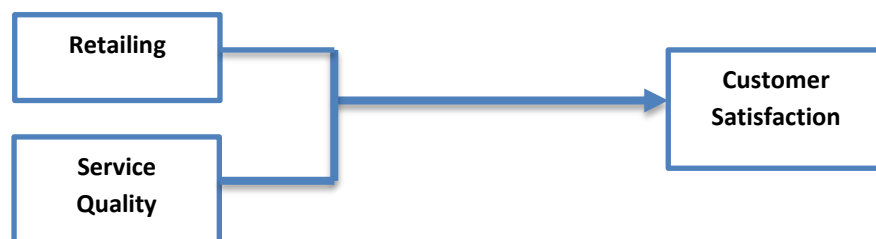


Figure 1: Conceptual Framework

Research Design

Locations and addresses of KR1M grocery stores have been extracted from the official site of the shop (<http://www.kedairakyat1malaysia.com.my/en/store-location>). Population of the study is the customers of one Malaysia people stores. Sample of the study is the customers who are available and agreed to respond at the time of survey at different locations all over the country *e.g.* Kuala Lumpur, Shah Alam, Putrajaya, Johor Baharu (Johor), Ipoh (Perak), Malacca City (Malacca) and Kuala Terengganu (Terengganu). Researchers went from location to location for collecting data from January to July 2013. Customers were asked to respond to the self administered questionnaires on store location.

Pilot study was conducted before collecting the final data, and the results were satisfactory. According to Sekaran (2003), sample must be reliable and must represent the population parameters as closely as possible. Validity and reliability tests were conducted on final data and further analyses for finding the answers to research questions by descriptive and inferential statistics. Correlation and regression analysis were used to test the hypotheses of the study (Coakes & Steed, 2007).

Instrumentation and its Operationalization

Data was collected using structured 59 items questionnaires, which constructs were employed from Bolen *et al.*, (1995) for retail mix, Parasuraman, *et al.*, (1988) for service quality and Cronin & Taylor (2005) for customer satisfaction. Questionnaire items translated into Malay by the language expert from the Universiti Pendidikan Sultan Idris. All items of questionnaires were adapted from previous studies which published in English. The introductory paragraph with all necessary details regarding project, its members, confidentiality and volunteer participation were written thoroughly.

The survey questionnaire consists of four main parts, i) demographic, ii) retail mix iii) service quality and iv) customer satisfaction. The demographic had seven items, retail mix (independent) construct consist of five variables which were: i) product - 5 items, ii) price - 5 items, iii) location - 4 items, promotion - 6 items and personality - 5 items, service quality (independent) construct had five variables which were i) tangibility - 4 items ii) reliability - 5 items iii) responsive - 4 items iv) assurance - 4 items v) empathy - 5 items and dependent variable customer satisfaction consist of 5 items. All independent and dependent construct get responses on 5 point Likert scale ranged from 'strongly disagree' to 'strongly agree'. The details of variables, number of items, sample size and cronbach alpha details were shown in the table 1 below.

Table 1: Variables, items, sample size and reliability coefficients

| No | Variables | Section | items | Sample size | Cronbach alpha |
|----|-----------------|---------|-------|-------------|----------------|
| 1 | Retailing mix | a | 25 | 176 | .799 |
| 2 | Service quality | b | 21 | 176 | .832 |

| | | | | | |
|---|-----------------------|---|---|-----|------|
| 3 | Customer satisfaction | c | 5 | 176 | .787 |
|---|-----------------------|---|---|-----|------|

Validity and Reliability of Questionnaire

It is supposed in every valid research project that each critical factor of the research constructs should be assessed by Cronbach alpha reliability tests which known as factor examining measurement instrument (Sekaran, 2003). Churchill (1979) suggested that coefficient or Cronbach alphas should be the first measure used to evaluate the quality and excellence of an instrument. Cronbach's alpha observed as estimator of the internal reliability.

In Table 1 all items of the study were not new, and pilot test conducted to assess the internal reliability of retail mix (product, price, location, promotion, personality), service quality (tangibility, reliability, responsive, assurance and empathy) and customer satisfaction. The Cronbach's alpha for all items of the study were well above the level of 0.7, which was acceptable measure for exploratory studies (Nunnally, 1976). The highest Cronbach's alpha score was reliability (.854) and lowest was location (.619). In reliability process, from the retail mix construct, item 1 was deleted from the variable of product, item 2 and 4 were dropped from the price variables, item 2 was discarded from location variable, item 2 was removed from promotion variable and item 1 and 4 were erased from personality variable. For the construct of customer satisfaction item number 5 was dropped.

For the purpose of checking the validity of the constructs Varimax rotation factor analysis technique was employed for all items to ensure the accuracy of the instrument (Kaiser, 1959). The purpose of Varimax rotation is to identify otherwise not-directly-observable factors on the basis of a set of observable variables.

Descriptive Demographic Statistics

Table 2 illustrated the descriptive statistics showed that most customers were 139 females (79%) and 37(21%) males. A total of 176 (100%) customers belong to Malays ethnic group and were all Moslems. Table 2 also illustrated the highest education achieved by most of the respondents, 109 (61.09%) had Bachelors degree, 34 (19.3%) had Diploma/High School Certificate, 30 (17%) had Masters and 3(1.7%) had Malaysian Certificate of Education. The table also indicated that 76 (43.2%) of customers had the pay scale of below 2000 RM, 24(13.5%) had the salary of under the scale of 2001-3000 RM and 3001-4000 RM. And 18(10.2%) had the salary between 4001-5000 RM and 3 (1.7%) had the pay scale of 5001 and above. It was also found that the respondents age was 136(77.3%) were in between of 20-30 years of age, 22(12.5%) were in the age bracket of 31-40 year and 17(9.7%) in the range of 41-50 years.

Table 2 also showed that 118(67%) of the respondents were government servants and 12(6.8%) were working in the private sector. About 53(30.1%) customers responded from Terengganu, 39(22.2%) were from Malacca, 30(17%) each from Johor and Perak, 12(6.8%) Kuala Lumpur, 7(4%) Selangor and 5(2.8%) Putrajaya.

Table 2: Respondents demography

| Variables | Sub-variables | frequency | percentage |
|---------------------|------------------|-----------|------------|
| Gender | male | 37 | 21 |
| | female | 139 | 79 |
| Ethnicity | malays | 176 | 100 |
| Education level | masters | 30 | 17 |
| | bachelors | 109 | 61.09 |
| | Diploma / HSC | 34 | 19.3 |
| | Msia Cert of Edu | 3 | 1.7 |
| Monthly income (RM) | 5001 and above | 3 | 1.7 |
| | 4001-5000 | 18 | 10.2 |
| | 3001-4000 | 24 | 13.5 |
| | 2001-3000 | 24 | 13.5 |
| | Below 2000 | 76 | 43.2 |
| Age (years) | 41-50 | 17 | 9.7 |
| | 31-40 | 22 | 12.5 |
| | 20-30 | 136 | 77.3 |

| | | | |
|--------------------|-------------|-----|------|
| Types of employers | public | 118 | 67 |
| | private | 12 | 6.8 |
| Location | KualaLumpur | 12 | 6.8 |
| | Perak | 30 | 17 |
| | Selangor | 7 | 4 |
| | Putrajaya | 5 | 2.8 |
| | Johor | 30 | 17 |
| | Malacca | 39 | 22.2 |
| | Terengganu | 53 | 30.1 |

Correlation Analysis

To examine the relationship between the variables (product, price, location, promotion and personality) of retail mix construct and customers' satisfaction, and service quality and customers' satisfaction, Pearson correlation analysis was used (Dalgard, 2008). Pearson correlation examined the nature of the relationship that exists between independent variable(s) (IV) and dependent variable(s) (DV) and determines the relationships amongst the variables. The intensity of relationship or strength of the association between the DV and IV suggested by Hair *et al.*, (2003) and was used for the present study. The analysis of hypotheses verified by correlation techniques. The level of significance was set at 0.05 or less (Hair *et al.*, (2003)

Findings: Correlation Analysis Results

In table 3, the correlation between the five retail mix construct variables are: product and customer satisfaction is .539; this is significant at the 0.01 level. Moreover, the correlation between price and customer satisfaction is .608; this is significant at 0.01 level. The correlation between the (third) variable location and customer satisfaction is .535; this is significant at 0.01 level, and the correlation between promotion and customer satisfaction is .564; this is significant at 0.01 level and the correlation between personality and customer satisfaction is .503; this is significant at 0.01 level. These results posited that all five variables of retail mix have the moderate correlation to customer satisfaction.

The correlation between the retail mix and customer satisfaction is .785; this is significant at 0.01 level. Furthermore, the correlation between service quality and customer satisfaction is .768; this is significant at 0.01 level. These two independent variables (retail mix & service quality) results showed the high correlation to the dependent variable (customer satisfaction). Thus the entire null hypothesis was rejected.

Table 3. Correlation of independent and dependent variables

| | | product | price | location | promotion | personality | Retail Mix | Service Quality |
|-----------------------|---------------------|---------|--------|----------|-----------|-------------|------------|-----------------|
| Customer satisfaction | Pearson Correlation | .539** | .608** | .535** | .564** | .503** | .785** | .768** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | .000 | .000 |
| | N | 176 | 176 | 176 | 176 | 176 | 176 | 176 |

Multiple regression analysis

The multiple regression models (Aikin, *et al.*, 1991) estimate the relationship between the multiple predictor variables and the dependent variables. Regression analysis was used to describe the relationship between the dependent variables (customer satisfaction) and independent variables (retail mix and service quality).

Finding: Multiple Regression Analysis

Table 4 points out the regression results. The un-standardized regression coefficient for predicting customer satisfaction from retail mix is .732 ; the standardized coefficient is .108; and un-standardized regression coefficient for predicting customer satisfaction from service quality is .514 ; the standardized coefficient is .091; the significance level (sig.) or p is printed as .000 for both independent

variables, and the degree of freedom for the F test are 2 for the regression and 173 for the residual respectively. Hence it may be reported as $B = -.922$, $F(2, 173) = 180.039$, $p < .000$; $r = .822$; $r^2 = .675$, meaning the independent variables explained 67.5% of the variance in the dependent variable. The remaining 32.5% was due to other unidentified factors that contributed to the customer satisfaction variance.

Table 4: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|--|-------------------|----------|-------------------|----------------------------|
| 1 | .822 ^a | .675 | .672 | .43073 |
| a. Predictors: (Constant), Retail Mix, Service Quality | | | | |

Table 5. Unstandardized and standardized coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--|-----------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.922 | .238 | | -3.869 | .000 |
| | Retail Mix | .732 | .108 | .474 | 6.765 | .000 |
| | Service Quality | .514 | .091 | .395 | 5.639 | .000 |
| a. Dependent Variable: customer satisfaction | | | | | | |

Therefore the model developed was, thus:

Customer satisfaction = $-.922 + 0.732(\text{retailing mix}) + 0.514(\text{service quality})$.

Discussions and conclusions

On the whole, it was found that the customer were moderately satisfied with the retail mix strategies and the service quality rendered by the 1Malaysia people shop.

In term of product quality, the respondents were moderately satisfied ($r=0.539$). The no frill packaging was attractive with 1Malaysia logo on the products. The finding was supported by Yoon and Kijewski (1997), which also found that product quality, was significant with customer satisfaction. The relationship was also similar to Babbar *et al.*, (2002) studies which shown that customer were satisfied with product that met their need and expectation. Consumers differs in their perception on quality of the products as they have different taste and preferences. As a matter fact the products were not produced by the 1Malaysia shops itself but were supplied by other small and medium enterprises. A special quality control unit should have been established to check on the quality of the product before they were displayed on shelves. Conversely, customers seemed to be satisfied with the variety and quality of the products. Customers also reported that they were attracted to other products colour packaging as those products from more popular brands also being displayed on the shelves.

There was a significant relationship between pricing and customer satisfaction. This finding was supported by Campbell (1999) which also showed that customer were satisfied with the prices of the products, as they noticed that the prices were a little bit cheaper than the similar products sold in the other super markets. There were a few hiper markets like Giants, Carrefour and Tesco selling their own no frill brand, cheaper but 1Malaysia customers felt that its product still much cheaper at the same quantity and quality. Studies by Nek Kamal (2007) also showed that quality products at cheaper prices will trigger customer loyalty. Thus, the objective of helping the lower income group to save on sundries could be achieved by having 1Malaysia people shop concept.

In term of promotion, the studies found that customers get the constant reminder from the mass media besides the 1Malaysia people shop frequent participation in exhibition, carnival and exposition to

attract larger crowd to the shop. Constant advertisements aired through the tv, radio, newspaper and social media help to persuade and educate customers on the products. More over customers were more confident on the information as it was under the auspices of the Domestic Trade and Consumers Affairs Department.

In retail business especially, location and accessibility of products and services is very critical (Nek Kamal, 2007). This study found that there was a significant relationship between location and customer satisfaction. This finding was contradictory to studies conducted by Ferdous and Towfique (2008). The people shop have a few sales assistants to help customers, to offer advices, make decisions and close the sale. A few customers lamented that they seldom get the help from sales assistant, probably could be due to unresponsive or absence of sales assistant in the shop. Nevertheless customers were satisfied on the assortment of products as the shops offer 250 types of products at each branch (Berita Harian, 7 Oktober 2011).

The store personality was another aspect that the study was looking at. It was found that there was a significant relationship between the store personality and customer satisfaction. The finding was partially supported by Ferdous and Towfique (2008). The store were offering attractive design, positive image and provide a conducive ambience for shoppers.

Service quality

The five service quality dimensions studied were tangibility, reliability, responsive, assurance and empathy. Most of 1Malaysia store customers were satisfied as they were using modern equipments, physically attractive, neat and tidy and well dressed sales persons. Products were arranged neatly on the shelves.

The people stores operate according the scheduled business hours. Putting the first thing right and right for the first time was the priority at the store. Some sales persons helped to push the shopping carts to customers' car. It was reported that sales persons gave individual attentions to customer and answered questions satisfactorily.

Customer satisfaction

The analysis showed that there was a significant contribution of retail mix and service quality towards customer satisfaction. This was evidenced as $R^2=0.675$ meaning that together the two independent variables simultaneously contributed 67.5% towards the customer satisfaction. One of the indicators for customer satisfaction was that they will come back for repeat purchase, visit more often and buy in larger quantities. Customers think that the people stores offer variety of choices and it provides memorable shopping experiences and delighted the customers. These findings were supported by a number of studies locally and abroad.

Recommendation for further research

Based on the finding of the studies, showed that the customers' were satisfied with retail mix and service quality of the 1M people store. But there are still lots of rooms for improvements.

The products sold at the people shop having strong brands. Thus it could attract customers from far and near. Perhaps 1Malaysia store could use its own label and brands. The packaging of products, the people store used conventional style where producer do not want to charge customer for colourful packaging. Quality products are important to customers as they want more value for their money (Andotra & Pooja, 2007). The store could promote their business through social media such as facebook, twitter and may launch a competition to gain publicity and positive positioning in the eyes of the public.

In term of location, there are so many strategic locations available in suburbs and downtown of capital cities to build the store so as to make it more accessible to more people. The future research could also be done to find out how loyal are the customers to the store and perhaps could yield a very interesting finding. According to LaSalle and Britton (2003), the future trend in business is measured by customer loyalty.

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Abstract

Through the perception of respondents, this study aims to evaluate the status and level of effectiveness of Islamic marketing through production process, physical ethical distribution, pricing policies, and promotional promise. Data gathering tools used are face to face interview, questionnaires and documentary analysis. Respondents are customers and managers of E.K. Kanoo, for Toyota cars, Y.K. Almoayyed & Sons for Ford Cars, & Zayani Motors for Mitsubishi automobiles were selected according to their knowledge based on moral and cultural obligations. T-test and average mean rating were taken and were listed from the data gathered. Ethical considerations related in handling marketing issues were highlighted. Islam is a religion where traditional means of approach in selling and according to ethical dimensions rather than just concentrate in personal gain/ profit whilst retaining loyal customers and building reputation is addressed. Furthermore, traders and marketers in this industry need to re-evaluate its objectives according to Sharia laws and principles to implement a business model wherein haram/unacceptable and halal/acceptable means of engaging in trade relations between buyer and seller is focused. Constructively, the status of Islamic marketing mix relative to the indicators used here were means typically addressed in the GCC countries. Somehow, problems encountered and the recommendations to issue fundamental Islamic marketing strategies based on the listed problems were ranked according from the least to the most common problems and thereby proven by its respective average mean ratings which form part as a result of the findings as revealed by clear and concise scrutiny of the selected car showrooms under study.

Key Words: production process, pricing policies, physical ethical distribution and promotional promise; Sharia law; ethical dimension.

Introduction

New situations persuade us to be very flexible in the application of the newest scientific and technical achievements in the perimeters of product marketing. All the more the product marketing represents an integration of technical, humanities and social sciences at opened European Union market. On this basis, there arise many problems in the area of ethics, most of all in a situation when a producer or a seller does not take into account the ethics dimension.

Regardless of location, Islam is built on five pillars: the testimony of faith (*Shahadah*), prayer (*Salat*), supporting the needy (*zakat*), suppression of hunger and thirst/ fasting during the month of Ramadan (*Sawm*) and going on a journey/ *Hajj* (pilgrimage). Islam states a significant reasoning in the area of business for many reasons.

People in Muslim world are considered to be one of the most affluent consumers around the world. Statistics shows that it has been generated that most international investments are attracted towards investing in the GCC countries. These growing interest, however gave them the inclination on the distinctive "Islamization" or standardization of certain principles in Islamic trading [*Zafar, and*

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Mukhtar, 2001]. To be able to be effective the marketing mix which is introduced by the author Philip Kotler defines the essentialities of the four Ps, namely product, price, place and promotion in not only satisfying the customer's needs but also to deliver value to its customers at the same time. These marketing programs include all things that can contribute to influence demand for its products.

Marketing does not simply surround us, but envelops us, permeating our lives. In its sense, marketing is in its topmost working idea which gives a clear interface among industry partners, regulatory bodies, customers, and investors (Brenkert, 2009; Farrell, 2001).

Strategically, Islamic marketing has its advantages and pitfalls. Hence, this idea in marketing is relatively ancient and traders have established themselves with many branches in the international and local scene (Haron and Planisek, 1994). The satisfaction of consumers and the trust in Islamic market continue to develop at a steady pace.

The ethical standardization as guidance in Islamic market must start to be pure or without the elements of fraud from beginning to end (Al-Faruki, 1992).

In Islam, marketing decisions is essential in the delivery process. Islam dictates, decisions regarding distribution of product or service should take into consideration that profit maximization which is the ultimate goal of any seller. The result of some cases that revealed true situation of accidents occurred in the wake of direct negligence on the part of the manufacturer in order to gain profit in business dealing. Due to Islamic ethical standards, place of delivery whether through agents or brokers are not supposed to be a burden. In terms of place of distribution, there should not be any delays in reaching point of destination, however, burden should be borne by the seller and not the buyer to protect the rights of the latter. Staffs or employees play a major part of the service in the consummation of physical ethical delivery process of the product and the marketing process. Patience, honesty, and fairness should be their main qualities. Islam emphasizes that staffs must have an independent judgment. Thinking rationally in making decisions relative to marketing is a prerequisite in Islamic principles. Ikrah or coercion to buy with the use of decisive words to customers is not permissible (Abul Hassan, and Abdul Latiff, 2008; Abuznaid, 2009 and 2006).

This study aims to evaluate the status and level of effectiveness of Islamic marketing through production process, physical ethical distribution, pricing policies, and promotional promise.

Research Methodology

Customers are the main respondents of the study who are familiar of Islamic ethical considerations in business in the Kingdom of Bahrain. A total of one hundred fifty (150) respondents will then be acknowledged and selected as groups broken down to three for each company. Owners and managers of the automobile shop from E.K. Kanoo for Toyota cars, Y.K. Almoayyed Motors for Ford cars and Zayani Group of Companies for Mitsubishi cars which will play a big part of this research and they will be a significant sample for statistical purposes.

These respondents are chosen according to their permissibility and the surrealists to respond from the questions which will be an added advantage over other buyers who have the initiative to be a prime promoter of Islamic marketing in a customer's perspective.

Table 1: Distribution of sample size by respondents.

| Respondents | Population | Sample Size |
|-------------|------------|-------------|
| Manager | 50 | 11 |
| Customers | 100 | 59 |

Research Tools

This research used document analysis which is considered as a social research method. This is reading and assessing the documents of the company. In document analysis, it is implied that only official documents are put to analysis

The research also used survey questionnaire and interview with key respondents to validate or clear issues found ambiguous in the documents and responses in the questionnaire.

Data Analysis and Statistical Tools

Data gathered was organized and tallied. Frequency count was done as an input to determine the mean of the response. In the quantification of the responses the Likert scale was used.

Results and Discussion

Results were taken from the summarized findings as stated below:

| Indicators | | Mean | | | |
|------------|---|------|------|------|-------|
| | | M | C | T | D.I. |
| 1 | Function ability & reliability of the product | 4.36 | 4.27 | 4.32 | Agree |
| 2 | Product safety measures are established. | 4.27 | 4.24 | 4.26 | Agree |
| 3 | The production process maintains honesty in the use of raw materials. | 4.00 | 4.02 | 4.01 | Agree |
| 4 | Service warranties specified with "transparency" | 4.55 | 3.63 | 4.09 | Agree |
| 5 | Product differentiation and quality control | 4.18 | 3.98 | 4.08 | Agree |
| 6 | Packaging, labeling & warnings clearly identified | 4.27 | 4.20 | 4.24 | Agree |
| | Weighted Mean | 4.27 | 4.06 | 4.16 | Agree |

The status of Islamic marketing related to production process as indicated by average weighted mean rating of 4.16 as agreed by both respondents on the abovementioned table. This is interpreted as minor changes needed to modify Islamic marketing mix of automobile industries in the Kingdom of Bahrain. The grand score of 4.32 which indicate the function ability and reliability of the product and agreed by both respondents under scrutiny. The lowest mean rating of 4.01 represented by honesty of raw material usage as agreed both respondents. According to Miller (1996), he suggests where Islamic principles used in marketing products is sometimes crucial to deliver good service rather than intentionally deny the customer's right to well-mannered service in selling products.

| Indicators | Difference | N | Mean | Mean Difference | Sig. (2-tailed) | Interpretation |
|-------------------------------|------------|----|--------|-----------------|-----------------|----------------|
| Production Process | Manager | 11 | 4.1655 | .1773 | .446 | Insignificant |
| | Customer | 59 | 3.9881 | | | |
| Physical Ethical Distribution | Manager | 11 | 4.2727 | .4507 | .048* | Significant |
| | Customer | 59 | 3.8220 | | | |
| Pricing Policies | Manager | 11 | 4.3636 | .6179 | .025* | Significant |
| | Customer | 59 | 3.7458 | | | |
| Promotional Promise | Manager | 11 | 4.1682 | .3295 | .190 | Insignificant |
| | Customer | 59 | 3.8386 | | | |

The indicators on the level of effectiveness in Islamic marketing related namely to production process, physical ethical distribution, pricing policies and promotional promise were all effective as indicated by both respondents from the overall mean difference of 0.446 for production process; .048 for physical ethical distribution; .025 for pricing policies; and last but not the least, .190 for promotional promise. Overall interpretation resulted as insignificant in the implementation of Islamic marketing mix on indicators of promotional promise and production process the rest is definitely significant in the selected car showrooms under study.

There is no significant difference as perceived by managers and customers as major respondents in the level of effectiveness and status of Islamic marketing in terms of production process, physical ethical distribution, pricing policies and promotional promise. Results showed as average mean rating of .1773 for production process and .3295 for promotional promise. But the results for indicators such as physical ethical distribution resulted in average mean difference of .4507 and indicator pricing policies with mean difference of .6179 are both significant. Therefore, null hypothesis was not rejected to the two indicators that is greater than $\alpha = 0.05$.

| Indicators | | Mean | | | |
|------------|--|------|------|------|------------------|
| | | M | C | T | Rank |
| 1 | Existence of seller's price manipulation on trade restrictions | 2.45 | 3.56 | 3.01 | 2 nd |
| 2 | Educational awareness of customers on products which are "haram" and "halal." | 1.91 | 3.27 | 2.59 | 9 th |
| 3 | Unsolicited propaganda on advertising | 2.09 | 4.64 | 3.37 | 1 st |
| 4 | Extensive use of false/ tricky persuasive language in attracting customers to buy the product. | 2.09 | 3.17 | 2.63 | 8 th |
| 5 | Negative impact of emotional appeal on buyer's perception of the product. | 2.00 | 3.42 | 2.71 | 6 th |
| 6 | Manager's fixation on profit maximization and not value orientation. | 2.55 | 3.29 | 2.92 | 3 rd |
| 7 | Intervention of competitor and business deals in pricing | 2.27 | 3.19 | 2.73 | 5 th |
| 8 | Benefits of Islamic Marketing in business. | 2.00 | 3.08 | 2.54 | 10 th |
| 9 | Marketers lack of enthusiasm and authoritativeness in fair play. | 2.09 | 3.31 | 2.70 | 7 th |
| 10 | Customer's vulnerability to price change. | 2.36 | 3.24 | 2.80 | 4 th |

The problems encountered based on the abovementioned findings and observations are drawn and listed from highest to lowest such as, unsolicited propaganda in advertising is used as first most common problem as stated from indicator three with average mean rating of 3.37. The second most common problem is shown as indicator one as existence of seller's price manipulation on trade restrictions which is indicator number two and mean average rating of 3.01. The third most common problem is manager's fixation on profit maximization and not value orientation with mean average rating of 2.92 as indicator six, fourth most common problem is indicator ten which is customer's vulnerability to price change with mean average rating of 2.80. The fifth most common problem is indicator seven which is intervention of competitor and business deals in pricing and mean average rating of 2.73. The sixth most common problem is indicator five which is negative impact of emotional appeal on buyer's perception of the product with average mean of 2.71. Indicator nine which is marketer's lack of enthusiasm and authoritativeness in fair play with mean average rating of 2.70 is the seventh most common problem as shown here. The eighth most common problem is indicator four which is extensive use of false/ tricky persuasive language in attracting customers to buy the product with mean average rating of 2.63. The ninth most common problem is indicator two which is educational awareness of customer's on products which are "haram and halal" with a mean average rating of 2.59. The last most common problem is indicator eight which is benefits of Islamic marketing in business with a mean average rating of 2.54. The ethical standardization as guidance in Islamic market must start to be pure or without the elements of fraud from beginning to end. Al-Faruki, 1992. Recommendations and solutions are offered based on the results of the findings from the study. The overall mean average rating for the status of Islamic marketing interpreted as implemented and agreed by both respondents. Therefore minor modification is needed for the development of Islamic marketing mix. Hence on the level of effectiveness of Islamic marketing in automobile Industry, based on the result of the findings on the overall interpretation of the data gathered resulted as effective and indicates that minor changes is needed in the modifications of Islamic marketing in the Automobile Industry in the Kingdom of Bahrain.

Conclusions

From all the result of the findings of the study, the mentioned conclusions are established as follows:

1. Constructively, the status of Islamic marketing mix relative to production process, physical ethical distribution, pricing policies, and promotional promise were agreed by both respondents and therefore minor changes is needed to ensure development in the process.

2. The level of effectiveness of Islamic marketing in automobile industry relative to production process, physical ethical distribution, pricing policies, and promotional promise are effective and henceforth applied to a great extent.
3. There is no significant difference in the perception of both respondents on the two indicators, namely; production process and promotional promise, although there is significant difference on the other two indicators such as physical ethical distribution and pricing policies as shown from their respective mean average ratings.
4. The problems encountered and the recommendations to issue fundamental Islamic marketing mix based on the listed problems which are ranked according to the least and most common problems were then proved by its respective average mean ratings form the result of the findings which must be given clear and detailed attention by the selected car showrooms under study.
5. It is highly stated therefore that from among all of the abovementioned conclusions, certain suggestions from the consumer's point of view wherein certain conditions are to be considered such as winning gifts/ *hadiyah* (laptops; mobile phones) during the holy month of Ramadan which has become a trend and become quite successful in gaining popularity.

Recommendations

The lists of recommendations are based on the gathered findings and conclusions of this research:

1. The status and level of effectiveness of Islamic marketing mix used in automobile industry relative to production process, physical ethical distribution, pricing policies and promotional promise should be upgraded to a great extent and considered as major issue in promoting automobile purchases even if it's off-season as viewed by consumers.
2. Managers must respect ideals of marketing issues and show how good marketing can be satisfying both for customers and other stakeholders and also to develop long-term relationship with them. Most of the business nowadays is profit oriented and automobile industry is one of those firms that need to re-organize company objectives.
3. Customer care is the first thing in the minds of most if not all organizations nowadays. This means that business should be socially aware of their responsibilities towards others. Stakeholders, customers, employees, suppliers and distributors, local communities from which they do business, the society they circulate and environment from which they belong.
4. Some of the benefits of being morally and socially responsible which is included in the study of Islamic marketing involves: (a) enhance firm and brand image, (b) quick to attract and retain staffs (c) increased/ developed market share, (d) lower operating costs/ expenses, and (e) easier to attract investors and other stakeholders.
5. Automobile industry is a fast growing business in the Kingdom of Bahrain and as such staff including managers must conform to certain ethical/ moral disciplines necessary for them to be trusted. In pursuit of income, a company's management may be tempted to cut corners to maximize profit such as not complying fully with government regulations/ labor policies, using low level materials, etc. Moral/ ethical responsibilities must always be considered not just profit maximization alone.

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The influences of *Halal* Industry Macro-environments

The influences of *Halal* Industry Macro-environments on Marketing Program Adaptation

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ABSTRACT

The main purpose of this paper is to examine the influences of political-legal, economic, socio-cultural, and technological factors of *Halal* industry on the decision of adapting the overall marketing program elements. A self-administered survey has been distributed to a sample of 110 Malaysian *Halal* exporters that involved in variety of product categories. The results of SEM-PLS analysis shows a significant influence of *Halal* regulations and support, *Halal* values and attitudes, and *Halal* technological development on overall marketing program adaptation strategy. Meanwhile, *Halal* economic indicators were unable to show any significant relationship with marketing program adaptation. In theory, the investigation of standardization versus adaptation issue in *Halal* market has contributed to the body of knowledge of international marketing strategy by adding single industry values. In practice, the understanding of the macro-environmental factors of *Halal* industry in influencing the adaptation of marketing program elements will contribute to exporters and policy makers in their efforts to improve marketing effectiveness of *Halal* products in global *Halal* market through the development of product that is closely adapted to export market specificity.

Keywords – *Halal* Industry Macro-environments, Marketing Program Adaptation Strategy, Global *Halal* Market

INTRODUCTION

The global *Halal* market is large, and the size is increasing year over year in tandem with the growing Muslim population worldwide and the increased awareness of a responsibility to consume only *Halal* products. By looking at trade figures, the *Halal* business is estimated to be worth more than USD2.3 trillion annually and the *Halal* food sector alone is reaching USD700 billion every year (World Halal Forum, 2013). The lucrative demand of *Halal* products globally has driven many exporting firms to take part in marketing their products. However, marketing *Halal* products in international setting is more complex due to the unique demand on meeting the *Halal* *Toyyiban* concept that attached to the product. Muslim consumers particularly are more sensitive on the issue of *Halalness* in view of the fact that a genuine *Halal* status is an obligatory for every Muslim to fulfil. As it involves marketing strategy across borders, cross-contaminations are likely to occur throughout marketing activities especially during logistics (Tieman, 2006) which might turn the product to be unfit for Muslims' consumption and use. In response with the *Halalness* issues, various expectations of *Halal* integrity can be seen among worldwide consumers due to the polarization of *Halal* concept (Sungkar, 2010) and varying adherence to Islamic values (Temporal, 2011a, 2011b). Furthermore, the *Halal* markets are not similar to other markets everywhere as it is fragmented by ethnicity, location, income, *Halal* awareness and understanding, and a few other determinants (Sungkar & Hashim, 2009). As *Halal* products largely demanded by the Muslim consumer, the heterogeneity also existed among the Muslim markets worldwide and this unique condition must be understood carefully so as to prevent the international firms from offending or alienating this market (Sandıkcı, 2011; Sandıkcı & Ger, 2011; Sandıkcı & Rice, 2011).

Despite the increasing importance of *Halal* market and Muslim consumers worldwide, very scarce international marketing issues such as standardization versus adaptation has been investigated in relation to the peculiarities of the market (Prokopec & Kurdy, 2011). According to Sungkar and Hashim (2009), one-size-fits-all strategy simply cannot work as it is subject on specific conditions of the export market. Based on this scenario, it is highly suggested that firms who wish to export their product to global *Halal* market should pursue adaptation strategy so as to meet the specific demand of the market. Therefore, this study makes an attempt to explore how marketing program elements might be adapted for export markets in response to unique conditions of *Halal* industry macro-environments worldwide. The political-legal, economic, socio-cultural, and technological issues of each *Halal* market must be understood carefully so as to avoid the risk of being rejected by particular market. For instance, the disunity of *Halal* standards between (and within) countries (Sungkar & Hashim, 2009; Wan-Hassan, 2007) has significantly impacted exporting firms in dealing with various *Halal* markets.

Malaysia aims to be the global centre for *Halal* food production by 2010 and becomes a primary role in exporting *Halal* products (IMP3, 2006-2020). To secure performance in export market, firms that involve in exporting *Halal* products must have in-depth understanding on the unique features inherent in *Halal* industry so as to develop a proper and effective marketing strategy for each export market. However, studies on examining the export marketing strategy in *Halal* industry context received very limited attention in the academic literature especially in relating to the standardization/adaptation (S/A) issue. With inadequate literatures exploring the industry context, there are no clear guidelines for international marketers to determine the critical factors associated with *Halal* industry macro-environments for effective export marketing strategy. Furthermore, with lack of legal, social, and cultural knowledge of international consumers' market (Bohari, Hin, & Fuad, 2013) and marketing adaptability among Malaysian *Halal* exporters (Abdul Latif, 2008), a greater understanding of the influences of macro-environmental factors specific to *Halal* industry on marketing adaptation strategy is worth to be investigated.

LITERATURE REVIEW

Macro-environments and Marketing Program Adaptation

Due to the multiple, diverse, and idiosyncratic nature of foreign macro-environments, certain degree of adaptation on marketing program elements is necessary to ensure the specificity of export market is met. The adaptation of various aspects of marketing program such as product, promotion, price, and distribution is one of the common strategies used by exporters which generally term as "Marketing Program Adaptation" (Jain, 1989; Kreutzer, 1988; Sorenson & Wiechmann, 1975). It has been proposed that macro-environmental factors that consist of a broad spectrum of political-legal, economic, socio-cultural, and technological forces have severe deterrents for firms implementing standardized strategies (Hultman, 2008; Hultman, Robson, & Katsikeas, 2009; Katsikeas, Samiee, & Theodosiou, 2006; Sibanda, 2008; Sibanda & Erwee, 2009; Theodosiou & Leonidou, 2003). Based on institutional theory, social, economic, and political factors constitute an institutional structure of a particular environment which provides firms with advantages for engaging in specific types of activities. Some of those pressures in host and home institutional environments are testified to exert fundamental influences on competitive strategy (Martinsons, 1993; Porter, 1990). Furthermore, it has been argued that differences in the institutional environment between countries are expected to affect the firm's strategy and performance (Wan & Hoskisson, 2003). Following this notion, this theory is applied to explain the influences of sub-dimension of *Halal* industry macro-environments towards marketing program adaptation strategy.

Political-legal factors

The impact of political-legal factors on marketing program adaptation has been established in the literatures (e.g., Boddewyn & Grosse, 1995; Calantone, Kim, Schmidt, & Cavusgil, 2006; Cavusgil, Zou, & Naidu, 1993; Chung, 2003; Evans, Mavondo, & Bridson, 2008; Johnson & Arunthanes, 1995; Katsikeas et al., 2006; Lages, 2000; Lages & Lages, 2003; Lages & Montgomery, 2001, 2005; Littler & Schlieper, 1995; O'Cass & Julian, 2003; Özsomer, Bodur, & Cavusgil, 1991; Poynter, 1980;

Shoham, 1999; Sibanda, 2008; Sibanda & Erwee, 2009; Sousa & Bradley, 2008, 2009; Tremeche & Tremeche, 2003). As countries in different part of the world commonly have their own laws and regulations, this situation might force the exporting firms to adapt its marketing strategy mandatorily. For instance, mandatory requirements in import and export laws have restrained the firms' endeavours to use a standardized strategy as proven in past studies (e.g., Sibanda, 2008; Tremeche & Tremeche, 2003). In Tremeche and Tremeche (2003) study, Japanese companies experiencing difficulties in standardizing their export marketing strategy in Arab market due to heavy legal and administrative procedures. Besides the legal issues, the political factor such as government involvement in assisting the exporting firms has also been proven in influencing the marketing adaptation decision. As indicated in Lages and Montgomery (2001, 2005) studies, the amount of support received from European Union (EU), government, and trade associations has improved the depth of market research and market analysis of Portuguese firms, which consequently allow them to implement a pricing strategy more closely adapted to the needs of different markets.

With regards to study context, different countries may have different regulations concerning *Halal* standards, *Halal* enforcements, and *Halal* trade requirements. For example, the UK *Halal* standard prohibits the use of stunning for slaughtered animals. In addition, UK also imposes strict trade requirements on *Halal* meat/meat-based products which require the firms to get the approval from EU Commission before exporting the product to the country. Apart from that, the government support for the *Halal* industry players in giving incentives and export assistances might also give certain influences on marketing program adaptation. With equipped knowledge relating to *Halal* specific regulations and external support received from the government, managers will be in a better position to develop a much more strategy closely adapted to target market. Thus, *Halal* regulations and support is proposed to have influences in adapting the overall marketing program elements.

H1a: Halal regulations and support has significant influence on the degree of overall marketing program adaptation.

Economic factors

The influence of economic factors on marketing S/A decision has also been evidenced in past studies (e.g., Boddewyn, Soehl, & Picard, 1986; Chung, 2002; Chung & Wang, 2006; Evans et al., 2008; Hill & Still, 1984; Johnson & Arunthanes, 1995; Lee & Griffith, 2004; Louter, Ouwerker, & Bakker, 1991; Okazaki, Taylor, & Zou, 2006; Özsoy & Simonin, 2004; Roth, 1995; Sibanda, 2008; Sibanda & Erwee, 2009; Sousa & Bradley, 2008; Waheeduzzaman & Dube, 2002). Purchasing power represents one of critical economic indicators as it can influence the consumers purchase behaviour and their spending habits (Katsikeas et al., 2006). In markets where customers' purchasing power is more limited, it is not advisable for firms to modify or even introduce new products with differing price or quality standards in order to meet the needs of customers (Douglas & Wind, 1987; Hill & Still, 1984; Jain, 1989; Wild, Wild, & Han, 2005). Hill and Still (1984) reported that consumer purchasing power and purchasing habits affect the amount of product protection required. Louter et al. (1991) also stated that as a result of differences in consumer purchasing power, price adaptation is crucial to ensure competitiveness in the foreign target markets. Other economic indicators such as per capita income, income distribution and standard of living also significant in export marketing S/A decision as it provides an indication of a country's level of economic development (Katsikeas et al., 2006). As reported in Shoham (1999) study, similar physical environments in terms of standard of living in the target market resulted in higher price standardization. It has been evidenced that differences in marketing infrastructures also profoundly affect standardization (e.g., Johnson & Arunthanes, 1995; Hultman, 2008; Hultman et al., 2009; Katsikeas et al., 2006; Okazaki et al., 2006; Özsoy & Simonin, 2004; Sibanda, 2008; Sibanda & Erwee, 2009; Sousa & Bradley, 2008). Variations in the number, size, and dispersion of distributive outlets may necessitate a certain degree of adaptation in distribution strategy, promotional methods, prevailing wholesale and retail margins, price and discount structures, and product design and packaging (Samiee, 1993). For instance, Sibanda and Erwee (2009) indicated that due to obstacles related to distribution availability, Zimbabwean exporters force to adapt their

distribution strategy through the use of brokers/middlemen to distribute their goods in the European market instead of dealing directly with retailer in domestic market.

In relation to the study, the purchasing power of *Halal* consumer is varying across nations due to different level of income, standard of living, and size of Muslim population. For example, purchasing power of Muslim consumers in Europe is, on average, much higher than those living in Asian countries (Sungkar, 2009). There is a tendency for diverging prices of *Halal* meat parts and the way it is being prepared in the extremes of the world's income range (Sungkar, 2009). In addition to this, *Halal* compliant services and infrastructures are vital in ensuring the integrity of *Halal* products and to avoid the issues of contaminations during the logistics activities. Cross-contaminations can occur at various points such as during inbound handling, storage, cross-docking, value-added logistics, and outbound handling (Tiemann, 2008). Therefore, the unavailability of *Halal* compliant logistics facilities in export market may require certain adaptation especially on distribution activities such as the level of logistic control that need to be taken, the selection of *Halal* certified shipment container, transport, storage, stores/outlet, and *Halal* distributor in order to secure the *Halalness* of the product in reaching to the hand of export consumers. Thus, *Halal* economic indicators are proposed to have influences in adapting the overall marketing program elements.

H1b: Halal economic indicators has significant influence on the degree of overall marketing program adaptation.

Socio-cultural factors

The significant link between socio-cultural factors and marketing program adaptation has been established in previous researches (e.g., Calantone et al., 2006; Hill & Still, 1984; Huiyiyeti, Hasimu, Marchesini, & Canavari, 2008; Hultman, 2008; Hultman et al., 2009; Katsikeas et al., 2006; Moon & Park, 2011; Park, Kim, Jeong, & Huh, 2007; Roth, 1995; Sibanda, 2008; Sibanda & Erwee, 2009; Sousa & Lengler, 2009). It has been proposed that the basic values, preferences, perceptions, and behaviours towards certain issues must be taken into consideration as it can affect a firm's marketing decisions (Kotler, Wong, Saunders, & Armstrong, 2005). This is because the underlying values and attitudes of different cultural groups can influence the behaviours of those groups as well as the nature of decisions they make (Hofstede, 1980; Tayeb, 1994). What underlies the various attitudes and traditions in different cultures is, in many cases is religion and it may influences the firms when taking the decision to what degree the marketing mix should be standardized or adapted (Doole & Lowe, 2004). Religion is part of cultural dimensions that plays one of the most influential roles on purchase decisions (Terpstra & Sarathy, 2000) especially in relation with food products (Dindyal, 2003; Musaiger, 1993). With regards to Islam, Islamic values have strong forces to the various actions and behaviours of individual Muslim. If the firms fail to understand the religious issues and the sensitivity of Muslim markets, firms might face problems in getting acceptance by this community. For example, the case of using product logo that resembles the word 'Allah' in Arabic script has made the Nike Inc. diverted all the supplies away from Islamic states and discontinued the production (Cited in Temporal, 2011a). On the other hand, if the company understand the need of Muslim markets, firms will gain the trust and also capable in winning the market. NewBoy FZCO for instance, the company has taken the initiative to design 'Fulla' as alternative to Mattel's Barbie Doll in response of their understanding on Islamic values that strongly concern on the modesty of woman outfits and actions. As a result, the product has been highly accepted in Arab markets, and also being sold to other countries (Cited in Temporal, 2011a). The impact of religious values on international marketing adaptation decision can also be seen in Hill and Still (1984) study as they reported that one of the companies involved in the study had substituted the vegetable shortening in the cake mixes it sells in the Middle East due to Islamic law that forbids the use of animal fats.

With regards to industry context, the concept of *Halal* is viewed differently due to polarizations among various ethnics, culture-related groups or countries as Muslims live in different geographical locations in the world (Sungkar, 2010). The variations of *Halal* concept might influence the trends and beliefs of Muslims towards certain issues. This scenario would have implications on designing the export

marketing program since the values and attitudes toward *Halal* concept play important roles in determining the purchase intention of consumer as evidenced in past empirical studies (e.g., Abd Aziz, Amin, & Isa, 2010; Golnaz, Zainalabidin, Mad Nasir, & Eddie Chiew, 2009, 2010; Hassan, 2011; Lada, Tanakinjal, & Amin, 2009; Omar, Mat, Imhemed, & Ali, 2012; Salehudin & Luthfi, 2010; Soesilowati, 2010). Due to differing level of awareness, understanding, perceptions, attitudes, and practises towards *Halal* among consumer worldwide, adaptation of marketing program elements might be necessary so as to get better acceptance in foreign markets. Thus, the *Halal* values and attitudes are proposed to have influences in adapting the overall marketing program elements.

H1c: Halal values and attitudes has significant influence on the degree of overall marketing program adaptation.

Technological factors

The influence of technological factors on marketing S/A decision has also been documented in the literatures (e.g., Cavusgil & Zou, 1994; Gregory, Karavdic, & Zou, 2007; Hultman, 2008; Hultman et al., 2009; Katsikeas et al., 2006; Samiee & Roth, 1992). Based on Hultman et al. (2009) and Hultman (2008) studies, adaptation is preferable among Swedish exporting manufacturers due to greater dissimilarity of technological development, information technology, technology in transportation, and technological skills between home and host markets. Meanwhile, Katsikeas et al. (2006) showed that the extent of agreement on technology intensity, rate of technological change, and technological development positively influence the degree of marketing strategy standardization among subsidiaries of US, Japanese, and German MNCs. It has been evidenced that high technology intensity is associated with marketing standardization since the products appeal is less to the generic needs such as tastes, habits, and customs (Levitt 1983). As evidenced in Cavusgil and Zou (1994), and Cavusgil et al. (1993) studies, technology orientation of the industry negatively influences the product and promotion adaptation as they involved in high technology intensive industry. Meanwhile, Samiee and Roth (1992) reported a positive relationship between rapid changes in technology and global standardization. Apart from that, the development of e-commerce infrastructure facilitates firms' flexibility to respond to export market demands more efficiently as they can creates a structure to support e-commerce export sales activities and also provides a mechanism to provide online technical support to foreign distributors and subsidiaries (Gregory et al., 2007). They assert that, well-developed e-commerce infrastructures in export market enable the exporters to exploit the full potential of e-commerce technologies, to adapt their export marketing strategies to fit the export market conditions, and to make e-commerce technologies more effective in initiating strategic responses to traditional drivers. In addition to this, the dissemination of information through e-commerce further enables the firms to adapt their strategy to the changes of export market environments which allows them to customize goods and services specifically to each customer's needs (Kiang, Raghu, & Shang, 2000; Varadarajan & Yadav, 2002).

In the context of *Halal* industry, the technological development in several *Halal*-related areas might give certain implications on the adaptation of marketing program. For example, the development of *Halal* production and packaging technology may leads to the uniform production as standardized approach can be aided and abetted with technology. Many researchers claim that firms active in technology intensive sectors and environments tend to standardize more than firms in more 'traditional' industries (e.g., Cavusgil & Zou, 1994; Jain, 1989; Katsikeas et al., 2006). Apart from that, the development of e-*Halal* marketplace such as the utilization of *Halal* trading portal among export countries might influence the exporting firms in adapting their selling and promotional efforts through online medium instead of using traditional approach. In addition to this, the availability of rich online market database will assist them in adapting the marketing program according to export market specificity in more efficient and effective ways. Thus, the *Halal* technological development is proposed to have influences in adapting the overall marketing program elements.

H1d: Halal technological development has significant influence on the degree of overall marketing program adaptation.

RESEARCH METHODOLOGY

Data collection and Non-response bias

The sampling frame was taken from Malaysia Exporters of *Halal* Products and Services Directory 2010-2011 jointly published by MATRADE, HDC and JAKIM which listing 228 firms. Excluding the companies that involved in services (i.e., 13 companies), 215 questionnaires have been distributed during MIHAS (4 to 7 April 2012) and Halfest (10 to 14 October 2012) since most of the listed companies in the directory involved in the events as it was being organized by MATRADE. Out of the 215 questionnaires distributed, only 68 were collected during MIHAS and 44 during Halfest. Of the total 112 questionnaires, two were discarded because they were not fully completed, leaving 110 representing a response rate of 51.2%. Only person in charge or with good knowledge of company's export marketing practices of *Halal* certified product is qualified to complete the survey. With regard to those who did not respond to the study, an exploratory analysis of late and early responses was undertaken to determine possible non-response bias (Armstrong & Overton, 1977; Jones & Harrison, 1996). An independent samples *t*-test has been performed on key variables, such as *Halal* industry macro-environments, marketing program adaptation, and company profile (i.e., age and size) to compare the mean between those who responded during MIHAS and those who responded during Halfest. The *t*-test shows no significant difference ($p > 0.05$) in any of the comparisons (see Table 1). Moreover, since the sampling for this study included objective data on the size and age of the firm, these data could also be compared between the participant and non-participant firms. As the *t*-test failed to detect any significant differences also in this case, it was concluded that non-response bias did not seem to be a serious concern in this study.

Table test comparing early and late respondents on key variables-*t* :1

| Variables | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference |
|--|--------|-----|--------------------|--------------------|--------------------------|
| <i>Halal</i> Industry Macro-environments | -1.859 | 108 | .066 | -1.07290 | .57703 |
| Marketing Program Adaptation | -1.814 | 108 | .072 | -.79562 | .43864 |
| Size of the firm | -.614 | 108 | .540 | -9.578 | 15.594 |
| Age of the firm | 1.109 | 108 | .270 | 3.798 | 3.424 |

Sample Profiles

The profiles of the sample include the characteristics of main export venture (MEV), respondents, and firms participated in the study. Majority of the MEV involves non-meat-based product category and exported to Asia market segment. Meanwhile, most respondents dominated by male, age between 26 to 35 years, Malay descendant, had completed an undergraduate degree, work as marketing/sales position, and have been working less than three years in the company. The firms involved in the study covered all states in Malaysia and most of them operating in Selangor, small and medium size category, have been operating for more than 10 years, and have been exporting less than 5 years. Detail descriptive characteristics of the sample are shown in Table 2.

Table 2: Sample Profiles

| MAIN EXPORT VENTURES (MEV) | | | | | |
|--------------------------------|----|------|--------------------|----|------|
| Product category | N | % | Market segment | N | % |
| Meat/meat-based | 11 | 10.0 | Asia | 60 | 54.5 |
| Non-meat-based | 52 | 47.3 | Middle East-Africa | 26 | 23.6 |
| Beverages | 20 | 18.2 | Europe | 10 | 9.1 |
| <i>Halal</i> Ingredients | 10 | 9.1 | America | 4 | 3.6 |
| Cosmetics/Skincare | 3 | 2.7 | Australasia | 10 | 9.1 |
| Healthcare/ Pharmaceuticals | 14 | 12.7 | | | |

Continue...

| RESPONDENT | | | | | |
|---------------------------|----------|----------|---------------------------|----------|----------|
| Gender | N | % | Education level | N | % |
| Male | 59 | 53.6 | Primary | 1 | .9 |
| Female | 51 | 46.4 | Secondary | 18 | 16.4 |
| | | | Diploma | 21 | 19.1 |
| Age | | | Degree | 65 | 59.1 |
| ≤ 25 years | 19 | 17.3 | Post-degree | 5 | 4.5 |
| 26-35 years | 50 | 45.4 | | | |
| 36-45 years | 21 | 19.1 | Position level | | |
| ≥ 46 years | 20 | 18.2 | CEO/GM/Owner | 34 | 30.9 |
| Race | | | Export/Trade | 12 | 10.9 |
| Malay | 72 | 65.4 | Marketing/Sales | 39 | 35.5 |
| Chinese | 31 | 28.2 | Others | 25 | 22.7 |
| Indian | 1 | .9 | | | |
| Others | 6 | 5.5 | Years working | | |
| | | | ≤ 3 years | 57 | 51.8 |
| | | | > 3 years | 53 | 48.2 |
| FIRM | | | | | |
| State of operation | N | % | Number of workers | N | % |
| Johor | 12 | 10.9 | < 5 workers | 12 | 11.0 |
| Kedah | 6 | 5.5 | 5-50 workers | 64 | 58.7 |
| Kelantan | 2 | 1.8 | 51-150 workers | 18 | 16.5 |
| Melaka | 7 | 6.4 | > 150 workers | 15 | 13.8 |
| Negeri Sembilan | 5 | 4.5 | | | |
| Pahang | 2 | 1.8 | Annual sales | | |
| Pulau Pinang | 13 | 11.8 | < RM250,000 | 11 | 10.0 |
| Perak | 2 | 1.8 | RM250,000–10,000,000 | 55 | 50.0 |
| Selangor | 45 | 40.9 | RM10,000,001–25,000,000 | 32 | 29.1 |
| | | | > RM 25,000,000 | 12 | 10.9 |
| Terengganu | 1 | 0.9 | | | |
| Sabah | 6 | 5.5 | Years of exporting | | |
| Sarawak | 2 | 1.8 | < 5 years | 58 | 52.7 |
| Kuala Lumpur | 7 | 6.4 | ≥ 5 years | 52 | 47.3 |
| | | | | | |
| Years of operating | | | | | |
| < 10 years | 45 | 40.9 | | | |
| ≥ 10 years | 65 | 59.1 | | | |

Measurement and Data analysis

The questionnaire was designed to measure exporters' perception on the extent of agreement on the importance of political-legal, economic, socio-cultural, and technological factors in influencing the adaptation of marketing program elements through the use of 5-point differential scale from (1) strongly disagree to (5) strongly agree. The items were adapted from previous studies (e.g., Sibanda, 2008; Sibanda & Erwee, 2009; Sibanda, Erwee, & Ng, 2011) and also generated from qualitative findings since previous studies that explain the concept in *Halal* industry context have not been examined. For the marketing program adaptation construct, the respondents need to state the degree of adaptation of product, price, promotion, and distribution elements of main export venture as compared to the local market by using 5-point differential scale from (1) no adaptation to (5) substantial adaptation which is adapted from the work of Lages and Lages (2003) and Lages et al. (2008). Some of the elements were also generated from interview responses. The unit of analysis of the study is the main export ventures which refer to the selected product or product line that has been exported to the selected export country. The product-market venture level analysis is used in order to associate

marketing mix adaptation more precisely with its antecedents and outcomes since simultaneous use of different products and markets will lead to inaccurate measures (Lages et al., 2008). The Partial Least Squares (PLS) of Structural Equation Modelling (SEM) is used to check on the goodness of the measurements and also to test the entire hypotheses under study.

The assessment of Measurement and Structural model

Initially, the analysis of measurement model has been performed to check the adequacy of convergent validity, discriminant validity, construct validity, reliability, higher-order factor, and nomological validity of second-order constructs. Next, a structural model has been evaluated which include the analysis of Q^2 predictive relevance and global fit measures (GoF) index. The analysis of measurement and structural model was found satisfactory with the evidence of adequate condition to test the hypothesis under study.

RESULTS AND DISCUSSIONS

Results of hypotheses

Based on the results in Table 3, marketing program adaptation has shown a positive relationship with *Halal* regulations and support ($b = 0.170$, $p < 0.05$), *Halal* values and attitudes ($b = 0.283$, $p < 0.05$), and *Halal* technological development ($b = 0.187$, $p < 0.05$). Meanwhile, *Halal* economic indicators was unable to show any significant relationship ($b = 0.129$, $p > 0.05$). Therefore, H1a, H1c, and H1d were supported while H1b was not.

Table 3: Results of hypothesis testing

| Hypothesis | Relationship | Beta (b) | SD | t Statistics | Supported |
|------------|--------------|----------|-------|--------------|-----------|
| H1a | HRS → MPA | 0.170 | 0.085 | 1.987* | Yes |
| H1b | HEI → MPA | 0.129 | 0.073 | 1.754 | No |
| H1c | HVA → MPA | 0.283 | 0.087 | 3.247* | Yes |
| H1d | HTD → MPA | 0.187 | 0.087 | 2.154* | Yes |

Note: *Significant at $P < 0.05$

The influences of *Halal* regulations and support on Marketing Program Adaptation

The significant impact of *Halal* regulations on the export marketing program adaptation is due to differing laws and regulations concerning *Halal* standards, *Halal* enforcements, and *Halal* trade requirements which are vary from one country to another. For instance, lack of mutual recognition of *Halal* certification among countries exist worldwide due to unavailability of uniform *Halal* standard (Sungkar & Hashim, 2009; Wan-Hassan, 2007). Wan-Hassan (2007) reported that UK *Halal* bodies such as *Halal* Monitoring Committee (HMC) and Muslim Council of Britain (MCB) impose stringent requirements on *Halal* slaughtering which strictly ban the use of stunning. Trade requirements of *Halal* products such as in terms of slaughtering, production/processing, labelling/documentation/certification, and handling/storage requirements also differ from one country to another (Riaz & Chaudry, 2004). Few examples of *Halal* trade requirements taken from this report indicated that besides providing a recognized *Halal* certification, any product exported to European countries must meet EU Standard on food additives, packaging, and labelling requirements. For meat/meat-based products, the ingredients used must be taken from the supplies that approved by EU Commission. Meanwhile in Malaysia, *Halal* meat products require several documentations from Department of Veterinary Services (DVS) such as export permit, Veterinary Health Certificate, and Veterinary Health Mark (VHM). Different regulations concerning import/export requirements of *Halal* product between home and host country might force the firms to adapt. The study also suggests that the support gained from the government in terms of production incentive and export assistance is essential in influencing the marketing adaptation decision among Malaysian *Halal* exporters. Most of the companies involved

in this study received various support from public agencies such as MATRADE and HDC as they were listed by these agencies in their directory. The government support for *Halal* industry such as the provision of market information and contacts abroad, the evaluation of firm's exporting potential, advice on export opportunities, the facilitation of trade mission, market visits, and the participation of firms in local and international trade fairs had given them extra edge in terms of financing and marketing the product in foreign market. As majority of them have limited export experience, the external support had assisted the managers to have more confident and better position to adapt the marketing strategy.

The influences of *Halal* economic indicators on Marketing Program Adaptation

Halal economic indicators do not significantly influences the marketing program adaptation which indicates that indicators such as the size of Muslim population, purchasing power of *Halal* market, geographic location of *Halal* market, standard of living of *Halal* market, and the development of *Halal* compliant infrastructures are not capable in explaining the variations in the degree of overall marketing program adaptation strategy. Although the current findings contradicts to the several empirical researches in the past, there are few recent researches in the particular area that has also been unable to establish any significant relationships between economic factors and marketing program adaptation strategy (e.g., Chung, 2003; Evans & Bridson, 2005; Hultman et al., 2009; Katsikeas et al., 2006; Larimo & Kontkanen, 2008). It is quite unexpected that the economic indicators of *Halal* market are not necessary in developing the marketing adaptation strategy especially when it relates to the purchasing power of the buyer. It has been argued that firms offering products that are income-sensitive must be extremely attentive to differences in income levels in each *Halal* market segment (Sungkar, 2009). The outcomes gives some indications that firms that involved in the study have not place a strong emphasis on looking at economic indicators of *Halal* market before making marketing adaptation decision. One of the possible explanations is that majority of the firms involved in the study have less than five years of experiences in export venture (see Table 2). With limited experience in international setting and knowledge on global economic issues, detail analysis on economic conditions of each export market is difficult to be initiated.

The influences of *Halal* values and attitudes on Marketing Program Adaptation

The significant influence of *Halal* values and attitudes on marketing program adaptation is due to the different level of awareness, understanding, attitudes, perception, and practice towards *Halal* among consumer worldwide. Advocated by Sungkar (2010), the meaning of *Halal* is being understood differently among various ethnics, culture-related groups or countries due to polarization issues of *Halal* concept. Moreover, with varying degree of Islamic adherence among Muslim population worldwide, different Muslim market segments may behave differently (Temporal, 2011a, 2011b). As a result, the expectation of *Halal* might be differs from one market to another or event among the Muslims itself. For instance in UK market, Muslim consumer emphasizes on ethical issues, thus the concept of animal welfare, fair trade, environmental friendly, and social responsibility should be integrated in *Halal* production (Sungkar, 2010). Apart from market segments, the values and attitudes towards *Halal* has been found diverse among product categories. As reported in Amri Sofi (2010) and Ogilvy and Mather (2010) studies, consumable product category especially meat and meat-based products is perceived to have high level of exposures to *Shariah* principles which reflect the greater demand of Islamic values towards this product. Accordingly, marketing *Halal* product should take into account the level of values and attitudes towards *Halal* so as to develop the right adaptation of marketing program elements and also to avoid misunderstanding among export consumers.

The influences of *Halal* technological development on Marketing Program Adaptation

The development of *Halal*-related technology is found to have a significant impact on marketing adaptation strategy among Malaysian *Halal* exporters is due to the capability of the firms to utilize the technology to produce better quality product by adapting the product closely to market specificity. As evidenced in El-Fataty et al. (2011) study, he reported that the growing internet usage and social media permit marketers to serve Muslim consumers more effectively and efficiently. One of the case study

from their study showed that Muxlim Inc, the integrated media company had helped the companies to reach the global Muslim market by providing relevant market information through their websites. Thus, the development of *Halal* information technology (IT) such as electronic *Halal* trading portal, e-*Halal* market database, and e-*Halal* applications enable the firms to perform some modifications on its marketing program elements such as in promotion and price strategies. With the use of this technology, firms have the edge to fasten the sales transactions, expand their advertising channels, and also have better capability in adapting the price elements as they can reduce the promoting budget and expenses. As indicated by Tiemen (2010), Muslim consumers willing to pay more for *Halal* products that carry the assurance of a *Halal* logistics system. Thus, the development of *Halal* Logistics technology such as *Halal* Control System, *Halal* Traceability, *Halal* Tracking Systems, and *Halal* Transportation and Warehousing Systems has been vital to ensure the integrity of *Halal* product through the strict control and inspection of the issues of cross-contamination. With the use of this technology, any non-*Halal* items in the product can be traced easily which may require the firm to take extra cautions in selecting appropriate distributor, *Halal* compliant shipment container, and increase the level of logistics control so as to meet and maintain the integrity of *Halal* product in the target market.

CONCLUSIONS, IMPLICATIONS, AND SUGGESTIONS

Based on these findings, it can be concluded that specific macro-environmental factors of *Halal* industry such as *Halal* regulations and support, *Halal* values and attitudes, and *Halal* technological development are vital in determining the strategy of adapting the marketing program elements which is in agreement with the prevailing view in the field. Therefore, certain degree of adaptation on marketing program elements is necessary in order to meet the unique condition as perceived important to the export market. Although the PLS results was unable to provide significant influences of *Halal* economic indicators on marketing program adaptation, the forces of this variable should not be ignored as a numbers of previous studies had shown the impact of some economic indicators on marketing adaptation decision. In order to gain some explanations to these unexpected occurrences, it would be worthwhile for upcoming studies to repeat the study in qualitative manner so that underlying reasons behind the unanticipated findings could be investigated in more in-depth which may have potential of advancing the theoretical perspectives in the field even further.

The findings of this study contribute to the current literature on international marketing, more specifically, on international *Halal* business. By examining the peculiarities of *Halal* industry in the current research framework, this paper filled up the gap by adding a single industry value to the existing body of knowledge of export marketing field. By successfully testing such connection empirically, this study shows that Malaysian *Halal* exporters had taking account of various expectations of *Halal* integrity among export markets when planning and executing their export marketing strategies. As the macro-environmental factors of *Halal* industry is unique from one market to another, the political-legal, socio-cultural, and technological factors contribute to the distinctiveness of *Halal* industry that provide business opportunities for firms to exploit. The results of the study are also useful to public export agencies and *Halal* industry players in designing appropriate strategies in global *Halal* market. In general, the findings of the study suggest that a competent firm understands the idiosyncrasies of the export market and is able to respond to the local conditions by an adaptation strategy. In other words, understanding the unique conditions of political-legal, socio-cultural, and technological factors of *Halal* industry are essential in helping the exporting firms in carrying out the right adaptation on each marketing program elements.

Considering the fact that the *Halal* industry context has been relatively under-researched, it would be interesting to see a larger focus on more *Halal*-related factors in the future such as including other possible influencing factors at micro and internal level. Microenvironments such as market, customer, competition, and industry related factors have been recognized in literature as important variables that have significant impact on marketing adaptation strategy. Since Muslim consumers worldwide place greatest concern on the *Halalness* status of the product, it can be expected that the understanding of

unique conditions of macro-environmental factors of *Halal* industry might also give influence towards the performance of the export venture because if the *Halal* status violated, their sales performance also will be affected. Therefore, future study can further examine the influences of *Halal* industry macro-environments on securing the export performance. As firms have to compete with international corporations from a wide range of markets that have the capacity to offer the best products in the world, the understanding of these forces in influencing the marketing adaptation strategy and export performance will contribute to the industry practice to improve marketing effectiveness of *Halal* products in foreign market through the development of product that is closely adapted to export market specificity.

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Understanding Tayyib Food-Related Values among Muslim Households

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Abstract

Purpose: The purpose of this paper is to explore and understand value negotiation process of Muslim households in tayyib food consumption. In response to the religious reawakening challenges around the world nowadays, the aim of this research is to generate a theoretical understanding of Muslim households' value negotiation process in tayyib food consumption in Malaysia.

Design/Methodology/Approach: The authors use face-to-face in-depth interviews for a number of 10 individuals from 5 units of Muslim households in Malaysia.

Findings: 3 themes (*Education, knowledge and experiences leads to tayyib food consumption activities; Tayyib food-related values prioritized halal, nutritious, safety, hygiene, quality, fair price, organic and animal welfare; and Compromising conflicting values in engaging in tayyib food consumption*) were identified from the in-depth interviews and most of the respondents conveyed that they tend to negotiate (compromising values) between their personal values with Islamic values when it comes to tayyib food consumption in their daily consumption activities.

Research Limitations/Implications: The research highlights the value negotiation process among Muslim households in challenging themselves to become authentic Muslim practitioners in relation to tayyib food consumption.

Originality/Value: To the authors' knowledge, this is the first research paper that attempts to explore tayyib food-related values among Muslim consumers and to understand how Muslim negotiates their personal and Islamic values in tayyib food consumption. This research is expected to make an important contribution to the understanding of tayyib food-related values and Muslim households' value negotiation process in tayyib food consumption.

Keywords: Tayyib food-related values, value negotiation process, Muslim households

Paper Type: Research Paper

Introduction

Food practices and religious obligation are complex cultural constructions. In Western cultures, people construct and negotiate both food practices and religious obligation with reference to a variety of health messages, experiences and strategies for coping with the plethora of food choices for daily consumption. Beliefs about food and health are significant both for understanding the values embedded in people and their cultures, and for practical reasons such as providing culturally appropriate and valuable healthcare and advice. In Muslim cultures, food practices and religious obligation extend more than healthy messages. Halal and tayyib food consumption is an Islamic dietary obligatory for Muslim since 1400 years ago. Today, the phenomenal of religious reawakening around the world has resulted in growing consciousness not only for halal food, but in quest of for tayyib food consumption. Tayyib food is linked to values of health, nutritious, safety, natural and quality.

In Malaysia, Muslim households' food practices with reference to tayyib food consumption is expected to results in a range of negotiations between various tensions encountered in their daily food consumption activities (for example, in relation to ideas about health, nutritious, safety, natural and quality) that effect and result from connecting food with tayyib-related values and embedded personal values of a Muslim. Appreciating the demand for this powerful new emergent food segment of the halal market requires researchers, marketers and business practitioners to fully understand the needs and values embedded in the Muslim consumers as heterogeneity consumer market group that need to be addressed as a unique market segment.

Religious Reawakening Phenomena

The 21st century has shown an extraordinary phenomenon in addressing Muslim consumers as a 'worthy and untapped market segment' (B. Alserhan & Alserhan, 2012) to be researched and targeted by academic researchers and business practitioners around the world. According to a study conducted by PEW Forum on Religion and Public Life, the Muslim population is forecasted to increase on average of 1.5 percent as compared to only 0.7 percent for Non-Muslim between year 2001 and 2009 (PewResearchCenter, 2011). This significant statistics clearly indicated that the huge size of Muslim population around the world will have an enormous impact in every sector in the global market environment (Hussain & Dernaika, 2010). Muslim market, whether is segmented as 'homogeneity' and 'heterogeneity' consumer group (B. Alserhan & Alserhan, 2012, p. 125) need to be addressed collectively (Awan & Bukhari, 2011; Jaffery, 2009; Wilson & Liu, 2010) and uniquely (Özlem, 2011; Weir, 2011) respectively to 'fully understand the needs and values' embedded in this significant group of consumers (Hussain & Dernaika, 2010).

Since Muslim consumers are obliged with Islamic law and principles in everyday discourses, it is very essential for marketers and business practitioners to tap into the huge market potential of halal market - a consumer-driven market. The evidence of USD2.3 trillion worth of halal products and services exported globally for Muslim consumption indicated that the market is driven by the largest consumer markets in the world today with an estimated world population of 1.6 billion Muslim (in which, sixty percent of the Muslim populations around the world are below the age of 30 years) across the world (PewResearchCenter, 2011). This outstanding powerful market is considered a new market within uncontested market space that has created global demand for halal products and services and massive growth for the halal industry around the world. These remarkable statistics reflect that Muslim population around the world constitute of many younger generation. In Malaysia, Muslim populations dominates as a majority that constitute around 60.4 percent out of 28.9 million total populations in 2011 (World Population Data Sheet, 2012).

Recently, issue in halal and tayyib food consumption has been addressed in the World Halal Forum (WHF) 2012 in Malaysia as an emerging category for the food market in the near future (Azmi, 2012). Halal food segment alone accounts for nearly 29% of total halal product trade estimated worth of USD661 billion (16%) of the world's food trade (World Halal Forum, 2011). However, estimation for halal and tayyib food market is difficult to measure since it is a new emergence food segment and lacking of standard in defining halal and tayyib food currently. Nevertheless, issues in halal and tayyib consumption has been the buzzing keyword among Muslim consumers around the world as they are more conscious and selective in their product choices due to the impact of 'religious reawakening' (S. H. Hassan, 2012) and moving trend towards '*halalisation*' practices in their daily lifestyle (J. Fischer, 2008). Muslim consumers and producers of halal products and services nowadays are highly aware of halal requirements for Muslim consumption (Bonne & Verbeke, 2008; Man & Sazili, 2010; Nooh, Nawai, Dali, & Mohammad, 2007) and the trend now is to look beyond the halal concept; where the concept of tayyib is been stressed on. The emergence of halal and tayyib food as a new potential segment in the food industry is also associated with the increasing awareness of practicing healthy lifestyle in today's modernization society. Both of the above-mentioned phenomenal (religious-reawakening and healthy lifestyle) are among the main reasons for the emergence of halal and tayyib food segment in the food market globally.

Literature Review

Halal and Tayyib Consumption

Every religion has its own religious dietary law for the guidelines of its believers. Islam has laid down three basic principles in consumption (Figure 1): halal consumption (lawful and permissible), tayyib consumption (pure and wholesome) and the exercise of moderation in consumption (Chaudhry, 2003). The Qur'an in its various verses have stress and guide Muslim on the importance of consuming both halal and tayyib goods and sustenance for consumption.

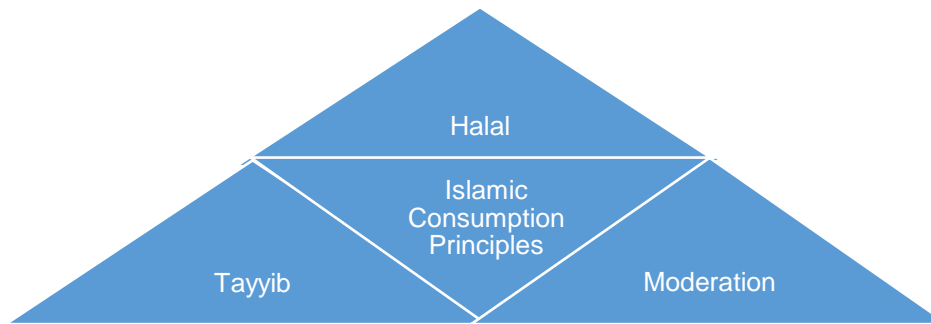


Figure 5: Islamic Consumption Principles (Source: Chaudhry, 2003)

Halal is a Qur'anic term that means permitted, allowed, lawful or legal. Its opposite is Haram (forbidden, unlawful or illegal). In Islam and according to Shariah (Islamic Law), all issues concerning halal or haram and even all disputes should be referred to Qur'an and Sunnah. Halal and haram are universal terms that apply to each activity carried out by man, whether it is related to his ibadat, muamalat or mua'sharah. Tayyib on the other hand should complements halal in term of consumption. Tayyib or tayyab is an Arabic word means wholesome, pure, clean, nourishing, environmental friendly (Al-Qardawi, 1997), 'anything one finds pleasing, sweet, agreeable and conducive to health' (Chaudhry, 2003). Opposite of tayyib is 'khabaith which means things one finds impure, displeasing, bad and disagreeable in sight, smell or eating' (Chaudhry, 2003). Muslim has been encouraged to consume food which are tayyib and avoid those which are khabaith. In the Qur'an, Allah has mentioned in four chapters on the importance of both the word halal and tayyib (Table 1):

Table 7: Related Qur'an Verses on Importance of Halal and Tayyib

Source: *The Holy Qur'an: Translation by Ali A.Y. (2005, 2009)*

| | |
|---|--|
| <p>"O ye people! Eat of what is on earth, Lawful and good; and do not follow the footsteps of the evil one, for he is to you an avowed enemy". (Al-Baqaratt, Verse 168, Chapter 2, Part 2)</p> | <p>يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا وَلَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ إِنَّهُ لَكُمْ عَدُوٌّ مُبِينٌ</p> |
| <p>"Eat of the things which Allah hath provided for you, lawful and good; but fear Allah, in Whom ye believe". (Al-Maedatt, Verse 88, Chapter 5, Part 7)</p> | <p>وَكُلُوا مِمَّا رَزَقَكُمُ اللَّهُ حَلَالًا طَيِّبًا وَاتَّقُوا اللَّهَ الَّذِي أَنْتُمْ بِهِ مُؤْمِنُونَ</p> |
| <p>"But (now) enjoy what ye took in war, lawful and good: but fear Allah. For Allah is Oft-Forgiving, Most Merciful". (Al-Anfal, Verse 69, Chapter 8, Part 10)</p> | <p>فَكُلُوا مِمَّا غَنِمْتُمْ حَلَالًا طَيِّبًا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ غَفُورٌ رَحِيمٌ</p> |
| <p>"So eat of the sustenance which Allah has provided for you, lawful and good; and be grateful for the favours of Allah, if it is He Whom ye serve". (An-Nahl, Verse 114, Chapter 16, Part 14)</p> | <p>فَكُلُوا مِمَّا رَزَقَكُمُ اللَّهُ حَلَالًا طَيِّبًا وَاشْكُرُوا نِعْمَتَ اللَّهِ إِنْ كُنْتُمْ إِيَّاهُ تَعْبُدُونَ</p> |

According to the above noble verses of the Qur'an, which mentioning about the concept of halal and tayyib, Islam has evidently urged its followers to emphasize on consuming lawful and good products that are not contaminated, spoiled or adulterated with non-halal ingredient(s) which are questionable or dubious. In Islamic perspective, halal and tayyib literally means permissible for consuming not only food and beverages, but also medicine, clothing, cosmetic, furniture, ornament and almost every single consumable product that fundamentally comply with Syariah law and fall clearly under the category of Halal. Still, it does not imply that Muslims should merely lay their emphasis on consumption of edible and non-edible goods, instead, they are obliged to uphold the halal integrity of goods

universally, avoid contamination of products and ensure consumables are safe for use or consumption. This shows that halal (permitted, allowed or lawful) and haram (the opposite of halal) are serious subject matters in Islam that undoubtedly benchmarking Muslims' integrity and their statement of faith.

Moreover, the Qur'an has instructed all Muslims, through its numerous injunctive verses (2:56,2:168,2:172,5:4,5:5,5:87,5:88,7:32 and so on) to stress on the vital aspect of tayyib which is closely related to statement of wholesomeness, goodness, hygiene, quality, safety and security of products consumed (Alom & Haque, 2011). The term 'tayyibat' is 'repeated eighteen times and its derivatives are repeated forty three times' in the Qur'an as guidelines for Muslim consumption (Alom & Haque, 2011). It is a 'fardhu kifayah' among the Muslim to ensure that halal & tayyib consumption is being practice by the Muslim community. Generally, for the Muslim, all foods are halal as long as the food is not from haram sources and permissible according to the Islamic law. However, the term tayyib implies an additional quality assurance for Muslim food consumption and should be moderately consume. For the Muslim, consumption of halal and tayyib food is beyond meeting the basic needs of hunger and thirst but act as an 'ibadah' for serving and obligating to Allah, the Creator.

The concept of halal and tayyib has been conceptually proposed by few scholars (Adnan, 2011; Al-Qardawi, 1997; Arif & Ahmad, 2011) as a guideline for Muslim consumption activities. Both Adnan (2011) and Arif & Ahmad (2011) emphasized that to be a quality Muslim and to develop good quality 'ummah' (Arabic word for Islamic population), every Muslim must prioritize eating not just halal food but also take serious consideration in the aspect of tayyib. Halal and tayyib food are the only permissible, lawful food and having good holistic values for consumption. Avoiding eating unlawful food and putting high concern on the tayyib values for consumption will consequently 'preserve the purity of religion, safeguard the Islamic mentality, preserve life, safeguard property, safeguard future generations and maintain self-respect and integrity for the Muslim' (Arif & Ahmad, 2011). Furthermore, halal and tayyib food has 'nur' (Arabic word for light) which will brightens the 'ruh' (Arabic word for soul) of the 'mu'min' (Arabic word for Muslim with high pious). On the other hand, there is nothing but 'zulmat' (Arabic word for spiritual darkness) which utterly ruins the spiritual of the mu'min in haram and mushtabah food. Muslims should realize that consumption of haram and mushtabah is not a trivial issue but is a fatal poison for faith.

Muslim Values System

There are growing numbers of literature concerning Muslim values. Kalliney and Hausman (2007) proposed a conceptual model illustrating the relationship between cultural and religious values of Arab Muslim in adoption of innovation. However, there is little understanding on whether Muslim individual value system influence food choices. Most of the past studies indicated that Muslim made choices on halal products and services based on Islamic obligations. However, whether their choices of products and services are reflections of their individual value system (Islamic values, personal values and cultural values) is still not well been researched. This study argues that an individual Muslim value system is been influenced by Islamic values, cultural values and personal values developed throughout their life course experience. The interaction between and within this values will have an impact on the value negotiation process when making decision in Muslim individuals day-to-day tayyib food consumption activities.

Islamic Values

As argued by Ebady (2008), 'Islamic values are those that are set out in the Quran and the practice of the Prophet Muhammad (SAW)' and on the other hand, 'Muslim personal values are those that are created as part of the culture of the Muslim communities'. The culture resides the beliefs and practices held or observed by Muslim individuals that have been passed down from their ancestors through their grandparents, parents and the society around them. The causes of these differences are due to the "relaxation approach and distorted concept of freedom" practiced by Muslim in the Islamic law, which resulted in certain practices become very common among Muslim and became part of Muslim culture, instead of following the Islamic rulings on such thing (Ebady, 2008). These include, to names a few from many examples, removal of hijab, drinking alcohol, consuming halal but not tayyib food, corruption and extravagance (overconsumption).

Islamic scholars argued that the integrity of Islamic values will only be upheld when Muslim individuals and communities adhere to the principles of Islam. Islamic values should be embraced in a Muslim daily activities and interaction between the Muslims in accordance with Islamic guidelines. Akgunduz (2003) stated that Islamic values inculcate great importance on health, moderation, peace and well being. His argument is empirically supported by S.H. Hassan (2012) where the findings indicated that Islamic values do influence Muslim health-related lifestyle (diet-practice, life well-being, social well-being, career well-being and preventive health action) in Malaysia. Another study also revealed that Islamic-based functional food is an evidence of Islamic values incorporated in developing functional food for Muslim consumption (S.H. Hassan, 2011a).

Cultural Values

Cultural values are fundamentally linked to the psychological process of identity formation in which individuals seek a social identity that provides meaning and belongingness (Ashforth & Mael, 1989). They provide the starting point for group socialization and individuals will identify strongly with group processes if there is congruency between their personal values and those of the social group they are affiliated to. A substantial body of research has shown that when individuals do classify themselves into social categories such as race, ethnicity, gender, and other social affiliations, they do so with intent to use those categories to define themselves. The central role played by personal/collective values is manifested in research on culture which often begins with a set of values and assumptions (O'Reilly, Chatman, & Caldwell, 1991; Schein, 1985) which typically act as the defining elements around which norms, symbols, rituals and other cultural activities revolve. Culture is the means by which people 'communicate, perpetuate, and develop their knowledge about attitudes towards life'. According to Geertz (1973) culture is the fabric of meaning in terms of which human beings interpret their experience and guide their action. Usunier (1993) delineates several sources of culture such as language, nationality, education, ethnicity, religion, family, gender, social class and organization. According to Mutsikiwa & Basera (2012), there are various factors in the socio-cultural context (such as education, religion, occupation and social stratification) that effect consumers consumption in halal food products (food prepared according to Islamic dietary laws). In Malaysia, the emerging *halalisation* culture among Muslim has a significant impact in the socio-cultural context that influences the consumption of halal food. Thus, it is important to examine the *halalisation* culture in Malaysia to understand how it directly and indirectly shapes the Muslim values and behavior in day-to-day consumption activities.

Personal Values

Schwartz (1990) defined personal values as 'people's conceptions of the goals that serve as guiding principles in their lives' (p.142). Values, from this perspective, may be considered as internalized normative beliefs that can guide behavior (O'Reilly, Chatman, & Caldwell, 1991). Values vary in importance and transcend specific situations, while expressing the interests of individuals and the groups they belong to. They are universal motivational concerns (Maslow, 1954) and are cognitive representations of three types of universal human requirements (Schwartz, 1990): (a) biological needs of individuals, (b) requisites of coordinated social interaction, and (c) survival and welfare needs of groups. Individuals are born into this reality and have to recognize and withhold, practice and communicate these requirements to others. The values that individuals cherish are those that would benefit them if acted upon. For example, individuals who assert that security is an important principle in their lives would contribute to the attainment of group harmony and stability.

Kahle (1983) conducted extensive research to identify the salience of personal values to the consumption process. Yau (1994) argue that cultural values differ from personal values because 'personal values are referred to as the beliefs of individuals in a culture, while cultural values refer to normative beliefs which individuals have about how they are expected to behave by their culture' (p. 49). This study argues that the interaction between and within Islamic values, cultural values and personal values will influence Muslim individual values system, and consequently will have an impact in the value negotiation process in consuming tayyib food.

Value Negotiation Process in Food Consumption

Negotiation process takes place every day in our lives with or without realizing its existence. Different people from various places in the world will have different cultural ritual, cultural religion,

culture nationality that might influence consumption activity. Furthermore, efforts to persuade people to do the right thing are complicated by differing values systems. Religious and cultural groups have different and often contradictory images of what is right and wrong or good and evil which can make it very difficult to agree on what is the right thing to do. That is because values usually cannot be changed simply by reason. Values are deeply held beliefs-usually based on cultural traditions, long-held family and religious teachings and long-lasting memories of personal experiences. People's values seldom change, even when their more superficial desires, for instance, their interests are modified. While this can happen, it does not happen often or easily. Those conflicting values need to be negotiated (Connors, et al., 2001), especially in obligating towards religious dietary law.

Tayyib food is chosen as the main object of this study because decision made for tayyib food consumption is expected to derive from a process of value negotiation between an individual Muslim religiosity and personal values. Past literatures scarcely explain how religiosity and personal values is been negotiated in determining consumer food consumption. This section evaluates the limited research on value negotiation in relation to food consumption.

According to Connors et al (2001), conflicting values are resolved through a process called value negotiation, but the nature of this process remains largely unexplored. Past literatures stated that each individual negotiates their conflicting personal values in personal food system through three main processes: (i) "categorizing foods and eating situations", (ii) "prioritization of conflicting food-related values for a specific eating situation" and (iii) "balancing strategies and priorities across eating situations to meet salient values" (Connors, et al., 2001, p. 193). Firstly, individual tend to make decision by categorizing food in a given eating situation. For example, a particular Muslim will categorized food which has halal certification to consume and a more obedient Muslim will categorized food according to the tayyib values, in which the categorization system is unique and based on their personal values. Secondly, after an individual has categorized the food and eating situation, they will move to make prioritization of the conflicting values in a particular eating situation (Connors, et al., 2001). For example, in a different eating situation, a non-Muslim individual will prioritize values such as speed and convenience as highest priority as compared to an individual Muslim which will give highest priority to halal and tayyib values for food consumption. In the final stage, individual will try to balance and collate information on food choice decision and value prioritization in managing their personal food system to achieve the best balance of their values (Connors, et al., 2001).

Onken, Hastie and Revelle (1985) argued that in a complex decision-making processes, consumers use simplifying heuristics and tended to adopt simplification strategies. This is supported by Massop (1994) that in everyday food choice decision, an individual do not spend much time consciously thinking about their values until those values are violated or they are faced with situations that bring their values into conflict (S.H. Hassan, 2011b). Furst et al. (1996) argued that a fundamental element of an individual's personal value system is the means of determining the values salient to a particular situation. In choosing food, personal factors such as psychological traits exert themselves throughout the values negotiation process (Connors, Bisogni, Sobal, & Devine, 2001; Furst, Connors, Bisogni et al., 1996). Consumers often find reasons to compromise their cultural values during this process (Briley, Morris, & Simonson, 2000), such as sensory perceptions, monetary considerations, convenience, health, nutritional beliefs and weight control (Connors, Bisogni, Sobal, & Devine, 2001; Furst, Connors, Bisogni et al., 1996; Rappoport, Peters, Huff-Corzine, & Downey, 1992). Pollan (2006) stated that 'certain taste has become part of American identity and ritual culture since Americans have been with McDonald's food since childhood until now'. It is not much on realizing whether the food that they consume is healthy or nutritious enough for them and to the family, but is about the traditional food with cultural values in it. Their values are embedded behind those food consumptions.

Another fundamental question is why and how Muslim consumed tayyib products is heuristics. Muslim consumers from all kind of background are different in negotiating food consumption in their daily chores. For example, when mentioning about food consumption among Muslim, normally the priority is to consume food and beverages that is halal. The tayyib food consumption is always in silence. On the other hand, how Muslim negotiates food consumption activities are still largely

unexplored in past literatures. As such, this study keen to explore how Muslim consumers negotiates their individual values in tayyib food consumption.

Methodology

This research sought to explore the perspectives of Muslim households (those in the family that make selection and purchasing decision for food consumption) regarding tayyib food; and to understand Muslim households' value negotiation process in tayyib food consumption using a constructivist grounded theory methodology. Questions for this research include: (1) how do they define or interpret tayyib food?; (2) what are the kind of food associated with tayyib values; (3) what role does the Muslim households play in selecting and purchasing tayyib-food related values; and (4) how do Muslim households manage conflicting values in tayyib food consumption. In-depth open-ended interviews were conducted to gauge on the interpretation of tayyib food, the tayyib-food related values and Muslim individual values associated with tayyib food consumption. Most of the interviews last about 1.5 hours to 3 hours. There is no doubt that it is difficult in the first hour to gain the interviewees' trust to share their experiences and knowledge as well as revealing their values about tayyib food since most of the interviewees has strong cultural background in terms of food consumption. However, as the interview sessions proceeds, most of the interviewees seem to be spiritually motivated to share their views and opinions on the tayyib food issues since it is in adherence with Islamic teachings and values. The researcher has intentionally chose two individuals from a household to participate in order to reduce biases and ensuring that the interviewee is revealing genuine information and portraying real values. Most of the interviewees shared their views and opinions in Malay language but some easily expressed their thoughts in English. All of the interviews sessions took place in the interviewees' house. This has added an advantage to the researcher in making observation while interviewing them so as to have clearer picture of the culture and values inherited by the Muslim households. The interviewees comprise of 10 individuals from 5 units of Muslim households in Malaysia. The profiles of interviewees are shown in Table 2:

Table 2: Profiles of Interviewees

| Households | Occupation | Age | Education | No. of Households |
|-------------|----------------------|-----|-------------------------|-------------------|
| Household A | Senior Lecturer | 53 | Postgraduate | 7 |
| | Senior Lecturer | 50 | Postgraduate | |
| Household B | Executive | 38 | Undergraduate | 5 |
| | Housewife | 35 | High School Certificate | |
| Household C | Government Pensioner | 63 | Postgraduate | 7 |
| | Senior Lecturer | 56 | Postgraduate | |
| Household D | Teacher | 43 | Undergraduate | 6 |
| | Clerk | 40 | Undergraduate | |
| Household E | Businessman | 40 | Undergraduate | 5 |
| | Housewife | 29 | High School Certificate | |

Findings

The following three themes were identified after the process of coding and looking at the patterns developed by the interviewees:

1. Education, knowledge and experiences leads to tayyib food consumption activities

Most of the respondents agreed that education, knowledge and experiences possesses throughout their lives cultivates towards the understanding of consuming tayyib food-related products.

“Our experiences living abroad when studying have gave us valuable experiences in various aspects of eating good and healthy foods for the family....we always boiled our vegetables and used little oils in cooking and we make sure that our kids eat proper foods during their meals....we tried our best to avoid junk food...although the junk food is halal...but it is not tayyib...isn't it?....” (Household A)

2. Tayyib food-related values prioritized halal, nutritious, safety, hygiene, quality, fair price, organic and animal welfare

Although all of the interviewees are Muslim, the priority of consuming tayyib food differs based on the personal values and piousness in practicing Islamic values in food consumption.

"I would rather emphasizes on the halal and hygiene when it comes to tayyib food consumption....if the butcher's slaughtering house is not clean and lots of insects....and dirty....I would not want to buy from that butcher...although he slaughter the cow according to shariah compliance...." (Household B)

"I think tayyib food is organic food....if it is halal....organic food would be best to describe tayyib food characteristics...because there are no chemical and pesticides involved...but...here in Malaysia....very rare that we can get organic food for everything....it is just not in the market yet!!...." (Household E)

3. *Compromising conflicting values in engaging in tayyib food consumption*

Some of the respondents revealed that sometimes they tend to compromise consuming food that are inheritance with their family background rather than practicing eating tayyib food consumption. They admitted that they felt guilty when they make decision not to consume tayyib food but they just ate them because it is their food culture.

"....sometimes we cannot help eating our family tradition....for example....in the east coast...most of Muslim tend to eat 'budu' (anchovies sauce)....which is not so hygienic for consumption....and if you consumed it excessively....you'll end up with high blood pressure because it is too salty...hmmhhhhh....but we still eat them as part of the family's favorite food....well...it is contradict with tayyib values...!!" (Household D)

Most of the interviewees compromised their values in certain situation or events due to the demand of their family members especially when fulfilling their children or elderly craving for certain food in the family.

"I usually allows my daughters to have snacks....like junk food....when we were travelling to hometown for certain festivals or attending events....junk food is halal but I know it is not tayyib for consumption especially to our health....however...I just allowed them to have it once a while..." (Household C)

"....you know the food is not tayyib or bad for your diet....like too much cakes....soft drinks....but sometimes when you are stressed....you tend to consumed more non-nutritious food than having a balanced meals...or eating kurma (dates)..." (Household E)

Discussion

The three themes identified above have described some of the value negotiation processes involved in consuming tayyib food-related values among Muslim households in Malaysia. Firstly, *Education, knowledge and experiences leads to tayyib food consumption activities*. It is acknowledged by most of the interviewees that their life course did influence their choices of food to consume. The more knowledgeable of Islamic rulings regarding food consumption facilitates them in tayyib food consumption. Secondly, *Muslim households prioritized tayyib food-related values as halal, nutritious, safety, hygiene, quality, fair price, organic and animal welfare*. Although every aspect of tayyib values is important, some of them prioritized the values according to their family needs and situation. This usually creates conflicting values as to preserve the 'tayyib'ness of food consumption among Muslim households. Thirdly, Muslim households admitted that they did *compromise their values in tayyib food consumption*. However, most of them showed spiritual motivation in engaging in tayyib food for their family consumption. They also expressed their expectation to be able to buy food product with tayyib label or tayyib certification mark available in the market as an informed decision in the near future.

This research has demonstrated that most of the interviewees have expressed positively towards consuming tayyib food-related values in their daily consumption activities. Although they need to negotiate their personal and Islamic values, the ultimate priority and intention is to consume tayyib food for themselves and the family is overwhelming. They also realized that they often compromised

their personal and cultural values with Islamic values when making decision on tayyib food consumption. Eating tayyib food should be the prioritized since it is in accordance to the teaching of the Qur'an and Sunnah.

Muslim households that participate in this research are keen in moving towards engaging in tayyib food consumption by seeking knowledge from the Islamic authorities like JAKIM and from the social media such as from the television, facebook, twitter and 'whatsapp' information. This research finding offers important and useful information for marketers in the food industries in developing their marketing strategies towards fulfilling the demand of Muslim consumers in relation to tayyib food-related values.

Limitations and Future Research

This study focuses on Muslim households in Malaysia (those that are responsible in making food consumption decision for the family). The results are restricted to the selected geographical area of the Muslim households from whom data were collected. Furthermore, the nature of grounded theory methodological approach used in this study limits the generalization of the findings. Therefore, findings from this study may not represent the larger population of Muslim in Malaysia and in other Muslim countries. Future research may consider looking into other aspect of 'toyriban' values apart from food consumption; for example looking into specific lifestyle of an individual Muslim in relation to tayyib consumption practices. Furthermore, future research may use quantitative or mixed method approach in order to make some generalization on the issue of tayyib consumption.

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Environmental care impact on managing and marketing hospitality industry

Environmental care impact on managing and marketing hospitality industry in the Arab-World

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Abstract

Environmental protection in the Arab-World has been neglected for so long. The repercussions of environmental negligence have impacted the everyday life in the Arab-World region. Environmental negligence increased health problems, lowered production quality and productivity, weakened educational services, caused economic problems; and lately, it also affected the hospitality industry in the Arab-World region.

This paper is intended to introduce the highlights of pollution and environmental negligence on existing and potential hospitality opportunities in Arab-World region. The paper will start by introducing environmental problems that most of the world is suffering from; especially, in the third world. The research will then demonstrate the existing problems in the Arab-World. The research will offer simple solutions for most of the environmental problems. Environmental awareness and education will be presented and its forecasted effect on the societies within that region. Finally, the research will offer the positive impact of environmental awareness and solutions on hospitality industry in Arab-World region.

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ABSTRACT

In its development, Sharia Commercial bank is presumed of not being able to give comfort to make the customers be faithful in using Sharia Commercial Bank in their whole life. It indicates that Sharia Commercial Bank has not been able to reach a powerful customer equity. The objective of this research is to collect data and information as well as to analyze how the development of brand image can reach the equity of the customers of Sharia Commercial Bank in Jabodetabek regions. This is a descriptive research on the customers' iB mudharaba accounts in Sharia Commercial bank in Jabodetabek. Sharia Commercial Bank has not been able to build a positive brand image on the reputation and brand emotion. Customer equity obtained by the bank is not superior enough to offer product that can create retention which meets the life goals and it also can not create customer religious motive.

Key words: customer equity, brand image, Islamic banking

INTRODUCTION

The establishment of Islamic Banking which is a non-interest banking system in Indonesia has carried a significant influence towards Indonesia banking system. Sharia Banking system was established with the background of the people's needs especially the moslems in Indonesia. The Indonesian society with the world's largest numbers of moslem society about 88 % of 237,641,326 million people (BPS, 2010), has variative kinds of banking transaction needs. One of the first Shariah banking in Indonesia is Bank Muamalat Indonesia which was established on November 1, 1991 and started its operation on May 1, 1992. This bank was founded by Islamic Religious Councils of Indonesia (*Majelis Ulama Indonesia*, MUI) and the government with the support from the Indonesian Muslim Intellectuals Association (*Ikatan Cendekiawan Muslim Indonesia*, ICMI) and some moslem entrepreneurs. The character of Shariah Banking system with profit-sharing give alternate banking system that is beneficial to the society and the bank and it also has accentuated the aspect of fairness in trade, ethical investments, promoting the values of community and fraternity in producing, and avoid speculative activities in the financial transaction. By providing diverse banking products and services with variative financial schemes, Islamic banking is a credible alternative to the banking system and can be enjoyed by any society in Indonesia.

With the peresence of the third-party fund from the customers, customer deserves to get profit and future retention related to customer loyalty. It is the ability of the Sharia Commercial Bank in giving Customer Life Time Value (CLTV) that can satisfy the customer as the partner by delivering qualified product and service. Moreover, customer equity also explains simultaneously about customer value management, brand management, and customer relation management. In its development, Sharia Commercial Bank is assumed to be unable to give comfort to the customers to keep using the Sharia Commercial Bank in all of their life and cannot assure the customers to increase their savings and also involve the customers to tell positive sides of Sharia Commercial Bank to other people. Among the socciety, the customers from the religious groups to the intellectual ones still state their doubts towards the services of Sharia banking, not to mention, the common people who have not understood the Sharia banking services. It indicates that Sharia Commercial Bank has not had superior customer equity.

Good personalities such as friendly, helpful, humble and trustworthy that support the healthy economy activities are the characters of Sharia Commercial Bank. From all the services given by Sharia Commercial Bank, it is assumed that the customers still doubts that all of the management of the Sharia Commercial Bank has a good character in holding good personalities. Besides, it still can

not assure the customers that by being the customers of Sharia Commercial Bank can get them spiritual reward for they don't get interest by depositing their money. Moreover, it is assumed that the customers who are going to have hajj journeys hesitate to put their trust on the Sharia Commercial Bank in having their hajj saving. They state that many of them still have the hajj accounts in the conventional banks.

The final target of Sharia economic activities is *falah*, a true success in reaching the material and spiritual happiness and the true achievement of prosperity in this world and hereafter life. To reach these goals, one should not ruin humanity such as brotherhood and ethics. Sharia Commercial Bank is assumed not having fully created the true success by giving the knowledge to the society, especially the customers, that by being the customers of Sharia banking, there will be a complete principal of *ukhuwah islamiyyah*/Islamic brotherhood. In addition, Sharia Commercial Bank is assumed of not being able to give a true happiness to the customers materially and spiritually as well as the prosperity in this world and hereafter life.

To measure the retention level of brand information captured and recalled by the when necessary, the awareness is crucial. The first name of bank that occurs when the customers are asked (top of mind awareness) means the retention of the information is quite strongly set in the customers' mind. It can happen because of several things, one of those is because the name itself has been used by the customers, the customers get the information continuously, from the advertisement or others, and the strong experience towards the brand, positively and negatively.

LITERATURE REVIEW

The Merit of Sharia Banking in Brand Image Concept

The strategy in managing a brand image starts from measuring and managing brand equity. The strategy in managing the brand might have positive and negative effects on the brand value in the brand portfolio owned by the company. Cravens, and Piercy, (2013:260), "strategic brand management decisions are relevant to all business, including suppliers, producers, wholesalers, distributors, and retailers. Next, Kotler & Keller (2012:263)," a brand is thus a product or service whose dimensions differentiate it in some way from other product or services designed to satisfy the same need". Brand can give a great benefit to the producers as well as the consumers. Brand can make a certain level where the satisfied consumer can easily choose the product so that brand can add more value to the consumers. In the present competitive market, brand has important role to the lifespan of a company. As mentioned by Kenapp, 2001 (in Maya Widjaja, 2007) that the main purpose of a true brand is to give more human value. Then a true brand is a benefit reward to the customers, and the differentiated brand is easier to be communicated efficiently to the customers

Brand image is related to how the customers think about the brand in abstract. Brand image can occur directly from the personal experience or indirectly from the stories or experiences of other people. There are 4 categories related to brand image: (i) user profile; (ii) purchase & usage situation; (iii) personality and value; (iv) history, heritage and experience. Kotler & Keller, (2012:265): "branding is endowing products and services with the power of a brand". In its process, a brand is already considered as an asset by the company or known as brand equity. The effect of the power and equity of the brand advertised is the customers might be willing to add brand communication, This communication is better and has a superior ability to be recalled or assist the cognitive, reactive and affective communication..

A research held by Chen, et al, (2010), that stated the brand image has a direct and positive effect to brand equity thoroughly. Brand image has positive effect to the brand loyalty, brand loyalty has positive effect on the brand equity. It is also stated by Hyun, (2009), that brand equity has positive effect to the customer equity and the positive equity relation influences the customers equity. Different from the previous research, the research from Maxwell, (2009), highlighted the employee attribute is crucial and consistent because it is predicted to support the brand image. The same thing is also conducted by Nguyen, (2010), that held a research on the financial service customers in Canada. Personal relationship is assumed to be an important element that determines the success of a service process, personal contact performance, to attract the target group and determine company reputation.

The employees of Islamic Bank play important role in increasing a good relation with the customers of Islamic Bank, and give a great influence in the structure and culture of the company. The service providers of Islamic Banking can recognize, understand and use the customers to design a specific strategy based on their motivation, hope and wish. Haque, 2007 (in Haque 2010) explains a customer's behaviour to a product or service is influenced by a match between the product or service image and the customer's concept. A religious concept and customer's behaviour are the key elements to describe a group from its wants and ability to control. The structure of Islamic Banking occurs to fulfil the financial need of the moslems that must follow the prohibition of using interest-based transaction, Hag, and Smithson, 2003, (in Haque 2010). The research of Haque, (2010) states that Malaysian customers have positive behaviour towards the Islamic Banking based on demographic, service attribute and religious factors

Ghorban, et al, (2012), Abdullah, et al, (2012), explains the finding that customer loyalty strategy attribute and customer loyalty program can be implemented in store brand image such as reward card and membership card. Zeynalzade, 2012, the present purchasing is directly influenced by brand awareness and not directly by brand image. Next, previous research will explain about customer equity. Vogel, et al, (2008) observed the effect of main customer perception, the marketing action to customer's behaviour and and the real action of the customers as it can be seen from the future selling in the retailers in Europe. The result is that customer value perception, brand and customer relation equity support influence the loyalty and selling in the future.

Sharia Banking business is based on a complete Islamic view application. (comprehensive dan universal). Comprehensive means it takes all life aspects, religious, social and business. Universal means it can be applied in any time and space especially in business where it is not only wide but also flexible, it is not a special treatment for the moslems only, (Muhammad, 2006:12). Fairness/*Istishad* is a typical Islamic Economic system that means equilibrium, equally balanced or evenly in between, (Karim, 2001:33). The main goal of the Sharia Banking insitution is based on ethics that become the foundation of all aspects in life. Social fairness, economics fairness and income distribution fairness principals become the foundation of the Islamic economical system application in Sharia banking business, (Antonio, 2005:14).

Islamic ethics is based on *Qor'an* orders and do not set a space for different intrepretation from marketing executives that suit their own interests. Islamic ethics give a huge capacity to get through the human conscience and can influence the behaviour of the marketing executives. Islamic marketing ethics combines value maximizing principal with the principal of sharing and fairness for the prosperity of the people. Obeying Islamic ethics can help increasing the living standard and attitude of the bankers and customers, Abul Hassan, et al, (2008:27). The application of Islamic marketing ethics guarantees the harmoby in the society so that it can increase the status and hold the human rights. The Sharia banking image is formed based on the perception from the society by their experience, trust, feeling and knowledge of the people on sharia banking. Sharia principal, Islamic view in business including sharia banking business ethics give its own image to the society.

Sharia Banking Service in the Customer equity Concept.

The importance of customer value management causes the existence of marketing concept known as customer equity. Customer equity was firstly stated in an article in Harvard Business Review titled "Manage Marketing by the Customer Equity Test" written by Blattberg & Deighton (1996). Blattberg & Deighton (1996), defines customer equity is "the total of the discounted lifetime values summed over the firm's entire customer", (Geoffrey N.C. Bick, 2009). The basic assumption of customer equity is that the customers is a financial asset that must be measured, managed, and maximized by every company or organization as well as other assets. Kotler & Keller (2012:41), "customer equity is a complementary concept to brand equity that reflects the sum of lifetime values of all customers for a brand". Brand equity and customer equity are important because there is no brand without customers and no customers without the brand, which means that brand is useful for the retailers and resellers to attract the customers that gain value from the brand, the customers is beneficial as a real profit machine to the brand.

There are two fundamental reasons for the company to get to the customer equity approach. First, some new technologies are converted so that the customer-asset based management can be accomplished. Secondly, the similar technology capability, together with other change in the working area in business environment turbulence, makes it a demand for the marketing division to maximize the asset value of the company customers (Soni Harsono, posted on May 20, 2011). Customer equity as a lifetime value to all company customers, (Blattberg & Deighton, 1996 in Sunghyup Sean Hyun, 2009). Customer equity measures customer value on the basis of not only customers profitability but also their long term contribution. Karat, Zeithaml, and Lemon, (2001) (in Sunghyup Sean Hyun, 2009), states that long term value of a company is determined by the value of company customer relation, named customer equity. Customer equity is a present net value from future profit from all customers, (Geoffrey N. C. Bick, 2009). Customer Life Time Value (CLTV), defines as a future profit flow that comes from acquisition, retention and expansion projection and related expenses (Gupta, Lehmann dan Stuart 2004 in Geoffrey N. C. Bick, 2009).

The effort to win the competition in the service industries can be reached through customer equity with customer acquisition. Customers or potential customers gains profit and future retention. The purpose of customer acquisition is trying to replace the customer loss with new customers that have, at least, same potential for the present and future profitable business. Facilities must be built and beneficial for the potential customers and they can be the target to increase sale, every new customer must become a candidate that possibly becomes retention customer and add-on selling in a profitable way, (Roofthoof, 2009). Acquisition is influenced by a number of prospects, acquisition probability of a prospect and acquisition cost of each prospect (Kotler dan Keller, 2012: 290). Customer retention that is directly related with customer loyalty; however customer satisfaction is not identical with customer value, and neither is customer loyalty.

Customer retention is held through the communication with the customer after they buy the product. It is an important part of promotion of many brands. Examples of post-purchasing communication activity are the follow-up actions from the seller, advertisement that focusing on the company service ability and toll-free phone number. Add-on selling is selling more to the existing customers that is more profitable than looking for a new business, (Roofthoof, 2009). "Additional expenses are the functional efficiency of additional selling, the number of additional selling offers given by the customers and the response level to new offer", (Kotler dan Keller, 2012: 290). Holehonnur, et al, (2009), held a research on the consumers of energy drink and stated that the quality and price-prestigious relation that functions as the booster of equity value. The importance of this booster can not be ignored and has shown that the factors, especially quality and behaviour, have some influences to the brand value and equity. If it is successfully employed, it can help to evaluate the guarantee of the positive equity that finally may influence the willingness to buy the certain product. Chang, (2012), states that CLV model is an efficient and effective way to evaluate the relationship between company and customers. Drèze, (2009) observed that the company that follows the approach of maximizing CLV have a customer base that is smaller and less profitable than that follows the strategy of maximizing Customer Equity.

Indonesian researcher, Furinto, et al,(2009), held a research about loyalty program on airlines using the flight management and bank customers. The program that the customers think is good in return will make a strong loyalty behaviour and high customer profit. Monetary reward felt on the customer perception provides higher utility in the contract relation than non-contract relation. Skiera, et al, (2011) in the research, shows that higher customer value has strong customer base. On the other hand, Customer Equity Sustainability Ratio /CESR shows whether the company runs after a long-term value creation or short-term profit realisation. Hyun, (2009), observed the influence of brand equity in forming customer equity directly and indirectly through value and equity relation. Equity relation has strong effect to customer equity. Braun, (2011), noticed some causes of customer transfer are activities of economic returns in the management of customer retention, and depending on the variation characteristics of the customer and the customer's ownership of the company, as well as the specific tactic chosen by the company. Customer equity focuses on the financial end of the value is a measure of financial performance which can be measured. Customer equity approach can ignore brand and its potential to affect future revenues and costs.

Customer equity in Islam is shown in the cooperation (*ta'awun*), that becomes one of the ethics foundation in business in Islamic way, Syakir Sula, (2006:20). In Islam, helping each other is a compulsory for every moslem. Muamalah is a part of Islamic law that manage the relationship among people. The examples of Islamic law is including muamalah such as sales, leasing and banking business. Islamic economic philosophy as a philosophical foundation of Islamic banking, as follows: the foundation of the Islamic economic thinking is a prerequisite that must be identified and met before entering the stage of implementation of Sharia economic development. This foundation includes three things: *aqidah* (main foundation), *syariah* and *akhlaq* (first supporting foundation), and *ukhuwah* (second supporting foundation).

Aqidah is an ideology that forms basic paradigm that the universe is created by God the Almighty as a living place for all human beings to reach the spiritual and material prosperity. In *aqidah* concept, every activity of a human has God accountability value that put sharia tool as a suitability parameter between business activity and sharia principals. Good *aqidah* is expected to create an integrity in assissting the creation of good governance and market discipline. *Aqidah* concept will be a supporting foundation that includes *sharia* and *akhlaq*. *Sharia* and *Akhlaq* (First Supporting Foundation), *sharia* is an Islamic law regulation that manages the activity of human beings that consist of command and prohibition, not only the one that related with vertical interaction with Allah but also the horizontal interaction with the living creatures. *Sharia* principal in economic activity generally will be the source of the rules that arrange the relationship pattern to all performers and stakeholdes of sharia banking. *Akhlaq* is a norm and ethics that have moral values in the interaction among humans, human with the environment and humans with the Creator so that the relation become harmonious and synergy. Moreover, Rasulullah SAW had ever stated that: " In truth I wassent to perfect the noble character" (HR. Malik), including when you do economic activities. The best example of character is the Messenger of God, Muhammad (May peace be upon him), so God praise him: " And you truly have the great characters."

Ukhuwah (Second Supporting Foundation), *ukhuwah* is a fraternity principal in managing social interaction directed to the harmony of individual needs with the purpose of common benefits with the spirit of cooperation. *Ukhuwah* in economic activity is done through *ta'aruf* process (mutual knowing), *tafahum* (mutual understanding), *ta'awun* (mutual helping), *takaful* (mutual trust) and *tahaluf* (alliance). *Ukhuwah* keeps inter personal relationship pattern based on the principals of equality, mutual trust and need. The basic principle of action as the elaboration of fundamental values which have been identified as follows: Justice (*'adalah*), goodness (*maslahah*), and balance (*tawazun*).

Justice in Islam is to put something in its proper place and give what it deserves, as well as treating something properly. The implementation of Justice in economic activity in the form of a rule prohibits the existence of muamalah principle elements: (i) *Riba* (interest element in all shapes and types, either *riba nasiah* or *fadlh*), (ii) *Dzilm* (element of evil that destroy oneself, others or the environment), (iii) *Maysir* (gamble and gambling attitude), (iv) *Gharar* (an element of obscurity), (v) *haraam* (haraam elements both in goods and services as well as operational activities). Benefit (*maslahah*) in Islam is all forms of goodness and benefits that has secularly and integrally ukhrawi-dimensional, material and spiritual, as well as individual and collective. It Islamically viewed as beneficial if it meets two elements namely Sharia compliance (*halal*) and usable and brings goodness (*thayyib*) for all aspects of integral basis that does not pose disandvatage and harm one aspect.

Widely, the *maslahat* is aimed at fulfilling the vision of the benefits included in the *maqasid* (objectives) of the Sharia concept of protection against faith and piousness (*Dien*), descent (*nasl*), soul and salvation (*nafs*), property (*maal*) and rationality (*aql*). Each syariah economic activity must meet the elements that have been defined in the *maqasid* Sharia integratedly. Balance (*tawazun*) is put as the pillars of balance aspects covering various aspects which include balance, material and spiritual development, development of the financial sector and the real sector; risk and return, business and social, as well as the utilization and preservation of natural resources, (Zarkasih, posted on 08 March 2010).

The final target of Sharia economic activities *falah*, true success in achieving happiness in material and spiritual aspects as well as the achievement of well-being in this world and hereafter. A success in the material aspect is not meaningful if it results in the damage of other humanity aspects

such as fraternity and morality. Fulfillment of the principle of balance between rights and obligations is the implementation of *ta'awun* that was able to give birth to *himayah* or advocacy of the customer. *Himayah* is a fulfillment of the principle of balance between the providers/bank and customer. The *taawun* principle is done by serving clients as well as possible, this service will be responded by the customer with the attitude of *istiqomah* (trustworthiness). Loyalty in Islam will be formed on the behavior of trustworthiness on option priority, recommend (*tausiyah*) and advocate for (*himayah*) on others. The loyalty of these Islamic values would delivering on a long term relationship or *silah turrahim*.

RESEARCH METODOLOGY

This is a descriptive research aimed at acquiring discrete variables, where the purpose of the study was to obtain an overview of the brand image and equity of Sharia Commercial Bank in Jabodetabek area. The research method used is descriptive survey method. Based on the coverage time (time horizon), this study is one shot-cross sectional i.e. data/information that is collected only once in order to answer the question of research. Unit of analysis the study is clients who keep their funds in savings iB mudharabah General Bank branch on Sharia in Jabodetabek area.

Sharia Commercial Banks selected in this study are: Bank Muamalat Indonesia, chosen because it is the first Sharia Commercial bank established in Indonesia, Bank Syariah Mandiri was chosen because it is the outcome of conversion of PT Bank Susila Bakti (BSB) and it is a subsidiary of the bank with the biggest assets in Indonesia. Sharia Bank BNI and BRI Syariah were chosen because it is an Islamic bank the results of main bank spinoff that originally was only Syariah Business Unit and Bank Syariah Mega Indonesia was chosen because of the conversion of Bank Tugu and Bank of Victoria was chosen because it is a new Islamic bank because of the Bank's Swaguna conversion result that gets full support from the main bank.

Secondary data collection techniques were collected by using a combination of techniques consisting of: interviews, as the technique of direct communication to acquire secondary data required by using the guidelines of the interview. This technique was also used to gather data from secondary stakeholders Sharia Commercial Bank. Documentation, done by studying and reviewing notes/reports and other documents from a variety of agencies that have to do with the matter examined, which in this case is the integrated marketing communications, performance of customer relation management, brand image, and customer equity.

Next, in order to analyze the problems of research, a primary data collection was conducted. The instrument used in this research is in the form of a questionnaire that contains questions to obtain information for the variables examined. Primary data collection techniques were carried out using a questionnaire that was given directly to the customers. Respondents were asked to select answers in the form of modifications to the scale Likert 5 point. with the lowest scale is 1 and the highest scale is 5. The questionnaire, a list of questions that are made in the form of closed questions with simple methods about the performance of integrated marketing communications, performance of customer relation management, brand image, and customer equity. Questionnaires were used to obtain primary data directly to the analysis of customer savings unit iB Mudharabah Sharia Commercial Bank.

Based on the results of the test of the validity of the research instrument, the integrated marketing communication performance variables were obtained. The variables of customer relation management performance., brand image and equity variables of all question items are valid. Based on the results of reliability research instrument test, the result is: all variables used in this study are reliability, since the Cronbach Alpha is greater than 0.6

Descriptive statistics presented in this study summarizes and presents data into a frequency distribution. Each indicator variable is classified into five alternative answers by using the likert scale. Descriptive hypothesis test is done by determining the range of the interval through calculation of the highest value minus the lowest value divided by the number of range. As for determining the range of the interval, it depends on the number of questionnaires from each variable to be tested. By using a combination of methods of analysis, a comprehensive generalization might be obtained. To answer the hypothesis, frequency distribution of score interval is used. Score intervals depend on the number of

questionnaires from each variable to be tested. The formula of calculation of score interval is: $\{(highest\ Score \times n \times q) - (lowest\ Score \times n \times q)\} / 5$

scores survey of the numbers 1, 2, 3, 4, 5 is the highest and 1 is the lowest score.

Where: n = number of samples, q = the number of questioner of each variable.

The Hadith of Abu Hurairah (May Allah be pleased with him) declare: it has been said: the Messenger of God (May peace be upon him) said God is good, do not accept anything except the good ones, and Allah has commanded believers (like) what has been ordered to the messengers, To my messengers, eat of everything good and do the goodness”: (Qur’an, Al-Mukminun:51). It is the basis of citation of Association Board of Syariah Bank Indonesia (Asbisindo) in determining service standards for Islamic banking, the banking services provided to the customer is a good service.

Table 1. Score Calculation and Range Interval

| Variable | Score | Range Interval | Range | | Decision |
|-------------------------------------|---|------------------------------------|-------------------------|------------------------------|--------------------------------|
| Brand Image n=218 q=8 | Highest $5 \times 218 \times 8 =$ 8720 (100%) | $\frac{8720-1744}{5}$ = 1395 or | 1744-3136 (20%-36%) | Very Negative brand image | H_o accepted H_i denied |
| | | | 3137-4532 (36%-52%) | Negative brand image | |
| | | | 4533-5928 (52%-68%) | Less positive brand image | |
| | Lowest $1 \times 218 \times 8 =$ 1744 (20%) | $1395/8720 = 16\%$ | 5929-7324 (68%-84%) | Positive brand image | H_o denied H_i accepted |
| | | | 7325-8720 (84%-100%) | Very positive brand image | |
| Customer Equity n=218 q=9 | Highest $5 \times 218 \times 9 =$ 9810 (100%) | $\frac{9810-1961}{5}$ = 1569 or | 1962-3530 (20%-36%) | Very excellent | H_o Accepted H_i denied |
| | | | 3531-5100 (36%-52%) | Not excellent | |
| | | | 5101-6670 (52%-68%) | Less excellent | |
| | Lowest $1 \times 218 \times 9 =$ 1962 (20%) | $1569/9810 = 16\%$ | 6671-8240 (68%-84%) | Excellent | H_o denied H_i accepted |
| | | | 8241-9810 (84%-100%) | Very Excellent | |

Source: Modification result from Zikmund. William G. 2000. *Business Research Methods*. Sixth Edition. The Dryden Press, Philadelphia.

In this study based on research variables minimal standards of performance, integrated marketing communications is attractive, create customer relation management performance that is familiar with the customers and the brand image is good, as well as the customer's equity is strong

So the hypothesis test criteria are as follow:

H_o : $\mu_1 \leq 5929$ Less able to build positive brand image

H_i : $\mu_1 > 5929$ Able to build positive brand image.

H_o : $\mu_1 \leq 6671$ Less able to breach excellent customer equity

H_i : $\mu_1 > 6671$ Able to reach excellent customer equity

DISCUSSION AND IMPLICATIONS

The profile of customers of Sharia Commercial Bank in Jabodetabek

Based on the results of data collection through the distribution of questionnaires to clients, it can be known that the client characteristics could be explained based on occupation, education, age, religion, the duration of being a customer, conventional bank account ownership, the average fund in the bank accounts, saving options and Sharia bank used, as well as the main reasons for choosing Sharia Commercial Bank. In this study the majority customers of the Sharia Commercial Bank in Jabodetabek is private employees of which 41.7% had a relatively varied income. It was drawn from the respondent employment status as an employee of the private and educational level of the majority of the respondent profile. Private employees feel valued and dignified by being the customers of Sharia Commercial Bank. Job demands is likely to be the reason why the customer has the bank account in Sharia bank as a saving medium of fund and banking transactions.

Based on the last education of the customers, highest percentage of them has bachelor degrees of 56,4%. Level of education is related to the pattern of selection decisions, the use of a type of service, including the services of the bank. The customers with higher education tend to have a higher level of knowledge as well as being rational in choosing what they need. Sharia Commercial Bank's customers are most highly educated. This proves that the higher a people level of education, the higher the person's level of consciousness in utilizing banking services. They believe in Islamic banking, because they feel more secure and serene in saving funds and conducting transactions through Islamic banking.

Based on the age of the customer, aged 30-40 years is the majority of respondents with the percentage of 41,3%, Those ages are the mature age in one's work performance. Based on religious beliefs, the clients who are Muslim majority, are as much as 96,3%, 3.7% of the customer is a non-Islam. This is due to the presence of non-Muslim clients trust factor against Islamic banking services and also shows that Islam is Rahmatan lil alamin/blessing for the world. There is also the possibility that the customer will move from rational benefit to emotional benefit. Moreover, customer will be more concerned with spiritual benefits in doing business and banking. Spiritual is universal, so that any religion can really recognize that Shariah banking system is a system that is fair, humane, reassuring, have great value even though it comes from a particular religion (Islam).

The concrete target to make clients from various religions and societies willing to use Islamic bank. Some of the customers of the Sharia Commercial Bank in Jabodetabek have been the clients of the bank for three years, about 65,2%. In this research data, Bank Muamalat Indonesia that has been established for 20 years owns 32,6% customers for 3 years and Bank Syariah Mandiri, 13 years has owned 21,6% customers for 3 years. This indicates that the majority of clients have been loyal towards the use of Sharia banking service, customers have had the confidence of the Sharia Commercial bank services. While the new bank Sharia Victoria, has the customer in less than 3 years of as much as 4.5 percent.

There are 22.9 % customers who only have an account at a commercial sharia-based bank. The remaining customers also have an account at the conventional bank. Bank syariah customers also use conventional banks because the aspect of service and facilities that are better. To make these customers to use only bank syariah, syariah banks are required to provide services of being equivalent or even better than conventional banks do. Approximately 42,7% customers choose Bank Muamalat Indonesia with the tagline "*Pertama, Murni Syariah*" (First, purely Sharia). About 33% customers choose Bank Syariah Mandiri with tagline "*Lebih Adil dan Menenteramkan*" (Fairer and Assuring). Bank Syariah BNI with tagline "*Menjaga Amanah Anda Seperti Menjaga Diri Kami Sendiri*" (Keep the trust as we care about ourselves) is chosen by 9,6% customers. Bank Syariah BRI with the tagline "*Bersama Wujudkan Harapan Bersama*" (Together in building the hope) is chosen 6,4% customers, while Bank Victoria Syariah is only chosen by 2,8% respondents. The data shows that Bank Muamalat, still becomes the first choice.

The data process result shows the period of being a customer and possessing an account in Sharia Commercial Bank: there is 32,1% of customers of Bank Muamalat Indonesia still use conventional banks and only 10,5% uses sharia banks. For the customers of Bank Victoria Syariah, all customers have accounts in conventional banks. It is because the bank is relatively new about 3 years so that the service network branches are still limited as well as the ATM. In a research held by *Bank Indonesia* (2012), there was total 34,9% of sharia bank customers that also have accounts in conventional bank. The reason is even though the customers often have transaction in sharia bank, they still have accounts

in the conventional ones because of the various types of accounts with different functions. The reason of being the customer in sharia banks and conventional banks is because of the differences in each of the accounts functions. The function of sharia bank account is more to fulfill emotional aspect to follow the Islamic rule and to avoid interest, while the function of conventional bank is to fulfil the practical aspects, such as simplicity in transaction, business matter, the conventional bank can give more.

Market study Islamic bank by *Bank Indonesia*, 2012 indicates that there are 6 factors underlying the customer uses bank syariah, i.e. in accordance with shari'ah, avoid interest, safe, satisfactory services, profit-sharing, and diverse facilities. Emotional factors (according to Sharia law, and to avoid interest) are still the dominant factors in choosing Islamic banks. This result is similar to the findings of a study of Bank Indonesia in 2008, the location factors ceased to be a strong factor for customers in choosing Islamic banks, due to the amount and the spread of the current Islamic banking service. Security concerns are strong reason for customers to choose the Public Sharia Bank of 31,0%, while on a study year 2008 they were only 16.3%. It explains the main reasons the customers choose Islamic banks are the same, i.e. tend to be the emotional factor, while the rational reasons are different from banks to banks. For example, security concerns are the reason expressed by the customers of BNI Syariah, because the customer assumes that BNI Syariah is able to convince the customer security assurance on the fund. While reasons of service become an important factor for customers of Bank Mega Syariah; this shows their confidence in the services that they need.

In this study the emotional reasons persist that as much as the customers choose 43.1% Sharia Commercial Bank as reasons to avoid interest, profit-sharing 29,4% and accordance with Shari'a 9,2%. As for rational reasons, respondents of Bank Syariah in Jabodetabek state the safety factor as much as 11% and the adequate service as much as 5.5%. Until now, the development of Islamic banking solely focuses on the spiritual market, Moslem groups, and seems only destined for Moslem societies where they are reluctant to become the customers of the conventional banks which base on interest. The opportunities are still open wide for the Bank to manage the Commercial Sharia market share of non-Moslems. When able to provide banking facilities and services of the best rational-side benefit, the Sharia Commercial Banks will be able to win the hearts of potential customers to non-Muslims

The non-moslem customers who choose Sharia Commercial Bank for the spiritual reason (the bank gives profit-share system) are 3 customers. It is because the trust that the non-moslems customers have for the services of sharia bank and it shows that Islam is *Rahmatan lil alamin*/bless for the universe. There are 5 non moslems customers choose Sharia Commercial Bank because of the safety reason. The customers believe that from the *rational benefit*, saving in Sharia Commercial Bank is safe. It is because the sharia bank can apply prudential principal in its operation which becomes the implementation of risk management. Besides that, in Commercial Sharia Bank there is a Sharia Supervisory Board that conduct the surveillance function on the services of the sharia bank with *syariah compliance*.

Brand Image Sharia Commercial Bank

Measurement of brand image of sharia commercial banks can be measured through opinions, impressions, responses to customers with the aim to find out for sure what is in every thought and how they understand them and what they like or not in Bank Syariah. The customers' opinions of the image of Islamic commercial banks is how society defines all of the signs presented by the brands through goods, services and communication programs. The image of Islamic commercial banks can be measured through customer recognition level of Sharia Commercial Bank. Sharia Commercial Bank's brand image is its reputation in the eyes of society in general and the customers in particular through goods and services, the statement, opinions and responses. The customer's perception of the Sharia Commercial Banks' brand image can be seen from the brand's reputation and emotional. A good bank's reputation in the eyes of customers is one of the evidence that the bank has a good image. Sharia Commercial Bank's brand images which are famous, pride, special and gives a sense of happiness, are the reputation of the Sharia Commercial Bank's brand image. Emotional benefit here is more to the financial profit as well as spiritual interests. The emphasis on the emotional benefits which is very important to the Moslem customers that forbids interest which reflects the principles of fairness, honesty and equality, feeling calm and serene setting for customers related to entrusted funds to Islamic banking make Islamic banking is so completely credible and trustworthy. The strong emotional aspect

is indeed very advantageous for Islamic banking, because with such treatment now the customers have chosen Islamic banks. This is certainly an excellent capital for the development of Islamic banking. Based on the data from Bank Indonesia, Bank Muamalat still becomes the most favored bank for transaction with about 18,2% clients. The next is Bank Syariah Mandiri (15,9%), followed by Bank BRI Syariah, (13,2%), BNI Syariah (12,4%), BCA Syariah (12,0%) Mega Syariah (11,6%), and other banks with percentage less than 1%. From the description, it can be seen that the bank that has a tagline “Pertama Murni Syariah”, still become the best choice for the customers. However, Bank Muamalat and Bank Syariah Mandiri need to be aware of Sharia Bank BCA, BRI Syariah that appeared later, but have a lot of customers. It is the same case with major bank transactions, Bank Muamalat as the first Islamic bank also are widely used by the customer for the placement of the largest funds, with the amount put the biggest funds reach 19,0%. The next is Bank Syariah Mandiri (15,5%), followed by BRI Syariah (13,6%), BNI Syariah (12,4%), CIMB Niaga Syariah (12,4%), Mega (11,6%), BCA Syariah (11,6%), and other banks with lower numbers.

Savings is a very popular banking products compared to other banking products. Results of research conducted by Bank Indonesia revealed that all clients are aware of the savings account products on the level top of mind awareness, the brand which is recalled the first time. Research results about the Sharia Commercial Banks brand image are seen from the perception of the customer regarding the Sharia Commercial Bank brand, which is reflected through a positive brand impression in the mind of the customer. Bank Syariah Mandiri is still the most widely used for transactions, placement of funds, and the selected customer savings brands. Bank Syariah Mandiri has the most memorable client savings that is BSM, beating the savings in Bank Muamalat, Ummat. From these data the Bank Muamalat and Bank Syariah Mandiri are managed to attract the attention of people with reliable Islamic banking products and services. The existence of the Public Sharia Bank through branding iB (Islamic Banking) and Beyond Banking, in domestic banking market is quite recognized by society. In addition, the brand is not only considered as a name, logo or symbol. Moreover, the brand is the value offered in a product for consumers who use them. Even at a higher level, the brand can play a number of important roles to improve the lives of consumers and the financial value of the company.

47.7% of clients rated the Public Sharia Bank has a well-known brand, but there is still a judgement that Sharia Commercial Bank is not a well known brand as much as 31,25%. This is because commercial banks have not been able to reach the stage of brand judgments where the customers holds the performance and image of the Sharia Commercial Bank has the reputation of well-known brands, as well as an attempt to propagate the brand/brand resonance through relationships and customer identification rate. As moslems, the pride of becoming the customers is indeed sensible, since they believe they not only benefit from savings products offered by Sharia commercial banks but also has already followed muamalah according to the Shari'a. On the research of data processing, the customer declares Sharia Commercial Bank's brand has a reputation for being quite a boast as much as 47,2%. This is due to the influence of customer feelings toward the brand formed by Sharia Commercial Bank: proud of being the customers of Sharia commercial banks.

If the benefit sides of Sharia banking services are met, then the image of the brand of Islamic banking will be better and strengthening Islamic banking advantages for the customers. Sharia Commercial Bank has a noble mandate, not only values in running an Islamic business activity but also the value of the benefits they get. Sharia Commercial Bank brand has the reputation of the brand which is not special as much as 49,1%. This is due to a Sharia Commercial Bank can have close relations with its customers, so the brand has greater advantages because of the reinforcement wiht the environments.

By becoming the customers of the Sharia Commercial Bank, they can conduct the Sharia guidance religion properly, and add to his conviction in applying the rules of Islam. Happiness should be given by the Sharia Commercial Bank with the maximum benefit to all walks of life, not just on a particular group. Based on the strength of the reputation of a brand of sharia commercial banks that provide a sense of happiness, the customer declares that they are quite happy as much as 48.2%. This reflects that the Sharia Bank brand has still not fully provided a sense of happiness for its customers. Islamic banks should be able to have a different value in the form of high spiritual and humanity value,

so that in the end it will provide a very different color from conventional banks in general; this gives a sense of happiness for the customer. Brand performance generated by the actual product is actually the heart of brand equity, thus attributes-product attributes can professionally satisfy all customers, the products can be well-functioned and products can fulfil what customers expect. Therefore, the products of Sharia Commercial Bank can show its brand identity reflecting the brand performance embedded in Sharia bank: assuring and delighting

Economic system of Islam emphasize the concept of wider benefits, not just the benefits at the end of a transaction, but also in the transaction process, which may be based on the concept of *mashlahat* (benefit) and focusing on high principles of justice. The principle of justice requires and has four things in the management of the management of Islamic banks, namely: transparency and honesty, fair deals, healthy competition, as well as a mutually beneficial agreement. This Sharia commercial Bank-compliant image is formed in such a way on the client's feelings towards the brand, as well as the customer's feelings towards others, whether they positive or negative emotional influence.

Customer perception of emotional brand that Sharia-based commercial banks are reflecting the principle of justice is 44%. Sharia Commercial Bank's brand image is reflected in the perception of the respondent, that the Sharia Commercial Bank in running its business activities that reflect the principles of justice, where the ratio of profit sharing can be simulated which is then agreed by both parties. The principle of social justice, economic justice and fairness of the income distribution became the basis of the application of the system of Islamic economy in the Islamic banking business. The tangible and central advantages to the Bank's Sharia are the composure that their funds are managed in accordance with the rules of the Sharia with the application of the system of results, so the customers don't need to worry about its *halal* (legal according to Islam)

Islamic banks are financial institutions that facilitate the autonomous mechanisms in the real sector through the activities of investment or selling, as well as provide saving services/banking to its clients. Islamic banking implements the principles of working with the best skills, prudence/keeping mandate carefully by always taking into account the risk of decisions taken and actions taken as well as the principle abiding. The perception of the customer on the emotional brand of Sharia is because it reflects the management of customer funds that is clean from fraud. As much as customer 46,8% of Sharia Commercial Bank's state that the brand image is pretty clean. This is because a Sharia Commercial Bank always applies the principles of prudence in every operation. The need to apply the principles of Good Corporate Governance is felt very strongly in the Islamic banking industry. In banking activities, the risk is an event that cannot be avoided, but the risk can be minimized.

A person's subjective meaning is based on its perception, therefore even if the selected products have similarity, but the meaning for each customer can be different due to the different perceptions of, and consequently the value of the selected bank products can have different meanings for each client or group because of the difference of perception. The customer perceives the brand of Sharia Commercial Bank brings religious values, therefore the customer emphasis religious values. Thus, the value of a product depends on how these products brand give the meaning on the basis of the perception of the customer and customer perception depends on the interpretation of brand products.

Sharia commercial banks offer products that comply with Islamic principles and norms of Muamalah, among others the absence of elements of interest and the application of *zakat* (a kind of religious tax) on wealth. When the bank interest is perceived negatively because it is similar to *riba*, then the value or the value of products of conventional bank reduce its value for customers who avoid bank interest, compared to customers who think that bank interest is not synonymous with *riba*. The perception from the customers who ban interest will form an increasingly strong belief, so emotionally it will form the strength of the Sharia Commercial Bank brand. Sharia Commercial Bank brand is quite believable as a non-interest bank for 46,3%. Customer loyalty in keeping their funds in the Bank of Syariah can add customer's trust so that the image of the Sharia Commercial Bank can be better. In carrying out its activities, the Sharia Commercial Bank applies equality in managing customer funds, the fund and the bank's users at the same position and the same level. This is reflected in the rights, liabilities, risks, advantages that are balanced between the customer, the customers using the funds or banks. 49.6% of customer perceives the emotional brand of Sharia Commercial Bank principle because

it reflects equality. It means the Sharia Commercial Bank is quite able to build on the principle of equality through its relationship with the customer, the customer using the funds or banks.

Customer perceptions on the brand image is reflected in the variables of the brand reputation ranging from a pretty famous brand indicator, delighting, proud, but less special to its customers. On emotional variables, the customers perceive the brands reflects the principles of fairness, clean enough in managing customer funds, quite trustworthy as a non-interest bank and the principle of equality. The total score is 4935 in ≤ 5929 (see table 1), then accepted, H_0 is granted, H_1 is rejected. The test result of Sharia Commercial Banks in Jabodetabek shot that they are unable to build a positive brand image.

Table 2. Brand Image of Sharia Commercial Bank

| NO. ITEM | STATEMENT | TOTAL SCORE | CATEGORY |
|----------|------------------------------------|-------------|-------------------|
| 1. | Well-known Brand | 612 | Quite well-known |
| 2. | Proud Brand | 615 | Quite proud |
| 3. | Excellent brand | 622 | Less special |
| 4. | Delighting Brand | 617 | Quite happy |
| 5. | Justice-principled Brand | 628 | Quite principal |
| 6. | Brand with a clean fund management | 613 | Quite clean |
| 7. | Brand of non-interest bank | 619 | Quite trustworthy |
| 8. | Brand with equality principal | 609 | Quite principal |
| | TOTAL | 4935 | |

Sourcer: Result of the research, 2012

Customer Equity of Sharia Commercial Bank

In the era of free trade in recent years, companies are expected to find and establish a management system that is able to professionally retain the customers. Two things into consideration in conducting the company's main customer retention are: first, it is more expensive to acquire new customers in this such tight competition; the second, the level of profitable company is directly proportional to the growth of relations between the company and the client permanently. The ability to retain old clients (customer retention) is a foundation that can be calculated from a comparison between the numbers of customers who remained loyal to Islamic banks with a product to an earlier period. The result compared to a standard or predetermined criteria, to assess whether Islamic banks can retain its customers properly or not. Thus the retention of clients in view of the Sharia Commercial Banks is how to attract and keep customers and to continue to improve its utilization in Sharia Commercial Bank.

Sharia commercial bank equity consists of customer retention, the motif of religiosity and the achievement of *falah*. *Falah* is a true form of success, achievement of happiness in terms of material and spiritual, as well as the achievement of well-being in this world and the hereafter. In Islam, helping each other is the duty of every Moslem demonstrated in the form of cooperation (*ta'awun*), which is one of the foundations of ethics in *muamalah*. The achievement of happiness refers to the teachings of Islam which is sourced in the Al-Qur'an, Alhadist and Al-Ijtihad. Islam teaches about the endeavor, to achieve wordly and spiritual happiness. This means in achieving worldly happiness can be done as well to achieve happiness hereafter which is included in muamalah and being customers of Sharia Commercial Bank. This refers to the principles of the teaching of the religion as a way to happiness hereafter by continuing to hold on to the basics of muamalat based on Al-Qur'an, Al Hadist and Al Ijtihad.

Customer's reliance on Sharia Commercial Bank, in every bank product needs, indicates that Sharia Commercial Bank has been able to create a quality banking products and satisfy the customers, so the customer is unwilling to use the banking products offered by other banks. In an effort to build customer confidence in a Sharia Commercial Bank is not easy, because it takes time to improve the confidence that the bank runs transaction according to Sharia norms. 45.8% of clients stated they are quite comfortable to continue their use of Islamic banking throughout life and they are unwilling to switch to another bank. The customer feels comfortable enough to deposit their money in banks because of the Sharia commercial banks have sufficient ability to manage services and product/service attributes that correspond to the desired value, therefore, the customers are comfortable in using Sharia

banking services throughout their life. 52,3% clients feel confident enough to increase the amount of the saved fund in Sharia banks. It shows the tendency in the future for the customers to keep increasing their savings in Sharia Commercial Bank.

Loyalty in Islam will be formed on the behavior of *istiqomah* (trustworthiness) on options priority, recommendation (*tausiyah*) and advocacy (*himayah*) to others. Word of Mouth (WOM) is the communications made by the customer who has made a purchase and recounts the experiences about the product or service and recommend it to others so that the clients have been doing promotions indirectly that may interest other people who listen to the talks. Satisfaction can influence the information word of mouth, which consequently affects the profitability of the company. WOM is a more credible source than advertising or salespeople/sales person of the company. The customer feels bad in telling the positive things about the Sharia Commercial Bank to others as much as 41,3%. This shows that the information by word of mouth to tell the positive things about the Islamic banks to others is conducted less by the customers. This is because the customers own are not convinced their choices of becoming the customers of the Sharia bank because they do not receive the services in accordance with their expectation.

Furthermore Islam advocates the application of noble *akhlaq* (characters) in every human being. Even the Prophet Muhammad (May peace be upon him) once stated that “Behold I sent to perfect *akhlaq*” (narrated by Malik), including when they have activity in the economy. The best example in *akhlaq* is Muhammad (may peace be upon him) so Allah praise him: “And thou truly have great character.” Before appointed as a messenger of God, Muhammad was very trusted by his own family, so he was given the title *Al- Amin* (the trustworthy). His success as an entrepreneur has become an inspiration and a role model for clients to always have noble character. Great characters such as friendly, helpful, humble, trustworthy, honest, really become the foundation of the healthy economic activities. Data processing results of research about the customers religiosity, they feel confident that they can be characters by becoming the customers of Sharia Commercial Bank. There is 55.1% of clients who feel fairly confident that Sharia Commercial Bank is able to run the noble *akhlaq*. This is because clients have confidence that the Sharia Commercial Bank management could be the role model in applying the characters, so that they run the business with the full blessing.

After learning the various forms of interest that forbidden by Allah and his Messenger in the recent past, some people believe that *riba* has the same essence (albeit with different forms) with a system of interest running at present in various institutions called banks. Thus bank interest equals to the *riba* and it is strictly prohibited in Islam. 45,9% of clients who feel pretty sure will get a reward by leaving interest. This is because a Sharia Commercial Banks are pretty aggressive to educate in boosting the confidence in the customers that they will feel free from *riba* transactions. In the point of view of Islam, one of the human missions is to devote oneself to God Almighty. This is the realization of the self-servitude of monotheism as a servant to the Creator. Consequently, all economic activity could be worth if it is meant to be a way to be closer to Him. As much as 61.5% of the customer claims to be pretty sure that by becoming a customer of Islamic commercial is one of the ways to do their religious rituals. These beliefs typically are associated with worship events, such as fundraisers to carry out payment of *Zakat*, *Hajj*, *Infak*, *shodaqoh* as well as *qordul hasan*. The examples of Hajj Saving offered are: Haji Arafah Saving account from Bank Muamalat, BSM Maburur Saving account, Haji Saving account BRIS iB and Haji Saving account iB Bank Mega Syariah. Sharia Commercial Bank also distribute *Zakat*, *Infak* and *Shodaqoh* to the rightful beneficiaries

Sharia Commercial Bank opens opportunities widely to all parties involved to make the people become more religious and social., in terms of rituals and *muamalah*. In the Islamic view that every believer is brothers: “All believers are truly brothers”. The concept of fraternity teaches the believers to be egalitarian, care about each other and help each other. *Ukhuwah Islamiyyah* corresponds to values of morality are embedded in and reveals the faith of the believers. A steady faith always form a good generosity and characters when s(he) should deal with many people. The customer s noticed that Sharia Commercial Bank can be a role model of a banking system that is based on a sense of community.

Islamic Economics is currently growing very rapidly in many parts of the world even in the countries where moslems are not the majority. Islamic Economics is starting to be recognized and considered since the global economic crisis a few years ago hit almost all parts of the world. Islamic economic

system gives an answer, since it implements a system that is fair, transparent, and safe and give prosperity to all aspects of its banking such as debtors, creditors, and investors. The customer are fairly confident that being the customers enable them to run Islamic brotherhood/Islamiyya ukhuwah, amounted to 53.7%. This is because the public has enough Sharia Banks ability to conduct the characters of transparence, caring for the people and the planet and upholding ethics. Various social activities in the community are conducted on an ongoing basis in order to establish the Islamic brotherhood and togetherness.

The benefits in Islam is any form of goodness and benefits with worldly, spiritually and materially. Dimensions as well as individually and collectively. Something is considered beneficial in Islam if it can fulfil two elements that are sharia conforming (*halal*) and functional thus bring goodness (*thayyib*) to all integral aspects and not bring harm to one of the aspects. The final goal of the Islamic economic activities is true success of achieving happiness in material and spiritual aspects as well as the achievement of well-being in this world and the hereafter. A success in the material aspect is not meaningful if it results in damage in other humanity aspects such as fraternity and morality. The customer is quite sure just 43.1%, that by becoming customer they could achieve wordly and spiritual happiness. This shows the Sharia Commercial Banks are unable to convince enough clients through Islamic Education program..

Islam encourages its people to pursue hereafter which is a long term life, without forgetting the world. A treatise on Islam that was revealed to Muhammad also contains blessing to the universe. Thus, in the time dimension, Sharia economy considers the long-term impact, even up to life after this world (afterlife). While in the dimensions of the territory and coverage, the benefit Sharia economy can be felt not just by humans, but rather the entire universe. A number of 53.2% of the customer are pretty sure they can reach the spiritual and material well-being with Sharia Commercial Bank. Islamic Economics teaches humans to have a long-term vision and think of nature as a whole. **Table 3.**

Customer Equity Achievement

| ITEM | STATEMENT | TOTAL SCORE | CATEGORY |
|------|--|-------------|-------------------|
| 1. | Using Sharia Commercial Bank comfortably the whole life | 634 | Quite Comfortable |
| 2. | Increasing saving fund | 622 | Quite confident |
| 3. | Telling the Sharia Commercial Bank servces pleasingly | 606 | Not confident |
| 4. | Becoming the customers of the bank because of certainty in conducting noble characters | 638 | Quite confident |
| 5. | Getting the reward by leaving interest confidently | 652 | Quite confident |
| 6. | Running religious rituals confidently | 548 | Quite confident |
| 7. | Doing the <i>ukhuwah islamiyyah</i> /fraternity in Islam confidently | 660 | Quite confident |
| 8. | Achieving the physical and spiritual happiness confidently | 641 | Quite confident |
| 9. | Able to achieve spiritual and material happiness confidently | 657 | Quite confident |
| | Sourcer: Research result,2012 TOTAL | 5641 | |

Perception of customer equity on the variables of customer retention for the indicators of using Sharia Commercial Bank throughout their life, the customers are quite comfortable, pretty confident to increase the saving funds, but still not happy to convey positive things about Sharia Commercial Bank. On customer perceptions of religious motive variables are pretty sure by becoming the customers they will be able to conduct the noble characters, sure enough they will get a reward, and sure enough they can practice the rituals well. On the variable of achievemeng falah, the customer are pretty sure they can run ukhuwah Islamiyya, pretty sure can reach the spiritual happiness and sure enough they can reach the spiritual and material well-being. The total score is generated is 4935 in ≤ 6671 (see table 1), then H_0 is accepted, H_1 is rejected. The test result hypothesis is Sharia Commercial Bank in Jabodetabek is less capable to achieve superior customer equity.

Table 4.Hypothesis Tet Result

| Hypothesis | Score | Test Criteria | Conclusion |
|--|------------------------|---|--|
| Hi: Sharia Commercial Bank is able to build a positive brand image for customers, as well as capable of achieving superior customer equity | Brand Image = 4935 | Score \leq 5929 Ho accepted, Hi denied | Less able to build positive image |
| | Customer equity = 5641 | Score \leq 6671 Ho accepted, Hi denied | Less able to build excellent customer equity |

Source: Research Result, 2012

Sharia commercial Bank has not been able to build a positive brand image of the brand reputation and emotion. Likewise, the customer equity achieved by the Sharia Commercial Bank is not excellent because it hasn't been able to offer products that can generate the retention in line with the life goals and haven't been able to create a religious motive from the customers.

LIMITATIONS AND FUTURE RESEARCH

The study was limited to the Operational Headquarters of the research area or branch office of 6 Sharia Commercial Banks in Jabodetabek area (Jakarta, Bogor, Depok, Tangerang and Bekasi) with its analysis unit is a customer keeping their funds in the form of iB mudharabah savings. Further research can be done using the same method for Islamic banking in the wider region and on government-owned banking or private banking with the excellent customer. Further research is also needed to uncover the detail and the significance about the influence of outside variables integrated marketing communications, customer relationship management and performance brand image that has a greater influence on customer equity, for examples, variables regarding the service quality of Islamic banking, variable value creation on Sharia banking services, variable emotional branding and experiential marketing that incorporate the emotional value to pamper customers with love and create of new experiences to the customers in the banking product/service consumption

MANAGEMENT IMPLICATIONS

Sharia Commercial Bank can develop brand visualization and brand activation program, which creating advocated customers, i.e. intelligent customers because they have the interest and loyalty to the brand of Islamic banking, and the customer could bring influence and become an advocate of Islamic banking brand. Developing integrated marketing communications program with the testimonial scenario supporting word of mouth communication, where things that are considered beneficial and advantageous are needed to be told to to other people. This can serve as a reference for the management of Sharia Commercial Bank in developing a positive brand image. Moreover, it also can achieve strong customer equity which in turn it can keep making Sharia Commercial Bank favored by the customers. Further customer equity approach can ignore brand and potentially affect the revenue and cost in the future.

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Brand Image of Islamic Commercial Banks

The Influence of Integrated Marketing Communications and Customer Relationship Management Performance toward Brand Image of Islamic Commercial Banks

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Abstract

The purpose of this study was to obtain the results of studies on the effects of integrated marketing communications and customer relationship management performance of the brand image of Islamic Banks in Greater Jakarta. Some people still have the perception that the heterogeneous product Islamic banks and conventional banks are the same just different terms and covenants. Suspected the general impression is captured by the public about Islamic banks are synonymous with bank Islamic banks with profit-sharing system, the bank is a bank that Islamic Banking. The unit of analysis is the 216 customers who save their money either *wadiah* deposits, time deposits and iB savings mudaraba. Simultaneously integrated marketing communications and customer relationship management performance positive influence on brand image Islamic Commercial Banks in Greater Jakarta. Things influential in integrated marketing communications are message-dimensional appeal, while the influence of other dimensions in order are trust on the services and products and service policies. In the meantime, the most substantial influence on the performance of customer relationship management is the human resource dimension of credibility, while the influence of other dimensions in order are *silaturahmi* relations and information technology and reliability. Based on the structural relationships were found that the formation of brand image is dominated by integrated marketing communication variables.

Keywords: Marketing Communication, Customer Relationship, Brand Image

Introduction

The existence of financial institutions particularly the banking sector occupies a very strategic position in bridging the needs of working capital and investment in the real sector with the owner of the funds (the agent of economic development), (Muhammad, 2006:65). Banking is a strategic tool in the context of economic development, the strategic role was mainly due to the bank's main function as a collector and distributor of public funds effectively and efficiently to drive the wheels of the economy of a country. In an effort to support the sustainability and improvement of the implementation of the construction, banking institutions have shown rapid development in line with economic progress and in line with the increasing demand of banking services robust and healthy. Some people still have the perception that the heterogeneous product Islamic banks and conventional banks are the same just different terms and covenants. Some people claim that there is an exclusively Islamic banking exclusively for Muslims. This is one of the factors thought to cause the public to doubt the Islamic banks. On the other hand people are already familiar with the conventional banking system is still superior in terms of return, ease, technology, access, network and service excellence, Ahmad Ifham Sholihin, (2009).

Establishment of Islamic Commercial Bank's brand image is executed by creating customer value that is greater than that created by competitors. If a conventional bank could not have worked an absolute loyalist *sharia* forbids interest rates, Islamic banking just have the opportunity to be able to work on all of the banking market, including floating mass as the floating market and conventional loyalist who put a competitive return and service excellence. Total customer value consists of the economic benefits and emotional benefits that can actually be delivered to the floating market, so as to create a brand image of a strong Islamic banking. Suspected Islamic Banks brand image is not fully formed in the mind of the customer, through the image and positioning of Islamic banks is more than just a bank / banking beyond the principles of fairness, honesty, transparency, and free from *riba*, *gharar* (deception), *maysir* (speculation) and other things that do not fit *sharia*. Many people are not familiar with suspected Islamic Banks brand as a brand from the brand's reputation is well-known

Islamic banks, proud, privileged, giving a sense of happiness. In addition, the alleged suspected Islamic Banks are not familiar with the emotional side of the brand is the brand synonymous with Islamic banking system implementation ratio / for reassuring results, reflecting the management of customer funds with net of cheating, trusted brand as a non-usury banks, reflecting the principle equality between Islamic banks to their customers.

Measuring customer awareness of advertising aimed at Islamic banks to see the extent to which the effectiveness of communications made by Islamic banks, either through advertising activity Below The Line (BTL) and Above The Line (ALT). As a result the majority (99.2%) aware of the advertisement Islamic banks, or only 0.8% were not aware of (un-aware) Islamic bank advertising. In total, there are 4 banks the most remembered by customers, namely Bank Muamalat, Bank Syariah Mandiri, BRI Syariah, and BNI Syariah. The number of banks that strong advertisement remembered by customers in 2012 more than the results of a 2008 study (Mauamalat Bank, Bank Syariah Mandiri and BNI Syariah), ie by the entry of BRI Syariah. Dissemination of information in order to improve the education / public awareness about Islamic banking allegedly not executed fully. Communication activities are valuable products and services from Islamic banking through promotional activities with the media allegedly still lacking. Because through integrated marketing communication activities run by the Islamic banking is just not necessarily immediately can easily recruit the target market customers.

Thus alleged Islamic Banks have not been able to realize the appeal of promotional messages through an honest program, program gift / bonus, the iB logo, and the slogan is Beyond Banking. Various services are trustworthy services synthetically process financial transactions, information ratio/profit sharing, a sense of security for the funds saved, and investing customer funds in lawful business and blessings allegedly not fully given. In addition, the policy of products and services such as the arrangement of the exterior, interior and atmosphere sharia bank, brochures and structuring the transaction slip, ease of reaching office services, diversity of products that can meet the needs of banking transactions are also alleged to have communicated well. In marketing services, its success relies heavily on human resources, because there will be contact between HR with consumers directly in providing services. This principle is carried out by serving our customers the best and the service will respond to the customer with an attitude in the long-term *istiqomah/silahturahim*. In terms of managing customer relationship this, suspected Islamic Banks have not been able to fully implement the strategy relationship customers, such as the Islamic bank employee bonding, communication openness and attitude *ta'awun* / helping each other.

Resource availability Spirit are trained on the company engaged in Islamic banking industry is very important, because by having educated employees that can operate with an emphasis on the principle of maximizing corporate profits (shareholder value). It has begun to shift to a broader value system (stakeholder value), where the benefits obtained are no longer focused only on shareholders, but to all those who can benefit from the presence of a unit of economic activity. Islamic economic system emphasizes the concept of benefit in economic activity more broadly, not just on the merits at the end of each activity. but also on every transaction process. Each activity including transaction processing should refer to the concept *mashlahah* and uphold the principles of justice. This principle emphasizes the management of customer relationship always uphold ethics. But the credibility of human resource through responsiveness, reliability and courtesy allegedly not fully owned by the Islamic Banks.

Factor of convenience, accessibility, accuracy, safety, usability, image bank, web site design, as well as being an important factor in providing excellent services to customers, Tooraj. el al, (2010). These needs can be met, if supported by the Information Technology (IT) is adequate. In terms of reliability of information technology, alleged Islamic Banks can not provide facilities access service (Phone-Banking), a wide range of ATM locations, the flexibility of the services of the e-banking. Thus the research question in this study is how far the effect of integrated marketing communications and performance of customers relationship management toward brand image Islamic Commercial Banks in Greater Jakarta, either simultaneously or partially.

Literature Review

Explanation of Islam in marketing communications refers to the concept of Islamic ethical systems based on religions and for Muslims, the term "ethics" means "commandment of Allah". Muslims get a system of ethics based approach, principles and ethical teachings of the *Qur'an* and *Sunnah* directly. *Sunnah* means the messages, instructions, and the Islamic lifestyle of the Prophet Muhammad that is based on the *Qur'an*. A Muslim is punishable by Allah, if he deviates from the principles of moral and ethical rules in the *Qur'an*, but also get the reward if he adheres to ethical principles. Islam requires people who can satisfy the needs in ways appropriate.

Islamic economic system emphasizes the concept of benefit in economic activity more broadly, not just on the merits at each end of the activity, but also on every transaction process. Each activity including transaction processing should refer to the *mashlahah* concept and uphold the principles of justice. This principle also emphasizes economic actors to always uphold the ethical and legal norms in economic activity.

Ethical marketing is introduced, and implemented by Muslims almost 14 centuries ago, long before modern post marketing experts apply (Rice, 1999 in Haque, 2010). (Herman & Sula, 2006:120), explains that in order to achieve the key success factors in managing the business, is to apply the moral values which are of high qualities of the Prophet, namely: (1) *Siddiq* (true and fair) by animating the entire marketing behavior in dealing with customers, dealing with customers, continue to draw upon the information provided, and honest in explaining the advantages of the products on offer, (2) *Amanah* (reliable, credible) good businessperson is able to maintain the mandate given, was able to maintain its integrity, thus growing confidence (trust) for customers, business partners and even all the stakeholders in the business, (3) *Fathanah* (smart) fosters creativity and the ability to perform a variety of useful innovations, so that efforts can be more effective and efficient and able analyze the situation of competition (competitive setting) and changes (change) in the future, (4) *Thabligh* (communicative) the vision and mission properly to employees and stakeholders with good communication techniques. The language used bi-al wisdom means to talk to other people with something that is easily understood and accepted by the mind, not something that is difficult to understand. According to Kotler and Keller (2012:500) the marketing communications mix consists of advertising, sales promotion, event and experience, public relations and publicity, direct marketing, interactive marketing, word-of-mouth marketing, personal selling. Integrated Marketing Communication (IMC) to coordinate and integrate all elements of marketing communications to maximize communication to consumers with a relatively low cost, Clow and Baack (2012:24). The components of the IMC, which is the foundation (mission and market targeting), advertising tools (money, media, and message), promotional tools (mix), and integrated tools (online and marketing by measurement). Determining the best way to sell products is fundamental decisions about the nature of the promotional mix is probably the most effective, especially how advertising, personal selling, consumer promotions (competitions, prizes, and offers a combination), and dealer promotional activities can be combined into an effective sales mix. Promotional tools that are important that can be used to build an effective sales program, are: advertising, personal selling) consumer promotions (prizes, competitions, offers a combination), a method that aims to stimulate ads and dealer promotions, fairs and exhibitions, reciprocity, warranties and services, as well as comparative offer

Next is to measure the outcomes of communication, measuring the effectiveness of marketing communications mix is run by asking members of the target group to answer some questions, such as whether they recognize or recall communication, how many times they saw it, what points they recall, how they talked about communication, and communication is what they get earlier and now, how the attitude of the company, brand and product.

The final step in managing effective communication is to manage the process of Integrated Marketing Communication (IMC), to manage and coordinate the entire process in an integrated communications. The American Marketing Association definition, IMC is planning process designed to assure that all brand contacts received by a customer or potential customer for products, services, or organizations with relevant and consistent over time. Marketing communications plan to realize value-added comprehensive plan to evaluate the strategic role of various forms of communication such as: general advertising, direct response, sales promotion, and public relations, and skillfully combines these disciplines to provide clarity, consistency and maximum impact through an integrated

messaging, Kotler & Keller (2012:517). Haron, et. al, (2006) describes the effectiveness of the marketing strategy of Islamic banks in Malaysia. Countries with predominantly Muslim societies, such as Malaysia, the issue of ethics and ethical practice in advertising, one of which is the need to carefully assess the potential public reaction to the vast majority of Muslims. Arham, (2010) observed that the four characteristics of Islamic marketing in general, the spiritualistic, ethical, realistic, and humanistic. Also revealed in the research, marketing objectives can not be separated from the Islamic *sharia* purposes, because in Islam the marketing philosophy of man is the messenger of *Allah* in this world. The world is entrusted to humans to be controlled and managed in accordance with the will of *Allah*, therefore, the belief that God should be used in all aspects of life, including marketing. Ultimately it is said that modern marketing theory may be associated with Islam.

Dunkan, T. 2008, Dunkan, T. & Moriarty, S., 1998 in Mike, (2002), describes in his research, that the communication strategy implemented by using advertising has the advantage of a very wide range of audience, but this strategy requires a high promotional costs. Marketing strategy by using public relations has a high value in the eyes of the customer and can be done at very low cost, but the difficulty is how to get the cooperation of the media, so that would communicate the advantages of a product. Advertising and public relations can be used one or more complementary in order to cause attention and interest. Furthermore Keller, (2009) also describes the research on interactive marketing communications that will affect the advertised brand equity, consumers may be more willing to increase brand communication, then remember or accompanying reactive cognitive affective communication.

Furthermore, there are few studies on integrated marketing communications. Finne, et al, (2009), states that the external and internal factors into a single model that greatly expands the view of marketing communications. In this view, the consumer is the only source that can perform the integration of communication messages with important factors. In addition, the concept suggested here work as conceptual in connecting two different elements, integrated marketing communications, and relationship marketing and the combination of these two things can be very productive. Mihart, (2012), looking at the influence of integrated marketing communications in consumer decision-making process.

Schultz, et al, (2009) in his research, said that the markets are very different to identify the challenges inherent in the culture of the market and how it can affect the development of IMC. In this global era, companies have a need for better understanding of multicultural audiences and to adapt to different environments. Surendra, 2010, IMC which significantly affects all types of companies and organizations to think and act for the reality of competition in an open economy today, as evidenced by the selection of an efficient promotional tool to communicate more universal, clear, and effective. IMC is a strategy that many companies implemented all over the world, so an understanding of multicultural audiences is critical to this process, then Mendez, (2009), describes the research on the understanding of anthropology, especially ethnography, in an integrated marketing communications. Jacinta, et al, 2011, integrated marketing communications can be used effectively in the context of social marketing.

Further research will reveal that describes the integrated marketing communications mix.

Haque, (2010), examines the successes and failures of Islamic banks in different countries and analyzing the ads in order to provide guidance and allow advertising and promotion campaigns Islam become more healthy and effective. This study describes the communication messages should not deviate from the norms of the basic and fundamental aspects of the established social order and ethical issues. Factors to consider are: first, how to promote these products in accordance with the ethical gauges from the *Qur'an*, *Sunnah*, *ijma*, and analogy and secondly, in line with *Sharia*. Advertising Islamic bank, must reflect a true and fair communication to the public and that all the facts about the product disclosed. To achieve this, practitioners need to convert your advertising Islam Islamic ethics in screening measures and ensure proper advertising campaign in order to comply with the principles of *Sharia*.

Business is one of the lawful means to create wealth in all of human life. In Islam, the business has been popularized since 15 centuries ago by Muhammad (before becoming prophet). Variations continue to grow, change according to the progress and development of technology engineered human

civilization itself. Sources of capital include customer, financial, physical, employee, and suppliers, as well as the drivers and determinants of organizational assets, both tangible (tangible assets) and intangible assets (intangible assets) such as knowledge, and *silaturahmi* has the same role importance in creating a profitable business value, "the true business of every company is to make customers, keep customers and maximize customer profitability", that every business is really going to be able to maximize customer profitability, (Ali Hasan, 2010: 184). In an economy where every person, family, company can live now and in the future if it can create a good relationship. That is one reason that customers should be managed. As CEO / marketer or anyone who establish and maintain relationships *silaturahmi* well, meaning he has opened the door fortune for himself and others. *Rasullullah* saw. guarantee as follows: Any person who maintains *silaturahmi*, Allah will bestow abundant blessings, and long life (Bukhari and Muslim).

The concept of customer relationship management also delivered by Shet, Parvatiyar, 2001 in Yevis (2010: 38), which states customer relationship management is a comprehensive strategy in the process of obtaining, maintaining, and dealing with customers to create superior value for the company and customers. The strategy was implemented in three programs: (1) Continuity Marketing is to maintain and increase customer loyalty through special services that are long term, to increase the value of the mutual study the characteristics of each. (2) One-to-one marketing is done individually program aimed to satisfy the unique needs of the customer. The main principle in one to one marketing (retail customer relationship marketing) is to study the changes in behavior of each customer from each interaction, attention, special treatment on customer habits, so as to strengthen the bond between the customer and the company, (Ali Hasan, 2010:185) . (3) Partnering / Co-Marketing is a marketing partnership with the customer to serve the needs of the end consumer. Measuring the effectiveness of marketing performance is to look relationship customer management, marketing functions within the organization, other functions include the following financial functions, human resources, production or operations, research and development. CRM uses information technology to create a cross-functional enterprise system that integrates and automate customer service processes in sales, marketing, and service of products / services associated with the company. The CRM system also creates a framework that connects all IT processes with business operations of the company.

Further research will be outlined previously discussed relationship customer management. Rootman, (2008:52) states in his research, that the bank can increase the effectiveness of their CRM strategy by increasing knowledge ability and attitude of their employees. In particular, the three variables that influence the effectiveness of CRM strategy at the bank, the knowledge ability, the attitude of bank employees and two-way communication. Krasnikov, et al, (2009), examines the application of CRM in the banking industry in the United States can play an important role in the development of marketing assets that leads to better performance, and deserved to be considered by companies that try to do it in the context of managing customer value. Companies are more committed to implementing CRM strategies that positively impact on profits, because it can increase efficiency over time. Coltman et al, (2011) in his study revealed a combination of investment commitment of human, technological and business skills needed to make a superior CRM capabilities.

Ndubisi, et al, (2009), examined the male and female clients in the retail banking sector in Malaysia relationship between relationship marketing variables with the quality of the company-customer relationship as a whole. The role of gender in the relationship between the variables of relationship marketing, namely, trust, communication, commitment, conflict handling, and perceived quality of the relationship. The results showed evidence of direct association of trust, commitment, and conflict resolution on the quality of relationships that do not depend on the gender .. Hui-I, et al, (2012), CRM should be used as a tool to build customer retention strategy.

But Morgan, (2009:47) in his study stated that the company's biggest customers are not always yield the highest profit. Largest customer can demand a good service and get the biggest discounts, the smallest customers pay full price and receive minimal service, but the cost of dealing with the service they reduce their probability. Intermediate customers who receive good service, and pay nearly full price is often the most profitable. A relationship can be understood consists of two stages: first, attracting clients, and secondly to build, manage, and maintain the relationship from time to time so

that the economic and social objectives of both parties is reached. The concept of CRM, such as those used in this study, suggesting that the company should focus on keeping in touch with the market.

Dash, et al, 2009, doing research on individualism moderating influence on the relationship between the bond and commitment between banks and customers on a cross-cultural study of Canadian companies and Indian companies. Social bonds are higher in Indian society that individualism is low, while the structural bonding is more important in Canadian society that high individualism. Coltman, et al, (2011), in a study stating that the ability to utilize and manage assets, such as IT infrastructure and organizational capabilities, such as the analysis of human (human analytics) and a positive influence on the business architecture and superior CRM performance. Hui-I, et al, (2012), states that the implementation of CRM in banks require critical stages such as integrating communication tools to meet customer needs, treating every customer as an individual, and create a memorable customer relationships and provide a lasting experience. Keshvari Research, (2012) states on Iran's financial institutions, the findings indicate that the distribution channel (eg Internet), updating the data bank, quality service, international customer satisfaction, improved cash flow management, safety and security of transactions a positive effect on customer satisfaction. In addition, there is a significant relationship between the factors of quality and safety, as well as the improvement of infrastructure and customer responsiveness. Khaligh, (2012), found no relationship between the factors of effective e-CRM to improve customer loyalty and retention.

Islamic banking business lies in the application of Islamic views overall (comprehensive and universal). Comprehensive means it encapsulates all aspects of life both ritual (worship) and social and *muamalah*. Universal means it can be applied in any place and time, especially in the field of *muamalah*, where he not only broad and flexible even no special treatment for Muslims only, (Muhammad, 2006:12). Fairness / *Istishad* is characteristic of the Islamic economic system which means that the balance (equilibrium), balanced (Equally balanced) or moderate (evenly in between), (Adi Warman Karim, 2001:33). The main purpose of the establishment of Islamic banking financial institutions is based on ethics that underlies all aspects of life. The principle of social justice, economic justice and basic fairness of income distribution to the application of Islamic economic system in the Islamic banking business, (Antonio, 2005:14).

In reality a brand is already considered an asset (equity) by a corporation or better known as brand equity, Kotler & Keller, (2012:265). Furthermore Aaker, 2001 (in Maya Widjaja, 2007) looked at the brand equity as a set of five categories of assets consisting of: (1) brand loyalty (brand loyalty), (2) brand awareness (brand awareness), (3) quality perceived (perceived quality), (4) brand association (brand association), and (5) other proprietary assets (property brand assets) such as patterns, trademarks, and distribution channels. In a general sense, as a result of the strength and the advertised brand equity, consumers may be more willing to increase brand communication, the communication is better, and has a greater ability to later recall or accompanying reactive cognitive affective communication, (Keller, 2009: 59). Chen, et al, (2010), which states that the brand image has a direct and positive effect on overall brand equity. Brand image has a positive effect on brand loyalty, brand loyalty has a positive effect on overall brand equity. Presented also by Hyun, (2009), the positive effect on brand equity is customer equity and equity relationships positively affect customer equity. In contrast to previous research studies Maxwell, (2009), highlights the attributes of employees that are considered important enough to be consistent, because it can be predicted to support the company's brand. The same was done by Nguyen, (2010), which conducts research on financial services customers in Canada. Personal relationships are considered as important elements that determine the success of the service process, the performance of personal contacts, to attract the target audience and determine the company's reputation.

Islamic ethics is based on the Qur'an and the commandment not to make room for a different interpretation of the marketing executives are alerted to the wishes of each. Islamic Ethics provides tremendous capacity to penetrate the consciousness and was able to influence the behavior of marketing executives. Islamic marketing ethics incorporates the principle of maximizing the value of the principles of equity and justice for the people's welfare. Adherence to Islamic ethics in the Islamic banking industry can help boost living standards and overall conduct for bankers and customers, Abdul Hassan, et al, (2008:27). The application of Islamic marketing ethics ensuring harmony the

community, so as to enhance the dignity and uphold human rights. Islamic banking is based upon the image of the public perception of the experiences, beliefs, feelings, and knowledge society towards Islamic banking. Islamic principles, Islamic views in the business of banking, including *sharia* business ethics provide its own image for the community.

Wu, (2011), conducted a study to investigate the direct effects of the drug store image and service quality on brand image and purchase intention for private brand drug. Results showed that the image of the store has a direct and positive effect on the private brand purchase intent; quality of service has a direct and positive effect on the image of the private brand, and the perceived risk of the private brand of the drug product has an effect on the relationship between brand image and consumer purchase intent. Ghorban, et al, (2012), Abdullah, et al, (2012), explains the findings that the attributes of customer loyalty strategy and customer loyalty programs can be implemented in a business like a store brand gift cards and membership cards. Zeinalzade, 2012, purchase now directly influenced by brand awareness and indirectly by the brand image.

The Islamic Bank employees play a key role in improving relationships with customers of Bank Islam, and give a great influence on the structure and corporate culture. Islamic banking service providers to identify, understand, and use the customer to design specific strategies based on motivation, expectations, and desires. Haque, 2007 (the Haque 2010) describe the customer's attitude towards a product or service is affected by the accuracy of product image or the concept of customer service. Religious beliefs and attitudes of consumers is a key element to describe a group of the desire and ability to organize. Islamic banking structure appears to meet the financial needs of Muslims who have followed the ban on interest-based transactions, Hag, and Smithson, 2003, (the Haque 2010). Research Haque, (2010) himself stated that Malaysian consumers have a positive attitude towards Islamic banking view of demographic factors, service attributes and religious influence.

Theoretical Framework

With reference to the discussion of the variables that may affect the customer's equity following relationships with each other and the descriptions of the variables / sub variables described above, then the description of the relationship / linkage and interaction between variables which the paradigm in this study are as follows:

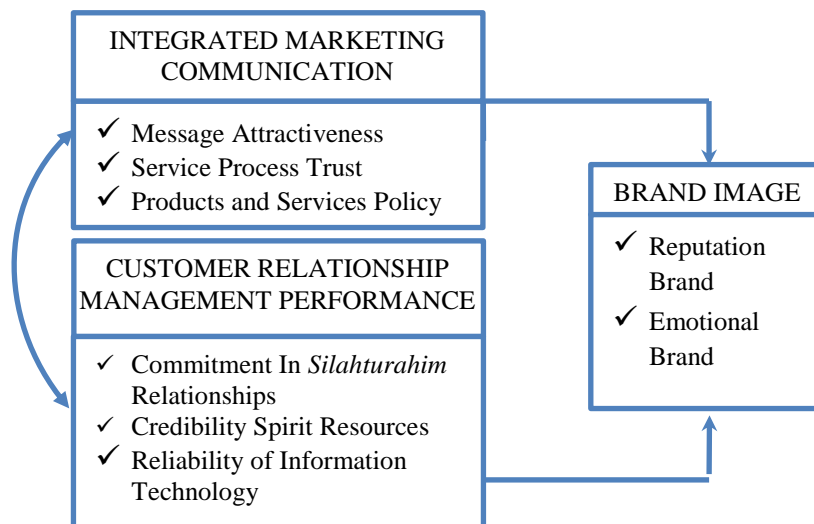


Figure1 Research Paradigm

The hypothesis in this study are:

- H1 : integrated marketing communications and customer relationship management performance affect the brand image of Islamic Banks, either simultaneously or partially
- H2 : integrated marketing communications affect affect in brand image of Islamic Commercial Bank
- H3 : customer relationship management performance affect in brand image of Islamic Commercial Bank

Methodology

This research is descriptive and verification. The population in this study is the customers who of the Islamic Commercial Banks. The unit of analysis of this study is the customers who save their money either wadiah deposits, time deposits and savings mudaraba on Sharia Islamic Commercial Bank branch offices in Greater Jakarta. Based on the results of testing the validity of the research instruments. the variable results obtained brand image, and customer equity variables declared invalid all question items. Based on the results of the research instrument reliability test, the obtained results: all the variables used in this study is reliable, because the variables Cronbach Alpha greater than 0.6. Primary data collection techniques were conducted using questionnaires given directly to the customer. Respondents were asked to choose an answer in the form of modified 5 point Likert Scale, the lowest scale is 1 and the highest scale is 5. In this study. used two types of analysis: (1) descriptive analysis, especially for qualitative variables and (2) analysis of the verification in the form of hypothesis testing using statistical test. Descriptive analysis is used to look at the causes, while the quantitative analysis focuses on disclosure behavior research variables. Analysis verification using Structural Equation Models, the combination of analysis methods used in order to obtain a comprehensive generalization.

Results and Discussion

Until now, the development of Islamic banking is solely focused on the spiritual market, a group of Muslim and as reserved only for Muslim communities in which they are reluctant to become conventional banks with business customers who use the system of usury. Still open broad opportunities for Islamic Banks to work on the non-Muslim market. If the facility is able to provide services and banking / rational benefit of the best, the Islamic Banks will be able to win the hearts of non-Muslim prospective customers. There is also the possibility of customers will move from rational to emotional benefits then the next customer will be more interested in the spiritual benefits on banking and business. Spiritual is more universal, so that any religion can actually acknowledge that the Islamic banking system is a system that is fair, humane, reassuring, despite the noble value derived from a certain religion (Islam). Target concrete would let customers of all faiths and the Islamic banks are willing to use.

In the Indonesian context, non-Muslim Chinese market need to be considered because in addition to having considerable economic potential, as well as a significant amount. When you view the demographics of the people of Indonesia, looks uneven distribution, where there are areas that are predominantly non-Muslim Chinese community of 237,641,326 million people (BPS, 2010) the people of Indonesia, the productivity of the economy is dominated by ethnic Chinese. This is the chance of Sharia Commercial Bank to increase its market share.

Sharia Commercial Bank customers in Greater Jakarta has been a customer for over three years that is equal to 65.1%. In this research data. Bank Muamalat Indonesia 20-year-old has a 32.6% customers more than 3 years and Bank Syariah Mandiri 13-year-old has customers 21.6% over 3 years. This indicates that the majority of customers have been loyal to the use of Islamic banking services, customers have long had faith in Islamic Commercial Bank services. While the Bank Victoria Syariah which is new, has a customer less than 3 years is as much as 4.5%. There are only 22.9% of customers have accounts at Islamic Commercial Bank. While the remaining customers also have accounts in conventional banks. Islamic bank customers who also use conventional banks because of selfish aspects of the service, a better facility. It means to seize these customers, so only use Islamic banks only, the Islamic banks are required to provide an equivalent or even better than conventional banks.

Table 1 Being a Long Time Customer and Account Ownership (%)

| Islamic Commercial Bank | Total | Being a Long Time Customer | | | Has Account | |
|-------------------------|-------|----------------------------|-----------|----------|------------------------------|-------------------------|
| | | < 1 Year | >1-3 Year | > 3 Year | Only Islamic Commercial Bank | Also Conventional Banks |
| Muamalat Indonesia | 42,6 | 1,8 | 8,3 | 32,6 | 10,5 | 32,1 |

| | | | | | | |
|------------------|-----|-----|------|------|------|------|
| Syariah Mandiri | 33 | 0.8 | 10,6 | 21,6 | 6,4 | 26,6 |
| Mega Syariah | 5,6 | 0 | 1,8 | 3,7 | 2,8 | 2,8 |
| BRI Syariah | 6,4 | 1,4 | 1,8 | 3,2 | 0,9 | 5,5 |
| Victoria Syariah | 2,8 | 1,4 | 1,4 | 0 | 0 | 2,8 |
| BNI Syariah | 9,6 | 2,7 | 2,8 | 4,1 | 2,3 | 7,3 |
| | | 8,2 | 26,6 | 65,2 | 22,9 | 77,1 |

Source: Results of Data Processing, 2012

Furthermore, from the data processing time is known as a customer and proprietary accounts Islamic Commercial Banks in Table 1 Bank Muamalat Indonesia customers who are still using the conventional banks as much as 32.1% and the only use Islamic banks as much as 10.5%. For customers of Bank Victoria Syariah whole customer using the conventional bank account, this is still a relatively new three-year stand so that the network is still limited service offices and ATM facilities that have not spread. In a study conducted by Bank Indonesia (2012) found 34.9% of total Islamic bank customers who also have accounts in conventional banks. The data show that, although the most frequent transactions in Islamic banks, but customers also have accounts in conventional banks because it provides a more complete functional benefits. The reason being customers of Islamic banks and conventional usability seeing a difference each account. Usefulness of Islamic bank more on meeting the emotional aspect, that in accordance with the *Shari'a*, and avoid usury. As for the fulfillment of the functional aspects, such as ease of transaction, for business purposes more fulfilled by the conventional banks. Thus Islamic Banks can give more functional aspects of fulfillment, so whatever it takes customers able to be well served, such as ATM services, e banking, phone banking, etc..

Customer profile in Greater Jakarta Islamic Banks based on the amount of funds stored. The average amount of funds deposited by customers Islamic Commercial Bank was 61.5% in the 10 million to 100 million. 12% client worked as a businessman is a 24 customer who have funds over IDR 500 million is the most worked as private employees and employers, as well as to fund over IDR 100 million to IDR 500 million, to fund the above IDR 10 million to IDR 100 million were held by lecturer/ professional. It shows that entrepreneurs who have their own business, an account which may include an account for managing capital. In addition there are the private employees and faculty / professionals who need Islamic banking services to support its activities. This customer segment that should be considered by the Islamic Banks to be given the best Islamic banking services.

42.7% as many customers choose Bank Muamalat Indonesia with the tagline "First Purely Sharia". A total of 33% customers choose Bank Syariah Mandiri who has the tagline "More Fair and Reassuring". Bank BNI Syariah with the tagline "Keeping your mandate as keeping ourselves" selected 9.6% of customers. Bank BRI Syariah with tagline "Realize Shared Hope Together" selected 6.4% of customers, while Bank Victoria Syariah just been reseeden much as 2.8%. Data indicate that Bank Muamalat, is still the first choice of customers.

Islamic banking market study by Bank Indonesia said that there are six factors that underlie customer use Islamic banks, which is in accordance with the *Shari'a*, avoid usury, safe, satisfactory service, the system for the results, and facilities owned / offered very diverse. Emotional factors (according to the *Shari'a*, and to avoid usury) is still the dominant factor in choosing Islamic banks. These results together with the results of studies of Bank Indonesia in 2008, just its location. is no longer a strong factor for customers in choosing Islamic banks, this is because the number of service offices are now more numerous and spread. Based on the reasons for choosing Islamic banks, there are emotional reasons as much as 45% customers choose the Islamic Commercial Bank for reasons to avoid usury. In the study of Bank Indonesia, 2012, for security reasons a powerful reason for customers to choose Islamic Commercial Bank in the amount of 31.0%, while the 2008 study only 16.3%. The foregoing explains the main reason customers choose Islamic banks are the same, which is more to the emotional factor, for reasons that are rational in each bank is different. For example, for security reasons, the reason that many customers expressed by BNI Syariah, as customers of Bank BNI Syariah assume that customers will be able to convince the security of the funds saved. As for the reason the

service becomes an important factor for customers of Bank Syariah Mega Indonesia, it shows confidence in the quality of service their customers need.

The program LISREL 8.3 gives the results for testing the model by comparing the value of Chi-Square count equal to 43.35 which has a p-value of $0.25385 > \alpha (= 0.05)$, then the 95% confidence level means that H_0 accepted research model in the fit with the empirical data. Thus, theoretical models and conceptual models presented or developed within the framework of the research supported by the condition of Islamic Commercial Banks in Greater Jakarta.

Tabel 2 Size Suitability Model

| Indikator GOF | Size Estimation Results | Results Expected | Conclusion |
|------------------------|-------------------------|------------------|------------|
| Absolute Fit | | | |
| GFI | GFI > 0,90 | 0,96 | Good Fit |
| RMSEA | RMSEA < 0,08 | 0,025 | Good Fit |
| Incremental Fit | | | |
| NNFI | NNFI > 0,90 | 1,00 | Good Fit |
| NFI | NFI > 0,90 | 0,98 | Good Fit |
| AGFI | AGFI > 0,90 | 0,94 | Good Fit |
| RFI | RFI > 0,90 | 0,97 | Good Fit |
| IFI | IFI > 0,90 | 1,00 | Good Fit |
| CFI | CFI > 0,90 | 1,00 | Good Fit |

Source: Results of Treatment with LISREL 8:30, 2012.

According to Table 1 the whole measure of conformity which has gained suitability index measurement model (good fit). Factor Model (Measurement) Factor model or measurement model is a model that connects each latent variable to the indicator variable. Here are the parameter estimates (factor loadings) of each indicator and its testing.

Table 3 Estimated Parameters

| Variable | Sub Variable | Loading Factor | Significance (t- value) |
|--|---|----------------|-------------------------|
| Integrated Marketing Communication Performance | Message Attractiveness | 0,92 | 17,31 |
| | Service Process Trust | 0,79 | 13,76 |
| | Products and Services Policy | 0,80 | 14,09 |
| Customer Relationship Management Performance | Commitment In <i>Silahturahim</i> Relationships | 0,80 | 13,75 |
| | Credibility Spirit Resources | 0,84 | 14,69 |
| | Reliability of Information Technology | 0,82 | 14,25 |
| Brand Image | ✓ Reputation Brand | 0,81 | 2,94 |
| | ✓ Emotional Brand | 0,80 | 2,94 |

Source: Results of Data Processing, 2012

Table 4 Parameter estimates Integrated Marketing Communication and Customer Relationship Management Performance against Brand Image of Islamic Commercial Bank

| Variable | Estimated Parameter (γ) | Significance t | Influence % | R^2 |
|-------------------------|----------------------------------|------------------|-------------|-------|
| Integrated Mrktng Comm. | 0,93 | 2,38 | 86,49 | 0,93 |
| CRM Performance | 0,03* | 0,93 | - | |

Source: Results of Data Processing, 2012. * Not Influential

The effect of integrated marketing communication for the brand image has a value of t ($2.38 > 1.96$) were significant, suggesting that the influence between the indicators and the latent variables and the influence of exogenous latent variables are integrated marketing communications for the endogenous latent variables that brand image is significant. Research Ahasanul Haque, 2010, says the success and failure of Islamic banks in different countries in analyzing advertising campaigns that provide guidance

on the promotion of Islam become healthier and more effective, clarify communication messages should not deviate from the norms of the basic and fundamental aspects of the social order as well as ethical issues. Adiwijaya (2006), which states that marketing communication has a key role in shaping the image of the brand and to increase sales of a brand. Åke Finne, et al, (2009), extending the view of marketing communication, that the consumer is the only source that can perform the integration of the communication messages. The influence of management relationship customers' brand image has a value of t ($0.93 < 1.96$) were not significant, suggesting that the influence between the indicators and the latent variables and the influence of exogenous latent variables are relationship customer management for the endogenous latent variable image brand is not significant. According to Jim Morgan, (2009:51) states in his research study that relationship marketing is seen as an effort to build relationships and networks, and ensure interaction, companies should focus on keeping in touch with the market, but these efforts are not necessarily able to establish a brand image of Islamic Commercial Bank. Furthermore, the path plotted on the diagram as follows:

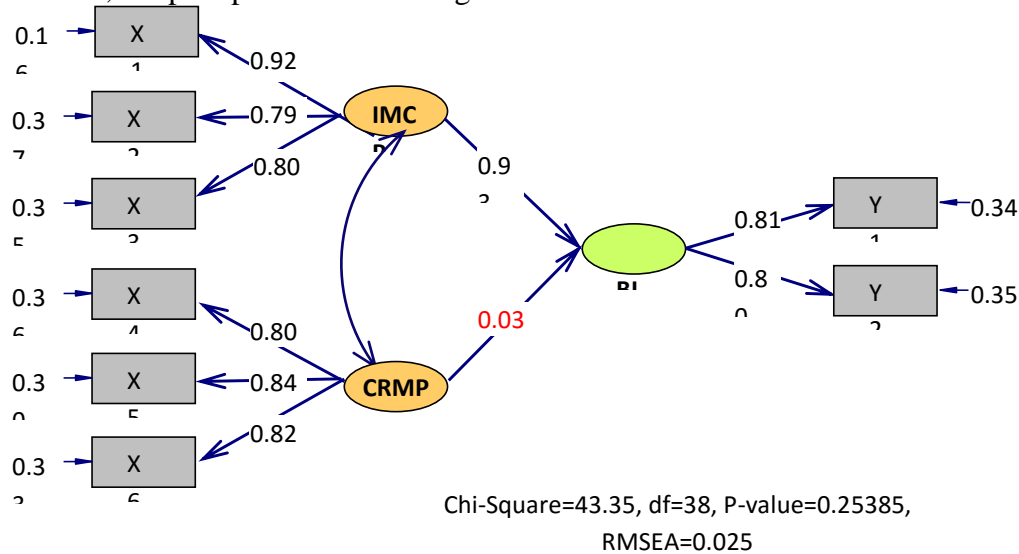


Figure. The Effect of Integrated Marketing Communications and Customer Relationship Management Performance for Brand Image (standardized)

Furthermore, the influence of integrated marketing communications and customer management relationship simultaneously on brand image can be seen in the following equation:

$$CM = 0.93 \cdot KPT + 0.03 \cdot KMKN, \zeta = 0.074, R^2 = 0.93$$

$$\begin{matrix} (0.39) & (0.04) & (0.0013) \\ 2.38 & 0.93 & 53.56 \end{matrix}$$

(Source: output LISREL 8.30)

Above the equation, it appears that the effect of integrated marketing communications and customer management performance relationship simultaneously on brand image with the contribution of 0.93 or 93%, where the value of t ($53.56 > 1.96$), the second hypothesis accepted / proven, thus it can be concluded that the integrated marketing communications and customer management performance relationship simultaneously proved a significant effect on brand image. When viewed as a partial apparently only integrated marketing communications that have a direct impact on the brand image that is equal to $(0.93 \times 0.93 \times 100) = 86.49\%$. The results complement the opinion of Gronroos (2000:210) stated that the company's image quality is affected by two components, namely technical quality, relevant to the solution of technical, computerized systems, machine capabilities and abilities, as well as functional qualities, associated with consumer ease access, physical appearance of the office, long-term relationships with customers, internal relationships within the company, attitude, behavior, and mental services from service providers. Furthermore, Kotler and Keller (2012:264) states that the brand can provide great benefits for producers and consumers, brands can make a certain level where buyers are satisfied can more easily choose the product, so that the brand is able to add value for consumers.

Conclusions, Implications and Further Research

Integrated Marketing Communication in Islamic Banking customer perceived at the level they are less able to realize the attraction. Indicators ease of reaching the office of Islamic Banks service policy dimensions of products and services with the highest scores. Improvement may be possible to interpret the low indicator is customer interest in Sharia Banks services on Islamic Commercial Bank services in the interests of financial transactions on the service trust dimension. Customer Relationship Management Performance on Islamic Commercial Bank customer perceived at levels less able to attach to the customer. Indicators of Islamic Banks employees that serve the needs of customers with courtesy highest scores are part of the human resource dimension of credibility. Nevertheless, improvements can still be made at the lowest indicators of the services of employees of Islamic Commercial Bank through open communication which is an indicator of commitment to the relationship *silaturahmi*.

Brand image on customer perceived Islamic Banks are less able to grow to the level of a good brand image. Indicators of perceived customer with the highest score is a brand that reflects the principles of justice are reassuring. emotional dimension of the brand. Improvement can still be done on indicators that reflect the principles of equality brand among Islamic Banks are still perceived by its customers low. Simultaneously integrated marketing communications and customer relationship management performance positive influence on brand image Islamic Commercial Banks in Greater Jakarta. Things influential in integrated marketing communications are message-dimensional appeal, while the influence of other dimensions in order are trusty on the services and products and service policies. In the meantime, the most substantial influence on the performance of customer relationship management is the human resource dimension of credibility, while the influence of other dimensions in order are *silaturahmi* relations and information technology and reliability. Based on the structural relationship between the three variable it was found that the formation of brand image is dominated by integrated marketing communication variables.

Islamic Banks need to be more attention of integrated marketing communications program, in order to educate the customer in a sustainable manner. Priority banking should continue to be developed in each branch office in order to enhance customer focus and customer relationship. Building brand communication strategy that is integrated, creating a strong brand of Islamic banking through the application of integrated brand communication. This strategy is focused on winning the customer at the floating market. The strategy is executed by applying visualization brand and brand activation, which advocated creating an intelligent customer for the customer have an affinity and loyalty to the brand of Islamic banking, and customers can take effect and become brand advocates of Islamic banking. However, further research is needed to reveal the detailed and clear about the influence of outside variables integrated marketing communications, customer relationship management performance has a greater influence on the image of the brand. For example, the variable value creation in Islamic banking services, branding and experiential emotional variables that include emotional marketing value to spoiling the customers with love and creating new experiences for customers in consuming the product/service.

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Opportunities and Challenges for Halal Endorsement in Non-Muslim Cultures

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Abstract

In multi-cultural environments, product endorsements addressing minority groups may not be appreciated by the majority of consumers. This renders such endorsements potentially controversial should there be animosity between the majority (in-group) and minority (out-group). My paper attempts to identify drivers of animosity against minorities and, subsequently, relates such animosity to the intention to buy products carrying endorsements associated with the focal minorities. My research is based on social psychological literature. Specifically, I draw on Social Identity Theory and Social Dominance Theory to explain routes of potential consumer animosity. Next, the Theory of Planned Behavior is employed to link in-groups animosity directed towards religious minorities to purchase intent of products carrying out-group specific endorsements (Halal). Based on the extant literature, I develop a research model and derive seven empirically testable propositions. Empirical verification of the propositions consists of two parts: pre-test and major survey. The results of my large scale empirical studies indicate that distinctiveness, ethnocentrism and racism are the major drivers of animosity towards minorities, and this animosity negatively impacts the intent of the “in-group” to purchase products with minority related endorsements. I discuss the theoretical and practical implications of my findings and provide suggestions for future research in this area. My research contributes to the extant literature on consumer animosity in three important ways. First, I offer a theory driven perspective in a field dominated by empiricism. Second, I focus on the interactions of different ethnic subgroups within a country, whereas the majority of literature investigates the role of consumer animosity between countries. Third, I develop a coherent set of propositions and test them empirically.

Keywords: Religious Endorsements, Consumer Animosity, Social Identity Theory, Social Dominance Theory, Multi-Culture.

Introduction

Marketing literature verifies the impact of religion on consumer attitude and behavior in general and food buying and consumption habits in particular (Mullen, Willaims, & Hunt, 2000; Pettinger, Holdsworth, & Gerber, 2004; Shatenstein & Ghadirian, 1997). Third party certification and endorsements add credibility and influence to advertising claims (Appiah, 2007) in order to augment the confidence of potential customers (Parkinson, 1975) and are considered quality cues used by the advertisers for attracting specific target markets (Dean & Biswas, 2001). Thus, a religious endorsement is such a quality cue which transfers the virtues of religion and endorsement on a product's sales in a specific religious community.

The merits of third party endorsements are well documented in the marketing literature (Appiah, 2007; Silvera & Austad, 2004; Till & Busler, 2000; Wang, 2005) Marketers use endorsements to attract attention to advertisements (Atkin & Block, 1983) and to achieve brand differentiation (Kamins & Marks, 1991). Consumers usually perceive endorsements as independent statements of product quality (Laric & Sarel, 1981) that vouch for the accuracy of claims (D'Souza, Taghian, Lamb, & Peretiatko, 2007). Moreover, endorsements are said to augment the credibility and influence of advertising claims and increase the confidence of consumers (Parkinson, 1975).

However, endorsements are not always perceived positively. In certain situations, endorsements prove to be controversial. Potentially controversial endorsements go beyond issues of effectiveness and can lead to rejection of a product which – without such endorsement – would have been purchased by a particular target group. The latter may be the case when religious endorsements (e.g., Halal or Kosher) are used. The American Heritage Dictionary defines Halal as: a) in accordance with or permitted under

the Sharia (Islamic Law); and b) of or being meat slaughtered in the prescribed way. Kosher means fit, and kosher labeled food reflects that it is processed in accordance with Jewish dietary laws (Kashruth) created more than 5000 years ago (Kamins & Marks, 1991). It could specifically happen in a multicultural environment, where such endorsements are perceived positively by the focal target group (e.g., Muslims or Jews) but may at the same time, lead to a negative reaction of consumers that harbor animosity against these religious groups. Especially if an endorsement is related to a minority, it can assume a controversial character. In general terms: in-group animosity against out-group associated product endorsements could lead to a rejection of these products. I anchor my work in Social Identity Theory (Tajfel & Turner, 1979) to explain in-group versus out-group reactions and Social Dominance Theory (Sidanius & Pratto, 1999), which describes human society as consisting of oppressive group-based hierarchical structures. Specifically, I am focusing on Halal endorsements to research the reaction of the “in-group” (majority Christians) towards such endorsements. A Halal endorsement on a product signifies that it is fit for consumption by Muslims (Shafie & Othman, 2006).

The Role of Endorsements in Consumer Decision Making

Endorsements come in various shapes and forms, ranging from statements by celebrities to quality seals issued by third parties. Based on extant literature endorsements can be classified as shown in

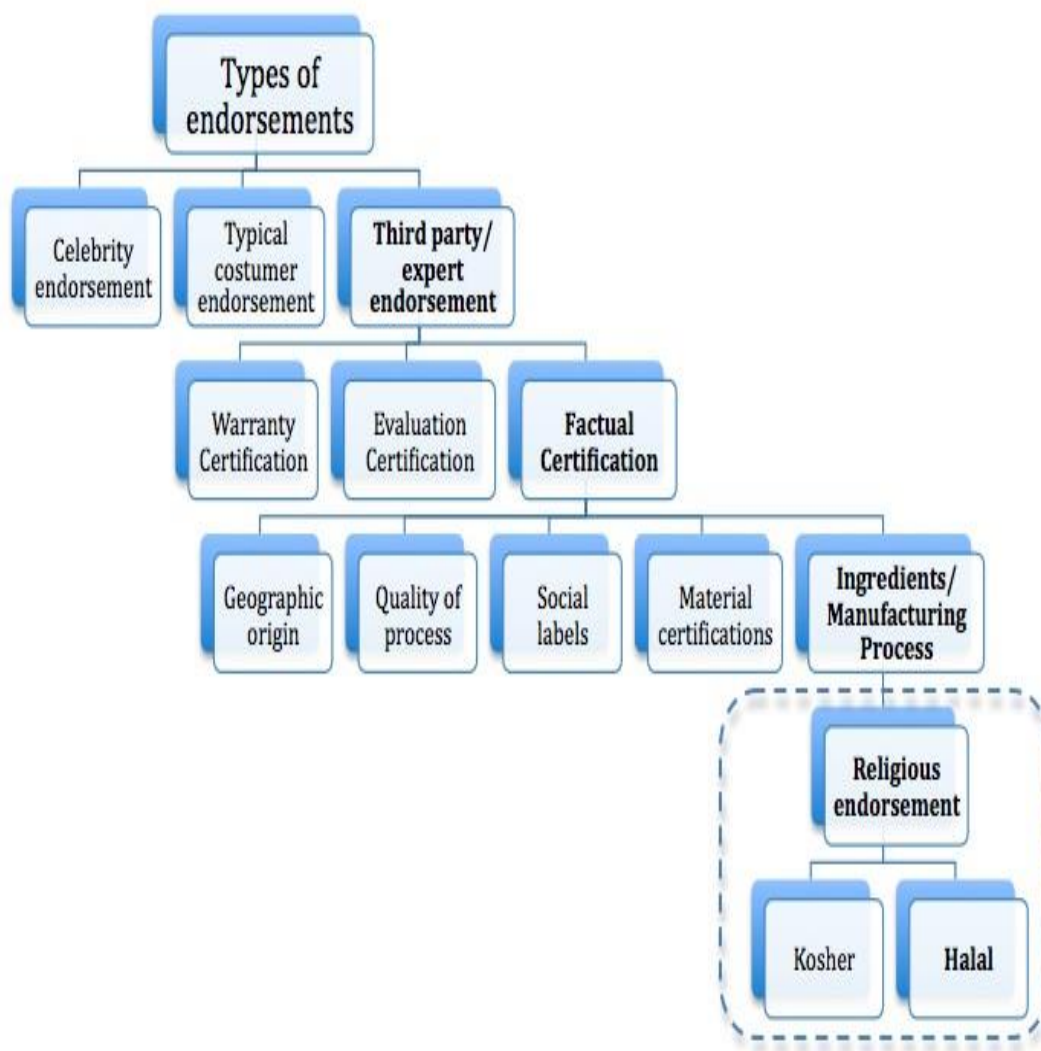


figure. 1 below

Daneshvary and Schwer (2000) and H. H. Friedman & L. Friedman, (1979) suggest categorizing the rather different types of endorsements into three groups, namely celebrity endorsements (CE), typical consumer endorsements (TCE) and third party endorsements (TPE). Focusing specifically on TPE,

Figure 1: Classification of Endorsements

Laric & Sarel (1981) further distinguish between warranties, evaluative-certifications, and factual-endorsements.

Factual-endorsements, which are central to the arguments I develop below, can also take different forms. A special factual-endorsement relating to ingredients and manufacturing processes is a *Religious endorsement* such as Kosher or Halal.

Celebrity Endorsements (CE): A definition of a celebrity endorser is offered by Grant (1989, p. 310): “any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement.”

Celebrities include both well-known individuals who are directly associated with the product category being advertised, and famous people who are recognized for their achievements in areas unrelated to the product class (Frieden, 1984). Many studies have looked into the impact of celebrity endorsement (Biswas, Biswas, & Das, 2006; Erdogan, Michael, & Stephen, 2001; Ohanian, 1991; Sejung Marina, Wei-Na, & Hee-Jung, 2005; Silvera & Austad, 2004).

Typical Consumer Endorsements (TCE): Tend to feature ordinary people without any special knowledge of the product class endorsed, except that acquired through normal use of the product. “The Pepsi Taste Challenge” commercial, for example, used typical consumers as endorsers and also gave their names and cities of residence (H. H. Friedman & L. Friedman, 1979). The literature suggests that consumers welcome testimonials of typical consumers and place substantial weight on such endorsements (Appiah, 2007; Murray, 1997; Raphael, 1997; Rieck, 2000; Westphal, 2000)

Third Party Endorsements (TPE): Enhance the credibility of the ad by adding information from an independent source (Dean & Biswas, 2001; Laric & Sarel, 1981; Wang, 2005). Often, TPE are provided by experts such as doctors recommending medicine or fitness experts exercise equipment (Biswas, et al., 2006). A well-known example of a TPE is the American Dental Association’s endorsement of Crest toothpaste in 1960s. Two years after Procter & Gamble obtained the endorsement; Crest became the best-selling toothpaste in the United States (Daneshvary & Schwer, 2000). Laric and Sarel (1981) refer to TPE as *third party marks* and distinguish between three kinds:

Warranties: The certifier takes on a limited responsibility regarding consumer’s purchase of a specific product. A promise is made for replacement or refund if the product proves defective.

Evaluative Endorsements: These endorsements present evaluative opinions e.g. assessment of quality carrying affective connotations. Such information can, for example, be given in the form of a multi-point rating scheme as in a restaurant guide.

Factual Endorsements: These endorsements certify the presence of some particular characteristics. Such as *geographic origin* (e.g. Made in Italy); *social desirability* (e.g., made by workers of the International Ladies Garment Workers Union), Zadek, Lingazah and Forstater (1998) use the term social labels to describe “the words and symbols on products which seek to influence the economic decisions of one of the stake holders by providing an assurance about the social and ethical impact of a business process on another group of stake holders.” Other examples of social labels include Rugmark (carpet), Fian (cut flower), and Palmpool (washing detergents) (Steinrücken & Jaenichen, 2007); *material certification* (e.g., 100% wool); *quality of manufacturing process* (ISO 2000 Standard); or *ingredients or manufacturing process* (e.g. handmade).

Religious Endorsements: These can be viewed as specific types of endorsements that relate to ingredients or manufacturing processes. Kosher, for instance, denotes that food is fit for the consumption of Jews (Kamins & Marks, 1991) and Halal has the same significance for Muslims (Shafie & Othman, 2006). Such endorsements have the potential to attract other groups as well. Kosher designation will enhance the overall image of the brand due to the stringent requirements needed to meet such a specification (Lewis, 1987).

Taken collectively, different types of endorsements help to create brand equity by increasing the distinctiveness of advertisements and/or labels (Cason & Gangadharan, 2002) without changing the physical characteristics of the brand (Narayana & Marking, 1975). Endorsements provide quality cues for specific target markets (Dean & Biswas, 2001), build confidence and signal credibility (Cason & Gangadharan, 2002), since consumers perceive more accuracy in those claims which are endorsed by a third party (D’Souza, et al., 2007). Narayana and Marking (1975) found that endorsements can work as catalysts for either bringing a brand into the evoked set or to shift it from evoked set to the

inert set of the consumer's mind. And as buying decisions usually contain some perceived risks; endorsements also help consumers to reduce such risks (Biswas, et al., 2006).

Several authors have focused on the relationship between the products and endorsers in the endorsement process (Mittelstaedt, Riesz, & Burns, 2000). Their research shows that endorsements work in two ways: either customers want to conform to the behavior which the endorser is shown to believe, i.e. identification based on attraction, favoritism and liking, or consumers change their attitudes and behaviors because they believe in the message being advertised, i.e. internalization since the information is considered to be honest and the endorser is an expert in that field (Belch & Belch, 1993). Dean and Biswas (2001) point out that internalization works through the credibility dimension which, in turn, is composed of expertise and trustworthiness. Consequently, careful pairing of endorsers with the brand in question is important. Appropriately matched endorsers will result in a stronger conditioning and conditioned brand attitudes are relatively more resistant to extinction. Moreover, attribution theory has been used to demonstrate that the effectiveness of endorsements is strongly influenced by consumers' inferences on whether the endorser truly likes the product or not (Silvera & Austad, 2004).

Despite the plethora of contributions focusing on endorsements, there is one important facet that has scarcely attracted attention, namely *controversial* endorsements. Focusing on a particular type of potentially controversial endorsements, namely religious endorsements, the lack of research is especially regrettable, since religious endorsements such as Kosher and Halal are rapidly growing in importance. Inspection and certification body for Halal food has been established in Germany on May 2nd 2007; McDonald's fast food restaurant has launched its first Halal meals restaurant in Britain on May 14th, 2007. KFC has also launched eight Halal branches in England. The global Halal market is worth \$ 632 billion per year. In America, an estimated 16% of sales in the \$100 billion Kosher industry come from Muslims who don't have sufficient Halal options (The Economist, August 2007). To date, religious endorsements have only been investigated from the point of view of the *same* religious community. Three papers look at the impact of Halal on Muslims (Bonne, Vermeir, Bergeaud-Blackler, & Verbeke, 2007; Bonne, Vermeir, & Verbeke, 2009; Shafie, & Othman, 2006), while one focuses on the impact of Kosher on Jews (Kamins & Marks, 1991). Predictably, the findings show a positive attitude towards the influence of these religious endorsements. However, consumers who do not share the same religious conviction may not necessarily be positive towards religious endorsements. In particular where religious endorsements are associated with minorities, the dominant majority in a country may be biased against the product because of the endorsement. In such cases, the brands may acquire customers from the targeted religious community but loose consumers from the majority community. Controversial endorsements are characterized by trade-off situations with unclear outcomes. In the extreme, controversial endorsements can even lead to rejection animosity and outspoken disapproval of the product.

Halal Endorsements: Endorsements are considered quality cues used by the advertisers for attracting specific target markets (Dean & Biswas, 2001), Halal indicates to Muslims that a product is fit for consumption and, as such, is a quality cue targeting Muslim consumers. Halal covers issues like animal selection, slaughtering, preparation and storage of food. But its applicability is not restricted to the food only. Many non-food items like cosmetics, toiletries and household also come into this domain, since they may contain animal extracts or alcohol that are not considered to be Halal. A Halal endorsement can usually only be used in advertising or on packaging with the permission of Islamic advisory boards, established for this specific purpose (Shafie & Osman, 2002).

Large numbers of Muslims live in European and other predominantly Christian countries. Moreover, many other Muslims visit as tourists. Thus, Halal endorsements could clearly attract additional Muslim customers. But such an endorsement could also prove to be potentially controversial, as it signals the accommodation of a minority group. Though there is mostly a peaceful coexistence between Muslims and Christians, the relationship between both groups has not always been free of friction. Thus, the majority of Christian consumers could be neutral or indifferent towards a Halal endorsement, resent the endorsement because of their prejudices against Muslims, or be supportive because they perceive such minority centered endorsements as a positive development.

Historically, hostility and discord between religious groups are the source of much human misery.

Social scientists have therefore devoted a great deal of attention to understand the psychological roots of intergroup conflict. On the one hand, in-group bias can be a means to express the value of one's group; on the other hand, it can be a means to improve the position of one's group (Lowery, Unzueta, Knowles, & Goff, 2006). In-group bias occurs between all kinds of groups, in different cultures; it can take many different forms (e.g., gender discrimination, out-group derogating soccer chants), it has cognitive, behavioral and emotional aspects (Scheepers, Spears, Doosje, & Manstead, 2006). In-group bias has the potential to impact the purchase intent for products with out-group focused Halal endorsements but run the risk of losing some of their existing non-Muslim customers.

This particular trade-off situation makes the endorsement controversial in character. To the best of my knowledge, there is currently no study that empirically analyses the impact of such a potentially controversial endorsement on purchase intent. Below, I describe how I attempt to address this research gap.

Conceptual Model

This study seeks to understand whether, in a multi-ethnic environment, negative attitudes towards minorities, and in particular animosity towards Muslims or Jews, impact buying decisions of the majority for products with minority related endorsements (Figure. 2).

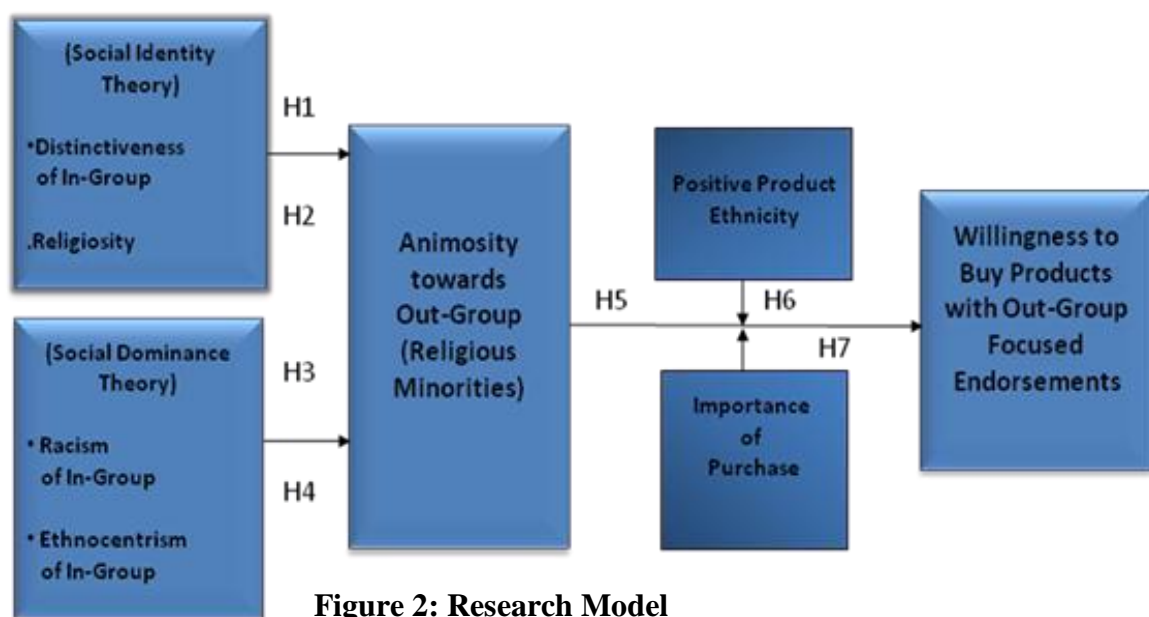


Figure 2: Research Model

Antecedent Based on Social Identity Theory: To gain a better understanding of routes of animosity, Social Identity Theory (Tajfel & Turner, 1979) was used to describe how people construct their social identities to suit their needs. In particular, it explains the psychological basis of inter-group discrimination i.e. in-group favoritism and out-group prejudice. The evaluation of one's own group is determined with reference to specific other groups through social comparison in terms of value-laden attributes and characteristics (Tajfel & Turner, 1979). For example, a person may selectively search for inter-group differences that support his group and dismiss information that favors the out-group (Mikulincer & Shaver, 2001). People with high and low psychological commitment to their group (high and low identifiers) can be expected to differ in their reactions and evaluations (Brown, 2000). The formation of focal groups - out-group (Muslim minority) and in-group (non-Muslim majority) is reflected in this theory. Specifically, I attempt to capture the cohesion of the in-group by a general measure of group distinctiveness and a more specific measure of the strength of religious feelings. This leads to the following propositions:

H1: Higher levels of perceived in-group distinctiveness are associated with higher animosity towards out-groups (here religious minorities).

H2: Strong religious feelings are associated with higher animosity towards out-groups (here religious minorities).

Antecedent Based on Social Domination Theory: This theory is based on work by (Sidanius & Pratto, 1999) and describes human society as consisting of oppressive group based hierarchical structures. Focusing on both individual and structural factors that contribute to various forms of group-based

oppression, the theory views all familiar forms of group based oppression (e.g., group-based discrimination, racism, ethnocentrism, classism, sexism) as special cases of a more general tendency for humans to form and maintain group-based hierarchy (Sidanius, Pratto, Laar, & Levin, 2004). Specifically, for this study focus is on racism and ethnocentrism and the following relationships are proposed:

H3: *Higher levels of racism among the in-group are associated with higher animosity towards out-group (here religious minorities).*

H4: *Higher levels of ethnocentrism among the in-group are associated with higher animosity towards out-groups (here religious minorities).*

Animosity Construct and its Relation to Purchase Intent: The principle of cognitive consistency suggests that consumers value harmony among their thoughts, feelings, and actions and strive to reduce dissonance when such harmony does not exist (Festinger, 1957).

The Theory of Planned Behavior also verifies that attitude determines actual behavioral responses (Ajzen, 1991). In this way, animosity towards out-groups (e.g., a religious minority) could be translated into unwillingness to buy products related to that particular out-group. Consumer animosity is defined as “remnants of antipathy related to previous or ongoing military, political or economic events” (Klein, Ettenson, & Morris, 1998, p. 90) For example, Shin (2001) has studied Korean consumers animosity towards Japan on the basis of war and economic reasons, and Nijssen & Douglas (2004) studied the animosity of Dutch customers towards Germany based on war, occupation, and economic reasons. Similar studies have been conducted by Kesic, Piri-rajh & Vlasic (2005) and Jung, Ang, Leong & et al. (2002). Hinck (2004) has coined the term domestic-animosity and has studied animosity prevalent in East Germany towards West Germany on economic grounds. Similarly, Cicic et al. (2005) have studied inter-ethnic animosities in Bosnia- Herzegovina. All these studies have consistently found animosity of in-groups to be negatively linked towards purchase intent of products associated with out-groups. Consequently, a negative link is proposed between animosity towards out-group and willingness to buy products with out-group focused endorsements.

H5: *Animosity against out-groups (e.g., religious minorities) is negatively related to the willingness to buy products with out-group focused endorsements (e.g., products carrying religious endorsements).*

Moderators: Two moderators are expected to impinge on the relationship between animosity and willingness to buy, namely the product-ethnic image and the importance of outcome. The rationale rests on the observed parallels between animosity research and the literature on the impact of country of origin (COO) (Shoham, Davidow, Klein, & Ruvio, 2006). A negative COO image and perceived negative product quality is altered when consumers are faced with products that enjoy an established superior quality image over domestic products. Examples include Italian designer shoes, Japanese cameras, French wine, American burgers (Balabanis & Diamantopoulos, 2004). Thus, it is postulated that the animosity construct is moderated by the product-ethnic image:

H6: *A positive image of products associated with an out-group (e.g. products with an ethnic product image), moderates the impact of in-group animosity on the purchase intent of products carrying related out-group focused endorsements (e.g. Kosher).*

The second moderator, importance of outcome, reflects the relative importance consumers attach to their purchase. The literature suggests that consumers are less hesitant to buy products of minor importance from a country with lower COO image, while the influence of COO on purchase decisions rises for important products like consumer durables (Ahmed, et al., 2004). A similar argument can be postulated for the role of animosity in buying behavior.

H7: *The importance attached to the outcome of a purchase decision moderates the impact of animosity against out-groups (e.g., religious minorities) on the purchase intent of products carrying related out-group focused endorsements (e.g., Halal).*

Research Methodology

Empirical verification of the above mentioned hypotheses is divided in two parts: an exploratory pre-test and final survey. The surveys are conducted in Austria, a predominantly Christian country. According to the 2001 census, nearly 81 per cent of the population is Christian, while Muslims, one of the major minorities, represent 4.27 per cent of the total population (The World Fact Book, 2009).

The country therefore provides a suitable ground to study in-group response to the out-group focused endorsements. The target population for the pre-test survey was Austrian Christians as reaction of majority (in-group) towards minority (out-group) related endorsement was to be studied. Data collection was completed through online as well as face-to-face surveys. To analyze the impact of two moderators (ethnic-image and importance of purchase), four products were selected : two food products, i.e., doner kebab as an ethnic product and fried chicken as a neutral (non-ethnic) product, and two non-food products, i.e. perfume as a more important, expensive product and shampoo a less important less pricy product.

Pre-Test: A questionnaire was developed to measure the purchase intent for Halal endorsed products. Four different treatments were given in the questionnaire. Each of the respondents was given one of four versions of the questionnaire. Group 1 served as control group in that the questionnaire did not include a briefing on Halal and the products for which I asked to indicate purchase intent did not carry a Halal endorsement. Group 2 was also not briefed about Halal, but shown products with Halal endorsements. Group 3 was given a briefing about Halal, but shown products without Halal endorsements. Finally, group 4 was given a briefing on Halal and was shown products with Halal endorsements. The briefing on Halal was phrased as follows:

***Halal indicates that the product is fit for consumption by Muslims.
Muslims are only permitted to consume Halal products (free from
alcohol and pork).***

I also took special care to select those brands which are used by the both genders. The key components of my experimental design can be depicted in the following 2x2x4 matrix.

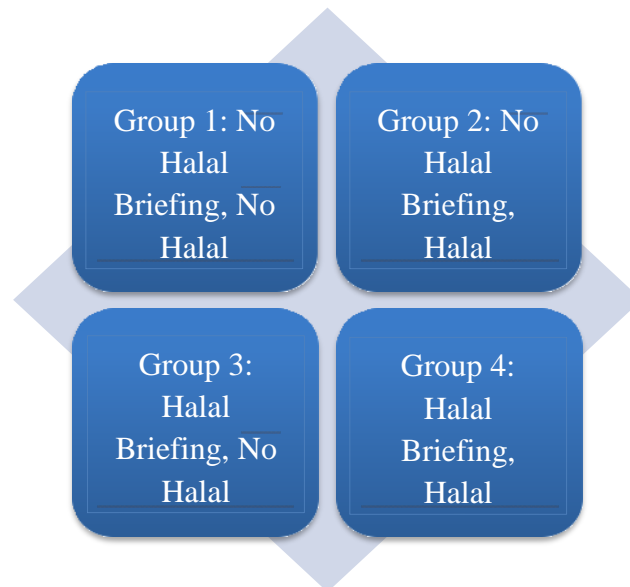


Figure 3: Experimental Design

To capture my key variable, purchase intent, respondents were shown pictures of the four products described above. For each product shown, the respondents were requested to indicate their likely purchase intent on a 5-point scale. Other variables primarily relate to socio demographic details such as gender, age, education, nationality and religion. I also captured “religiosity”, an aggregate measure based on a four item scale developed by Bertelsmann Stiftung (Huber & Stefan, 2008).

Altogether 1001 useful responses were obtained, about half of which were based on data collected via an online survey carried out with the support of home university. Respondents were given one of four versions of the questionnaire (see experimental design below). Although samples are convenient samples, I attempted to include different age groups, genders and levels of education. The street surveys were conducted by an Austrian national in order to avoid any social desirability bias. As my targeted population was the majority (in-group), I only used data from Austrian Christians. Since I ended up with four different group sizes, I took the smallest group (Halal briefing and Halal endorsement) as benchmark and drew random samples of the remaining three groups. This resulted in four equal experimental groups of 130 respondents, i.e. 520 respondents in total (see Table 1).

| Table 1: Experimental Groups | | | | |
|---|--|---|---|--|
| | No Halal Briefing No Halal Endorsement | No Halal Briefing Halal Endorsement | Halal Briefing No Halal Endorsement | Halal Briefing Halal Endorsement |
| Female | 61 | 59 | 60 | 67 |
| Students* | 58 | 46 | 45 | 47 |
| Mean Age** | 25 | 29 | 26 | 31 |
| Total | 130 | 130 | 130 | 130 |
| * ANOVA Sig P < 0.01; Chi ² Sig P < 0.05 | | | | |

The average age of these respondents was 28 years and the gender division included 39 percent males and 61 percent females. In terms of education, one percent had completed a compulsory school education, two percent completed an apprenticeship, and 69 percent held a high school certificate and 28 percent had the university degree. However, because some of the online data was collected with support of the university, nearly half the sample consists of students (47 percent).

That's why I decided to analyze students and non-students separately, controlling for age and gender as co-variants. The average purchase intent for the four products within the different groups was compared by using the SPSS "GLM – Multivariate" procedure. Focusing initially on the student sample, significant differences were found between the four groups (Pillai-Spur and Wilks-Lambda < 0.01) with age and religiosity as a non-significant covariates but gender being highly significant (Pillai-Spur and Wilks-Lambda < 0.01).

The post-hoc-tests indicate that the significant differences in purchase intent between the four groups are related to shampoo and perfume. The analysis of the non-student sample shows nearly identical results, with significant – albeit slightly weaker – differences between the four groups (Pillai-Spur and Wilks-Lambda < 0.05). Age becomes marginally significant at Pillai-Spur and Wilks-Lambda < 0.07 and gender is highly significant with Pillai-Spur and Wilks-Lambda < 0.01. When a briefing on Halal was provided, the purchase intent decreased significantly for products carrying a Halal endorsement. This pattern is also evidenced in separate t-tests, between group 1 vs. group 2, P < 0.01 and group 3 vs. group 4, P < 0.05. Purchase intent for shampoos and perfumes decreased significantly, and purchase intent for kebab and chicken decreased significantly for male non-students.

Main Survey: The findings of the pre-test were in line with my conceptual research model. This encouraged me to go ahead with my main research survey in order to test the postulated research hypotheses. Six constructs were included in my proposed research model. Established scales were available to measure these constructs and they were adapted to the context of my research. Data collection was completed through online as well as face-to-face surveys. A total of 1046 responses were received. Incomplete and other than Christian responses were removed. There were 831 useful responses for analysis. The data was analyzed with covariance-based Structural Equation Modeling (SEM) which enables the user to test hypothesized relationships among several concepts simultaneously. SEM with AMOS was chosen because of its user-friendly graphic interface. Theoretical model (figure 2) was converted into a measurement model in order to run the confirmatory factor Analysis (CFA) to assess the validity of the measurement model. Measured variables with loadings below specified criteria (< .50) were deleted from the latent constructs. The remaining constructs and their factor loadings are shown in Table 3. Absolute Fit Indices including Chi-square, normed Chi-square (CMIN/DF), Goodness-of-fit Index (GFI), Adjusted Goodness-of-fit Index (AGFI), Root Mean Square Error of Approximation (RMSEA – a badness of fit index), Incremental Fit Indices of Normed Fit Index (NFI) and Parsimony Normed Fit Index (PNFI) are shown in Table 2.

| Table 2: Goodness of Fit Indices | | | | | | |
|----------------------------------|---------|------|------|-------|------|------|
| Chi-square | CMIN/DF | GFI | AGFI | RMSEA | NFI | PNFI |
| 490.491 | 2.528 | .948 | .933 | 0.043 | .948 | .796 |

All indices fall within the accepted range for *Goodness of Fit* (Hair, Black, Babin, & Anderson, 2010). Established marketing scales were used and provide *Face validity*. *Convergent validity* was confirmed based on the Factor Loadings, Average Variance Extracted (AVE) and Construct Reliability, which are shown in Table 3. Only one construct (Racism) exhibited an AVE below .5 (43.3), but other criteria based on factor loadings and construct reliability were within acceptable ranges. For *Discriminant validity*, the AVE of every construct was compared to the corresponding squared correlation.

Results are shown in Table 4. Every Construct's AVE is larger than related correlations other than Racism, but it was still quite close. Furthermore, the direction of inter-construct correlations are as expected and also significant other than the religion construct. Thus, nomological validity of the measurement model is also confirmed. In this way all the criteria for *Construct validity* and *reliability* are fulfilled. Running the SEM on this model gave *Structural Relationships* as: Distinctiveness – Animosity = .094 (significant), Religion – Animosity = -.023 (not significant), Ethnocentrism – Animosity = .432 (significant), Racism – Animosity = .514 (significant), Animosity – Willing to Buy = -.684 (significant). The *Variance Explained* in the Endogenous Variables was also good – Willing to Buy = .467 and Animosity = .647.

Table 3: Factor Loadings, Construct Reliability and AVE

| Construct Items | Ethnocentricity | Religion | Racism | Distinctiveness | Animosity | Will Buy | Item Reliability | Average Variance Extracted (AVE) | Construct Reliability |
|-----------------|-----------------|----------|--------|-----------------|-----------|----------|------------------|----------------------------------|-----------------------|
| Ethnocentricity | | | | | | | | 64.15% | 0.88 |
| Foreign Made | 0.757 | | | | | | 0.573 | | |
| Out of Job | 0.820 | | | | | | 0.672 | | |
| Getting Rich | 0.890 | | | | | | 0.792 | | |
| Cannot Obtain | 0.727 | | | | | | 0.529 | | |
| Religion | | | | | | | | 59.90% | 0.85 |
| Topics | | 0.629 | | | | | 0.396 | | |
| God Exists | | 0.792 | | | | | 0.627 | | |
| Worship | | 0.760 | | | | | 0.578 | | |
| Praying | | 0.892 | | | | | 0.796 | | |
| Racism | | | | | | | | 43.43% | 0.69 |
| Super Market | | | 0.769 | | | | 0.591 | | |
| Difficulties | | | 0.591 | | | | 0.349 | | |
| Discrimination | | | 0.602 | | | | 0.362 | | |
| Distinctiveness | | | | | | | | 67.70% | 0.89 |

| | | | | | | | | | |
|------------------|--|--|--|-------|-------|-------|-------|--------|------|
| Happy | | | | 0.699 | | | 0.489 | | |
| Austrian | | | | | | | | | |
| Strong Belonging | | | | 0.925 | | | 0.856 | | |
| Accomplishment | | | | 0.779 | | | 0.607 | | |
| Attachment | | | | 0.870 | | | 0.757 | | |
| Animosity | | | | | | | | 55.33% | 0.79 |
| Way of Life | | | | | 0.613 | | 0.376 | | |
| Endanger | | | | | 0.764 | | 0.584 | | |
| Attempt | | | | | 0.837 | | 0.701 | | |
| Will buy | | | | | | | | 60.75% | 0.86 |
| Shampoo | | | | | | 0.758 | 0.575 | | |
| Doner Kebab | | | | | | 0.706 | 0.498 | | |
| Halal Perfume | | | | | | 0.875 | 0.766 | | |
| Chicken | | | | | | 0.769 | 0.591 | | |

Table 4: Squared Inter-construct Correlations

| Correlations Squared | Ethnocentricity | Religion | Racism | Distinctiveness | Animosity | Willingness to Buy |
|----------------------|-----------------|----------|--------|-----------------|-----------|--------------------|
| Ethnocentricity | 0.64 | | | | | |
| Religion | 0.01 | 0.60 | | | | |
| Racism | 0.11 | 0.00 | 0.43 | | | |
| Distinctiveness | 0.11 | 0.06 | 0.02 | 0.68 | | |
| Animosity | 0.37 | 0.01 | 0.44 | 0.09 | 0.55 | |
| Willingness to buy | 0.26 | 0.01 | 0.21 | 0.06 | 0.42 | 0.61 |

In the light of above mentioned analyses, hypotheses H1, H3, H4 and H5 are accepted, and H2 is rejected.

Summary of Results:

H1: Higher levels of perceived in-group distinctiveness are associated with higher animosity towards out-groups (here religious minorities). (*Accepted*)

H2: Strong religious feelings are associated with higher animosity towards out-groups (here religious minorities). (*Rejected*)

- H3: Higher levels of racism among the in-group are associated with higher animosity towards out-groups (here religious minorities). (*Accepted*)
- H4: Higher levels of ethnocentrism among the in-group are associated with higher animosity towards out-groups (here religious minorities). (*Accepted*)
- H5: Animosity against out-groups (e.g., religious minorities) is negatively related to the willingness to buy products with out-group focused endorsements (e.g., products carrying religious endorsements). (*Accepted*)

The results indicate that religiousness does not impact animosity but distinctiveness, racism and ethnocentrism positively impact animosity toward minorities. Moreover, animosity negatively impacts willingness to buy products with minority related endorsements. The purchase intent of Halal Doner Kebab was compared with Halal chicken, and Halal shampoo was compared with Halal perfume using ANOVA. There is a significant difference of .000 between these groups. This significant difference between ethnic and neutral product and between expensive and cheap product can moderate the impact of willingness to buy Halal endorsed products. Thus, hypotheses H6 and H7 were accepted.

Discussion

Findings of the pre-test reflect that willingness to buy generally reduces when respondents see the products with Halal endorsement. It is further reduced when they are given briefing about Halal. Findings of the main survey partially corroborate Social identity theory as not the religiousness but distinctiveness positively impacts animosity. On the other hand Social dominance theory is corroborated with both antecedents. Resultant animosity negatively impacts the willingness to buy products with minority related endorsements. Marketers should be aware of the possible negative impact of using controversial endorsement like Halal. They should also be cognizant of feelings of distinctiveness, racism and ethnocentrism in the society. However importance of purchase and positive ethnic image moderates the impact of animosity on such purchases. To make such products universally acceptable, quality and positive ethnic image may be promoted instead of its relation to a minority. Findings also indicate little knowledge of respondents regarding Halal. More tolerance and acceptability is reported from females than males regarding buying Halal. Moreover, its impact is more visible on nonfood than on food items. Resultantly Halal food items could have more acceptability in common marketplace than Halal non-food items. In societies where animosity feelings are high, the word Halal could be tweaked in a manner that it addresses only targeted community.

The purpose of my study is to examine and better understand the negative impact of potentially controversial endorsements. The empirical setting appears to be both timely and appropriate for research in this area, given that the composition of the population in all European countries is increasingly becoming multi-cultural and the proportion of Muslim consumers is increasing. My research contributes to theory building in that it focuses on a hitherto neglected research issue, namely the impact of potentially controversial religious endorsements in a multi-cultural setting. It is also of acute practical relevance as the use of Halal endorsement is rapidly increasing in non-Muslim societies to tap into Muslim customers. In fact, the Halal food market has exploded in the past decade and worldwide is worth an estimated 632 billion dollars annually (Power & Abdullah, 2009). While a wide variety of different intra-group animosities exist, I develop my arguments in context of animosities against religious minorities and product endorsements with religious connotations. I attempt to establish a link between the social psychology literature on in-group /out-group relationships, consumer animosity and purchase intent. My research advances the extant literature on animosity in that it offers theory-based arguments to a field dominated by empiricism. Moreover, most animosity studies look at willingness to buy products of a country towards which consumers harbor antipathy, while I extend the animosity debate to *within* country minorities. Though Ouellet (2007) has studied consumer racism displayed by ethnic majority towards minority owned businesses and Shoham et al., (2006) have studied animosity of a religious majority towards businesses owned by minority, both studies are based on ownership criteria.

To this end, I address a call for more research on the impact of multi-ethnicity on consumer behavior (Laroche, Papadopoulos, Heslop, & Bergeron, 2003). From a managerial point of view, a

better understanding of routes and causes of inter-ethnic animosity will help to prevent and/or to react to unintended fallouts from inter-group conflicts (Shoham, et al., 2006).

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A Survey of Tribunal Awards on Consumers Complaint Behaviour

A Survey of Tribunal Awards on Consumers Complaint Behaviour: Age, Gender and Religion

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Introduction

In consumer decision models, purchase is not the end of the buying process, rather post-purchase behaviour of consumers is important to marketers since satisfaction/dissatisfaction impact on performance. Day (1984) believes that consumer satisfaction/dissatisfaction is the consumer's response to a particular consumption experience that is based on the evaluation of the perceived discrepancy between expectations and the actual performance of the product or service. Failure to fulfil customer expectations may result in dissatisfaction and antipathy, unless consumer's complaints and dissatisfaction are resolved fairly and promptly. Customer disappointment may lead to complaining behaviour (Mowen and Minor, 1998). While consumer complaint behaviour may be disadvantageous to businesses, dispute resolution could lead to consumer confidence and re-patronage behaviour.

Most of the studies on third party complaint behaviour were conducted in the West (e.g. Bonner and Metzen, 1992; Bradley, Sherman, and Bryant, 1982). Hardly have studies been conducted in the East, in particular, in developing countries such as Malaysia. Even for advanced economies, research using secondary data based on actual complaint records is scarce.

Objectives

This study, being the first ever study conducted in Malaysia, examines consumer complaint behaviour by using secondary data from the records of the Tribunal of Consumer Claims (TCC), Malaysia. The objectives of this study are: (i) to content analyse the complaints brought by consumers to TCC, Malaysia; and (ii) to examine the effect of age, gender and religion on the outcome of complaints. The scope of this study is classified as public action that concerns government agencies, i.e., the Tribunal for Consumer Claims (TCC) of Malaysia, a legal entity and the mediator for consumers and firms as the special-interest group.

Background of the Study and Development of Hypotheses

Generally, most literature discusses complaining as a behavioural outcome of a perceived discrepancy between an individual's expectation and the actual performance of the product (Bearden and Teel, 1980; Day et al., 1981). Jacoby and Jaccarb (1981) believe that complaining can be seen as one way to relieve consumers' feeling when they encounter unfair sales practices, disappointment with poor product standard, and general disapproval of business conduct. Phau and Sari (2004) define consumer complaint behaviour as consumer's responses "triggered by perceived dissatisfaction which is neither psychologically accepted nor quickly forgotten with consumption of a product or service" (p. 408). Fornell and Wernerfelt (1987) view a complaint as an attempt by the customer to change their unsatisfactory situation. Thus, consumer complaint behaviour explains an individual's action involving negative communication regarding their purchase, to some third party organisational such as government agencies or consumer rights group. Third party actions are defined as complaint behaviours that are directed towards one or more agencies that are not directly involved in the exchange relationship (Singh, 1989). Third party complaint action is one of the less chosen paths, and normally it is not the first-choice complaint action approach (Best and Andreason, 1977; Grønhaug, 1977).

Hypotheses that were developed for the present study attempted to test the effect of gender, religion and age on complaint behaviour. While there are assertions that point to the disadvantage of women in seeking redress from third party complaint, Bradley, Sherman and Bryant (1982) find that the Syracuse

Small Claims Court in USA is unbiased as gender does not affect the probability of winning in court. Although religion has not been examined in the past, the impact of race has been investigated. Again, Bradley, Sherman and Bryant (1982) found that race in the Syracuse Small Claims Court of USA does not appear to influence the probability of winning in the court. This is supported by the study of Bonner and Metzen (1992) in which race of claimants does not affect the outcome of the court. Since race in Malaysia can be argued to be a proxy of religion (since all Malays are Muslim, majority of Chinese are Buddhist, while Indians are mainly Hindus), we propose to test the impact of religion. In terms of the impact of age on claims, Bonner and Metzen (1992) in the Boone County Small Claims Court of USA suggest that younger claimants may have more exposure to the court process due to their educational experience, which may provide an advantage in deciding which claims are most likely to be won; but life experiences of older claimants may also be advantageous to older consumers such that the effect of experience may more than offset that exposure effect. Bonner and Metzen (1992) found that the age of claimants does not affect the award of the court.

H1: There is no significant relationship between the gender of the claimant and the award of the Tribunal.

H2: There is no significant relationship between the religion of the claimant and the award of the Tribunal.

H3: There is no significant relationship between the age of the claimant and the award of the Tribunal.

Methodology

This study which is based on secondary records adopted content analysis as the method of enquiry. Records from the Tribunal for Consumer Claims (TCC), Kuala Lumpur, from 2001 to the end of 2006 were used for the purpose of this study. The total numbers of cases collected were 340 completed cases with decisions (award or otherwise) from the Tribunal. Based on the tribunal records, the issues in dispute were categorized as: (i) complaint on product/service, (ii) complaint on price and (iii) complaint on place (Table 1). In order to ensure the reliability of coding, the present study adopted the coding scheme suggested by Sullivan (2001), i.e., employing word frequency counts which is said to produce the highest reliability because they are very easy to apply in a consistent manner.

Table 1: Coding Category Construction for Tribunal Records

| Category Construction | Coding | Source |
|------------------------------|---|------------------|
| Award of the Tribunal | 1: Claimant won (Judgment for the claimant) 2: Claimant Failed (Judgment for the respondent) 3: Out of jurisdiction | Tribunal Records |
| Characteristics of Claimants | Gender: 0: Male 1: Female | Tribunal Records |
| | Race: 1: Malay; 2: Chinese; 3: Indian | |
| | Age: 1: Young Consumers: 18-25 years old 2: Middle age Consumers: 26-54 years old 3: Old Consumers: 55 years old and over | Previous studies |
| Issues in Dispute | 1: Product / Service 2: Price 3: Place | By researcher |
| Type of Claim | 1: Goods 2: Services | Tribunal Records |
| Claim on Goods | 1: Durable products: 2: Nondurable products: | Day, (1979) |
| Claim on Services | 1: Repairs and general services 2: Professional and personal services 3: Financial services and Insurance | Day, (1978) |

| | | |
|---------------------------------|--|------------------|
| | 4: Out of jurisdiction | |
| Amount of Claim | 1: RM 50 – 999 2: RM 1,000 – 2,999 3: RM 3,000 – 6,999 4: RM 7,000 – 25,000 | Tribunal Records |
| Duration from Filing to Hearing | 1: Below 60 days 2: 61 – 80 days 3: 81 – 100 days 4: 101 days and above | Tribunal Records |

Analyses of Data and Results

Award (Outcome) of the Tribunal

Based on the award of the TCC, 80.9% of complaint cases were judgment for claimant (claimant won); 8.5% of claims were judged to respondent, indicating that 8.5% of complaint cases were claimant were against claimant (claimant failed). Another 10.6% cases were judged as being out of jurisdiction, which were those in respect to land, or any interest in land (Table 2). The high rates of claimant success at 80.9%, (which could range from 74% to 100% based on past studies), is consistent with the previous studies (e.g. Downing, Peters and Sankin, 1975, Bradley, Sherman and Bryant, 1982).

Table 2: The Award (Outcome) in the Tribunal Records

| | Number | Percent |
|---------------------|--------|---------|
| Claimant Won | 275 | 80.9 |
| Claimant Failed | 29 | 8.5 |
| Out of Jurisdiction | 36 | 10.6 |
| Total | 340 | 100 |

Content Analysis of Claims

Content analysis of the records of claims obtained from the sample of 340 cases is presented in Table 3. Results show that the disputed issues were mainly about the quality of product/services.

Table 3: Content Analysis of Claims

| | Number | Percent |
|---|--------|---------|
| Issues in Dispute | | |
| Product | 239 | 70.3 |
| Price | 80 | 23.5 |
| Place | 21 | 6.2 |
| Type of Claims | | |
| Goods | 189 | 55.6 |
| Services | 151 | 44.4 |
| Claim on Types of Products | | |
| Durable Product | 167 | 88.4 |
| Nondurable Product | 22 | 11.6 |
| Claim on Services | | |
| Repairs and General Services | 33 | 21.8 |
| Professional and Personal Service | 98 | 64.9 |
| Financial Services and Insurance | 7 | 4.6 |
| Out of jurisdiction | 13 | 8.6 |
| Amount of Claims | | |
| RM 50 – 999 | 102 | 30 |
| RM 1,000 – 2,999 | 86 | 25.3 |
| RM 3,000 – 6,999 | 94 | 27.6 |
| RM 7,000 – 25,000 | 58 | 17.1 |
| Duration from Filing of Cases to Hearing in the Tribunal Records | | |

| | | |
|----------------|-----|------|
| Below 60 days | 265 | 77.9 |
| 61 to 80 days | 51 | 15 |
| 81 to 100 days | 15 | 4.4 |
| Above 101 days | 9 | 2.6 |

For claims on goods, complaints about durable products were 167 cases (88.4%), and for nondurable products 22 cases (11.6%) were filed among the 189 complaints. Only 11.4% claimants were dissatisfied with the nondurable products – clothes, shoes, wallets and other goods such as cosmetics and jewellery. Consumers were more likely to seek redress on the durable products than nondurable products.

Who Filed the Complaints?

Demographic profile of claimants is shown in Table 4. In terms of gender of claimant, 141 complaint (41.5%) cases were from males; another 199 cases (58.5%) were filed by females, contrary to expectations that male will be more likely to seek redress through third party. Due to a lack of studies of similar nature in advanced societies or in Malaysia, no comparison could be made with regards to gender and complaint behaviour. The results show that consumers of middle age were more likely to seek redress in the Tribunal. Since there are no past studies that examined the effect of age, therefore no comparison could be made with the findings of the present study.

Table 4: Demographic Profile of Claimants in the Tribunal Records

| | Number | Percent |
|--------------------|--------|---------|
| Gender | | |
| Male | 141 | 41.5 |
| Female | 199 | 58.5 |
| Ethnicity | | |
| Malay | 138 | 40.6 |
| Chinese | 162 | 47.6 |
| Indian | 40 | 11.8 |
| Age | | |
| 18 to 25 years old | 35 | 10.3 |
| 26 to 54 years old | 272 | 80.0 |
| Above 55 years old | 22 | 6.5 |
| Unidentified | 11 | 3.2 |

Hypotheses Testing on Selected Variables and the Award of the Tribunal

For testing the hypotheses, the Chi-square statistics test was used to observe the relationship between the claimant's gender, religion, and age and the award handed down from the Tribunal. The results of the tests are shown in Table 5. The results were as hypothesised, i.e., gender, religion and age have no significant effect on the award of the tribunal.

Table 5: The Association between the Variables in the Tribunal Records

| Hypothesis | Relationship | Chi- square (χ^2) | P – Value | Hypothesis Support |
|------------|------------------------------|--------------------------|-----------|--------------------|
| H1 | Gender of Claimant → Award | 0.641 | 0.726 | Yes |
| H2 | Religion of Claimant → Award | 3.609 | 0.462 | Yes |
| H3 | Age of Claimant → Award | 5.714 | 0.222 | Yes |

*: $p < 0.001$

Discussion and Conclusion

The present study is the first that used content analysis on Tribunal records to examine third party redress seeking behavior among Malaysian consumers. The procedures for content analysis based on secondary data were closely followed. Based on a sample of 340 cases, results provide rich insights about consumer complaint behavior through third party. Consumers were concerned about quality of durable products more than other attributes, in line with results of past studies. For the hypotheses developed in the present study, results show consistency with past research that demographic variables, gender, religion and age did not influence outcome of award.

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Impact of Financial Crisis on the Islamic Banks' Customers: A Case of Malaysia

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ABSTRACT

The recent 2008 global financial crisis was dubbed as the worst crisis since the Great Depression. Several conventional banks were affected. However, the effect of the crisis on Islamic banks was marginal. There is quite a volume of literature that has discussed this financial crisis and how Islamic banks are somewhat insulated against the corollaries of such catastrophe. Some of these studies have argued that Islamic banking emerged relatively unscathed and remains resilient due to its salient features, which includes; *inter alia*, emphasis on ownership prior to transacting and, avoidance of *riba*'(usury) and *gharar* (speculative)-based transactions. The present study examines the extent to which Islamic bank customers are aware of the salient features of Islamic banking and finance, and the effect of the crisis on their lifestyle. A convenient sampling of postgraduate students of International Islamic University Malaysia (IIUM) has been used due to their knowledge of the subject under investigation. The results from the descriptive analysis show that generally the respondents are aware of the salient features of Islamic banking and finance that mitigate the impact of financial crisis. Further, the respondents are also aware of adverse impacts of the crisis. The study has provided suggestions for future research in the concluding remarks.

Keywords: Global financial crisis, Islamic banking and finance, salient features of Islamic banks

1. INTRODUCTION

Financial crisis which occurred more than 100 times in the last four decades has become a repeated event (Stiglitz, 2003). For example, the crises in Mexico (1994), the East Asian financial crisis (1997), Brazil (1998), and the recent global financial crisis (2008), among others. The latter is referred to as the worst crisis since the Great Depression (Smolo & Mirakhor, 2010). It has caused major economic upheavals.

Millions of jobs were lost and trillions of dollars in market value evaporated. According to Stiglitz (2003), the lingering question on financial crisis no longer centres on the "why" but rather on the "where".

Therefore, the current financial system is prone to crisis as it is unsustainable. Financial crises can have a lasting and notable effect on economic activity when they reflect the unwinding of financial imbalances that funded real sector imbalances (Duca, Muellbauer, & Murphy, 2010). For instance, during the previous 1997-98 Asian financial crisis, a panel analysis for a broad group of economies shows economic contraction over a five-year period by 3% per annum which can be attributed to financial vulnerabilities (Barro, 2001; Berkmen, Gelos, Rennhack, & Walsh, 2012).

The impact of financial crisis was felt by consumers too. Consumers in France, Belgium, and The Netherlands for example, adjust their spending and consumption patterns by taking more holidays closer to home, while in the UK 65% of consumers were buying less luxury food, 53% taking fewer

holidays abroad, 51% spending less time going out, and 42% planning to stay in more. Similarly, customers in the UK anticipated the ripple effects of financial crisis to be prolonged for the subsequent 12 months as 42% thought they would be saving less, 54% thought they would borrow less, and 42% thought they would stay in (Gibbon, 2013). In essence, recession badly affect their lifestyle and forced them to lead a simpler lifestyle.

Some major factors have contributed to the catastrophe notably: speculation (Chapra, 2011; Kaye & Hassan, 2011), excessive leveraging (H. Ahmed, 2009; Kaye & Hassan, 2011), disproportionate lending (Chapra, 2011; Mirakhor & Krichene, 2009). Kaye & Hassan, (2011); Matthews, Tlemsani, & Siddiqui (2003); Razak & Mohammed (2011) cite ethics as one of the major antecedents of financial crisis. In similar vein, Chapra (2008) maintains that unethical behaviours such as lack of transparency and disclosure, greed of companies and investors are the main culprits that cause the financial crisis. Also, other antecedents of financial crisis include inadequate market discipline (A. Ahmed, 2010; H. Ahmed, 2009; Chapra, 2011; Hassan & Kaye, 2009), pursuance of self-interest (Razak & Mohammed, 2011), deregulation and financial liberalisation (Causse, 2012; Chapra, 2007), unethical financial behaviour (Matthews et al., 2003) are also attributed to causing the financial crisis.

In the aftermath of the 2007-2008 global financial crises, there is growing calls for a re-examination on the conventional banking activities. To that end, certain quarters of the banking fraternities are advocating ethical banking. As one of the subsets of ethical banking (Matthews et al., 2003; Saidi, 2009), Islamic banking and finance departs from its conventional counterparts as there are fundamental differences in doing its business. Some of the salient features, among others; include emphasis on ownership prior to transacting, and avoiding *riba*’ and *gharar*-based transactions. Khan & Mirakhor (1987) conclude that by engaging in these true forms of Islamic finance, in theory, Islamic banks should be better alternatives compared to the conventional system due to the robustness and potential stability that the system may provide. Empirical studies such as Abduh & Omar (2012) and Furqani & Mulyany (2009) posit that strong Islamic financial sector is positively and significantly correlated with economic growth and wealth accumulation. While few authors postulate that if the features of Islamic finance had been followed, the 2008 financial crisis would have been prevented altogether (H. Ahmed, 2009; Hassan & Kaye, 2009). Whereas these studies have delineated the salient features of Islamic banking and finance which provides resilience against the financial crisis, there is a paucity of studies that gauge the awareness of these features among of its most important stakeholders – the customers. In other words, to what extent it is known among the stakeholders of Islamic banks, particularly the customers that the salient features, namely emphasis on ownership prior to transacting, avoiding *riba*’(usury) and *gharar* (speculative)-based transactions provide Islamic banks with resilience against the global financial crisis? Specifically, the objectives of this study are three-fold. It includes the following:

1. To discuss the salient features of Islamic banking and finance that are inherently resilient towards financial crisis;
2. To investigate the extent to which Islamic banks’ customers are aware of the salient features of Islamic finance that are inherently resilient to financial crisis; and
3. To study the impact of the 2008 global financial crisis on the customers of Islamic banking and finance.

This paper consists of five sections including the introduction. The immediate sections review the literature of the study. Section three deliberates the methodology used to answer the research questions. Section four highlights and discusses the main findings for this study. Finally, section five concludes this study with limitations, implications to relevant stakeholders, as well as offering directions for future research.

2. LITERATURE REVIEW

2.1 Salient Features of Islamic Financial System

In spite of the difficulty to point out one single factor that caused the global financial crisis, one may rightly contend that the main cause of a financial crisis is due to loose lending standards by conventional banks, which is coupled by both huge appetite for excessive returns, and inadequate regulatory control (Kaye & Hassan, 2011). This lax approach to lending when carried out over an

protracted period of time leads to a risky lending environment that in the end, negating the benefits of the both borrowers and lender alike. Consequently, this reckless lending resulted into two practices that triggered the crisis: the use of stupendous and complex financial instruments and overdependence on financial models (Kayed & Hassan, 2011). However, another, albeit smaller banking fraternity which currently valued at USD1 trillion and experiencing growth rate of 15-20 per cent per annum is able to show an alternative way of banking to that of conventional – Islamic banking and finance (Haneef, 2010).

Post-financial crisis studies such as Hasan & Dridi (2011); Kayed & Hassan (2011); Smolo & Mirakhor (2010) contend that Islamic banks remain positive against the backdrop of the recent financial crisis and attributed its resilience to their *raison d'être* – the salient features of Islamic banking and finance. Salient features of Islamic finance includes, *inter alia*; fairness, socioeconomic justice, and its uncompromising commitment towards the well-being of future generations through caring for the environment and preserving earth's valuable resources through equitable income distribution, and development agent, preservation of *maslahah* (public interest) and the abolition of *riba'* (interest) (Chapra, 1985; Kayed & Hassan, 2011).

According to Chapra (2011), Islam has specified these conditions to link the payoffs of the financial securities to the underlying assets that are financed. Some of these conditions include:

1. The asset that is being sold or leased must be tangible, which eliminates dealings such as speculative transactions;
2. Islamic bank must own and possess an asset prior any transaction so that the bank will bear some risks in order to gain returns
3. Contracts must be genuine trades with the full intention of giving and taking delivery. This condition would likely eliminate speculation and trading in derivatives
4. Debt cannot be sold, and thus, Islamic banks need to bear some of the risk associated with their financing portfolios

Islamic banks are only allowed to deal in products and services that are *halal* (permissible). One of the major features of Islamic finance is to avoid *riba'*-based transactions. The onus on this primary caveat is to ensure justice and fairness as Islamic banks have to undertake a certain level of risks in order to gain competitive profit. Other features such as *maysir* (gambling) and *gharar* (uncertainty), for example, are forbidden – because it is a form of wealth transfer. It leads to inefficiency and adds intolerable levels of risk to transactions. Insurance and financial derivatives are two areas in modern financial transactions that have developed as a result of uncertainty.

Although Islamic banks were able to withstand the impact of global financial crisis due to its salient features, there is a dearth of studies that focus on its impact on Islamic banks' most important stakeholders – the customers.

2.2 Impact of Global Financial Crisis on Customers

The importance of customers as one of the major stakeholders in an organization has widely been discussed in the literature (Dusuki, 2005). The impact of financial crisis to the customers was also addressed by the G20 communiqué as follows²⁵:

"We face the greatest challenge to the world economy in modern times; a crisis which has deepened since we last met, which affects the lives of women, men, and children in every country, and which all countries must join together to resolve. A global crisis requires a global solution."

Hence, Islamic banks need to identify how their customers respond to the crisis and to what extent it change their behaviour as banking customers are becoming less loyal to their main bank (Ernst & Young, 2012). Greater uncertainty regarding the economic situation is expected to increase the incentive of Islamic banks customers to save as they seek to protect themselves against the higher likelihood of adverse outcomes such as job insecurity, inability to secure side incomes, and expected decrease in quality of life (Mody, Ohnsorge, & Sandri, 2012). Downturns are stressful and typically

²⁵The Global Plan for Recovery and Reform, 2 April 2009.

increase people's desire for simplicity. Mainstream consumers, including that of Islamic banks customers are adopting what have long been traditional ethical consumer strategies in their endeavours to save money by adopting belt-tightening strategies (Moraes, Szmigin, & Carrigan, 2010). Efforts are channelled towards trading down and/or getting better value for money. For instance, Islamic banks customers might switch to *Wadi'ah* (safekeeping) savings account for a minimal return, foregoing the chance to reap better return from a profit and loss (PLS)-sharing savings account. Therefore, Islamic banks customers are even willing to switch banks if they perceive their current bank is not able to protect their savings.

During economic downturn, Islamic banks customers become more price-sensitive and selective in their buying decision (Ang, 2001). Trading down, staying home, eating in, and "making do" are consumer behaviours reflected in the fortunes of the retail sector across the globe (Carrigan & Pelsmacker, 2009). For example, the customers will be price-sensitive where they will switch to inexpensive and non-branded goods; buys in smaller quantities; reduction non-essential items; frequenting public transportations; hunting for bargains through coupons and promotional items from websites, and become less loyal to certain brand during the financial crisis.

3. METHODOLOGY

Our research design incorporated a cross sectional survey approach to data collection and analysis. The variables used in this study were derived from the literature and subsequently utilised in questionnaire development. The present study has used primary data. The purpose of using primary data is to identify variables that affect customers during the crisis period.

The questionnaires for the study were distributed to postgraduate students of International Islamic University Malaysia (IIUM). Convenience sampling was used for the selection. The selection for postgraduate students was based on their knowledge and maturity in understanding the issues of this research. In addition, IIUM students are familiar with terms that are exclusive to Islamic finance such as *Shariah*, *riba*, *gharar*, and *maysir*.

4. FINDINGS AND DISCUSSION

4.1 Demographic Profile

To obtain the primary data from customers for this study, the questionnaires were distributed to postgraduate students of IIUM. 107 questionnaires were collected and used for further analysis.

Table 8: Demographic Profile

| Items | Frequency (n=107) | Percentage (100%) |
|--------------------|-------------------|-------------------|
| Gender | | |
| Male | 50 | 46.7% |
| Female | 57 | 53.3% |
| Marital status | | |
| Single | 84 | 78.5% |
| Married | 23 | 21.5% |
| Age | | |
| 18 - 25 years | 43 | 40.2% |
| 26 – 30 years | 51 | 47.7% |
| 31 – 35 years | 11 | 10.3% |
| More than 35 years | 2 | 1.9% |
| Ethnicity | | |
| Malay | 58 | 54.2% |
| Chinese | - | - |
| Indian | 2 | 1.9% |
| Others | 47 | 43.9% |
| Working experience | | |
| Less than 1 year | 55 | 51.4% |
| 1 – 5 years | 41 | 38.3% |
| 6 – 10 years | 10 | 9.3% |
| 11 – 20 years | 1 | 0.9% |

| | | |
|--------------------|---|---|
| More than 20 years | - | - |
|--------------------|---|---|

Table 1 indicates the demographic profiles of the respondents. It can be seen that about 88% of respondents are young adults ranged between 18 and 30 years, which comprises more or less equal number of males (46.7%) and females (53.3%).

The questionnaires were distributed to postgraduate students in IIUM as the main target. Majority of IIUM postgraduate students participated in this study are Malay (54.2%) and the rest of them are international students (43.9%). In terms of belief, all respondents are Muslims. With respect to the job experience, more than 89.7 % of the postgraduate students have less than a year working experience with $\frac{3}{4}$ of them (82.2%) are earning an income of RM 3, 000 and below. Finally, on the question about occupation, 67.3% of respondents are full time students, while the rest of postgraduate students are also working as civil servant (8.4%), private employees (17.8%), and others (3%).

Table 9: Demographic Profile – Income and Occupation

| | | |
|-------------------------|----|-------|
| Monthly Income | | |
| RM 3, 000 and below | 88 | 82.2% |
| RM 3, 001 – RM 5, 000 | 13 | 12.1% |
| RM 5, 001 – RM 10,000 | 6 | 5.6% |
| RM 10, 001 – RM 20, 000 | - | - |
| Above RM 20, 000 | - | - |
| Occupation | | |
| Self employed | 2 | 1.9% |
| Civil servant | 9 | 8.4% |
| Private employee | 19 | 17.8% |
| Retired | - | - |
| Temporarily unemployed | 2 | 1.9% |
| Full time student | 72 | 67.3% |
| Others | 3 | 2.8% |

Table 10: Type of Bank Account

| Items | Frequency (n=107) | Percentage (100%) |
|-------------------|----------------------|----------------------|
| Conventional type | 21 | 19.6% |
| Islamic type | 60 | 56.1% |
| Both types | 26 | 24.3% |

Descriptive analysis of Table 2 reveals that an overwhelming majority of the respondents (82.2%) are full-time students that belong to lower income bracket (below RM3, 000)²⁶. It is in line with prior studies such as Shama, (1981) which found that the middle class, the young and students, as the ones who were carrying the greatest burden of crisis. Moreover, Table 3 describes on the respondents preference to banking products. Inclusive of the dual-types account holders, 80.4% of the respondents are Islamic bank customers. Coupled with the fact that most of the respondents are

²⁶ Our definition of lower-income bracket is in line with Performance Management & Delivery Unit (PEMANDU)'s definition where households earning RM3, 000 and below is entitled to receive Bantuan Rakyat 1Malaysia (1Malaysia People's Aid)

students with low income, therefore, we may conclude that the respondents chosen for this study corroborate with our targeted parameter.

4.2 Global Financial Crisis and Islamic banks: Stability and Resilience

The first part of questionnaire is on the customers' level of awareness about financial crisis *vis-à-vis* the salient features that provide resilience to Islamic banks from the global financial crisis. Fifteen statements are included and no missing data was found.

Table 11: Level of Awareness about Financial Crisis

| No. | Statements | Disagree | N | Agree | Mean | Std Dev |
|-----|---|---------------|---------------|---------------|------|---------|
| 1 | Upholding justice and fairness are essential aspects of financial transactions | 5 (4.7%) | 12 (11.2%) | 90 (84.1%) | 4.33 | 0.855 |
| 2 | The bank cannot sell an asset that does not exist | 4 (3.7%) | 14 (13.1%) | 89 (83.1%) | 4.32 | 0.938 |
| 3 | I should always avoid transaction that have element of uncertainty | 6 (5.6%) | 14 (13.1%) | 87 (81.3%) | 4.22 | 0.911 |
| 4 | Over dependent on debt can cause financial crisis | 4 (3.7%) | 12 (11.2%) | 91 (85.1%) | 4.22 | 0.828 |
| 5 | Unethical financial behaviour such as fraud and financial manipulation can cause financial crisis | 1 (0.9%) | 20 (18.7%) | 86 (80.4%) | 4.20 | 0.774 |
| 6 | The bank should take ownership of the property before selling it to customers | 5 (4.6%) | 13 (12.1%) | 89 (83.2%) | 4.17 | 0.852 |
| 7 | The financial crisis has impact on the country's economic system | 7 (6.5%) | 14 (13.1%) | 86 (80.4%) | 4.15 | 0.888 |
| 8 | I know that the global financial crisis contributed to rising inflation | 7 (6.5%) | 17 (15.9%) | 83 (77.5%) | 4.04 | 0.900 |
| 9 | The roles of regulators are important to avoid financial crisis | 7 (6.6%) | 18 (16.8%) | 82 (76.6%) | 4.00 | 0.972 |
| 10 | Deregulation makes the financial system unstable | 6 (5.6%) | 29 (27.1%) | 72 (67.3%) | 3.85 | 0.845 |
| 11 | Too much leveraging can contribute to financial crisis | 4 (3.7%) | 30 (28.0%) | 73 (68.2%) | 3.85 | 0.794 |
| 12 | Speculation on the price of assets may result in financial crisis | 10 (9.3%) | 22 (20.6%) | 75 (70.1%) | 3.80 | 0.895 |
| 13 | Financial discipline can help one to be affected by financial crisis | 9 (8.4%) | 34 (31.8%) | 64 (59.8%) | 3.73 | 0.927 |
| 14 | Financial crisis can occur if one pursues their self-interest | 10 (9.3%) | 26 (24.3%) | 71 (66.4%) | 3.71 | 0.858 |
| 16 | The current financial system is crisis-free | 53 (49.6%) | 19 (17.8%) | 32 (32.7%) | 2.69 | 1.177 |

Table 4 indicates that the respondents are aware of the general impact of the global financial crisis and its adverse impacts on the economy. It is because, between 60% and 85% of the respondents agree on items in relation to global financial crisis such as “*I know that the global financial crisis contributed to rising inflation*”, “*the current financial system is crisis-free*”, “*the financial crisis has impact on the country's economic system*”, and “*over dependent on debt can cause financial crisis.*”

However, a low average score of 2.69 of item “*the current financial system is crisis-free*” can be explained by the negative statement²⁷ and we expect that respondent disagreement on this point, as we all aware that the current financial system is not free from crisis.

The above table also reveals that the overwhelming majority of the respondents are fully aware of the salient features of Islamic finance that are inherently resilient to financial crisis. The respondents agree that Islamic banks should avoid *gharar* (uncertain) transactions, uphold justice and fairness in financial dealings, possess their assets prior transactions as these statements garner scores that ranges between 81.3% and 84.1%. Hence, the respondents are in an agreement with Islamic economics scholar such as Chapra (2011) which expound the caveats that have to be met in Islamic banking operations.

4.3 Trading Down During the Financial Crisis: Responses from Islamic Bank Customers

²⁷ The question was negatively worded and thus, the responses were reverse-coded where 5, 4, 2, and 1 became 1, 2, 4, and 5 respectively.

Table 12: Impact of Financial Crisis on Income, Savings and Investment Patterns of Islamic Bank Customers

| No . | Statements | Disagree | N | Agree | Mean | Std Dev |
|------|---|---------------|---------------|---------------|------|---------|
| 1 | I rather save than to spend during financial crisis | 14 (13.1%) | 20 (18.7%) | 73 (68.3%) | 3.67 | 0.949 |
| 2 | I am afraid to lose my job during financial crisis | 15 (14%) | 26 (24.3%) | 66 (61.7%) | 3.66 | 0.971 |
| 3 | I become more risk-averse in investing. | 12 (11.2%) | 28 (26.2%) | 67 (62.6%) | 3.65 | 0.859 |
| 4 | I find opportunity to earn side income | 23 (21.5%) | 34 (31.8%) | 50 (46.7%) | 3.36 | 1.048 |
| 5 | I stop speculating during financial crisis | 14 (13.1%) | 48 (44.9%) | 45 (42%) | 3.33 | 0.855 |
| 6 | I shift my investment from money to gold | 22 (20.6%) | 37 (34.6%) | 48 (44.8%) | 3.31 | 1.102 |

Table 13: Impact of Financial Crisis on Consumption Patterns of Islamic Bank Customers

| No . | Statements | Disagree | N | Agree | Mean | Std Dev |
|------|--|---------------|---------------|---------------|------|---------|
| 1 | Price is the main consideration before deciding to buy a product or service | 8 (7.5%) | 17 (15.9%) | 82 (76.6%) | 3.97 | 0.926 |
| 2 | I switch from buying luxury goods to essential goods | 9 (8.4%) | 25 (23.4%) | 73 (68.3%) | 3.84 | 0.953 |
| 3 | Convenience is an important aspect when I shop | 9 (8.4%) | 25 (23.4%) | 73 (68.2%) | 3.81 | 0.902 |
| 4 | I turn from buying expensive goods to inexpensive good | 8 (7.4%) | 36 (33.6%) | 63 (58.9%) | 3.68 | 0.967 |
| 5 | I tend to buy new products/goods at promotional price | 16 (15%) | 19 (17.8%) | 72 (67.3%) | 3.67 | 0.969 |
| 6 | I shift from buying huge quantities to small quantities | 10 (9.4%) | 40 (37.4%) | 57 (53.3%) | 3.58 | 0.912 |
| 7 | I reduce my spending on leisure and entertainment | 19 (17.8%) | 23 (21.5%) | 65 (60.8%) | 3.57 | 1.001 |
| 8 | I consume more healthy food | 16 (14.9%) | 30 (28%) | 61 (57%) | 3.57 | 0.953 |
| 9 | I keep more cash for precautionary purpose | 19 (17.8%) | 26 (24.3%) | 62 (58%) | 3.52 | 1.013 |
| 10 | I become less loyal to the brand during recession period | 11 (10.3%) | 47 (43.9%) | 49 (45.7%) | 3.43 | 0.848 |
| 11 | I use website for valuable bargains | 22 (20.6%) | 34 (31.8%) | 51 (47.7%) | 3.42 | 1.064 |
| 12 | I prefer to cook at home rather than eating outside | 26 (22.5%) | 30 (28%) | 53 (49.5%) | 3.41 | 1.124 |
| 13 | I use shopping lists while purchasing for products/goods | 23 (21.5%) | 28 (26.2%) | 56 (52.3%) | 3.39 | 1.088 |
| 14 | I switch buying non-branded goods | 16 (15%) | 43 (40.2%) | 48 (44.8%) | 3.37 | 0.896 |
| 15 | I tend to use public transportations for daily activities instead of private one | 77 (29.9%) | 35 (32.7%) | 40 (37.4%) | 3.17 | 1.153 |

| | | | | | | |
|----|------------------------------------|---------------|---------------|---------------|------|-------|
| 16 | I use coupons to buy product/goods | 44 (41.1%) | 41 (38.3%) | 22 (20.6%) | 2.72 | 1.026 |
|----|------------------------------------|---------------|---------------|---------------|------|-------|

Table 14: Impact of Financial Crisis on Islamic Bank Customers' Lifestyles

| No . | Statements | Disagree | N | Agree | Mean | Std Dev |
|------|--|---------------|---------------|---------------|------|---------|
| 1 | I live modestly | 11 (10.3%) | 41 (38.3%) | 55 (51.4%) | 3.50 | 0.905 |
| 2 | I feel that my quality of life has decreased during financial crisis | 19 (17.8%) | 39 (36.4%) | 49 (45.8%) | 3.36 | 0.936 |
| 3 | I do more exercise | 19 (17.7%) | 46 (43%) | 42 (39.2%) | 3.30 | 0.983 |

Table 5 through 7 delineate the impact of the financial crisis towards customers' lifestyle, income, consumption, and investment pattern. Essentially, if financial crisis takes place, the respondents tend to be more price-sensitive. It is in consonant with previous studies such as Ang (2001); Carrigan & Pelsmacker (2009); Moraes *et al.* (2010) where 68.3% and 68.2% of the respondents respectively are incline to switch from luxurious to essential goods, and forego convenience in exchange for better bargains. Apart from that, 67.3% the respondents are even willing to try new products which usually sell at discount in order to gain entry into new market segment. However, it is interesting to note that a mere 20.6% uses coupons in bargain-hunting. Since the item is derived from studies that were carried out in the Western context where the uses of coupons are prevalent, the same cannot be said as such promotional strategy is not widely used in Malaysia.

Moreover, 68.3% of respondents indicated that during the financial crisis, they tend to save rather than spend the money for anything else besides the essential goods, and are reducing non-essential expenditures such as leisure and entertainment. In order to keep more cash, more than half of the respondents are buying items on smaller quantities. Though buying in bulk will save costs in the long run, such move can be explained as the respondents are choosing to spend only on essential goods as their disposable income is low. The outlay of each purchase is lower and thus more affordable; the cost per unit may be more expensive (Ang, Leong, & Kotler, 2000). The usage of shopping list will likely to reduce impulse and conspicuous buys, which usually associated with economic booms (Ang *et al.*, 2000).

4.4 Reliability Test

The main objective of the present study is to develop an instrument that can be used to observe the level of awareness of customers on financial crisis and how such catastrophe affects their consumption behaviour. With that in mind, having received sufficient response from distributed questionnaires, the researchers conduct reliability test.

The questionnaire is divided into two parts namely: the level of awareness and impact of financial crisis on the customers' consumption behaviour. We employ Cronbach's Alpha as it is most widely used method to test of interim consistency reliability (Sekaran & Bougie, 2010).

Table 15: Reliability test on Level of Awareness

| Reliability Statistics | | |
|------------------------|--|--------------|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | No. of Items |
| .829 | .830 | 15 |

Before performing the test, small adjustment was made to item number 6 to ensure the results are consistent²⁸.

²⁸ The question was negatively worded and thus, the responses were reverse-coded where 5, 4, 2, and 1 became 1, 2, 4, and 5 respectively.

Table 16: Reliability Test on Impact of Financial Crisis on the Consumer Behaviour

| Reliability Statistics | | |
|------------------------|--|--------------|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | No. of Items |
| .836 | .837 | 25 |

Based on the result of reliability test in table 6 and 7, both constructs have a relatively high Cronbach's Alpha values. It means that the questionnaire is reliable enough to be used in measuring the level of awareness and costumer perception on the impact of the financial crisis upon their consumption behaviour.

5. CONCLUSION

In general, impacts of global financial crisis on Islamic bank customers have been under-researched. This research sought to go some way towards filling the gap by providing insights for academicians, and those working in the Islamic banking industry. Since the financial crises will continue to be frequent and it will affect the livelihood of many stakeholders, Islamic banks can play their part in mitigating the impact on their customers. The authors envisage that in the future, more studies on the impact of global financial crisis on Islamic bank customers will be undertaken with more rigour, larger sample, more sophisticated tools of analysis, and a follow up qualitative inquiry to render greater understanding towards such behavioural change during financial crisis.

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The Implication of Marketing Concepts on Religious Publications

The Implication of Marketing Concepts on Religious Publications for the Tourism Industry: The case of Muhammad Pocket Guide

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When visiting sacred places or historical places associated to a particular faith, many tourists do not obtain satisfactory information compiled in one book about the place they visited and the religious rites or rituals practiced in it.

In the case of Islamic tourist attractions, we identified scarcity of Islamic literature that is written and produced for tourists who visit Islamic historical places such as the Blue Mosque in Istanbul, Alhambra palace in Granada and Taj Mahal in Agra. In order to know what information needed by tourists and what specifications and features of tourist books that should be followed, we conducted short interviews with a sample of two hundred tourists that were picked from the streets of Sultan Ahmet area in Istanbul.

This paper presents the case study of producing “Muhammad Pocket Guide”. A comprehensive pictorial tourist guide that was written for tourists visiting Islamic tourist attractions or historical places that Islam was part of its history. The marketing mix is explained with focus on new product development. The new book is a pictorial guide that follows international standards for tourists pocket guides. It was written with “proactive language and titled paragraphs”. The marketing strategy is explained including segmentation, targeting and positioning. Finally an overview of the successful progress of the pocket guide sales and distribution worldwide is discussed featuring international marketing in ten languages and book distribution in major bookstores

Keywords: The marketing mix, 4Ps, segmentation, targeting, positioning. New product development, decision making process, international marketing, consumer behavior

1 INTRODUCTION

The World Tourism Organization defines tourists as people "traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". The tourism economy represents 5 per cent of world GDP (US \$1trillion a year), while it contributes to 6-7 per cent of total employment (WTO, 2011). Table 1.1 presents the top ten countries in the world in numbers of international arrivals.

Table 1.1 Top ten countries in number of international arrivals

| Rank | Country | International tourist arrivals 2012 |
|------|----------|-------------------------------------|
| 1 | France | 83 millions |
| 2 | USA | 67 millions |
| 3 | China | 57.7 millions |
| 4 | Spain | 57.7 millions |
| 5 | Italy | 46.4 millions |
| 6 | Turkey | 35.7 millions |
| 7 | Germany | 30.4 millions |
| 8 | UK | 29.3 millions |
| 9 | Russia | 25.7 millions |
| 10 | Malaysia | 25 millions |

Religious or faith tourism is a type of tourism, where people travel individually or in groups for pilgrimage, missionary, or leisure purposes. The world's largest form of mass religious tourism takes place at the annual Hajj pilgrimage in holy city of Makkah, Saudi Arabia. Other famous holy cities are Jerusalem, Karbala in Iraq, Varanasi (Benares) in India and Fatima in Portugal.

However, there are many religious tourist attractions in the world that attract hundreds of thousands of tourists per annum. These tourist attractions can be famous temples, or churches or synagogues or mosques or historical building associated to a particular faith. To count few, the Borobudur Buddhist temple in Java, the Church of Nativity in Bethlehem, the Sagrada Familia in Barcelona, the Old New synagogue in Prague, the Hagia Sophia in Istanbul, the Sultan Ahmet Mosque in Istanbul, the Great Mosque-Cathedral (Mezquita) in Cordoba, King Hassan II in Casablanca, the Alhambra Palace in Granada and Taj Mahal in Agra.

It is interesting to notice that many of these attractions are associated with the Islamic faith or Islam was part of its history. It is estimated that 3,102,500 people visit the Alhambra in Granada per year (about 8500 people per day) and about 2.5 million tourists visit Taj Mahal in India every year.

2 TOURIST BOOKS AND RELIGIOUS PUBLICATIONS

In general, visitors of a tourist attraction related to a sacred place or a historical place associated to a specific faith would require a tourist book or guide that has a religious content in addition to the general information provided about that place. However, most tourist pocket guides that are readily available in the market cover a brief overview about the sacred place or religious tourist attraction within a wider context of main tourist attractions in a particular country. This is done without enough reference to religious practices. Tourist books or pocket guides usually refer to shopping, natural sceneries & lookouts, amusement parks, nightlife, museums, historical places and worship places.

On the other hand, religious material and literature are produced in many formats that are not primarily suitable for tourists and visitors. Format of religious material could be too detailed or sometimes boring to read or does not get to the points that tourists need quick access to. Also, many religious materials are written for those who intend to practice the faith not for those who would like to have a brief overview about the faith.

For example a tourist could decide to visit a historical Buddhist temple. It could be one of the tourist attractions highlighted in one tourist guide. However, when the tourist reaches the temple, he or she could be given an additional flyer or printed material that cover about the temple, its history and features but little or no information about the Buddhist faith and rituals practiced in the temple. A tourist could need to collect or buy separated publications or ask a tour guide to obtain further information in order to form a comprehensive idea.

In the case of Islamic tourist attractions, we identified scarcity of Islamic literature that is written and produced for tourists who visit Islamic historical places such as Hagia Sophia and the Blue Mosque in Istanbul, Alhambra palace in Granada and Taj Mahal in Agra. Most of the Islamic publications that were distributed in these places were written for those who want to practice the Islamic faith not for those who would like to have a brief overview about it. The format of such publications was not done according to proper standards and was not designed specifically for tourists or visitors.

Many tourists need authentic summarized clear and comprehensive information printed in a book about these attractions and religious practices associated to them.

3 METHOD

The study was motivated by the lack of comprehensive publications prepared for tourists visiting Islamic tourist attractions. In order to find out what information tourists need, we conducted short interviews with tourists visiting Sultan Ahmet tourist area in Istanbul. The area is the most popular tourist attraction in Turkey and attracts millions of tourists from all over the world every year. It includes two important historical tourist attractions, Hagia Sophia museum and Sultan Ahmet mosque. Hagia Sophia is one of the most important and oldest heritage sites in the world. It was a cathedral for nine decades and a mosque for five decades then it was converted to a museum since 1935. The Sultan Ahmed Mosque (also known as the Blue Mosque) is one of the most important mosques and tourist attractions in Turkey. It is a master piece of the Islamic architecture which is distinguished with its six slender minarets and symmetrical design. The mosque was built in Istanbul in the period as from 1609 to 1616 CE, during the rule of Sultan Ahmad.

Sample

200 tourists were interviewed in the streets of Sultan Ahmet area. Subjects were males and females of different ages and ethnic groups. Short questions were prepared on tick lists that were printed and given to interviewers. Questions required only quick answers. The interview time was between 3-5 minutes.

Data Analysis

Basic analysis of collected data revealed that tourists have certain needs that can be summarized in the following table.

Table 3.1 Information / content needed by Tourists

| | |
|---|---|
| General information | Brief information about the visited tourist attraction (recent information) |
| Historical information | Brief historical information about the visited tourist attraction (historical information) |
| Information about faith and religious practices | Brief information about the faith related to the tourist attraction (information about the associated faith). |

On the other hand, tourists highlighted certain wants related to the size and format of the information given. These wants are summarized in Table 3.2.

Table 3.2 Format wanted by Tourists

| | |
|-------------------|---------------------------------|
| size | Handy book or pocket guide |
| Design and layout | Pictorial color coded chapters |
| Language | Available in multiple languages |

Table 3.3 provides the percentage of tourists who preferred certain features and information to be provided.

Table 3.3 Tourists preference of certain features and information

| | | |
|---|--|------|
| 1 | Tourists preferred pocket size books | 73% |
| 2 | Tourists wanted separate printed material about the historical religious places than the information provided in the tourist guide for the whole country | 82% |
| 3 | Tourists preferred to have one publication that includes information about the place and the faith or religious practices associated with it. | 88% |
| 4 | Tourists preferred pictorial presentation of information about history and faith | 98% |
| 5 | Tourist preferred having general maps in the tourist guide | 100% |
| 6 | Tourists preferred to have detailed maps in the same tourist guide | 91% |

4 PRODUCING A HYBRID POCKET GUIDE

The case of Muhammad Pocket Guide

The idea of producing a hybrid pocket guide that is a tourist pocket guide that combines information about the tourist attractions that are related to the Islamic faith and on the other side it includes information about the Islamic faith and civilization was welcomed by the Islamic Sciences and Research Academy of Australia (ISRA).

A new product was created from scratch. The new book follows international design standards for tourist pocket guides in terms of book size, font size, photo text ratio, categorization of information and the pictorial presentation.

The book was called "The Prophet of Islam Muhammad" and better known as "Muhammad Pocket Guide". It is a comprehensive pictorial guide about the Islamic faith, culture, art, calligraphy and architecture. It was published by ISRA which reflects its vision for providing high quality textual material that is appealing and inspirational to people in local, regional and international markets. The book target market includes two segments:

1 - Tourists who are attracted to visit historical Islamic places worldwide such as Taj Mahal and Alhambra Palace.

2 - Visitors of the Islamic world who would like to have a brief overview about the Islamic faith and civilization.

Creating and delivering the value for tourists

Marketing is the activity and processes for creating, communicating and delivering value to customers through the process of exchanging an offering. (Elliott et. al, 2010). It requires understanding the needs and wants of the target market in order to develop a product that meets these wants and needs. The market contains different customers with heterogeneous needs and wants. Therefore, segmenting the market into subgroups that are relatively similar with respect to their needs and wants is an important matter to create value for a selected or targeted segment.

Target marketing is an approach based on developing a marketing mix for each segment. The marketing process starts with micro marketing where companies can tailor their marketing programs to the needs and wants of narrowly defined geographic, demographic, psychographic or benefit segments (Kotler et al, 2007). The second essential process in marketing is evaluating the attractiveness of each market segment and selecting one or more of the market segments to enter. The third process is market positioning which means setting a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers (Kotler et al). It involves creating a detailed marketing mix that reflects the positioning of the product and can maintain a competitive advantage in the market in comparison to other competitors of similar position.

The Marketing Mix

The 4Ps of marketing (product, price, promotion and distribution) were detailed and designed as follows:

New Product Development

The new pocket guide was an original product, it was developed through R&D provided by ISRA head office in Sydney. The content of the pocket guide was divided into twelve color coded chapters following Berlitz pocket guide standards. It provides a brief biography of the prophet of Islam Muhammad (pbuh) followed by a categorized pictorial presentation of his teachings in relation to women, human rights, environment and social interactions. The final chapter of the pocket guides provides a broad overview about the Islamic calligraphy, art and architecture from all over the world. Table 1.1 provides the table of content of the pocket guide.

Table 4.1: Brief overview about the content of the pocket guide

| Chapter | Title | Content |
|----------------|--------------------|--|
| Chapter 1 | Testimonials | What did western thinkers say about Prophet Muhammad (pbuh) |
| Chapter 2 | Biography | Prophet Muhammad (pbuh) biography and brief overview about his life (Seerah) |
| Chapter 3 | Character | Prophet Muhammad (pbuh) character. How he did look like? Why Muslims have no picture for prophet Muhammad and other prophets and messengers |
| Chapter 4 | Prophecy | How did prophet Muhammad (pbuh) become a prophet? What is the Message he brought? What is the relation between Muhammad, Abraham, Moses and Jesus? |
| Chapter 5 | Values and Morals | Values and morals in the Islamic faith. Prophet Muhammad's (pbuh) teachings that formed the moral basis of the Islamic civilization |
| Chapter 6 | Women | Women rights – Rational review of polygamy and the wives of the Prophet. |
| Chapter 7 | Human Rights | Human rights in Islam. Protection of lives and property |
| Chapter 8 | Environment | Environment protection in Islam. Prophet Muhammad (pbuh) teaching to preserve natural resources. Halal food in Islam |
| Chapter 9 | The Miracle | Why is the Holy Quran considered as an eternal miracle? Scientific facts in the Holy Quran |
| Chapter 10 | Muhammad's Sayings | A group of Prophet Muhammad (pbuh) sayings (Hadith) Prophet Muhammad (pbuh) teachings in relation to food and medicine |
| Chapter 11 | Epilogue | Why did Michael Hart consider prophet Muhammad (pbuh) the most influential person in history |

| | | |
|---------------|---|---|
| Chapter 12 | Islamic Calligraphy, Art and Architecture | A Broad overview about Islamic Calligraphy, Art and Architecture. Islamic tourist attractions, historical mosques and mosques of unique Islamic architecture in the world |
|---------------|---|---|

Simple proactive language and titled paragraphs

The master copy of the book was produced in English language then translated to ten languages. The text was divided to simple paragraphs each has a title for quick referencing and easy reading. Pictorial and color coded presentation was implemented to create interest in reading and add value to the comprehension of the content.

Islamic art and calligraphy

The book utilized creative artwork and calligraphy for famous artists and calligraphers from all over the world. A careful selection of these artworks and calligraphic designs for the word "MUHAMMAD" was made in order to add value to the connotation of the text. For example a creative calligraphic design for the word Muhammad that looks like a leave from a tree was used with the presentation of Prophet Muhammad (pbuh) teachings in relation to environment protection and preserving its resources. Another design that looks like a droplet of water was used when water rationing was emphasized.

Branding the pocket guide

The pocket guide was designed to fit 272 pages 15X11 cm. The word MUHAMMAD was printed vertically on the front cover page in a large size that spreads for about ten centimeters on the right side of the cover. The word MUHAMMAD became an integral part of the identity of the pocket guide. The brand included an artwork that is made from word MUHAMMAD in Arabic (four letters) and English (eight letters) entwined in an artistic design. The pocket guide was designed to create a brand image in the customers' minds that is associated with reliability, high quality and satisfaction.

Price, distribution and promotion

The price given to the new pocket guide was \$ 12 (twelve US dollars) which is similar to or within the range of prices for international travel pocket guides. Although the pocket guide is sold in many bookstores worldwide such as Jarir, Jashanmal, WS Smith, Virgin Megastores and Kinokuniya Bookstores, the distribution was focused on bookstores and shops that are close to Islamic tourist attractions. For example the bookstore near to Gazi Husrev-Beg historical mosque in the Baščaršija prime tourist area in Sarajevo. Also, relevant places visited by tourists where targeted such as Kuala Lumpur Islamic Art Museum and Sultan Ahmet tourist area in Istanbul.

Since the pocket guide is small in size, it was displayed on sales counters of bookstores and other sales outlets. In addition, special branded stands were designed and fabricated to present the pocket guide in several languages each is distinguished by unique colors that are appealing to different cultures.

The pocket guide was launched during the world cup in South Africa 2010. The Algerian football team was the only one that came from the Islamic world. It was distributed during the social and cultural activities that were performed in the main South African cities during the world cup tournament.

International marketing

In order to sell the new pocket guide in international markets, "Muhammad Pocket Guide" was translated to ten languages. These languages are French, Spanish, Portuguese, Italian, Dutch, German, Chinese, Russian, Japanese and Bosnian. Agreements were signed with book distributors worldwide to put the pocket guide on the shelves of main bookstores worldwide particularly the ones close to religious tourist attractions or historical places associated with the Islamic faith.

5 CONCLUSION AND DIRECTIONS FOR FUTURE RESEARCH

This paper presents a successful case study of producing a tourist guide that is specially written for tourists and visitor to religious tourist attractions or historical places associate with the Islamic faith. The implication of marketing concepts in producing tourist pocket guides that contain religious content provided more appealing product to this segment of tourists that come from all over the world.

The concept of producing hybrid pocket guides for religious tourist attractions can be invested in creating pocket guides that address one specific historical place such as Taj Mahal or Alhambra Palace in order to add more value for the visitors to these places.

Future research can focus on the application of fundamental marketing concepts for the promotion of religious beliefs in addition to the promotion of tourism to tourist attractions associated to a faith or a religion.

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Abstract

Purpose

The purpose of this paper is to give some new perspectives about business innovation in Muslim societies by examining the relationship between Small and Medium Enterprises (SMEs) internal strengths (creativity and an ability to take some risks) and external factors (innovation climate and competition and changes) and SMEs innovation. They are taken from Minangkabau entrepreneurs, who come from a devoted Muslim society in Indonesia. The Minangkabau ethnic group is both a migrant and a matrilineal society, entrepreneurs who can give additional value to this study because migration and gender were predicted to have an effect on the link between internal and external factors and SMEs innovation.

Methodology

The present study used both qualitative and quantitative approaches. Multiple group SEM was used to see whether migration and gender have an effect on the relationship between SME internal and external factors and SMEs innovation. 400 respondents (235 male and 165 male) were included in this study. 249 respondents are those who live in West Sumatra (the origin of Minangkabau land) and 151 respondents are Minangkabau migrant SME owners. Semi-structured interviews of 17 Minangkabau entrepreneurs were also conducted in order to have detailed explanations about which factor(s) actually lead to SMEs innovation.

Findings

While Minangkabau migrant SME owners are not really risk takers, they are highly dependent on their creativity as a source of their innovation. Interestingly, it was found that migration has become an important element that encourages innovation. Minangkabau migrant entrepreneurs have been resilient business people as they do not rely on the innovation climate to innovate. However, they are struggling with business competition and changes. In terms of gender differences, there has been no significant effect of migration and gender on the link between inner strength-external factors and SMEs innovation. From the qualitative phase, it was identified that interviewees felt that a lack of trust among Minangkabau SME owners has inhibited their innovation as Minangkabau networks potentially accelerate their innovation. The paper highlights the uneasiness of entrepreneurs within a Muslim society seeking to maintain their own strengths and to deal with competition and rapid changes.

Practical Implications

It is important for SME owners to be resilient in dealing with competition and rapid changes, so that they can be successfully innovative in their businesses and it is even more important for migrant entrepreneurs. Combined with creativity, resilience can be a key point in dealing with the difficulties in innovation. It is also important to consider the equality between female and male entrepreneurs as gender aspect has no an effect on the success or failure of innovation. In a broader sense, this may indicate that the same opportunity, environment and treatment can result in similar chances for male and female to successfully innovate their business.

Originality/Value

To the authors' knowledge this is the first empirical study which addresses the sources of innovation and links them with possible factors that influence SMEs innovation among Minangkabau entrepreneurs who come from a devoted Muslim society in Indonesia.

Limitations

The present study only included creativity and an ability to take some risks as SMEs inner strengths. Future research may include other possible factors influencing SMEs innovation. Future research can also closely examine religiosity and link it with innovation in a more heterogenous Muslim society with a bigger sample size.

Keywords: Innovation; Muslim SMEs innovation values; Islamic entrepreneurship; Minangkabau entrepreneurship

Introduction

History repeats itself. Many Muslims nowadays and even non-Muslims may be wondering whether the Muslim's great achievements in the past can occur again. Nowadays, it seems that innovation is lacking in many Muslim countries. There are no Muslim countries in the top 30 countries in Global Innovation Index rankings 2012 (Cornell University, INSEAD, and WIPO (2013). The basic questions such as whether Islam has a strong link with innovation and what differentiates Muslim as entrepreneurs or innovators from those who are not still need to be answered.

One of main reasons why innovation is not associated with Muslim societies at the moment is that not many Muslim business people can transform their businesses into high growth businesses (Wilson, 2006). Another important point to consider is that the consumerism culture may endanger Muslim's innovation and productivity even though as suggested by Sandikci and Ger (2011) it is important not to predetermine the conception of Muslim consumerism. The question here is whether Muslim entrepreneurs will simply be satisfied as consumers and sellers rather than as manufacturers? It is true that in advanced countries, services have become the main contributors in economy (Rust & Espinoza, 2006). However, one has to remember that those countries have focused on advanced technologies and let some developing countries manufacture less advanced technology as well as less added value activities. This is an opportunity for Muslim developing countries to fill the gap between low cost technology and advanced technology. In addition, it is not a coincidence to see that in China which previously focused on low cost and imitating technology now also shift to more innovative technologies. This development has made the emergence of entrepreneurs or innovators in Muslim countries even more important.

The present study focused on exploring Muslim SME owner's innovations, and specifically what leads them to be able to implement their innovations. We want to know what factors will lead to innovation. More specifically, we want to know how internal factors (creativity, an ability to take some risks) and external factors (innovation climate, competition and change) have an influence on SME's innovations. Muslim business owners' innovations are greatly influenced by themselves or externalities. In order to sharpen our analysis, we also add migration and gender as moderator variables. Migration may increase the level of competitiveness which can lead to increased business innovation. Gender aspects are also used identify whether inequalities between males and females exist and determine both male and female's ability to have successful business innovations.

This paper is a preliminary study for SMEs innovation in a Muslim society. Many factors will come up as a result of this study and it is important to see the big picture of Islamic entrepreneurship whereas we need to consider some local, 'global' and particular phenomena which may enrich our understanding about the Islamic entrepreneurship itself. The present study focused on SMEs innovation. This is by design able to give some more perspectives in this study. For example, SMEs are typically dominant players in both developed and developing countries as well as Muslim predominantly countries.

Literature Review

Innovation: internal and external environment

It is widely believed that innovation comes from particular personal values. This is because business people have special characteristics that distinguish them from non-business people (McClelland, 1965). One of the business leader's main tasks is to create innovative culture within the organization by encouraging employees to search for new ways to deal with problems, take risks, and explore their ideas even when their outcome value is not clear (Amabile, 2000; Scott & Bruce, 1994). Furthermore, Soutar and McNeill (1993) emphasized the importance of SME owners' ability to create environments conducive to organizational innovation. Such notions may be represented by business owners' abilities

to implement creativity and take some risks in doing business within their organization. By promoting creativity within the organization, the owners will be one step closer to innovate.

External environment can also have a greater impact on business organization. Creativity and innovation are important, but if business owners are faced with a greater challenge as well as uncontrollable external changes, they may be reluctant to pursue innovation. This is not only because it is costly, but is also common sense not to waste time and money for unnecessary battles. Interestingly, a study by Ratam (2003) reported that the level of SMEs innovativeness in Indonesia's SMEs were more dependent on the internal culture itself rather than other factors such as the role of government and business networks. However, in the context of Indonesia's SMEs, van Geenhuizen and Indarti (2005) claim that the degree of interaction between SMEs and external parties is not sufficiently developed.

The innovation climate may also have an effect on the internal environment as well as organizational innovation as a whole. Government policies and regulation are critical in ensuring that there is public access to the knowledge required for innovation and minimal unnecessary risks regarding innovation implementation (Trott, 2007). In the Indonesian context, a problem of the availability with infrastructure especially in remote areas and outer Java as a center of economy has resulted in a lack of human capital in Indonesia (Kusharjanto & Kim, 2011).

Business Innovation, Religiosity, and Islamic entrepreneurship

Creativity and risk taking or innovativeness in general may come from personal values and, more surprisingly, religion. While many researchers identified self-enhancement values and openness to changes values as sources of innovation, influence of religion and religiosity are more diverse. Religion may encourage or discourage innovation. A classical notion from Weber, for example, is contrasted with a protestant work ethic as a source of entrepreneurship, while Islam is seen as disconnected to entrepreneurship (Adas, 2006). Another study identified that religiosity is more influential in examining the relationship between religion and entrepreneurship or innovation. Ramadan (2011) pointed out the importance of innovation in which it is needed to adapt with new cultures and situations.

Migration, Gender, Innovation

The present study uses migration and gender in order to capture more detailed impacts of the external environments on innovation. Migration will lead to cultural diversity which is a positive stimulus for innovation (Lee, Florida & Acs, 2004). New people come to the new places and they may have a distinctive hard work ethic and creativity that enrich the diversity of the entrepreneurship in the new places (Aldrich & Waldinger, 1990). In addition, the concept of migration is also acknowledged in Islam and even contains spiritual dimensions as, for example, the beginning of the Islamic era is represented by *hijra*, namely the decision of Prophet Muhammad to migrate from Mecca to Medina. Kemal (1996) identified that Quran has given some directions for both *muhajirs* (emigrants) from Mecca and anshar (helpers) in Medina by stressing the status and the compulsory fair treatment of the *muhajir* at his/her place of destination.

Gender differences have become a common way to explain demographic changes as well as cultural shift in societies. While Marsh (2012) includes the tendency to put men as women's protectors as traditional Muslim values, there is a little research to comprehensively analyse women as business innovators in the Muslim world. In general, male entrepreneurs are usually described as being economically motivated, who can support innovation (Watson & Newby 2005). Business women take fewer risks (Watson & Robinson, 2003), place high importance on non-financial affairs, and emphasize benevolence and tradition (Schwartz & Rubel, 2005). A study by Halkias, Nwajiuba, Harkiolakis, and Caracatsanis (2011) identified that there are no or few significant differences between male and female business owners or managers once they have already started an enterprise in Nigeria. On the other hand, it has been suggested that women are less innovative than men because they have less opportunity to be innovative (Menzies, Diochon & Gasse, 2004).

The Minangkabau and Entrepreneurship

The Minangkabau society, which is a completely Muslim society, typically will identify themselves as Muslims first. This is the same with Malays who, according to Peletz (2002), are increasingly referring themselves as Muslim people rather than Malay people (ethnic identity). The use of

Minangkabau traders can give significant advantages to the present studies due to the fact that they are both migrant and matrilineal society. Their cultures encouraged them to migrate. It has been identified that Minangkabau values as a combination of Islam and *adat* (local custom) (Abdullah 1966). The Minangkabau values emphasise adaptability, moderation and hard work (Elfindri, Ayunda & Saputra 2010). Thus, examining Minangkabau entrepreneurs was seen to be a worthwhile venture.

Research model

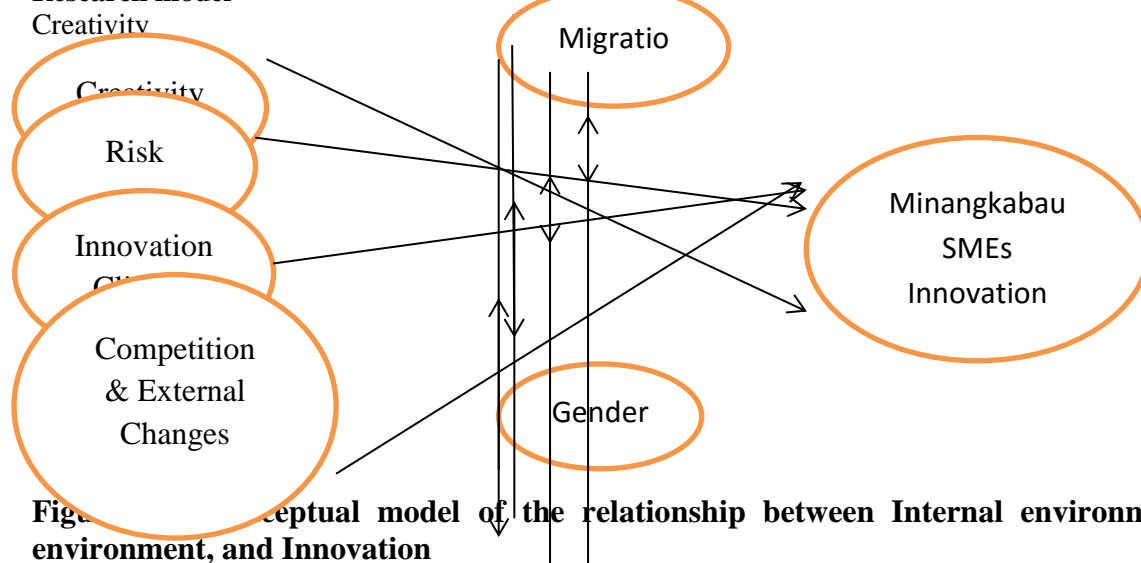


Figure 1. Conceptual model of the relationship between Internal environment, external environment, and Innovation

H1: the relationship between creativity and Minangkabau SMEs innovation is influenced by migration

H2: the relationship between risk taking and Minangkabau SMEs innovation is influenced by migration

H3: the relationship between Innovation climate and Minangkabau SMEs innovation is influenced by migration

H4: the relationship between competition and external changes and Minangkabau SMEs innovation is influenced by migration

H5: the relationship between creativity and Minangkabau SMEs innovation is influenced by gender

H6: the relationship between risk taking and Minangkabau SMEs innovation is influenced by gender

H7: the relationship between Innovation climate and Minangkabau SMEs innovation is influenced by gender

H8: the relationship between competition and external changes and Minangkabau SMEs innovation is influenced by gender

Methodology

The present study used both qualitative and quantitative approaches. For qualitative approach, the main purpose was to find out what problems Minangkabau SME owners have, and hopefully by solving the problems, it can help to accelerate business innovation. It was expected that some detailed explanations from interviewees may complement the findings from the quantitative phase which in turn may provide a comprehensive understanding about Minangkabau SMEs' innovations. Semi-structured interviews were used to explore the reasons, the process, the implementation, and the output of the business innovations of seventeen Minangkabau SME owners both those in *Ranah* (West Sumatra, seven interviewees) and in *Rantau* (outside West Sumatra, ten interviewees). They come from different range of business, namely restaurant (5 interviewees), IT (3), Event Organizer (3), publisher (2), and education and training centre (2).

Minangkabau SME innovation as a dependent variable was measured through incremental innovation, adapted from items used in a study by Zortea-Johnston et al. (2012). Incremental innovation here is seen as an appropriate measure to evaluate innovation of typical SMEs in Indonesia. As such, some questions were asked about whether the organization "often improves or revises existing products or services and "often modifies existing products or services to satisfy customers' needs. Regarding dependent variables, creativity was measured through items from Shoham, Vigoda-Gadot, Ruvio, & Schwabsky (2012). Some examples of the questions include; whether they "try to find new answers" and whether "an ability to function creatively is respected". In terms of risk, it was measured through

items from Shoham et al. (2012) “We encourage innovative strategies, even knowing some will fail” and “We always look for new opportunities” are the example of the questions.

The innovation climate can be identified based on items from a study by Newell Gough and Philip Olson (2011). Some questions the respondents were asked included “regulations governing business support organisations like ours” and “organisations like ours can get access to high quality research”. Lastly, competition and external changes were measured through items from Jaworski and Kohli (1993). Some of the statements which required answers were “environmental changes are intense” and “price competition is a hallmark”. All items in the questionnaire used a 7-point Likert-scale ranging from “strongly disagree to strongly agree”.

Respondent's Profile

Of 400 respondents, 235 (59%) males and 165 (41%) females were included in this study. 249 respondents live in West Sumatra (the origin of Minangkabau land) and 151 respondents are Minangkabau migrant SME owners who come from four cities in Indonesia, namely Jakarta and Pekanbaru (outside West Sumatra) and Padang and Bukittinggi (in West Sumatra). The majority of the respondents have run their businesses for between 4 to 15 years. They come from various industries such as food (12%), agricultural products (10%), and convenience stores (20%). 62% of the respondents have a diploma and bachelor degree.

Data Analysis

Multiple group Structural Equation Modelling (MSEM) was used to see whether migration and gender had an effect on the relationship between SME internal and external factors and SMEs innovation. As noted by Brady, Voorhees, Cronin and Bourdeau (2006), MSEM is an efficient technique for testing the validity of a proposed theoretical model to different groups simultaneously. Migration and gender are two moderating variables in the present study.

Prior to executing the MSEM, it was important to confirm that scales measuring the moderating variables reflected only one construct (Lee & Lu 2003). Fornell and Larcker (1981) have suggested discriminant validity is a crucial measurement property and that this aspect needs to be assessed before structural models can be estimated. They suggested discriminant validity can be assumed if the shared variance (i.e. the squared correlation) between a pair of constructs is smaller than the pair's minimum average variance extracted (AVE) score.

Discriminant Validity between Internal and External Environment Constructs (Creativity, Risk, Innovation Climate, and Competition)

The discriminant validity of internal and external environments (creativity, risk, innovation climate, and competition and change) was examined first. All of these constructs were found to have good measurement properties, but discriminant validity also needed to be assessed. The constructs' AVE scores were 0.592 (Creativity), 0.663 (Risk), 0.673 (Innovation Climate), 0.801 (Competition),. AVE score for incremental innovation was 0.641. The squared correlations for all of the pairs of constructs were lower than either of their AVE scores, it is clear that all of the constructs have discriminant validity and that they can be included together in a structural model.

The Structural Equation Model

The main focus of the present study was to examine how the various internal and external environment constructs influence incremental innovation with gender and migration as moderators. Four potential explanatory factors were identified (creativity, risk, innovation climate, and competition) and the model that was examined in this analysis phase is shown below in Figure 2. As was noted earlier, the structural model's fit was assessed by examining the number of goodness of fit indices to see whether further improvements might be made. The fit indexes suggested that the structural model was a good fit to the obtained data ($\chi^2 = 516.765$; $p < 0.001$; $\chi^2/df = 1.957$).

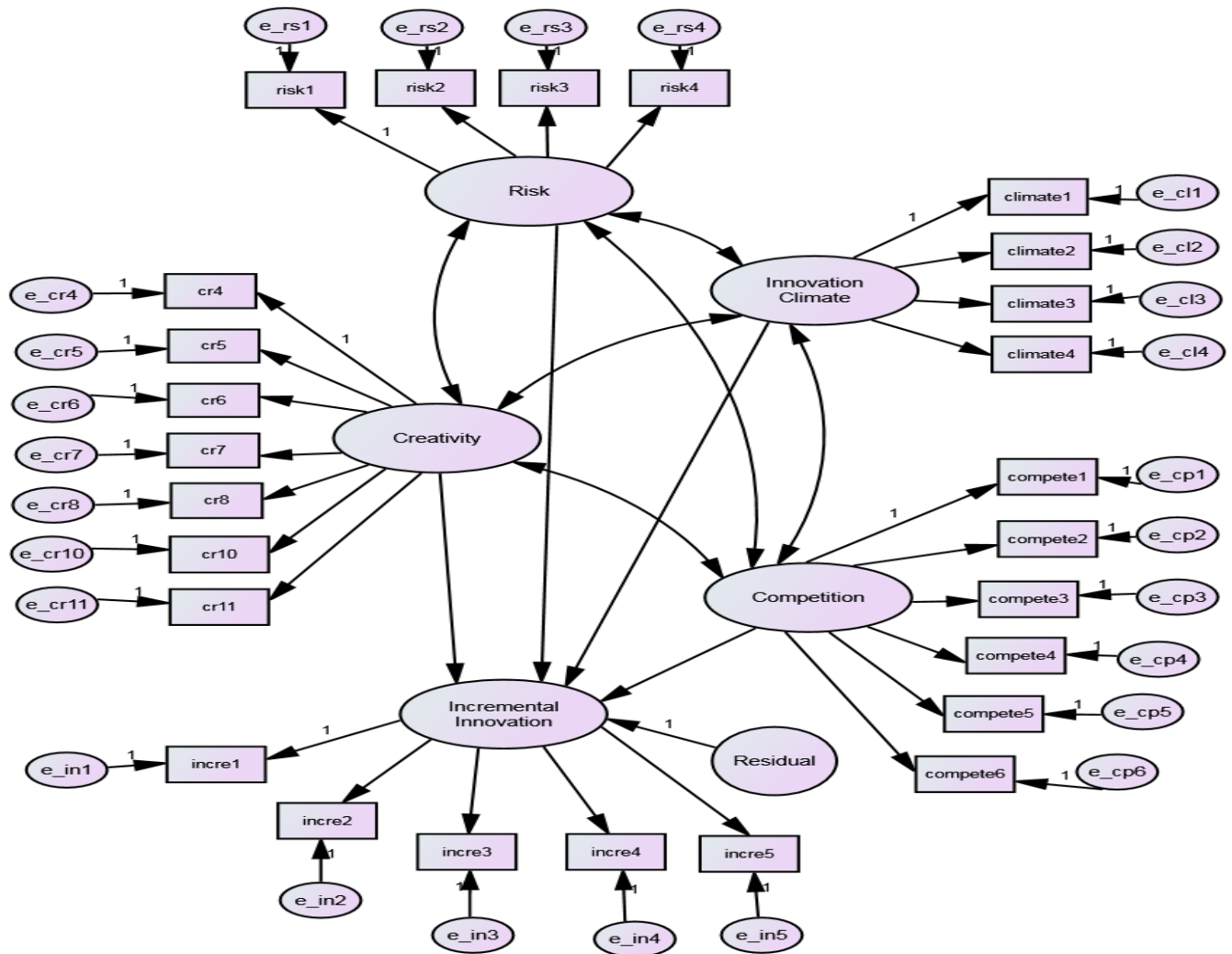


Figure 2: Full Structural Model

Before gender and migration were included as moderators, structural model results without those variables were analysed. It was found that creativity, innovation climate, and competition have strong links with incremental innovation ($p < 0, 05$), while risk taking was not significantly related to incremental innovation. Furthermore, innovation climate was interestingly negatively related to incremental innovation. This means that better innovation climate does not necessarily means increased SMEs innovation. The model had an acceptable fit ($\chi^2 = 516.765$, $p < 0.001$; $\chi^2/df = 1.957$). The main focus of the present study was to examine how the various internal and external environment constructs influence incremental innovation with gender and migration as moderators. Four potential explanatory factors were identified (creativity, risk, innovation climate, and competition) and the model that was examined in this analysis phase is shown in Figure 2. As was noted earlier, the structural model's fit was assessed by examining a number of goodness of fit indices to see whether further improvements might be made. The fit indexes suggested that the structural model was a good fit for the data obtained ($\chi^2 = 516.765$; $p < 0.001$; $\chi^2/df = 1.957$).

Multiple Group Structural Equation Modelling (MSEM)

The MSEM generated a model for each migrant and non-migrant SME owner and female and male SME owners group simultaneously. This initial model or the base line model is important because it provides path estimations of the relationship between independent and dependent variables (incremental innovation), for migrant and non-migrant SME owner and female and male SME owners. In terms of migration as a moderator, the baseline model falls within the acceptable range ($\chi^2 = 1126.453$; $p < 0.001$; $\chi^2/df = 2.133$). It was found that there is a difference between migrant and non-migrant SME owners. For migrant's group, incremental innovation is influenced by creativity, innovation climate, and competition, which explained 39% of their incremental innovation. For non-

migrants, incremental innovation is influenced by creativity and innovation climate, which explained 76% of their incremental innovation.

For gender as a moderator, the baseline model falls within the acceptable range ($\chi^2 = 1120.595$; $p < 0.001$; $\chi^2/df = 2.122$). It was found that there is a difference between males and female SME owners. For the female group, incremental innovation is influenced by creativity and innovation climate, which explained 60, 5% of their incremental innovation. For the male group, incremental innovation is influenced by creativity and competition, which explained 78, 7% of their incremental innovation.

Model Difference Testing

In chi-square difference testing of invariance, the chi-square value and degrees of freedom of the less restrictive model (baseline model) are subtracted from the chi-square value and degrees of freedom of the nested, more restrictive model (constrained model). The chi-square difference value is compared to the chi-square value in a chi-square table using the difference in degrees of freedom between the more restrictive and less restrictive models. If the chi-square difference value is significant, it indicates that constraining the parameters of the nested model significantly worsens the fit of the model. This indicates non-invariance, which suggests that the effect of creativity in incremental innovation is not equal between the migration and not migration or female and male groups. If the chi-square difference value is not significant, this indicates that constraining the parameters of the nested model did not significantly worsen the fit of the model. This indicates invariance of the parameters constrained to be equal in the nested model, suggesting that the effect creativity in incremental innovation is equal between the migration and not migration or female and male groups. The same process was performed to test the differences between the migration and not migration or between female and male groups on each of the paths.

Hypothesis 1

“The relationship between creativity and incremental innovation is influenced by migration”

The chi-square test for difference testing is not significant for the path from creativity to incremental innovation ($\Delta\chi^2 = 0.075$, $df = 1$, $p = 0.784$). A non-significant chi-square difference shows that the path constraint is equal between the groups. Therefore, the effect creativity in incremental innovation is equal between the migration and not migration groups.

The regression coefficients for each group showed that the path is significant for the migration group (C.R = 4.120, $p < 0.001$, $\beta = 0.768$), and for the not migration group (C.R = 10.285, $p < 0.001$, $\beta = 0.825$; see Figure 3). Even though coefficient for the non-migrant groups is relatively greater than the migration group, the difference is not statistically significant. Thus, Hypothesis 1 was not supported.

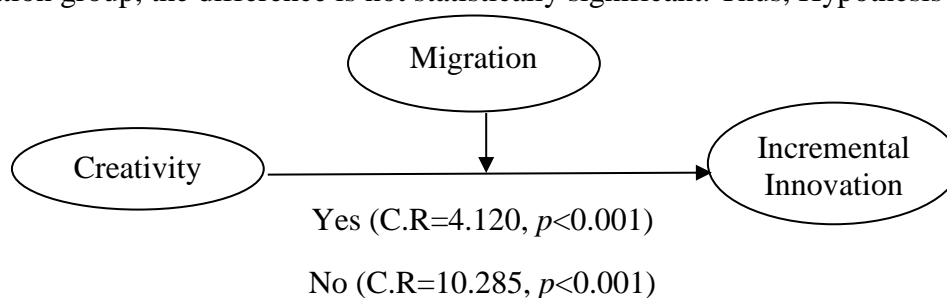


Figure 3: Result for Hypothesis 1 (Moderator: Migration)

Hypothesis 2

“The relationship between risk and incremental innovation is influenced by migration”

The chi-square test for difference testing was not significant for the path from risk to incremental innovation ($\Delta\chi^2 = 1.391$, $df = 1$, $p = 0.238$). A non-significant chi-square difference shows that the path constraint is equal between the groups. Therefore, the effect risk in incremental innovation is equal between the migration and not migration groups.

The regression coefficients for each group showed that the path is not significant for the migration group (C.R = 0.038, $p = 0.970$, $\beta = 0.002$), and for the not migration group (C.R = 1.542, $p = 0.123$, β

= 0.119; see Figure 4). Even though the coefficient for the not migration groups is relatively larger than the migration group, the difference was not statistically significant. Thus, Hypothesis 2 was not supported.

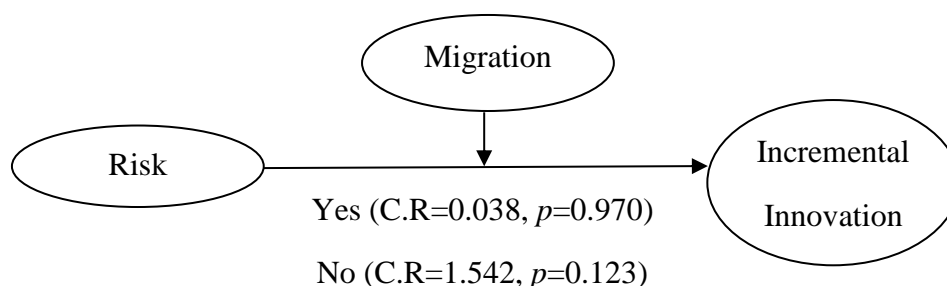


Figure 4: Result for Hypothesis 2 (Moderator: Migration)

Hypothesis 3

“The relationship between innovation climate and incremental innovation is influenced by migration”

The chi-square test for difference testing was significant for the path from innovation climate to incremental innovation ($\Delta\chi^2 = 9.586$, $df = 1$, $p < 0.01$). A significant chi-square difference shows that the path constraint is not equal between the groups. Therefore, the effect innovation climate in incremental innovation is not equal between the migration and not migration groups.

The regression coefficients for each group showed that the path is significant for the migration group (C.R. = -3.034, $p < 0.01$, $\beta = -0.210$), and for the not migration group (C.R. = 1.962, $p < 0.05$, $\beta = 0.258$; see Figure 5). The coefficient for the non-migrant groups was in the positive direction and is relatively larger than the migration group (negative direction), and the difference was statistically significant. Thus, Hypothesis 3 was supported.

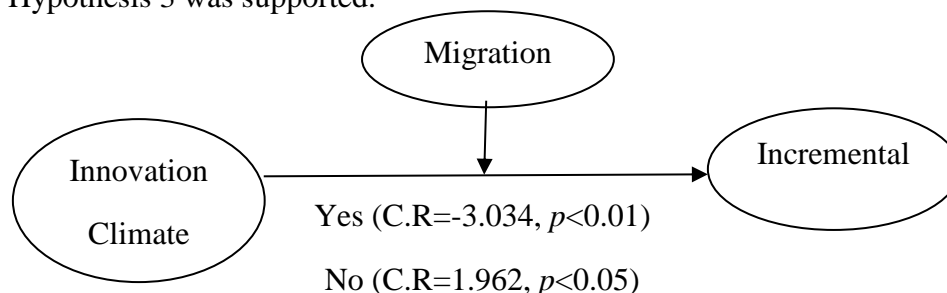


Figure 5: Result for Hypothesis 3 (Moderator: Migration)

Hypothesis 4

“The relationships between competition, external changes and incremental innovation are influenced by migration”

The chi-square test for difference testing is significant for the path from competition to incremental innovation ($\Delta\chi^2 = 6.537$, $df = 1$, $p < 0.05$). A significant chi-square difference shows that the path constraint is not equal between the groups. Therefore, the effect competition and external changes on incremental innovation was not equal between the migration and not migration groups.

The regression coefficients for each group showed that the path was significant for the migration group (C.R. = 2.562, $p < 0.05$, $\beta = 0.103$), and not significant for the not migration group (C.R. = -1.718, $p = 0.086$, $\beta = -0.156$; see Figure 6). The coefficient for the non-migrant groups was in the negative direction and relatively larger than the migration group (positive direction), and the difference was statistically significant. Thus, Hypothesis 4 was supported.

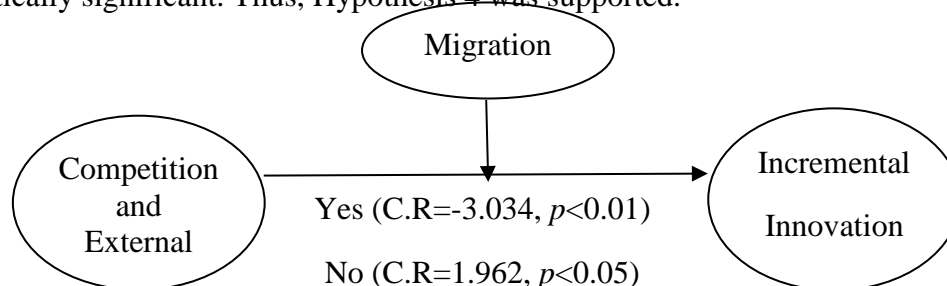


Figure 6: Result for Hypothesis 4 (Moderator: Migration)
Hypothesis 5

“The relationship between creativity and incremental innovation is influenced by gender”

The chi-square test for difference testing was not significant for the path from creativity to incremental innovation ($\Delta\chi^2 = 0.989$, $df = 1$, $p = 0.320$). A non-significant chi-square difference shows that the path constraint is equal between the groups. Therefore, the effect creativity in incremental innovation was equal between the female and male groups.

The regression coefficients for each group showed that the path is significant for the female group (C.R = 8.630, $p < 0.001$, $\beta = 1.063$), and for the male group (C.R = 12.177, $p < 0.001$, $\beta = 0.919$; see Figure 7). Even though the coefficient for the female group is relatively larger than the male group, the difference was not statistically significant. Thus, Hypothesis 1 was not supported.

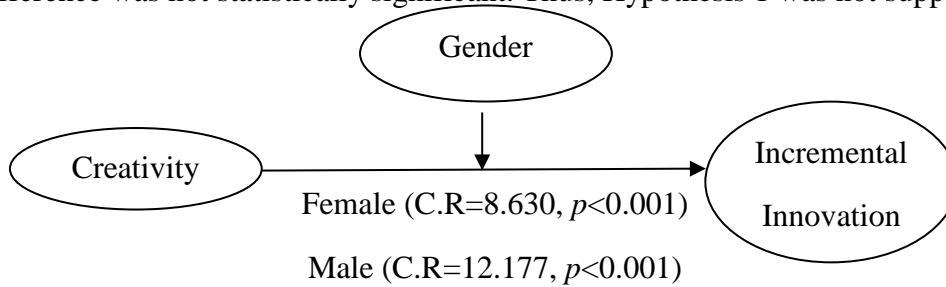


Figure 7: Result for Hypothesis 1 (Moderator: Gender)
Hypothesis 6

“The relationship between risk and incremental innovation is influenced by gender”

The chi-square test for difference testing was not significant for the path from risk to incremental innovation ($\Delta\chi^2 = 0.133, df = 1, p = 0.715$). A non-significant chi-square difference shows that the path constraint is equal between the groups. Therefore, the effect risk in incremental innovation was equal between the female and male groups.

The regression coefficients for each group showed that the path was not significant for the female group (C.R. = 0.105, $p = 0.916$, $\beta = 0.007$), or for the male group (C.R. = 0.828, $p = 0.407$, $\beta = 0.037$; see Figure 8). Even though coefficient for the male groups is relatively larger than the female group, the difference was not statistically significant. Thus, Hypothesis 6 was not supported.

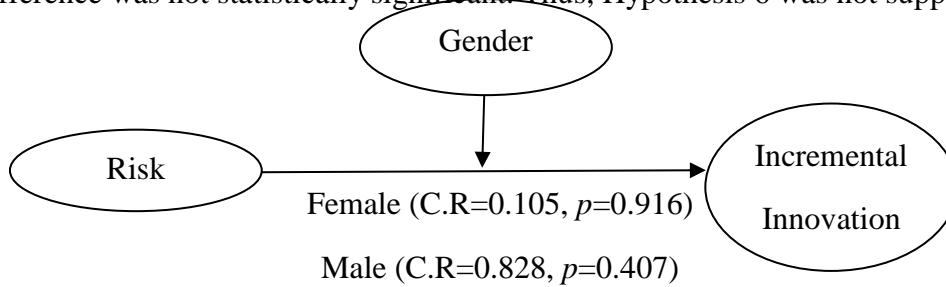


Figure 8: Result for Hypothesis 2 (Moderator: Gender)
Hypothesis 7

“The relationship between innovation climate and incremental innovation is influenced by gender”

The chi-square test for difference testing was not significant for the path from innovation climate to incremental innovation ($\Delta\chi^2 = 2.256, df = 1, p = 0.133$). A non-significant chi-square difference shows that the path constraint is equal between the groups. Therefore, the effect innovation climate in incremental innovation was equal between the female and male groups.

The regression coefficients for each group showed that the path was significant for the female group (C.R = -2.880, $p < 0.01$, $\beta = -0.229$), and was not significant for the male group (C.R = -1.763, $p = 0.078$, $\beta = -0.086$; see Figure 9). Even though coefficient for the female groups was relatively larger

(in absolute value) than the male group, the difference was not statistically significant. Thus, Hypothesis 7 was not supported.

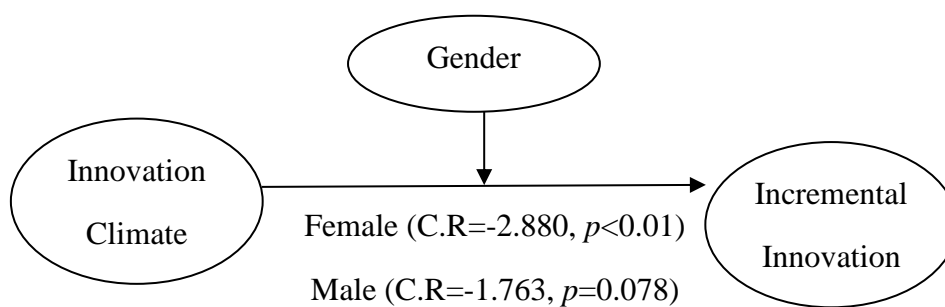


Figure 9: Result for Hypothesis 3 (Moderator: Gender)

Hypothesis 8

“The relationship between competition and incremental innovation is influenced by gender”

The chi-square test for difference testing was not significant for the path from competition to incremental innovation ($\Delta\chi^2 = 1.151, df = 1, p = 0.283$). A non-significant chi-square difference shows that the path constraint is equal between the groups. Therefore, the effect competition in incremental innovation was equal between the female and male groups.

The regression coefficients for each group showed that the path was not significant for the female group (C.R = 0.923, $p = 0.356$, $\beta = 0.046$), and was significant for the male group (C.R = 3.086, $p < 0.01$, $\beta = 0.114$; see Figure 10). Even though coefficient for the male groups is relatively larger than the female group, the difference was not statistically significant. Thus, Hypothesis 8 was not supported.

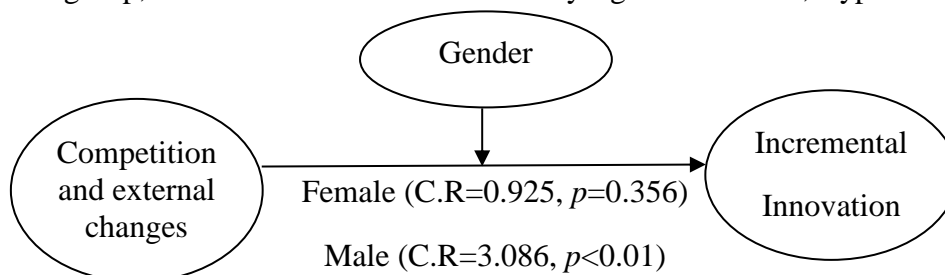


Figure 10: Result for Hypothesis 4 (Moderator: Gender)

Table 1: Summary of Hypothesis Testing Results (Moderator: Migration)

| Hypothesis | Decision |
|--|------------------|
| H ₁ : The relationship between creativity and incremental innovation is influenced by migration | Rejected |
| H ₂ : The relationship between risk and incremental innovation is influenced by migration | Rejected |
| H ₃ : The relationship between innovation climate and incremental innovation is influenced by migration | Supported |
| H ₄ : The relationship between competition and incremental innovation is influenced by migration | Supported |

Table 2: Summary of Hypothesis Testing Results (Moderator: Gender)

| Hypothesis | Decision |
|---|----------|
| H ₅ : The relationship between creativity and incremental innovation is influenced by gender | Rejected |
| H ₆ : The relationship between risk and incremental innovation is influenced by gender | Rejected |
| H ₇ : The relationship between innovation climate and incremental innovation is influenced by gender | Rejected |
| H ₈ : The relationship between competition and incremental innovation is influenced by gender | Rejected |

Discussion and Conclusion

While Minangkabau migrant SME owners are not really risk takers, they rate creativity highly as a source of their innovation. Some interviewees expressed their uneasiness regarding risks as they associated risks with un-Islamic business activities and opportunities such as bribery, gambling, being greedy, and perhaps speculation. This may indicate prudence and moderation even from permissible *gharar* (risk), but this also may indicate that the external environment offered was profitable but forbidden according to Islam. Hardie and Rabooy (1991) noticed that there is a tendency of Muslim investors not to seek risk.

It was also identified that migration has become an important element that encourages innovation. This is in line with Aldrich and Waldinger (1990)' notion that migrant entrepreneurs may have distinctive hard work and creativity in the new places. Minangkabau migrant entrepreneurs have become resilient business people as they do not rely on the innovation climate to innovate. However, they are struggling with business competition and changes. Majority of the interviewees indeed have confirmed that an ability not to let external factors inhibit innovation is a key of survival for Minangkabau SME owners. This is a huge task for these Minangkabau entrepreneurs, as their problems were not about a lack of business ideas and creativity. They have difficulties in implementing innovation because they have a lack of competitiveness. This may be because of the size of the business, human capital, and funding. In other words, being Muslim may result in different characteristics such as risk avoiding or being less aggressive in pursue higher profits, but it will not inhibit business innovation. Being ignorant, less skilful and having less access to funding are the real problems.

It is interesting to know that migrant Minangkabau entrepreneurs felt that greater competition and external changes have increased their business innovation rather than innovation climate. In contrast, non-migrant Minangkabau Entrepreneurs felt that competition and changes have reduced their innovation, and they were highly appreciate of better innovation climates which significantly help their business innovation. In addition, Creativity has become a basic characteristic that both migrant and non-migrant entrepreneurs highly appreciate and has been one of their main strengths. Most of the interviewees confirmed that their creativity has increased because they migrate from homogenous West Sumatra to more competitive cities in Indonesia, namely Jakarta and Pekanbaru. Again, as emigrants, they had to do everything they could in order to survive.

In terms of gender differences, there has been no significant effect of migration and gender on the link between inner strength-external factors and SMEs innovation. Minangkabau female entrepreneurs are more concerned about innovation climate, while their male counterparts are more concerned about business competition. The present study showed that women, if they have relatively the same opportunities to innovate, they can have the same level of successful innovation. This is line with previous studies that have suggested women are less innovative than men because they have less opportunity to be innovative (Menzies et al., 2004). Briefly, this means that female business owners can be as innovative as men if they are provided a positive innovation climate.

The most important finding from the qualitative phase was that interviewees felt that a lack of trust among Minangkabau SME owners has inhibited their innovation, as Minangkabau networks potentially accelerate their innovation. This paper highlights the uneasiness of entrepreneurs within a Muslim society seeking to maintain their own strengths and to deal with competition and rapid changes. There is a lack of trust in establishing networks which can be a crucial element to increase organizational size and innovation. As mentioned by some interviewees, they trust their colleagues from their own *nagari* (village) rather than Minangkabau fellows from other villages. This confirms a notion that there is a strong link between Minangkabau migrant entrepreneurs and their villages (Games, Soutar & Sneddon (2011) They basically want to see themselves as small kings rather than being in partnership, which requires a high level of trust and with no guarantees their partnership will succeed. This is unfortunate because as migrant SME owners, they need to have networks and one of the most possible networks is Minangkabau SMEs networks. While this may indicate the unwillingness to take some risks, this may be caused by a deeper issue, a lack of social cohesion across villages in West Sumatra as the land of Minangkabau. Chapra (2008), based on Ibnu Kaldun's theory of development, argues that social solidarity (*asabiyyah*) can play a greater role in establishing networks which is important for business people and society as a whole. For this reason, it is important

for these entrepreneurs to strengthen their social cohesion which can increase trust which is an important social capital in a Muslim society.

Practical Implications

It is important for Minangkabau SME owners to be resilient in dealing with competition and rapid changes, so that they can successfully innovate their businesses and it is even more important for migrant entrepreneurs. Combined with creativity, resilience can be a key point in dealing with the difficulties of innovating. It is also important to consider the equality between female and male entrepreneurs, as gender aspects have no effect on the success or failure of innovation. In a broader sense, this may indicate that given the same opportunity, the same environment and treatment can result in similar chances for males and females to successfully innovate their businesses. Lastly, regarding a lack of trust which in turn inhibits SMEs innovation, Islam may be promoted as glue in the society. By promoting social business or businesses that are also aimed at helping poverty reduction, especially in the Minangkabau society, may strengthen social solidarity and networks which in turn help to increase business innovation.

Limitations

The present study simply tries to a plethora of knowledge about innovation and Islamic entrepreneurship. Some findings such as the impact of business competition on innovation in Muslim entrepreneurs and a lack of trust in a devoted Muslim society need to be further explored. The present study also only included creativity and an ability to take some risks as SMEs inner strengths. Future research may include other possible factors influencing SMEs innovation. Future research can make a clearer distinction between SME owners and entrepreneurs as they may result in different consequences. It is also important to closely examine religiosity and link it with innovation in a more heterogenous Muslim society with a bigger sample size.

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The perceptions of E-Commerce in Gulf Countries: A Conceptual Study

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ABSTRACT

E-commerce is the technology of realizing business transactions via electronic media. The Internet has presented this media to the degree that business is being more and more made through it. This research examined the scenarios, employment and recognition of e-commerce in Gulf countries. An extensive literature review has been conducted towards various features of e-commerce. The outcomes of the study may shed light to better appreciate the present-day e-commerce expansion issues in the Gulf countries, which may be beneficial for both practitioners and scholars.

INTRODUCTION

In electronic commerce environment, business to customer electronic commerce had developed rapidly for recent years (Alden et al., 2006; Holt et al., 2004) and advances with the Internet and e-commerce have further diminished trade boundaries. E-commerce and e-shopping create opportunities for businesses to reach consumers globally and directly – indeed they are transforming retailing. In turn, business and social science research increasingly focuses on cross-national and cross-cultural internet marketing (Griffith et al., 2006). This paper examines an aspect of e-commerce of increasing potential importance, the Gulf countries context.

E-commerce is described like to make production, presentation, selling, insurance, distribution and payment transactions of the goods and services in the electronic domain. The developments in the information technology which are the effective ways to provide the new arrangements for the relations between firms and clients, called forth the new jobs and commercial tools (Crespo and del Bosque, 2008). Zwass (1996) described the e-commerce as to share the commercial information's by preserving commercial transactions and relations conducted with telecommunication networks. Kalakota and Whinston (1997) stated to be defined it as the distribution of products and services via computer networks. Treese and Stewart (1998) referred the e-commerce as the usage of the universal internet for buying and selling of the goods and services. The simplest meaning of the e-commerce is described as buying and selling of the goods via internet (Shih, 2004).

Besides, brick-and-mortar trading activities have moved to the Internet, and are typically conducted via web-based systems called e-marketplaces that enable automated transactions and collaboration between buyers and sellers. According to the e-Marketer (2004), total e-commerce in the business-to-business (B2B) sector exceeded US\$ 2.77 trillion in 2003 whereas e-commerce in the business-to-customer (B2C) sector reached US\$ 0.452 trillion in 2003. E-Marketer (2004) also reported that North America accounted for US\$ 1.6 trillion of the US\$ 2.77 trillion B2B e-commerce market, with the remainder being comprised as follows: Asia-Pacific, US\$ 0.3 trillion, Europe, US\$ 0.8 trillion, Latin America, US\$ 0.58 trillion, and Africa and the Middle East together accounting for US\$ 0.177 trillion. The market intelligent center (MIC) based in Taiwan (MIC, 2004) reported that the value of e-marketplace transactions in Taiwan exploded between 2000 and 2003 (recording US\$ 56 million in 2000, US\$ 125 million in 2001, US\$ 406 million in 2002, and US\$ 750 million in 2003). By 2007, 50% of B2B e-commerce in Taiwan will be transacted through e-marketplaces, compared to an average of 55% of B2B e-commerce worldwide via e-marketplaces, according to Internet Data Center (IDC) Report (IDC 2005).

On the other hand, from the Gulf and Gulf countries perspective however, many countries, particularly in the gulf region, have already or are keen to implement e-business and e-commerce strategies to promote economic and social development. E-commerce can create profound changes in the structure of the economy and accelerate social changes, and its adaptation can result in improvements in productivity, particularly, it gives SMEs in the region the ability to penetrate international markets that few years ago used to be difficult to enter due to high transaction costs and other market barriers (UNCTAD, 2002). The emergence of successful industries such as software development and telecom services and adoption of latest technologies in several countries in the region are good evidence of this.

Likewise, e-commerce transactions are also growing in the Middle East (19.5 million internet users) and in the Gulf States. In Saudi Arabia, online transactions increased by 100 per cent, from \$278 million in 2002 to \$556 million in 2005 (Al Riyadh, 2006). Yet this context of explosive growth is under-researched.

This paper attempts to demonstrate the need for an action plan to create enabling environment for e-commerce in Gulf countries, addressing the main problems and key factors that contribute to e-commerce growth in the region, taking into account key policies to stimulate and maximize the effect of e-commerce on the economy. The aim of this paper is to explore and analyze some of the problems facing e-commerce in Gulf countries. It tries to answer the questions such as what are the problems that face e-commerce in the Gulf countries? What are the factors that may drive its success in Gulf countries?

The importance of this study may stems from the following reasons: (a) improving the understanding of e-marketing and determinants of consumer's attitudes toward it; (b) increasing awareness of the importance of e-marketing, and its role in maintaining consumer satisfaction; (c) and since little is written about the determinants of consumer attitudes towards e-marketing in Gulf countries, the current study tries to provide a state of the art revision in this subject.

The remainder of this paper proceeds as follows: we offer methodology of the study, a review of existing literature (back ground of the study, issues, controversies, and problems), recommendations, and future research directions. Finally, we present conclusion of the study.

METHODOLOGY

The methodology of this study is of an exploratory nature and the methodology described below is deemed appropriate for the purpose of this paper. The research methodology used in this paper is based on review of available literature and focuses mainly on published literature on e-commerce, available statistics, analysis, and critiques. The purpose is to offer an overview of significant literature published on the topic as an initial investigation that may lead to further research and contribution to this field. The review aims to provide an understanding of issues, unresolved questions, difficulties and highlight some factors that may contribute to success of E-commerce in the Gulf countries.

BACK GROUND OF THE STUDY

Usage of Internet in The Gulf

Despite the world usage of the internet increasing to approx 250% from 2000 to 2007 (IWS, 2007), the Middle Eastern countries usage growth reached as high as 920% growth. However, the percentage of population penetration was 17.4%, remains low in comparison with developed and industrial countries such as Europe (43%), North America (71%) and Australia (73%). In terms of e-commerce, however, there was a noticeable increase in purchasing products and services online. For example, according to the Arab Advisors Group (AAG), Saudi Arabia's Internet users have spent over \$3.28bn in B2C e-commerce during 2007, and 48.36% of Internet users in Saudi Arabia have been reported purchasing products and services online and through their mobile handsets over a 12 months period (AMEinfo, 2007d). Also AAG revealed that UAE internet users spent over \$1.15b on e-commerce, and that 51.2% of UAE Internet users have purchased products and services online and through their mobile handsets over a 12 months period, and that the majority of UAE e-commerce users make their payments by credit cards, followed by using bank account transfer methods. Based on a report by AAG

(Zawya, 2008b), B2C e-commerce expenditure exceeded \$4.87b in Kuwait, Saudi Arabia, the UAE, and Lebanon, based on major online and face to face surveys. AAG revealed that the total number of e-commerce users in these four countries exceeded 5.1 million users in 2007, and that UAE had the highest penetration at 25.1%, compared with Saudi Arabia (14.3%), Kuwait (10.7%) and Lebanon (1.6%) of the total population.

Consumer Behavior in The Electronic Arena

Regarding the motivations driving enterprises to use e-marketplaces, the prevailing literature (Ratnasingam et al. 2005; Yu 2006) has mostly considered economic incentives such as reducing the search costs that buyers incur when sourcing suitable products, collecting product data, and comparing prices, and reducing the marketing cost that sellers incur when attempting to attract prospective customers, launch new products or promote old ones, and run advertising campaign.

Although, the most literature has argued that e-marketplaces affect the market power of buyers and sellers and generally favor buyers since e-marketplaces eliminate search product information and price barriers, some studies (Grover & Ramanlal 2000) have different findings. In a study of the Japanese auto-auction market, Lee (2005) found that prices of used cars traded through e-marketplaces are higher than those of used cars traded in traditional markets because sellers can preserve their asking prices while being able to expose their products to a wider range of buyers. The implication driven from this case is that the reduced price hypothesis stands only when sellers exceed buyers. In an empirical study of the sports trading car market, Strader and Shaw (1999) observed that prices, search costs, and sales taxes are lower in e-marketplaces, while risk costs, distribution costs, and market costs are lower in traditional markets. The resulting implication is that either sellers or buyers may try to delay e-marketplace adoption as long as they cannot benefit from e-marketplaces. Through examining the worst-case and best-case scenarios, Grover and Ramandal (2000) demonstrated that technology provides buyers with advantages in searching products and comparing offering, while also allow sellers to benefits from increased numbers of buyers, reduced marginal costs, price discrimination, and information manipulation. For a market maker, to benefit both buyers and sellers rather than favor either one is the best strategy for promoting the growth of e-marketplaces.

Besides, the perspective of economics, researchers (White & Daniel 2004) have attributed e-marketplace adoption to the rapid development of Internet-enabled supply chain. Grieger (2003) noted that e-marketplaces emerge in different industries, supporting different forms of exchange of goods and services, involving different types of actors, and reducing the transaction and operating costs inherent in supply chains. Moreover, Sodhi (2001) commented that by expanding the physical scope of marketplaces, including vendors and customers, and functional scope of marketplaces, including product design, marketing, and customer relationship management, e-marketplaces significantly increase the efficiency of Internet-enabled supply chains. Based on an extensive literature review, Skjott-Larsen et al. (2003) argued that different types of buyer-supplier relationships require different types of e-marketplaces. Through conducting an empirical investigation in the UK, White and Daniel (2004) found that the reasons motivating sellers to use e-marketplaces included: a defensive strategy against other e-marketplaces established by rivals, providing a single point of contact and communication with numerous customers, and perceiving the potential to reduce order-processing costs. The main reasons for buyers to use e-marketplaces include: reducing the cost and time required for purchase, ease of comparison of products from a range of suppliers, and access to many suppliers via a single point of contact. Notably, White and Daniel (2004) also found that the adoption of e-marketplaces has led to a deepening of buyer-supplier relationships, a finding that is consistent with studies of Malone et al. (1987) and Clemons et al. (1993).

Emotion Vs. Engagement: The Presence of Flow

The conflicting findings regarding emotion and viral marketing, as well as a number of studies using biometric measures, suggest that it is the level of engagement, rather than its emotional valence, which is significant in viral marketing. Siefert and his colleagues (2009), for example, used biometric

measures such as skin conductance, heart rate, and respiration to indicate the intensity, but not the valence, of emotional engagement among study participants, and found a correlation between engagement and online buzz. Similarly, Micu and Plummer (2010) used physiological measures to assess emotional responses to advertising, but their study was not able to discriminate the valence of the emotions.

In a study that examined the relationship between consumers' online engagement and Web site effectiveness, Sicilia and Ruiz (2007) conceptualized engagement as flow, a concept first introduced by Csikszentmihalyi (1990), who describes flow as "optimal experience" characterized by total involvement with life, the opposite of anomie and alienation, and "the state in which people are so involved in an activity that nothing else seems to matter."

Moreover, Psychologists and marketing communication researchers have attempted to empirically define flow. Rodriguez-Sanchez, Schaufeli, Salanova, and Cifre (2008) reported that the construct of flow consists of absorption, enjoyment, and intrinsic interest. Drengner, Gaus, and Jahn (2008) viewed flow as a five-dimensional construct consisting of full concentration, absentmindedness, loss of sense of time, the impression that consciousness and activity are merging, and the subjective impression of having one's activity under control.

Similarly, many studies confirm the positive impact of online flow on consumer decisions. Huang (2003) found that the more intense the flow state, the more positively consumers rate the Web site. Hoffman and Novak (1996) reported that online flow increases recall, positive behavior, and a positive rating of the experience. Similarly, Sicilia and Ruiz (2007) found that Web sites that cause consumers to experience flow result in significantly more positive comments, significantly more positive attitudes toward the Web site, and, indirectly, significant increases in purchase intentions.

On the other hand, Haridakis and Hanson (2009) reported that college students constitute the primary audience of YouTube, at 85% use. In addition, Riegner (2007) reported that 90% of people between the ages of 18 and 24 use Email. Therefore, because college students are a realistic target market for viral marketing, undergraduate students served as the subjects for the study. Fifty-five students were randomly assigned to one of two experimental conditions and run in small groups.

Social Media in Marketing

Social media has grown explosively and become very popular in recent years; the average time spent on social media is increasing steadily, especially among young people. Organizations, public or private, have realized the importance of social media as a powerful tool for establishing relationships with citizens or consumers. Although potential benefits from social media could be enormous, organizations face a big challenge in taking advantage of social media, since the old way of managing traditional media does not work for social media and numerous social media platforms make the issue of managing social media complicated. More and more organizations want to hire some professionals as an attempt to manage and utilize social media effectively for their businesses or projects. Job titles commonly posted in the job market are Social Media Coordinator, Social Media Specialist, Social Media Manager, Online Community Manager, Public Relations Specialist, and so on. A latest report by US Department of Labor estimated the number of jobs Public Relations Specialists in 2008 to be about 275,000 and projected jobs to grow 24% over the next decade, which would be much higher than other occupations. Universities need to prepare a curriculum for students who want these jobs. The authors of this paper surveyed about 400 students at a business school regarding various aspects of social media and qualifications and skills for a successful Social Media Coordinator.

ISSUES RELATED TO E-COMMERCE

Technology Acceptance and Developing Countries

Internet technology has played a major role in economic development in developed countries (Raisinghani, 2002), but less so in developing countries and economies. A good deal has been written about adoption of new technologies and techniques in *agriculture* in developing countries (Lee, 2005) but not so much has been recently written on adoption of other technologies.

Furthermore, Montealegre (1999) describes a study of Internet adoption in four Latin American countries in which he notes a gradual but progressive course of institutional adoption actions including

knowledge building, subsidy, knowledge deployment, innovation directive, and standard setting. Basant, Commander, Harrison and Menezes-Filho (2006) report on the determinants of information and communication technology (ICT) adoption and its impact on performance on manufacturing firms in Brazil and India. They suggest that while Brazilian firms on average use ICT more intensively than their Indian counterparts, in both countries ICT intensity is strongly related to size, ownership structure, share of administrative workers, and education. Rajapakse and Seddon (2007) explore the adoption of ERP software in Asia using Hofstede's dimensions of national cultures and conclude that contrasting dimensions of the cultural practices embedded in ERP software are a barrier to adoption. Molla and Licker (2006) report that their studies of e-commerce in developing countries emphasize the influence of contextual impediments including economic, technological, legal, and financial infrastructure as major determinants of adoption. Talukdar, Sudhir and Ainslie (2006) investigate new product diffusion across products and countries, and note that diffusion is much slower in developing than developed countries.

Additionally, previous research found that gender and age differences significantly affect new technology decision-making processes (Spero and Stone, 2004). Venkatesh et al. (2000) reported that women tend to accept information technology when others have high opinions of it and are more influenced by ease of use. Furthermore, youth populations are motivated by status and peer pressure (Spero and Stone, 2004). On the other hand, men rely more on their evaluations of the usefulness of the technology. However, in many cultures, women represent the primary decision makers in families and households' main shoppers. Greater e-commerce exposure and decision-making power may imply that male and female can attain greater satisfaction from online shopping, especially that the internet is one of the main environments for young people to play, work, learn and communicate (Spero and Stone, 2004).

Correspondingly, Saudi Arabia has a population of 25 million, highly skewed in terms of age distribution, with 60 per cent under the age of 30. This age profile relevant to our topic, as in countries that are further advanced in internet shopping; much of the growth has been driven by young people. For example, in the UK, teenagers spend on average £3 billion a year (Spero and Stone, 2004). Clearly young people's behavior is of special importance to Saudi trade.

Electronic Spending Catalysts

The latest electronic means of consumption having a profound effect on consumer behavior include home shopping television and seemingly infinite sites on the Internet. These are revolutionizing consumption of all sorts of things including books, toys, clothing, automobiles, stocks and airline tickets. The credit card has given the consumer society an enormous boost. Consumption of certain goods and services would have not occurred had the credit card not been available to enable people to spend all that they have and then to go well beyond that amount using their credit cards. Instead of shopping only during a store's business hours, people can order products at any time of the day or night through catalogs, the internet and charge the purchase to their credit cards. Related phenomena—debit card, ATMs, and electronic funds transfers—also help to feed the consumption oriented society (Ritzer, 2001, pp. 100, 102). Saudi Arabia has entered the electronic age, and credit card use is becoming common.

Troubles of E-commerce

Review of the available literature shows that there is a paucity of writing focusing on the problems in implementing ecommerce solutions in business organization in Arab nations especially Kingdom of Saudi Arabia. In this part of the world, it is one of the most overlooked areas, where writings still focus on end-user computing, developing models for SMEs rather than analyzing of what has happened during implementation of e-commerce.

Moreover, the existing literature on e-commerce was reviewed and it was found that most of the available literatures are in bits and pieces and does not offer a holistic view of the problems (having statistical significance) affecting e-commerce implementation in Gulf countries. Almost negligible

work has been done to examine the statistical significance of problems faced by organization in implementation of ecommerce in the region. The existing literature is typically characterized by the absence of not only the meta analysis but also the summary statistics as well. In the absence of any statistical analysis of large collection of analysis results from individual or institutional research on the above mentioned problem in Gulf countries offers a window of opportunity for this research. Up till 2004, almost negligible research was undertaken for assessment of e-commerce implementation results and analysis of problems that influence these results. Review of some of the available literature does throw some light. Begin and Boisvert (2002) analyzed strategic factors that influence e-commerce implementation in Canada. They did a micro level study to identify these factors. In their study focus was to identify the developments within the organization that were influencing e-commerce implementation. External environment was completely ignored. They identified these factors similar to the strength and weakness elements (in SWOT analysis). It was described as internal factors or inhibitors. They have tried to classify the factors into groups which can serve as a good starting point to analyze these factors and identify their influence on e-commerce implementation results, however, the biggest limitation of this study was that it did not take into account any of the external factor and their study does include any statistical analysis of the problems that are affecting the implementation of e-commerce.

Likewise, Teo, Chan, and Parker (2004) have done a meta analysis of literature related to factors affecting adoption of e-commerce specifically in Small and Medium Enterprises (SMEs). Existing literature shows that it was among the first few meta analysis of the factors affecting the implementation of e-commerce. They did identify the factors as highly complex and various mix of factors. However, their study concentrated on identifying specific factors and in the process ignored the holistic view of the problem. They have identified some meta factors from the available literatures, which are related to adoption of e-commerce. However, different literatures have conflicting viewpoints about these meta factors. In addition to this, none of these meta factors are related to measure the impact of e-commerce implementation results neither does it identify the major barriers in its implementation at business level.

Additionally, study undertaken by Oreku, Mtenzi and Ali (2011), helps in identifying the important factors in implementation of electronic commerce however the study has been carried out in East Africa which has a very different cultural environment as compared to Gulf countries. Most of the researches in this field suggest that factors such as culture, economic condition, consumer behavior, purchasing power parity have direct bearing on the implementation of e-commerce. As there is substantial difference between east Africa and Gulf countries on economic, social and cultural parameters, hence its findings may not be applicable in this part of the world.

Expectations in E-commerce

It is always difficult to analyze trust as a phenomenon and may be almost impossible to analyze trust in the context of electronic commerce because of the complexity of electronic commerce. However, one can conclude that from a functional perspective trust can be seen as a different but potentially coexisting mechanism for reducing the uncertainty, anxiety and complexity of transactions and relationships in electronic markets. Trust will be the decisive factor for success or failure of e-businesses. It is, therefore, vitally important for companies doing business online to act in a way that engenders consumers' trust. Efforts to increase the security of e-commerce systems and trustworthy behavior of e-tailers will prove to be of advantage for both consumers and companies engaging in e-commerce. Karake Shalhoub (2002) has studied a number of US-based pure play firms to determine what she labeled trust enhancers. Her findings identified two main categories: privacy and security as the main determinants of trust in electronic commerce.

Moreover, privacy has long been defined as the right of a person to be left alone and to be able to have control over the flow and disclosure of information about him or herself. Worries about privacy are not new, although businesses have gathered information about their customers for years. However,

privacy issues often come about because of new information technologies that have improved the collection, storage, use, and sharing of personal information.

Similarly, it is widely documented that privacy protection on the internet is vital and should be realized worldwide. Because the internet connection traverses geographic boundaries, an abuser may move outside a specific country and continue to misuse the personal information of consumers. In order to reduce customers' anxiety about online privacy, public web sites have begun to post privacy statements concerning online collection, use, and dissemination of personal information.

In its initial report on online privacy, issued in 1998, the FTC recommended that internet privacy issues be addressed through industry self-regulation and identified the core principles of privacy protection common to domestic and international documents describing fair information practices: notice, choice, access and security.

The FTC recommended that commercial web sites exhibit some sensitivity to privacy concerns and a determination to self-regulation by including a privacy statement, which addresses all of the core privacy principles. More recently, the FTC has also recommended participation in online privacy seal programs. These programs require licensees to implement certain fair information practices and submit to compliance testing in order to display a privacy seal on their web sites. Specifically, the US FTC proposed and advocated that fair information practices (FIPs) included the following dimensions: notice/awareness, access, choice, security, and enforcement and redress. This is a widely recognized set of topics to address when a party in a transaction manipulates data about an individual. First described in a 1973 report of the US Department of Health, Education, and Welfare, FIPs are defined more carefully for the internet in a 1998 US Federal Trade Commission Report (Federal Trade Commission, 1998). The following are descriptions of the FIPs, along with our interpretation of how they should apply to downloaded browser extensions.

Additionally, Visa and Master Card, helped by a consortium of high tech firms, created the secure electronic transaction (SET) protocol, which is an open security standard for secure online communication. The major advantage of SET (mainly encryption technology) is to help the execution of financial transactions in a safe environment over the internet.

The SET system is viewed by many as a way to manage risk by distributing trust to multiple parties (Mercuri, 2005). Its main goals are:

- authentication;
- non-repudiation; and
- integrity.

Using digital certificates, authentication checks if the user has the authority; non-repudiation is realized through the use of digital signature; while integrity is guaranteed through the use of high level encryption.

Another instrument available today for enhancing trust is the digital certificate. Digital certificates are electronically verified. The Cheskin Research Group (2000) found that the existence of logos of the firms (such as VeriSign) will contribute to the level of trust in online business. In other words, trust on the internet is more likely to develop when transaction security (payment system and perceived risk by consumers) is assured. The Industry Standard maintains that TRUSTe and BBBonline are two of the top three "security brands" that increase trust in internet commerce transactions among those familiar with the brands. The third brand, VeriSign, only focuses on encrypting the packets exchanged between the browser and the server. It protects the traffic between the two sites from third parties and does not focus on the content of the site or its business practices.

Information Technology Developments in Gulf Countries

The average annual IT growth rate has reached over 35% in the Middle East region, UAE amongst the highest broadband user penetration rates in the middle east (31.5%) and more than 50% of population has internet access (Gulf News, 2008f). According to Gulf News (2008a), computer shipment including desktops and notebooks increased 35% in 2007 compared with 2006, with UAE as the fastest growing market, followed by Kuwait, Oman and Bahrain. Moreover, major investments in the region have been carried out in enterprise application software (Gulf News, 2008b) reaching a growth of 39% year-on-year increase in spending in 2006, with UAE's ICT sector expected to hit Dh 8.8 billion by 2011 (Czech Trade, 2008).

Similarly, the UAE government encourages faster e-commerce development in Gulf States (Media Eye, 2007) and the first Gulf e-commerce forum took place in 2007 (MenaFn, 2007). The Gulf PC market value is expected to reach \$3.3b in 2008, an increase of approx 27% in comparison with \$2.6b in 2007 (Gulf News, 2008i). Further, innovative wireless technologies are taking momentum in the region. RIM (Research in Motion), the designer, manufacturer and marketer of innovative wireless solutions for the worldwide mobile communications market participated in GITEX 2007 in Dubai and promoted one of their products, BlackBerry solution in the region (Zawya, 2008a).

Furthermore, Dubai has made major efforts to establish itself as a hub for e-commerce (LowTax, 2007). In 2002 Dubai Government made significant progress through the e-government project in providing basic services, especially those offered to businesses, on the Internet. Some of the areas that were outlined for achieving improvement were changing management skills, new balance of power, need for IT professionals, and training of civil servants, computer literacy and Internet access. While in January 2007, Dubai International Financial Centre (DIFC) enhanced Data Protection Law through appointing a Data Protection Commissioner for consolidating international best practices already being adhered to by the DIFC. In September 2000 more than a hundred IT companies had been granted licenses to operate in Dubai Internet City (DIC) including Microsoft, Oracle and Compaq, with investment of \$250 million in the technology, e-commerce and media free zone. By mid-2004, the number of companies had risen to more than 500, reaching almost 1000 by October 2007 (Low Tax, 2007). Many Internet and e-commerce applications appeared in Dubai in the last few years (Low Tax, 2007) such as: Magrudy's Bookshop, the first book shop in the Middle East to provide secure e-commerce services to a global market over the Internet; Dublin based Misys International Banking Solutions provides online banking solutions to one of Dubai's leading online financial services providers; The Dubai Government encourages e-commerce and broadening the focus of e-government. The Dubai e-Government portal offers a wide range of services for visitors, residents, and businesses, including access to permit and visa renewal services, commerce and business related facilities, and company registration and tax department links; the global logistics firm DHL announced a joint venture with the Dubai customs authorities for the creation of an electronic customs clearance system for streamlining procedures and improve general business efficiency in the United Arab Emirates and beyond.

On the contrary, Economist Intelligence Unit (EIU) and IBM worked together to produce an e-readiness rankings model of the world's largest economies. The model shows that some countries are more e-readiness consistent compared with others. As shown in table 2, the UAE was ranked higher than other gulf and Arab countries, at 33rd position in 2007, but dropping 2 places to 35th in 2008. Saudi was ranked 46 in both 2007 and 2008; while Egypt was ranked 58th in 2007 and gone up 1 place to 57th position in 2008 (EIU, 2008).

Features Motivating E-Commerce in The Gulf Countries

According to an AAG report, a wide gap exists between the leading Arab nations and the rest of the world in terms of the online reporting on financial performance, social involvement as well as websites usability. The report pointed out that with the rise of national Internet penetration rates, information availability and transparency, the quality of the corporate online presence, and the usability and interactivity of their websites would be of vital importance (Business Maktoob, 2007). The Gulf region

has the potential to play a very important role in the global economy and in contributing to software and technology development, according to Bill Gate (Gulf News, 2008d). However, there is a need for upgrading the region software from 'Gulf 1.0 to Gulf 2.0' and for educational institutions to prepare the students for the knowledge based economy, as stressed by Kito de Boer, Managing Director of MacKinsey in the Middle East (Gulf News, 2008e).

Additionally, the investigation of the effect of culture including its possible positive or negative contribution on the growth of e-commerce in the region will be of benefit (Ashrafi, Yasin, Czuchry & Al-Hinai, 2007). On the other hand, from the education angle, the constant modification and updating of educational courses will become a vital strategy to ensure high quality of the educational programs developed, with a particular focus on state of the art IT resources at all levels (Fox, 2007; MOHE, 2007). Moreover, there are several factors that contribute to the readiness to participate positively in e-commerce or the digital economy, including ICT hardware and physical infrastructure; ICT level of use; ICT literacy, training and education; set policies and legal issues (Peters, 2005). In terms of IT education, it has become a major priority for the UAE (UAE Interact, 2007), and eventually this will be reflected on the level of use. On the other hand, the application of ICT to areas such as health, government or education can certainly contribute to the ICT literacy and level of use and can, on the long term assist e-commerce development.

Besides, Nitin, William & Roberson (2003) also argued that the key to reducing intangibility surrounding e-commerce is through the creation of tangible cues that the customer can relate to. Many internet users may be less proficient at searching for product information and would generally rely on brands. Therefore, there is also a need to focus on creating a positive and a reliable brand name. Ilfeld & Winer (2001), in exploring the issue of the decision-making process made by consumers' website choices, suggested that high brand awareness is essential for an Internet firm's survival.

Based on the above literature review, we have developed a list of thirteen driving factors for e-commerce development:

- E-commerce awareness and education levels
- Government support
- Law awareness for E-commerce
- ICT infrastructure & Technological Advances
- Endorsement of Banks to on-line payment systems
- Change Management (from traditional approaches to digital approaches)
- Establishment of effective regional online business models
- Global/ external forces (e.g. The September 2008 Global Financial System Turmoil)
- IT skills & English language fluency
- Cultural and Social factors
- User confidence in online transaction, trust and security
- Usability and interactivity of websites
- Industry standards and competitive advantage

RECOMMENDATIONS

Researchers put forward several recommendations such as:

- Telecommunication companies should provide an incentive program which includes a package of motivators for the purpose of attract consumers through the internet while taking into consideration to have the cost to be affordable.
- Provide a competent and trained professional to work online in the telecommunication sector, so as to fulfill the needs and wants of consumers rapidly and to response electronically to consumer enquiries for 24 hours day, while providing information about new product and service continually.
- Managers should not underestimate the power of the technology and the internet, especially in a young population. By improving usefulness and enjoyment of their sites, managers would work to maximize continued online shopping.

CONCLUSION

Even though the conventional method of procuring by Arab consumers is the subjugated way, nonetheless, there are optimistic approaches of customers to e-commerce. It is due to the customers' admiration in the direction of e-commerce and their acquaintance in utilizing computers and right to use internet and websites to explore for product and services. On the other hand, Arab customers still doubtful and have reservation in view to security and privacy matters while carrying out e-commerce. Arab customers are anxious to have his/her private information chops into the incorrect hands or their credit card numbers be taken by hackers. It has been establishes that the key difficulty in realizing e-commerce is due to be short of of sustaining regulation for e-commerce, lack of apprehension for virtual offense, data safety & privacy and complexity in incorporating e-commerce with current structure.

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Dispute Resolution Center and Mechanism for the Islamic Finance Industry

The Dubai World Islamic Finance Arbitration Center and the Dubai World Islamic Finance Arbitration Center Jurisprudence Office as the Dispute Resolution Center and Mechanism for the Islamic Finance Industry: Issues and a Proposed Framework

Camille Paldi

Introduction

As the Islamic finance industry is growing annually at a rate of 10% to 15% per year, it is imperative that a unique, independent legal framework is established in order to effectively adjudicate Islamic finance disputes. Currently, Islamic finance disputes are being adjudicated in inadequate civil and common law courts and arbitration centers where the contracts in dispute are being transformed from Islamic to conventional transactions. The aim of this paper is to explore the role of the Dubai World Islamic Finance Arbitration Center (“DWIFAC”) and its’ jurisprudence office (DWIFACJO) as the dispute resolution center of the Islamic finance industry, fitting in with the recent 2013 Sheikh Mohammad ‘Dubai as the Capital of the Islamic Economy’ initiative. The objective of the paper is to show how using a common law jurisdiction inadvertently transforms Islamic financial transactions into conventional disputes. This is done through analysis of the cases *Beximco Pharmaceuticals Ltd, Bangladesh Export Import Co. Ltd., Mr. Ahmad Solail Fasiuhur Rahman, Beximco (Holdings) Ltd. v. Shamil Bank of Bahrain E.C.* [2004] EWCA Civ 19; *Investment Dar Co KSCC v Blom Development Bank Sal* [2009] EWHC 3545; and *Bank Islam Malaysia Bhd v Azhar Osman & Other Cases* [2010] 5 CLJ 54 [2010] 1 LNS 251. Through case analysis combined with an exploration of the efficacy of existing arbitration centers and dispute resolution methods available to Islamic finance, this paper will seek to reveal that the Islamic finance industry currently lacks an adequate dispute resolution mechanism and facility to adjudicate disputes arising from Islamic finance contracts.

This thesis proposes that Islamic finance contracts should include an additional standardized dispute resolution contract issued by DWIFACJO with a built-in dispute resolution procedure similar to FIDIC designating DWIFAC as the arbitration center. If the contractual dispute resolution procedure is exhausted, then the dispute may be referred to DWIFAC, which may utilize the Model Islamic Banking Law created by DWIFACJO as the substantive law of the arbitration, the procedural law of the seat of the arbitration, Dubai (Refer to Appendix A), and the DWIFAC arbitration rules, which includes *Shari’ah* and *lex mercatoria*. The arbitration center may be staffed with the worlds’ top *Shari’ah* scholars and Islamic finance lawyers, judges, and experts who can provide input about the *Shari’ah* aspects of the dispute through the use of an Islamic form of *ex aequo et bono*, which allows disputes to be settled using commercial practice rather than purely legal devices. In addition, I will examine the commercial dispute system of Malaysia, arbitration as a method of dispute resolution, and various regional arbitration centers in order to reveal the inadequacy of existing dispute resolution mechanisms for Islamic finance, which will further support my argument for DWIFAC and DWIFACJO.

Research Methodology

I will use systematic review of available literature on Islamic finance dispute resolution to allow conclusions to be reached about what is known and what may be possible (Saunders, Lewis, and Thornhill 2012:112). A critical review of the existing literature will allow me to develop a thorough understanding of previous work that relates to Islamic finance dispute resolution as well as set my research in the context of a critical discussion and reference to work, which has already been conducted on this topic. I plan to draw out key points and present them in a logically argued way, highlighting areas that will assist me in providing fresh insight into the direction of Islamic finance dispute resolution. The literature review will lead the reader through the core chapters introducing DWIFAC and DWIFACJO and case analysis of key Islamic finance disputes (Saunders, Lewis, and Thornhill 2012:115). I will then be able to draw a sharp conclusion regarding the imperative necessity of a specialized arbitration center for the Islamic finance industry in the form of DWIFAC and the issuance of a standardized dispute resolution contract simulating the FIDIC procedure and a uniform Islamic banking law by DWIFACJO.

Throughout my qualitative analysis of Islamic finance dispute resolution literature and case law, I will utilize explanation building, which is a pattern-matching procedure involving an attempt to build an explanation while collecting data and analysing them, rather than testing a predicted explanation. Essentially, explanation building is designed to test a theoretical proposition, which is suggested initially, that may, however, be revised through the iterative stages of the process (Saunders, Lewis, and Thornhill 2012:581). The theoretical proposition, which my thesis plans to test is that using English/common law as the governing law of an Islamic finance contract by default turns an Islamic finance transaction into a conventional dispute, which is detrimental to the survival of the Islamic finance industry. I plan to clarify my proposition by referring to rigor-seeking negative examples and alternative explanations that do not conform to the pattern being tested (Saunders, Lewis, and Thornhill 2012:581). The testing of the proposition addresses the objectives of this paper. In addition to UK common law litigation and arbitration, I will illustrate how the Malaysian Court System, the regional arbitration centers, and current Islamic finance dispute resolution mechanisms are insufficient to meet the needs of the Islamic finance industry as another objective to complete the aim of this paper.

Should Courts Be Used?

Asutay and Hasan (2011:64) state that due to the common law, interpretational approach used to resolve Islamic finance cases in UK/common law courts, *Shari'ah* is denied as a valid source of law for governing a commercial dispute or Islamic finance transaction. When English/common law is designated as the governing jurisdiction of an Islamic finance contract, courts tend to sever any association with *Shari'ah* by recognizing conflict of laws and asserting that only a national law can govern the contract. Judges then strictly apply English law to the commercial dispute, further disassociating the Islamic aspects of the transaction from the adjudication process. Islamic finance dispute resolution must contain recourse to *Shari'ah* in order to preserve *Shari'ah* compliance and the Islamic component of the financial transaction.

Foster (2006:8) promotes the use of English law as the governing law of an Islamic finance contract and states that preserving *Shari'ah* through UK litigation is not only possible, but also preferable to arbitration for Islamic finance. He explains an approach based on the practice of UK lawyer Neil Miller, whereby the Islamicity of the contract is treated as a matter of compliance, rather than substantive law. Foster (2006:8) says that for this procedure, "In the documentation, which is approved by *Shari'ah* scholars, the recitals state that the *Shari'ah* is to be observed and that the bank's customer shall make a representation that he/she is satisfied that the contract is Islamic (Neil Miller of Norton Rose, May 2, 2006)." He (2006:8) elaborates "this method ensures that the documentation meets *Shari'ah* requirements by taking advantage of the English court system, thus giving financial institutions effective remedies." At the same time, Foster (2006:8) explains "it would be difficult for the customer to argue that *Shari'ah* issues should not be considered by the court, limiting *Shari'ah* risk." He (2006:8) asserts that arbitration is not well-suited to financial disputes, as arbitration can take much longer to reach a conclusion than litigation, may be more expensive, and does not benefit from the same range of remedies.

However, the substantive law of the dispute is still English/common law and a judge shall make the final interpretation and determination of the law and how it is applied, regardless of the way in which the contract is drafted. There is no guarantee that the Islamicity of the contract shall be preserved. Furthermore, even if *Shari'ah* is mentioned in the contract, if a UK judge does not know *Shari'ah* then how can a Judge apply *Shari'ah* to a dispute? In terms of compliance, getting the parties to confirm that they are satisfied that the contract is Islamic and having the documentation approved by *Shari'ah* Scholars (*Investment Dar Co. KSCC v Blom Development Bank Sal* [2009] EWHC 3545) means nothing in common law dispute resolution. The parties may still contend the contract void based on *Shari'ah* non-compliance. Although innovative, I find this topical approach to be risky and inadequate. The Dubai Courts are more progressive than the UK courts in terms of the application of *Shari'ah* to the adjudication of disputes, but still not as advanced as Malaysia. The Dubai Courts utilizes the Civil and Commercial Code in Islamic finance disputes, which incorporates *Shari'ah*, however, giving preference to UAE national law in the event of a conflict of laws. However, the Dubai Courts are permitted to refer to *Shari'ah* in the absence of clear legislation and established customary business practices. Malaysian courts are the most *Shari'ah* advanced in comparison to the UK and Dubai Courts

and apply civil law, but also have recourse to a *Shari'ah* Advisory Committee ("SAC"), which issues binding *Shari'ah* rulings.

Case Analysis

When an Islamic Finance dispute goes before a judge in England or New York, by default, the transaction by default turns into a conventional transaction. The judge declares *Shari'ah* law to be invalid due to the conflict of laws and applies the common law and principles of conventional finance or misapplies *Shari'ah* to the Islamic Finance transaction. A few cases adjudicated in non-Islamic courts discussed below demonstrate this point.

Beximco

In *Beximco Pharmaceuticals Ltd, Bangladesh Export Import Co. Ltd., Mr. Ahmad Solail Fasiuhur Rahman, Beximco (Holdings) Ltd. v. Shamil Bank of Bahrain E.C.* [2004] EWCA Civ 19, the defendant Beximco Pharmaceuticals Ltd. and the other borrowers entered into a *murabahah* agreement with the plaintiff. The defendants defaulted and after a series of various termination events under the agreements, the plaintiff finally brought the case to court and made an application for summary judgement. The defendants argued that the *murabahah* agreements were invalid and unenforceable because they were in actuality disguised loans charging interest (Asutay and Hasan, 2011: 56).

According to the Appeal Case, the Court ruled that an Islamic Finance contract could not be governed by *Shari'ah* law in the UK. Even if so specified in the contract, the judge further ruled, in fact, that *Shari'ah* law is not a recognizable form of law containing principles of law capable of governing a commercial dispute in the UK. Lord Justice Potter stated in Paragraph 2 of the judgment, 'It is not in dispute that the principles of the glorious *Shari'ah* referred to are the principles described by the defendants' expert, Mr. Justice (retd) Khalil-Ur-Rehman Khan as: "...the law laid down by the *Qu'ran*, which is the Holy Book of Islam and the *Sunnah* (the sayings, teachings and actions of Prophet Mohammad (pbuh). These are the principal sources of the *Shari'ah*. The *Sunnah* is the most important source of the Islamic faith after the *Qu'ran* and refers essentially to the Prophet's example as indicated by the practice of the faith. The only way to know the *Sunnah* is through the collection of hadith, which consist of reports about the sayings, deeds, and reactions of the Prophet.'" Lord Justice Potter, in this judgment, recognizes the definition of *Shari'ah* law stated by Mr. Justice Khalil-Ur-Rehman Khan, however, Lord Justice Potter stated that *Shari'ah* law, which in his opinion is more of a religion than law, could not apply to a commercial banking transaction in the UK.

The Judge declined to construe the wording of the clause as a choice of *Shari'ah* law as the governing law for the following reasons. First, Article 3.1 of the Rome Convention (which by s.2 (1) of the *Contracts (Applicable Law) Act* 1990 has the force of law in the United Kingdom. It contemplates that a contract '...shall be governed by the law chosen by the parties' and Article 1.1 of the Rome Convention makes it clear that the reference to the parties choice of law to govern a contract is a reference to the law of a country. Lord Justice Potter further argued that the reference to a choice of a 'foreign law' in Article 3.3 suggests that the Convention as a whole only contemplates and sanctions the choice of the law of a country: c.f. Dicey and Morris on The Conflict of Laws (13th ed.) vol. 2 at 32-079 (p.1223) and Briggs: The Conflict of Laws at p. 159.' Lord Justice Potter stated that *Shari'ah* law is not a national system of law and is classified as a non-national system of law such as '*lex mercatoria*' or 'general principles of law' and therefore cannot apply to a commercial transaction in the UK. Colon (2011:425) states that even though the Rome Convention has been replaced by Regulation (EC) No. 593/2008 of the European Parliament and the Council of 17 June 2008 on the Law Applicable to Contractual Obligations (Rome I), the conflict of law rules remain the same.

In this appeal case, English law was confirmed as the governing law and it was further confirmed that English law does not recognize *Shari'ah* law as a valid source of law to govern a commercial contract. Furthermore, even if *Shari'ah* law were recognized under English law, under the conflict of law rules applicable in England and Wales, according to this judgment and the new Rome I, English law would prevail as the governing law must be the law of a State. Colon (2011:425) points out that according to *Beximco*, under English law a *murabahah* agreement may be treated the same as an interest-bearing loan, which ironically was part of the initial claim that based on the governing law clause, the *murabahah* agreements were invalid and unenforceable because they were in truth disguised loans charging interest (Asutay and Hasan, 2011: 56). In fact, the adjudication of the dispute by an English

court guarantees turning the *murabahah* agreements into loans charging interest. *Beximco* interpreted the contract in light of the commercial goals that it served to accomplish, as English law requires (Colon 2011:426) and in line with the common law, interpretational approach as explained by Asutay and Hasan. This strict approach decimated the Islamic finance transaction (2011:431).

Blom Bank

The term *wakalah* literally means ‘preservation.’ For instance, in verse [*Qu’ran* 3:173]: “They said: ‘for us, Allah suffices, and He is the best Disposer of affairs [the best *wakil*]” The Prophet (pbuh) was also urged in [*Qu’ran* 73:9] to take Allah (swt), the only true God, as his preserver and protector (*wakil*). The term is also used to mean delegation of one’s affairs to another. Thus, Allah is also described as the best one to whom one must delegate one’s affairs: “For those who put their trust (*mutawakkilun*) should put their trust on Allah,” my Lord, and your Lord” [*Qu’ran* 11:56] (Zuhayli 2007:632).

In the case of *Investment Dar Co KSCC v Blom Developments Bank Sal* [2009] EWHC 3545 (Ch) High Court of Justice Chancery Division, the Investment Dar (TID) was an investment company registered in Kuwait and the Blom Development Bank (BDB) was a bank incorporated in Lebanon. A *wakalah* investment agreement was entered into between the two parties governed by English law (Asutay and Hasan, 2011: 57). The agreement provided that Blom deposit a certain amount of money with TID, appointing TID as its *wakil* (agent) to manage the money as an investment (ISRA 2012:758). When TID defaulted on payments under the *wakalah* agreement, BDB sued TID in the High Court of England and applied for summary judgment on the grounds of default in payment (claim in contract) and the deposits held in trust (claim in equity) (Asutay and Hasan, 2011: 57). The master found that there was an arguable defence to the contractual claim, but not to the trust claim due to a misunderstanding of *Shari’ah* and the application of common law to an Islamic finance transaction. TID raised the defence of *ultra vires* (Asutay and Hasan, 2011: 57). TID argued that the *wakalah* agreement, which was approved by its own *Shari’ah* board, did not comply with the *Shari’ah* and was therefore void and against TID’s constitutional documents (Asutay and Hasan, 2011: 57 and ISRA 2012:758). Although within the *wakalah* arrangement some issues of *Shari’ah* non-compliance arose, since the contract was approved by the TID *Shari’ah* Board and constituted a binding contract in both common and Islamic law with valid offer and acceptance. Thus, TID should have been held to the terms of the contract.

In terms of Islamic law, the Hanafis stipulated a valid offer and acceptance as the cornerstones of the agency contract. While the Hanafis restricted the contracts cornerstones to offer and acceptance or actions implying acceptance, the other jurists enumerated four cornerstones: (i) principal, (ii) agent, (iii) object of the agency contract, and (iv) the contract language (Zuhayli 2007: 632). If the compensation is a *ji’alah*, whereby the task and the time period are not explicitly stated in the contract, then the majority of jurists agree that the contract is non-binding on the parties. However, the Malikis ruled that the contract was, in this case, binding on the principal once the agent begins working. If the compensation renders the contract an *ijarah*, then the Hanafis and most Malikis ruled that the agency contract is thus binding. In contrast, the Shafis and Hanbalis ruled that the contract was still not binding in this case (Zuhayli 2007: 683). In this instance, according to the Hanafis, the contract had valid offer and acceptance with principal and an agent consenting to the terms of the contract and initiating investment activity in the form of a *wakalah*. In addition, the *wakalah* contract appears to be an *ijarah* and thus valid and binding according to the Hanafis and Malikis. According to the AAOIFI *Shari’ah* standard No. 23 (4/3) and as occurred in this case, ‘when agency is paid, involves the rights of others, when the agent commences tasks that cannot be discontinued or phased out without causing injury to him or to the principal, and/or when the principal or the agent undertakes not to revoke the contract within a certain period, it falls under the *Shari’ah* rulings on *Ijarah* and is binding’ (2004:416). The judge ignored the valid and binding contract and the original contractual intent of the parties, applied western trust law to the *wakalah* arrangement, and unjustly ruled that TID was only liable to pay Blom the principle amount.

In the concerned *wakalah* arrangement, at the end of every *wakalah* period, TID was obligated to pay 5% profit to Blom. The issue arose when TID defaulted on payments of Blom’s principal and the agreed profits. Blom claimed that TID should pay it the principal deposits plus the contractually agreed

5% profit. However, TID argued that the agreement was not *Shari'ah* compliant, being an agreement for deposit taking with interest, and therefore null, being *ultra vires* and beyond its legal capacity to conform. The Judge concurred and stated, 'I agree...that where one finds, as one does in this master *wakalah* contract, a device to enable ...the payment of interest under another guise, that is at least an indirect practice of a non-*Shari'ah* compliant activity.' Due to the constraints faced by the Islamic banking industry in terms of risk management, the reality of operating in a conventional system, and the need to compete, it is difficult to adhere to true *Shari'ah* banking at this moment in time. It may be argued that in fact all Islamic banking products are devices to enable the payment of interest in another guise.

According to the AAOIFI *Shari'ah* Standard No. 5(2/2/2) on Guarantees, 'it is not permissible to combine agency and personal guarantees in one contract at the same time (i.e. the same party acting as agent on the one hand and acting as guarantor on the other hand), because such a combination conflicts with the nature of these contracts. In addition, a guarantee given by a party acting as an agent in respect of an investment, turns the transaction into an interest-based loan since the capital of the investment is guaranteed in addition to the proceeds of the investment (i.e. as though the investment agent had taken a loan and repaid it with an additional sum, which is tantamount to *riba*).' In this case, TID, as agent, also guaranteed Blom a 5% return. However, even if the *wakalah* agreement in question really was a loan with interest in disguise or a similar contraption, due to the fact that this agreement was approved by the TID *Shari'ah* board, TID should be held to the terms of the contract. TID should not be allowed to suddenly claim that the transaction is non-*Shari'ah* compliant in order to evade its contractual obligations to Blom Bank.

Jurists agree that an agent's possession is one of trust, analogous to deposits and similar to possessions (Zuhayli 2007: 675). This ruling follows from the fact that the agent would possess goods as a legal representative of the principal (who is the owner). Thus, his possession is similar (but not the same) to that of a depository, following its rules for trust and guarantee (Zuhayli 2007: 675). Under *Shari'ah*, TID was holding the 5% profit on trust for Blom as agent for principal even if the guarantee combined with agency is thought by some to have turned the *wakalah* into a deposit taking with interest or to have simulated an interest-bearing loan.

Although under *Shari'ah*, TID was technically only supposed to receive an agency fee, in this *wakalah* arrangement, TID was contractually to receive an agency fee plus all return above 5%, thus bearing risk of loss. In a proper *wakalah* arrangement, the principal bears all risk of loss and profit, while the agent only receives an agency fee. According to the AAOIFI *Shari'ah* Standard No. 21(4/2/c), '...the amount payable as remuneration for agency should be known, whether in lump sum or as a share of a specific amount of income. It may also be defined in terms of an amount of income to be known in the future, as when remuneration is linked to an indicator that may be quoted at the beginnings of different intervals of time. However, it is not permissible to leave remuneration for agency undetermined and allow the agent to take an unspecified share from the entitlements of principal' (2004: 415). In this arrangement, the agent was to take an unspecified share from the entitlements of the principal, being any amount of return above 5%. These *Shari'ah* issues were totally ignored by the judge. In this transaction, the judge misapplied *Shari'ah* law, ignored the reality of the Islamic finance and banking industry, and then judged the contracts in relation to Western trust law, unfairly ruling that Blom was only entitled to the principal amount.

The judge ordered an interim payment to be paid to Blom based on the fact that the contract was null and void (no trust) and that the transaction was *ultra vires* (non- *Shari'ah* compliant). The judge should have ruled that Blom was entitled to the deposit amount plus any profit made up to a limit of 5% (if profit was made) rather than just the deposit amount. TID ultimately withdrew the case (Asutay and Hasan, 2011: 57).

Bank Islam Malaysia Berhad

In *Bank Islam Malaysia Bhd v Azhar Osman & Other Cases* [2010] 5 CLJ 54 [2010] 1 LNS 251, the court ruled that in relation to *ibra* or rebate for an early settlement of a financing facility, the court may infer an implied term from evidence and from commercial business practice that the parties to a contract intended to include the rebate in the contract (ISRA 2012:752). The term *ibra* literally means removal and acquittal from something. In Islamic jurisprudence, the term refers to one party dropping

another's liability towards him (i.e. dropping the debtor's liability for a debt) (Zuhayli 2007: 237). Zuhayli (2007:237) states that most jurists agree that absolution of debts is legally recommended. Zuhayli explains that this was the stated opinion of Al-Khatib Al-Shirbini, who said that the rulings for absolution were much more lax than those for guarantee because of the charitable nature of the former, as evidenced by the dropping of the creditor's right. The charitable nature of the contract is manifest regardless of whether or not the debtor is in a financial bind, as the verse states, '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' [*Qu'ran* 2:280] (Zuhayli 2007: 238).

Bai Bithaman Ajil ("BBA") is an agreement whereby a bank buys an asset or property and sells the said asset or property to a customer at an agreed defined price, which the customer has to pay on a deferred basis or by periodic instalments. The sale will include a profit margin (Thani, Abdullah, Hasan 2003:38). The common perception is that this is simply a straightforward charging of interest disguised as a sale. However, nothing in Islamic law dictates how the price for such a sale is determined: it is simply determined by what the parties have agreed upon. Therefore, nothing prevents the seller from linking the sale price to the period of time for which credit is extended (Thani, Abdullah, Hasan 2003:39).

It was unsuccessfully contended on behalf of the plaintiff that in a BBA contract, the bank had a legal right to claim for the full sale price as stipulated in the property sale agreement ("PSA"), regardless of a premature termination. Counsel for the plaintiff argued firstly that the defendant had agreed to the amount of sale price and was under a legal obligation to pay the full sale price. This argument was premised on the underlying presumption that a BBA contract is a sale transaction and not a loan transaction. Counsel for the plaintiff argued that since it is a sale agreement, the sale price does not change. Secondly, the plaintiff argued that the court was bound by the decision of the Court of Appeal in *Lim Kok Hoe*, which upheld and acknowledged the obligation to pay the full sale price under the PSA.

The judge disagreed that the court was bound by the decision in *Lim Kok Hoe*. The judge explained, 'Whilst it is true that the Court of Appeal in *Lim Kok Hoe* held that a BBA contract differs in a way differs from conventional banking because it is a sale transaction, it cannot, however, be regarded as a sale transaction simpliciter.' The judge elaborated 'the BBA contract is secured by a charge and concession as *ibrar* is given as a matter of practice to all premature terminations.' The judge stated, 'Further, it is not a simple sale because even if the bank does not make payment of the full purchase price under BBA, the bank would still be entitled to claim the amount already paid.' The judge said, 'Whereas in a simple sale if the first leg of the transaction fails, the bank's right to the amount paid will not *ipso facto* accrue since the sale was never completed.' The judge questioned, 'Why a bank should insist on payment of the full sale price and thereafter as a matter of practice grant a rebate to the customer simply to show that it is a sale transaction may have its purpose, but to place the customer in such a precarious position is quite something else, particularly when such grant is at the bank's absolute discretion.' The judge asserted, 'From the practice of the bank it is clear that the insistence on enforcing payment of the full sale price appears to be merely an attempt to adhere to written text, but I doubt if such appearance achieve its purpose.' The judge based her reasoning on commercial business practice and explained, 'This is because, despite the written term of the agreement, the bank in reality does not enforce payment of the full sale price upon a premature termination. It always grants rebate or *ibrar* based on 'unearned profit.'"

The judge further stated that granting an order for the full sale price in an order for sale application would defeat the requirements of s. 266(1) of the NLC, which is designed to protect the chargor, whose property is about to be sold at an auction (ISRA 2012: 752). The judge ruled that, "The bank should not be allowed to enrich itself with an amount, which is not due while at the same time taking cognizance of the customer's right to redeem his property." Therefore, where the BBA contract is silent on the issue of rebate or the quantum of the rebate, by implied term, commercial business practice, and compliance with Malaysian law, the judge held that "the bank must grant a rebate and such rebate shall be the amount of unearned profit as practiced by Islamic banks."

The judge pointed out in this case, "The legal documentation used by Islamic banks should have addressed the peculiarity of the Islamic banking transaction, instead of adopting a cut and paste

approach of the conventional banking documents” as this would have made her job of Islamic finance dispute adjudication easier. Therefore, not only is it necessary to have standardized dispute resolution contracts, but all Islamic finance contracts should be issued in a standardized format by the International Islamic Financial Market or (“IIFM”).

The Three Cases Analyzed

The three cases assessed in this paper including *Beximco*, *Blom Bank*, and *Bank Islam Malaysia Berhard* reveal the detrimental effects of using English or common law and litigation to adjudicate Islamic finance disputes and the advantages of applying *Shari’ah* and commercial business practices. *Beximco* illustrates how selecting English law as the governing law of an Islamic finance contract may invalidate the application of *Shari’ah* to the dispute as *Shari’ah* is not recognized as a valid source of law for governing commercial transactions in the UK and is not seen as a national law in relation to Rome I. *Blom Bank* reveals how the misapplication of *Shari’ah* by a UK judge may be detrimental to the effective adjudication of the Islamic finance dispute. *Bank Islam Malaysia Berhard* reveals the benefits of applying *Shari’ah* and commercial business practice to the dispute resolution process in order to properly adjudicate an Islamic finance transaction. These cases further illustrate the need for a standardized dispute resolution contract in the form of the DWIFACJO standardized dispute resolution contract and DWIFAC dispute resolution mechanism.

Dispute Resolution Centers and Mechanisms for Islamic Finance

Is Arbitration the Answer?

AAOIFI *Shari’ah* Standard No. 32(2/1) defines arbitration as an agreement between two parties or more to designate an external party for resolving a dispute between them through issuance of a binding verdict (2004: 555). In Islamic finance, it may be beneficial to use arbitration as the parties may select appropriately qualified adjudicators to conduct private dispute resolution, structure the process to the needs of the dispute, and utilize *Shari’ah* and *lex mercatoria* in the adjudication process, which may lead to legal certainty in decisions and enhance confidence in Islamic finance (Blake, Browne, and Sime 2013: 12). In using the *lex mercatoria*, a party may draw upon *inter alia* public international law; the general principles of law, the UNIDROIT and UNCITRAL principles; the 1998 Principles of European Contract Law; as well as the rules and practices, which have evolved within the international business communities (Redfern, Hunter, Blackaby, and Partasides: 2009). Furthermore, the process may be cost effective if the dispute is decided on the basis of written submissions rather than a hearing (Blake, Browne, and Sime 2013: 12). Among the potential drawbacks of arbitration may include that the arbitration is not necessarily a cost-saving option if a process similar to trial is used; the parties leave the final decision to a third party, and will be bound by it; an arbitration process cannot easily deal with a party who fails to cooperate, as an arbitrator will not have the wide powers of a judge; and the arbitrator needs to be selected with care as regards to expertise and experience (Blake, Browne, and Sime 2013: 12). However, as the benefits of arbitration outweigh the costs for Islamic finance and due to the fact that arbitration is permissible whether it is sought by two natural or legal persons, or by a natural person and a legal person (AAOIFI 2004:555), this section shall examine the best venue and mechanism for arbitration for Islamic finance dispute resolution.

Lawrence and Khan (2012:424) explore English arbitration and state that in England, the *English Arbitration Act* 1996 permits the arbitral tribunal to decide the dispute in accordance with the law chosen by the parties or in accordance with other considerations as are agreed by them or determined by the tribunal s. 46(1)(b). Thus, according to Lawrence and Khan (2012:424), in English-seated arbitrations, the arbitral tribunal may decide the dispute in accordance with *Shari’ah* law. However, Colon (2011:424) states that in reality, arbitral tribunals judge the dispute to the greatest extent possible in accordance with the chosen national law and only resort to applying *Shari’ah* principles as a gap-filler. Therefore, in reality, *Shari’ah* may not be properly applied to the dispute, hindering legal certainty. Furthermore, obtaining properly qualified arbitrators may pose a problem in English arbitration.

In the UK, a domestic arbitral award may be enforced either by bringing an ordinary civil claim on the award in the High Court or by using the summary procedure under s66(1) *Arbitration Act* 1996. This section allows the court to grant permission to enforce an award of an arbitral tribunal in the same manner as a judgment or order of the court. Permission is sought by issuing an arbitration claim form

in the High Court, which is considered without notice. Cross-border enforcement of arbitral awards may be achieved through the *New York Convention* 1958. An award is treated as made at the seat of the arbitration. A party seeking the enforcement of a *New York Convention* award must produce the duly authenticated original award or a duly certified copy and the original arbitration agreement or a duly certified copy. Where permission is given, judgment may be entered in terms of the award (Blake, Browne, and Sime 2013: 24).

Currently, Islamic finance disputes may be submitted to the institutions listed in Table 1 below. However, Lawrence and Khan called The Qatar International Center for Commercial Arbitration (“QICCA”), the Qatar Financial Center (“QFC”), the Cairo Regional Center for International Commercial Arbitration (“CRCICA”), the International Islamic Mediation and Arbitration Center (“IMAC”) based in Hong Kong, and the Singapore International Arbitration Center (“SIAC”) and Lawrence and Khan were told that very few Islamic finance cases had been brought to them for adjudication as of yet. Yakoob, Smolo, and Muhammad (2011:18) state that the reality is that most of the institutions have not heard of any arbitration or mediation cases based on Islamic finance. Despite the establishment of the centers, especially the KLRCA, none has been substantially involved in Islamic finance cases. When Oseni and Ahmed approached KLRCA arbitrators, one arbitrator revealed to them that not more than two cases had been arbitrated (Oseni and Ahmad 2011:11). Agha (2009:29) says that none of these institutions are globally recognized centers for Islamic finance dispute resolution. Even though the International Islamic Center for Reconciliation and Arbitration (“IICRCA”) in Dubai was established by the Islamic Development Bank (“IDB”) and has arbitration rules, that give priority to *Shari’ah* in the event of a conflict of laws, the IICRCA is not a globally recognized dispute resolution center for Islamic finance and is rarely used.

Table 1: Dispute Resolution for Islamic Finance in Selected Countries

Contact author for tables

This table contains a list of dispute resolution centers and courts available for Islamic finance dispute resolution, the substantive and procedural laws applied to the dispute, and arbitration rules. The table also addresses whether or not *Shari’ah* may be applied in the dispute resolution process.

Commercial Arbitration in Dubai

There are various avenues for arbitration in Dubai including but not limited to court ordered arbitration, Dubai International Arbitration Center (“DIAC”) arbitration, Dubai International Financial Center – London Court of International Arbitration (“DIFC-LCIA”) arbitration center, and the Islamic Center for Reconciliation and Arbitration in Dubai (“IICRCA”). Furthermore, in June, 2013, the Central Bank of the UAE announced plans to create a governance unit, similar to the *Shari’ah* Advisory Council (“SAC”) of the Central Bank of Malaysia, which may act as a reference for all *Shari’ah* compliant banks operating in the UAE in the event of disputes.

In looking for the appropriate forum or country for arbitration, one should consider the assets, attitude of the local courts, and adherence to the *New York Convention* 1958. In reference to these criteria, the UAE is a prime location for a dispute settlement center for the Islamic finance industry as a signatory to the *New York Convention* 1958 and various treaties for reciprocal arrangements of enforcement for awards (refer to Table 2) and due to the reliability and the efficiency of the local law and courts. Furthermore, article 236 of the *UAE Civil Procedure Law* states “Foreign awards can be executed and implemented in the UAE under the same conditions provided in the issuing country” (ISRA 2012:764).

The Enforcement of Foreign Awards in the UAE

In terms of UAE court ordered arbitration and if looking to enforce an arbitration judgment in the UAE against UAE assets, the award issued by the arbitrators is converted into a judgment through an authentication procedure through the local courts. This needs to be done in order for the arbitration award to become equivalent to a court judgment and hence to be enforceable against the losing party’s assets. Execution of the arbitration award will go through the same process as that of execution of a judgment according to the *Civil Procedure Law* through the court Execution Department. The final order ratifying the arbitration award will be considered equal to a judgment delivered by the UAE court.

A judgment (including an arbitration award) or interim order of the Dubai Courts may be enforced in the DIFC Courts as according to the Summary of the 2009 Protocol of Jurisdiction Between the Dubai and the DIFC Courts. The award must be final and appropriate for enforcement and translated into English by a legal translator as well as ratified by the Dubai Courts Registry. The award must be submitted to the DIFC Courts with a letter from the Dubai Courts Registry to the Chief Justice of the DIFC Courts requesting enforcement of the judgment, award, or order and the applicable fees.

Table 2: Conventions Ratified by the UAE

Contact author for tables

This table contains treaties to which the UAE is a party, which may facilitate reciprocal enforcement of foreign judgments and awards. Grounds for challenge may be found in Article 216 of the *Civil Procedure Law*, Federal Law No. 11 of 1992 (“*Civil Procedure Law*”). It has been held in many cases such as *Cassation Petition 40 of 2004* that the validity of an arbitration award may only be challenged on the grounds, which are exclusively stated in Article 216 of the *Civil Procedure Law*. In addition, the rule that the court should not review or consider the substantive aspects of arbitration awards or their compliance with the law, has been confirmed by many judgments such as *Cassation Petition 88 of 2004* (2009: 386). Thus, an arbitration award may only be challenged in the UAE based on procedural issues, however, public policy may be considered at the enforcement stage (Nassif: 2009).

The Bechtel Case

In the 2004 case of *International Bechtel Co. Ltd. v. Department of Civil Aviation of the Government of Dubai* 300 F. Supp. 2d 112 (DDC. 2004), a USD\$25 million dollar arbitration award rendered in favor of the claimant (Bechtel) was set aside by the Dubai Court of Cassation on the grounds that the arbitrator had failed to swear witnesses in the manner prescribed by UAE law for court hearings (Anthony and Marrone: 2010). Bechtel simultaneously appealed to the Courts of France and the US District Court.

At first, in the US, Judge Robertson granted a motion to dismiss Bechtel’s petition, finding that, in the absence of a governing treaty regime, the *Federal Arbitration Act* could not be invoked to confirm and enforce an arbitral award that had been annulled under contractually selected foreign law. However, in *International Bechtel Co., Ltd. v. Dep’t of Civil Aviation of the Govt. of Dubai*, 360 F.Supp.2d 136 (D.D.C.2005), Bechtel obtained dismissal of the petition by the Department of Civil Aviation to set aside the award and obtained confirmation and enforcement of the arbitration award in Bechtel’s favour in the US Court that had previously been annulled by the Dubai Court of Cassation.

The Paris Court of Appeals also upheld the award in favor of Bechtel, setting aside the Dubai Court of Cassation’s decision and dismissing the petition of the Department of Civil Aviation to annul the award. The Paris Court of Appeals ruled that the arguments set forth by the Department of Civil Aviation were invalid. The Paris Court judged that the arbitral award did satisfy the requirement in Article 13(1)(c) of the mutual enforcement treaty concluded on 9 September 1991 between France and the UAE (the “*UAE-France*” treaty). The court explained that an arbitral award can be subject to appeal in a country and at the same time be recognized in France. The provision, which the Department of Civil Aviation was referring to dealt with judicial decisions. The Paris Court ruled that Article 13(1)(c) of the *UAE-France* treaty provides that a judicial decision can be recognized in France only once it can no longer be appealed in the UAE and is accordingly capable of enforcement in its country of origin. According to the Paris Court in this case, the parties were not required to wait for the decision of the Dubai Court of Cassation, as the Court was concerned with an arbitral award rather than a judicial decision, before applying to enforce the award in another country, specifically France. The Paris Court also judged that the enforcement of the award was not contrary to international public policy (Polkinghorn: 2008) and that the award was enforced in Bechtel’s favour by the Paris Court.

The Malaysian Adjudication Process

The Malaysian financial system is primarily regulated by the 1989 *Banking and Financial Institutions Act* 1989 (“BAFIA”), the Bank Negara Malaysia and the *Central Bank of Malaysia Act* 2009 “CBM Act 2009,” the Securities Commission and the *Securities Commission Act* 1993, the *Futures Industry Act* 1993, the *Securities Industry Act* 1983, the *Capital Markets and Services Act* 2007, the *Takaful Act*

1984, the Kuala Lumpur Stock Exchange (“KLSE”), and the Labuan Offshore Financial Services Authority (“LOFSA”). Islamic finance dispute resolution primarily occurs in the Malaysian civil law court, which utilizes the *Shari’ah* Advisory Council (“SAC”) and may also be referred to the Kuala Lumpur Regional Center for Arbitration (“KLRCA”).

Although Malaysia operates a dual court system, which includes the *Shari’ah* and civil courts, Aldohni (2011:203) explains that article 74(1) of the *Federal Constitution of Malaysia* states that finance, including banking, is still part of the *Federal List* (Ninth Schedule of the *Federal Constitution*, Item 7), which falls within the civil court jurisdiction. Aldohni (2011: 203) states that currently Islamic banking cases are adjudicated according to civil law in combination with the SAC. The *Shari’ah* Advisory Council (“SAC”) was established on 1 May 1997 as the highest *Shari’ah* authority in Malaysia (Jamal, Mohd, and Halili 2011:191). Therefore, in Malaysia, banks are subject to civil and English law, including case law and statute, which includes the *Islamic Banking Act* 1983 as well as the binding ruling of the SAC (Aldohni 2011: 204).

In Malaysia, an Islamic banking transaction must be valid under Islamic and civil law for it to be enforceable in the civil courts. According to Thani, Abdullah, and Hasan (2004), thus, a contract may be valid under Islamic law, yet it could fail in the civil courts for example, due to want of common law consideration, and therefore be unenforceable. The converse situation may occur as well (Thani, Abdullah, and Hasan 2004: 91). Therefore, in order to obtain successful dispute resolution in Malaysian courts, the Islamic banking documents or instruments must be drafted in accordance with Islamic and Malaysian civil law, as well as structured in such a way as to be enforceable in the civil courts (Thani, Abdullah, and Hasan 2004: 92). The ability of the civil court to resolve an Islamic banking dispute differs from one case to another, depending on the judge’s knowledge, the court, and other circumstances of the case including, but not limited to structure of the documents and/or instrument (Aldohni 2011: 204).

Oseni and Ahmad (2011:9) criticize the Malaysian judicial apparatus as inadequate and state that the only judge in the *Mu’amalat* Branch of the Commercial Division of the High Court in Kuala Lumpur experienced in Islamic finance is Dato Rohana Yusuf. In order to address this inadequacy, Professor Tan Sri Ahmad Ibrahim advocates for the setting up of a *Shari’ah* Bench in the Federal Court with provision for the appointment of some Muslim scholars skilled in Islamic law, perhaps based on the system of *Shari’ah* trained judges in the Indonesian Mahkamah Agung (Thani, Abdullah, and Hasan 2004: 94). Recommendation 5.10 of the Bank Negara Malaysia’s Financial Sector Master Plan proposes the establishment of a committee to establish a *Shari’ah* commercial court dedicated to deal with Islamic banking and *Takaful*. In the interim, an Islamic banking tribunal has been established, which may serve as the foundation for the *Shari’ah* commercial court. The use of the civil court in combination with the SAC remains controversial as the SAC is seen by many as a part of the ‘executive branch of the government (2011: 2006).’ Due to doubts about the independence of the SAC, the use of the SAC may face reluctance by the civil courts (Aldohni 2011: 206). The same issues may arise in the KLRCA as with SAC use in the civil courts including the lack of confidence in the independence of the SAC and unwillingness of the KLRCA to use the SAC. Colon (2011:422) explains that in the KLRCA, when a *Shari’ah* principle is in dispute, the arbitrator adjourns the proceedings and refers the issue to either the SAC of the Central Bank of Malaysia or a *Shari’ah* expert agreed upon by the parties (Rule 33). However, this venue is rarely used and may lack adequate staff and procedure to adjudicate Islamic finance disputes.

Malaysia’s arbitral legislation consists of the *Arbitration Act* 2005, which commenced from March 15, 2006. The *Arbitration Act* 2005 is applicable to all international and domestic arbitrations, regardless of the rules of the arbitral regimes selected (ISRA 2012:763). Unless otherwise agreed, challenges to international awards may only be made on the grounds set out in the act (Norton Rose: 2010). Malaysia is a signatory to the *New York Convention* subject to the reciprocity and commerciality reservations.

In terms of enforcing arbitration awards in Malaysia, upon application to the High Court, an award may be recognized and enforced in the same way as a judgment. The granting or refusal of leave to enforce may be appealed. The allowable grounds for refusing to recognize and enforce an award are those set out in the *New York Convention*. The Malaysian courts generally make no distinction for

enforcement purposes between domestic and international awards, where the international award is from a *New York Convention* country. There is no difficulty in enforcing foreign awards or in enforcing awards by foreign parties against a domestic party in Malaysia (Norton Rose: 2010). Oseni and Ahmad (2011:15) purport that a Malaysian court-annexed Med-Ex, a combination of mediation and expert determination attached to the *Muamalat* Bench of the Commercial Division of the High Court of Malaya utilizing the SAC, may be the best dispute resolution mechanism for Islamic finance. This is an innovative judicial structure for Malaysia, however, it would not satisfy the needs of the international Islamic finance community due to differing interpretations of *Shari'ah*, the unique Malaysian regulatory structure, and the inconsistency of the *Muamalat* bench. Although a quality decision may be obtained through using MMC mediators, experts, and the SAC, the Malaysian adjudication system may not be equipped to serve the international Islamic finance industry due to the uncertainty of legal decisions and outcomes and the resulting lack of confidence, which may be promoted amongst business investors. It may be better for the Islamic finance industry to obtain internationally recognized arbitration awards from a globally recognized arbitration center that is enforceable against assets in other *New York Convention* countries.

Why DWIFAC and DWIFACJO?

DWIFAC along with the DWIFAC Jurisprudence Office shall be the central command station for Islamic finance dispute resolution in the UAE, GCC, and the world, providing a standardized contract with built-in dispute resolution, a uniform Islamic banking law, an arbitration center, and a centralized *Shari'ah* authority in the form of the Supreme *Shari'ah* Council.

It is clear that state courts in common and civil law jurisdictions are inadequate to adjudicate Islamic finance disputes due to the lack of recognition of *Shari'ah* law, lack of independent *Shari'ah* advisory committees, and/or the inability of court staff to effectively apply Islamic finance and *Shari'ah* concepts in dispute resolution. In addition, the currently existing arbitration centers are insufficient to handle Islamic finance matters due to lack of properly trained staff; inadequate procedure and rules; misapplication and non-application of *Shari'ah* and preference for national law; legal uncertainty; and lack of popularity as a mode of dispute resolution. DWIFAC may offer the Islamic finance industry a globally recognized arbitration center complete with the DWIFAC jurisprudence office, which may issue a uniform Islamic banking law and a standardized DWIFAC dispute resolution contract, creating harmony, legal certainty, and investor confidence in and across the Islamic finance industry. The DWIFAC standardized dispute resolution contract contains a built-in dispute resolution mechanism, facilitating early dispute settlement and completion of contract. This contract may be attached to all Islamic finance contracts industry-wide, making DWIFAC the central dispute resolution authority for the industry.

DWIFACJO Uniform Banking Law

As it stands now, the UAE does not have an Islamic Banking law, however, it has a law allowing Islamic Banks to exist, *UAE Federal Law No. 6 of 1985 Regarding Islamic Banks, Financial Institutions, and Investment Companies*. There had previously been a proposed law for governing Islamic banks in 1985, but it had not been backed up by a decree and therefore, that is why the law is not in existence now. However, *Federal Law No. 6 of 1985* was promulgated to legalize Islamic banking in the UAE. Article 5 provides that a Supreme *Shari'ah* Council should be established and approved through a cabinet decision, but it never materialized. The Supreme *Shari'ah* Council would oversee Islamic banks, financial institutions, and investment companies and its' opinion would be binding. However, Article 6 was implemented, which requires that each Islamic firm establish its own *Shari'ah* Supervisory Authority ("SSA") consisting of three members, to be approved by the *Shari'ah* Supervisory Council (ISRA 2013:656) and inserted into the articles of association (ISRA 2013: 656). The SSA is obligated to apply *Shari'ah* to the company operations and contracts (Thani, Abdullah, Hasan 2004: 256).

DWIFACJO may take the opportunity to formulate and issue a Uniform Islamic Banking Law based upon the draft of the *UAE 1985 Islamic Banking Law, UAE Federal Law No. 6 of 1985 Regarding Islamic Banks, Financial Institutions and Investment Companies*, the *Law Regulating Islamic Financial Business DIFC Law No. 13 of 2004*, and *AAOIFI standards*. The new law may then be utilized as the substantive law in DWIFAC arbitrations and submitted to the UAE government for

approval and gazetting as this law would be necessary for the UAE in order to fulfil its mandate of becoming the capital of the Islamic economy. In addition, DWIFAC may establish a central *Shari'ah* Supervisory Authority or Supreme *Shari'ah* Council for the UAE, which may be utilized by all existing UAE dispute resolution bodies, including the Central Bank of the UAE, the Dubai Courts, and the DIFC/DFSA, which lacks such a board. The Supreme *Shari'ah* Council may fulfil its original purpose of approving the *Shari'ah* boards of all Islamic financial institutions in the UAE, including in the DIFC.

The DWIFAC Standardized Dispute Resolution Contract

I propose that DWIFACJO issue a standardized dispute resolution contract, which may be attached to the main contract. The DWIFACJO standardized dispute resolution contract may contain a similar built-in dispute resolution mechanism as the FIDIC contract containing three stages including (1) the Dispute Resolution Board (DAB), (2) amicable settlement, and (3) final referral to DWIFAC arbitration. Within thirty days of the occurrence of the subject-matter of a dispute, any party to the contract may submit a claim to the DAB, addressed to the chairman of the DAB and with a copy to all parties of the contract. However, if any of the parties to the contract considers that there are circumstances, which justify the late submission, she may submit the details to the DAB for a ruling. If the DAB considers that it, in all the circumstances, is fair and reasonable that the late submission be accepted, the DAB shall have the authority to override the relevant thirty day limit and if it so decides, it shall advise both the parties accordingly.

The DAB shall have sixty days to issue a binding ruling, which must be implemented immediately. If either party is not satisfied with the DAB ruling, either party can give notice of dissatisfaction to the other before the thirty days after the day on which she received the decision on or before the thirty days after the day on which the said period of sixty days expired. If there is no dissatisfaction within thirty days after the day on which she received the decision, the DAB's decision shall become final and binding upon both parties. The DAB's decision may then only be overturned by settlement or arbitration.

The DAB shall consist of three people who must be suitably qualified in law, Islamic finance, and *Shari'ah*. Each party shall nominate one member for the approval of the other party. The parties shall consult both these members and shall agree upon the third member, who shall be appointed to act as chairman. However, if a list of potential members is included in the contract, the members shall be selected from those on the list, other than anyone who is unable or unwilling to accept appointment to the DAB.

The agreement between the parties and either a sole member (adjudicator) or each of the three members shall incorporate by reference the General Conditions as written by DWIFACJO, with such amendments as agreed between them. The composition of the DAB shall be by nomination and then joint-selection. DAB members are to be re-numerated jointly by the parties with each paying half of any fees. DAB members may only be replaced by mutual agreement. The appointment of any member may be terminated by mutual agreement of both parties, but not by any party acting alone. Unless otherwise agreed by both parties, the appointment of the DAB shall expire when the discharge of the matter shall have become effective. Where the parties fail or are otherwise unable to agree upon the appointment, nomination or replacement of any member of the DAB, then the appointing official so named in the contract shall make the appointment.

DWIFAC may establish an Ambassador's List similar to the FIDIC President's List,²⁹ from which arbitrators and DAB members may be selected, if not specified in the contract. Persons who have successfully completed a DWIFAC Adjudication Assessment Workshop and International Arbitrator's Islamic Finance Contracts Course and applied for entry to the DWIFAC Ambassador's List of Approved Dispute Adjudicators are entered on the List for five years. Successful attendees at an Adjudication Assessment Workshop are required to be fluent in English and to be thoroughly familiar with Islamic finance, law, and *Shari'ah*.

²⁹ <http://fidic.org/node/805>

There may be situations where a party fails to comply with a DAB decision. In such cases, the other party may refer the failure to DWIFAC arbitration. Where notice of dissatisfaction has been given, both Parties shall attempt to settle the dispute amicably before the commencement of arbitration. However, unless both Parties agree otherwise, arbitration may be commenced on or after the fiftieth day after the day on which notice of dissatisfaction was given. The attempt to obtain an amicable settlement during this prescribed period of fifty days is a condition precedent to a referral to arbitration. There is no given time frame to refer a dispute to arbitration, however, it should be without undue delay. Once the arbitration procedure has been initiated, the arbitration shall commence according to the DWIFAC arbitration rules.

The arbitrator(s) shall have full power to open up, review, and revise any decision of the DAB relevant to the dispute. Neither party shall be limited in the proceedings before the arbitrator(s) to the evidence or arguments previously put before the DAB to obtain its decision or to the reasons for dissatisfaction given in its notice of dissatisfaction. Any decision of the DAB shall be admissible in evidence in the arbitration. Arbitration may be commenced prior to or after completion of the contract. The obligations of the Parties and the DAB shall not be altered by reason of any arbitration being conducted during the progress of the contract.

The arbitration shall be conducted in the English language and any arbitral decision shall be final and binding. All of the DWIFAC decisions (see Appendix B) are to be published in English, French, and Arabic and the arbitration itself to be conducted in English. In the event of a conflict of laws, the *Shari'ah* shall prevail. A valid arbitration decision should lead to a verdict that conforms to the rules of the *Shari'ah* (AAOIFI 2004:559). The *Shari'ah* and legal basis of the arbitration decision shall be mentioned in the decision (AAOIFI 2004:559).

In the context of DWIFAC, the center may make arrangements with the Dubai and DIFC courts for enforceability of DWIFAC arbitration awards. However, parties to the dispute must realize that the arbitration award issued by DWIFAC may be overturned or enforced in other jurisdictions (*International Bechtel Co. Ltd. v. Department of Civil Aviation of the Government of Dubai* 300 F. Supp. 2d 112 (DDC. 2004)) or challenged in UAE courts based on Article 216 of the *Civil Procedure Law*. *Shari'ah* Supreme Council decisions shall act as a source of precedent and shall be binding, thus providing legal certainty to Islamic finance dispute adjudication. The *Shari'ah* Supreme Council established by DWIFAC shall act as the highest *Shari'ah* authority for DWIFAC arbitration, the UAE, and the DIFC.

DWIFAC Relationships with Courts and Tribunals

A special component of the DWIFAC dispute resolution mechanism is the special relationship between DWIFAC, the Central Bank of the UAE, the Dubai Courts, the DIFC, DIFC-LCIA, and DIAC. The Central Bank of the UAE ("CBUAE") was formed in 1980 and is primarily responsible for overseeing banks in the UAE, except in the DIFC, where the regulatory authority is the Dubai Financial Services Authority or ("DFSA"). The DFSA is a *Shari'ah* Systems Regulator, requiring that any Islamic firm must have a *Shari'ah* Supervisory Board ("SSB"). The DFSA is unfortunately not itself a *Shari'ah* regulator and has not constituted its' own *Shari'ah* Board to oversee the regimes in Islamic firms (DFSA: 2010). Under the *Shari'ah* Systems Regulator requirements, the firm must have systems and controls to implement the SSB's rulings and must conduct annual *Shari'ah* reviews and audits and produce disclosures based on AAOIFI standards (DFSA: 2010). In general, most of the disclosures recommended by the IFSB are already mandated in the DFSA rules (DFSA: 2011) and the DFSA currently requires the use of AAOIFI standards for Islamic financial business (DFSA: 2011). In addition, the DFSA utilizes the IFSB standards in determining its capital adequacy regulations and there are also special rules for Islamic funds and for *Sukuk* (DFSA: 2010).

The DIFC has been actively promoting Islamic finance with the *Law Regulating Islamic Financial Business DIFC Law No. 13 of 2004*, the establishment of the Islamic Finance Advisory Council in 2005, the presence of the Islamic International Rating Agency ("IIRA") from 2006, and an MOU between the DFSA and the Securities Commission of Malaysia facilitating cross-border flows of Islamic Finance between the DIFC and Malaysia in 2006. There appears to be a substantial amount of Islamic finance business being conducted in the DIFC, under the regulation of the DFSA, however,

the DIFC lacks an adequate Islamic finance dispute resolution mechanism and centralized *Shari'ah* authority.

DWIFAC, which shall be funded by Sheikh Mohammed bin Rashid Al Maktoum (Arabic محمد بن راشد آل مكتوم), may act as the independent central dispute resolution authority and *Shari'ah* regulator connecting all of the adjudication apparatus's of Dubai, the UAE, and the DIFC into one consolidated framework for the adjudication of Islamic finance disputes with a centralized *Shari'ah* authority in the form of the *Shari'ah* Supreme Council. The decisions of the *Shari'ah* Supreme Council shall be binding and available to the public for review, thereby giving certainty to legal decisions and promoting confidence amongst investors. The DIFC, Dubai Courts, Central Bank of the UAE, and the IICRCA may refer arbitration to DWIFAC and/or utilize the DWIFAC Ambassador's List and facilities. In addition, DWIFAC may utilize the expert determination, mediation, and other services of the Dubai and DIFC Courts and the arbitrators of the IICRCA, DIFC-LCIA, DIAC, and the Central Bank of the UAE governance unit. DWIFAC awards may be enforceable in the Dubai and DIFC Courts through a special protocol.

Conclusion

It is not efficient for the Islamic finance industry to use domestic common and civil law litigation, which does not recognize *Shari'ah*, gives priority to secular national laws, or relies on a controversial *Shari'ah* Advisory Committee ("SAC") to adjudicate *Shari'ah* issues. It is clear that international arbitration is more beneficial than mediation and expert determination and the best alternative dispute resolution mechanism available for Islamic finance. However, it is also evident that none of the existing arbitration centers can provide an adequate mechanism for adjudication of disputes for the international Islamic finance industry. The DWIFAC arbitration center along with the DWIFAC jurisprudence office (DWIFACJO) provides the best solution of the dispute resolution conundrum of the Islamic finance industry, providing a globally recognized center for dispute resolution located in one of the world's major financial centers, which adjudicates disputes using arbitration incorporating *lex mercatoria* and *Shari'ah*, the DWIFACJO uniform banking law, the DWIFAC arbitration rules, and the procedural law of Dubai as well as uses highly qualified *Shari'ah* and Islamic finance/law arbitrators. DWIFAC may also organize and utilize the existing dispute resolution framework in Dubai, the DIFC, and the UAE, consolidating the centers into one hierarchical system, which includes the *Shari'ah* Supreme Council for the efficient adjudication and regulation of Islamic finance disputes. In addition, the DWIFACJO standardized dispute resolution contract contains a built-in dispute resolution mechanism, encouraging early dispute settlement and completion of contract. This new dispute resolution procedure may increase efficiency, reduce risk, improve capital adequacy ratios, and allow for Islamic banks to pursue *Shari'ah* banking in its true form. We should take this opportunity in the creation of the Dubai World Islamic Finance Arbitration Center (DWIFAC) and DWIFACJO to encourage practitioners in the Islamic finance industry, which promotes *Shari'ah* based rather than *Shari'ah* compliant products, and to pursue Holy Book Banking based on the concept of *Risalah*, recognizing the teaching of all of God's prophets.

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Abbreviations

| | |
|--------------|---|
| AAOIFI | Accounting and Auditing Organization for Islamic Financial Institutions |
| ADCCAC | Abu Dhabi Commercial Conciliation and Arbitration Center |
| BAFIA | <i>Banking and Financial Institutions Act 1989</i> (Malaysia) |
| BBA | <i>Bai Bithamin Ajil</i> |
| BCDR-AAA | The Islamic Financial Mediation and Arbitration Center |
| BDB | Blom Development Bank |
| BNM | Bank Negara Malaysia |
| CBUAE | Central Bank of the United Arab Emirates |
| CBM Act 2009 | <i>Central Bank of Malaysia Act 2009</i> |
| CRCICA | Cairo Regional Center for International Commercial Arbitration |
| DAB | Dispute Adjudication Board |
| DFSA | Dubai Financial Services Authority |
| DIAC | Dubai International Arbitration Center |
| DIFC | Dubai International Financial Center |
| DIFC-LCIA | Dubai International Financial Center- London Court of International Arbitration |
| DWIFAC | Dubai World Islamic Finance Arbitration Center |
| DWIFACJO | Dubai World Islamic Finance Arbitration Center Juriprudence Office |
| FIDIC | International Federation of Consulting Engineers |
| IDB | Islamic Development Bank |
| IFSB | International Financial Services Board |
| IICRCA | Islamic Center for Reconciliation and Arbitration |
| IIRA | Islamic International Ratings Agency |
| IMAC | International Islamic Mediation and Arbitration Center |
| ISRA | International <i>Shari'ah</i> Research Academy |
| KLRCA | Kuala Lumpur Regional Center for Arbitration |
| KLSE | Kuala Lumpur Stock Exchange |
| LOFSA | Labuan Offshore Financial Services Authority |
| PSA | Property Sale Agreement |
| QICCA | Qatar International Center for Commercial Arbitration |
| QFC | Qatar Financial Center |
| RCICAL | Regional Center for International Commercial Arbitration |
| SAC | <i>Shari'ah</i> Advisory Council |
| SIAC | Singapore International Arbitration Center |
| SSA | <i>Shari'ah</i> Supervisory Authority |
| SSB | <i>Shari'ah</i> Supervisory Board |
| TID | Investment Dar |
| TRAC | Tehran Regional Arbitration Center |

Exploring the Effects of Following Islam on Consumer Boycotts of Foreign Brands

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Abstract

Purpose- The objective of this study is to investigate the effects of religious motivation of Muslims in boycotting foreign product brands. The present study explores the effects of religious motivation on decisions by Muslims to boycott foreign brands and whether or not being intrinsically or extrinsically motivated people make a difference to their reasons for participating in such boycotts. A study by Allport and Ross (1967) has identified that intrinsically motivated people follow the rulings and teachings of their religion closely and use their religion to direct their decisions, while extrinsically motivated people use it more for status or solace. This study offers new insights into the motivations for Muslim customer boycotts that may enrich literature about such activity within Muslim societies.

Design/methodology/approach- This study employed both qualitative and quantitative approaches. In the qualitative approach, 20 individual interviews were conducted. In the quantitative approach, the study gathered data from a survey of students (n=202) and non-students (n=198) in order to evaluate how those two groups of customers have different reasons for their decisions to boycott foreign brands. Specifically a Multi-group Structural Equation Modelling (SEM) used to investigate the effects of religious motivation on ethnocentrism, health consciousness and peer-pressure in deciding to boycott the KFC brand and a variety of Chinese brands. The SEM technique is also useful to identify which variables have significant effects upon Muslim boycotts by both student and non-student groups.

Findings- The present study found that religious motivation has some effects on Muslim boycott of foreign brands even though the effect is not as strong as previously believed. No significant differences were found between the decisions of Muslims who were extrinsically motivated as compared with those who were intrinsically motivated to boycott KFC and/or Chinese brands. A significant difference between two groups was only found in terms of decisions relating to the boycott of Chinese brands. The extrinsic groups displayed more significant reasons to boycott the Chinese brands as compared to the intrinsic groups. No significant difference was found between the decisions of the two groups to boycott KFC.

Practical implications- Boycott activity by Muslim groups has been found to be very effective due to the tendency of Muslims to behave as a cohesive group. It is therefore important for marketers to be aware of the reasons for Muslim boycotts. Marketers do not necessarily need to associate the behaviour of Muslim customers with their religious motivation but in designing marketing strategies they do need to be aware of some non-religious reasons behind Muslim boycotts.

Limitations- This study focused on the boycott behaviours of Indonesian Muslim customers. They, of course, may have different values and norms as compared to Muslims in other countries. For the results of this study to be generalised it would be necessary to replicate this research in other Muslim countries.

Originality/value- The paper provides some new insights about the reasons for Muslim boycotts of foreign products by different groups of Muslims within Indonesia.

Keywords- Islam, Boycott, Muslim Consumer behaviour, Religiosity, Indonesia.

Paper type- Research paper

INTRODUCTION

Customers may act unexpectedly and some customer behaviours may be difficult to explain. Consumer boycotts represent one of these types of behaviour. Consumers have a strong position in the market as

they can have many alternatives for brands from which to choose. It is important therefore for the development of marketing strategies for particular products that customer motivations for brand boycotts be better understood. It is very clear that customer boycotts have been proven to impact seriously upon the finances of a targeted firm (Davidson III, Worrell, & El-Jelly, 1995; Pruitt & Friedman, 1986). Pruitt and Friedman (1986) claim that consumer boycott announcements caused huge decreases in the stock prices of targeted firms of more than \$120 million in just two months. A further study by Davidson III et al. (1995) also confirmed significant negative market reactions for some targeted firms following the announcement of boycotts of their products.

In addition to the importance of a study about consumer boycotts, Muslims boycotts merit special attention. This is because Muslim societies are widely believed to act as solid, cohesive groups (Mangundjaya, 2011). For example, prominent media attention was given to the fact that millions of Muslims had decided to boycott peacefully American brands as a statement of their offense at an anti-Islamic movie (the original title is “Innocent of Muslims”) made by an American citizen in 2012. Many Muslims encouraged others to join them in these boycotts in the name of their religion. Muslim boycotts were also a centre of attention following a drawing of Muslim Prophet Mohammad published in a Danish newspaper (Anderson, 2012). These events may tend to strengthen the notion that Muslims strongly identify themselves, based on their religion, to boycott collectively particular foreign brands. However, while both the film and the drawing acted as flashpoints for both of these boycotts, other reasons beyond religion which may have motivated decisions by Muslims to participate in them have not been investigated (Hoffmann & Müller, 2009).

Muslim people are important customers for marketers worldwide (Westerlund & Svanberg, 1999). This is because Islam has a significant numbers of followers in Muslim countries worldwide. Muslim followers also often migrate to other countries. For example, Westerlund and Svanberg (1999) describe a very large number of Muslims found in Southeast Asia that live together with other religions (Christian, Buddhist, Hindu, and Chinese religions). The number of Muslims is predicted to be about 1.8 billion by 2025, a quarter of the world’s population (Barret & Johnson, 2002). For that reason alone, decisions by Muslims to buy or not to buy some products is an important issue for marketers. The objective of this study is to investigate the effects of following Islam upon Muslims boycotts of selected foreign brands. This study has two major research questions. These are, first, what factors influence the decisions of Muslim customers to boycott KFC and Chinese brands? Secondly, does religious motivation have a significance influence upon such decisions?

THEORETICAL FRAMEWORK

The Definition of Boycott

Customer boycotts have a significant impact upon the company whose products have been boycotted (Friedman, 1999). Friedman (1991) has famously defined a customer boycott as “an attempt by one or more parties to achieve particular objectives by urging individual customers not to buy selected products”. This definition has been used frequently in most studies of customer boycotts. On the other hand Klein et al (2004) emphasize that a boycott occurs “when a number of people abstain from purchase of a product, at the same time, as a result of the same egregious act or behaviour, but not necessarily for the same reasons”. In both of these two definitions of boycott, there is a similar emphasis upon the fact that those

participating in a boycott have some specific objectives in their minds when they decide to take part.

Some Possible Reasons for Boycotts

In order to answer the question about what motivates Muslim customer to participate in boycotts, this study divides possible reasons into two groups, namely religious and non-religious reasons. While religious reasons for boycotts have been identified in some previous studies, there is little research into the non-religious reasons for Muslim customers to boycott particular brands.

Religion and Boycotts

In recent years, there has been an increasing number of studies identifying the role religion as an important factor in influencing the decision-making processes of its followers (Bailey & Sood, 1993; Mokhlis, 2009; Wilkes, Burnett, & Howell, 1986). Religion can be defined as a cohesive system that combines beliefs and practices in relation to sacred element(s) in human life (Delener, 1994). Allport and Ross (1967) report intrinsically motivated followers will act literally because they see religion as

the central guide for their lives, while extrinsically motivated followers tend to focus on using their religion for their current needs like solace, social standing and assistance. The religiosity scale has also been tested on Muslims (Essoo & Dibb, 2004; Ghorbani, Watson, Ghramaleki, Morris, & Hood, 2002; Muhamad, 2008).

Muslims use religion to guide them in making almost all decisions in their lives. In food consumption, for example, Islam has a set of regulations to determine whether a food can be consumed or not (Lada, Tanakinjal, & Amin, 2009). Food that is allowed to be consumed is labelled as Halal and Muslims who adhere to their religion will tend to consider the Halal factor as one of their main considerations when buying food (Lada et al., 2009). Studies also found that religion has a strong effect upon Muslim boycotts (Farah, 2011).

Non-religious Reasons

It is not certain what non-religious reasons may lead Muslims to boycott foreign brands. However, some previous studies provide some suggestions. Ethnocentrism, for example, may be helpful in identifying the tendency to boycott foreign brands. Myers (1990) defines ethnocentrism as “the perception of supremacy of one’s own group and a corresponding disdain for all other groups”. The concept of ethnocentrism was introduced some 80 years ago by Sumner (1906) from the discipline of Sociology. Shimp and Sharma (1987) give examples of ethnocentrism that may influence the decisions of, for example, American customers to buy their local products as opposed to foreign products. This concept is relevant to this present study because of the issue of globalization. While today people can easily choose to buy any product from any country in the world, some groups of people from some countries may decide to avoid buying anything from certain other countries because of their feelings of supremacy. Ethnocentrism may provide part of the explanation for current boycott activity by Muslims.

Another study has highlighted findings that Muslims want to act in a similar manner to their fellow Muslims (Al Hyari, Alnsour, Al-Weshah, and Haffar (2012)). The authors believe that being accepted within their community is a very important issue for Muslims. This view supports theories which categorize Muslim people as having a strong sense of collectivism (Mangundjaya, 2011). Peer pressure is therefore predicted to exert strong influence upon decisions by individual Muslims to participate in boycotts that are supported by other Muslims. They thus want to avoid any feeling of taking any action contrary to that of their fellow Muslims (Braunsberger & Buckler, 2011).

Health consciousness may also have a relationship with religiosity that contributes to boycott activity. For example, Islam has a concept of *Halalan toyyiba* regarding food consumption. This means that the food should be Halal and also *toyyib* (good for health or body) (Kamaruddin, Iberahim, & Shabudin, 2012). Furthermore, Bonne and Verbeke (2008) describe a group of Muslim customers that see hygiene and quality of food products as the most important factors in deciding to buy food items. Therefore, religiosity may impact upon a Muslim’s health consciousness and may result in a decision by that person to boycott what they perceive as unhealthy foreign brands.

Previous research has shown that the health-related motivation to prevent disease or improve health is regarded as the main reason for health behaviour in most theoretical models (Newsom, McFarland, Kaplan, Huguet, & Zani, 2005). Health consciousness can be defined as the degree of readiness to undertake healthy actions (Oude Ophuis, 1989; Schifferstein & Oude Ophuis, 1998). As such, health-conscious customers will be highly motivated to consume healthy food. There are several aspects that can be part of the considerations of such people in deciding to buy particular products. For example, these people may consider hygienic ingredients or processes in producing some products as important elements (Bonne & Verbeke, 2008). They will therefore avoid products that they think will have bad effects on their health. They may also warn other people not to consume brands they consider as unhealthy.

Health consciousness may lead to several possible customer responses. Health conscious customers may react negatively to products that are not supportive of their healthy lifestyle. They may also react negatively to products that are perceived as unsafe and bad for their health, even if such products are cheaper than other products in the market. Studies also describe the importance of product safety for customers in their buying decisions related to the country of origin of foreign brands (Becker, Benner,

& Glitsch, 2000; Ching, 1999). Thus, customer may boycott products from foreign countries that they believe are not healthy, hygienic or are unsafe for them.

METHODOLOGY

This study used both qualitative and quantitative approaches. In the qualitative approach, individual interviews were conducted to explore what Muslim customers think and experience in respect of their decisions to boycott foreign brands. It was, of course, important not to predetermine their opinions so that it would be possible to have a comprehensive explanation of their motives and their experiences with respect to such boycotts. Of 20 interviewees aged between 18 and 25, 8 were females and 12 were males. The sample included bachelor degree's students (8 interviewees), business people (7) and teachers (5), with ages ranging from 20 to 38 years. The interviewees were assured that their real names would be treated confidentially. They were thus free to answer the questions and to express their opinions openly. Each interview took approximately 45 minutes.

Questions asked of interviewees included:

1. What products have you boycotted?
2. What were your reasons for boycotting these products?
3. Will you suggest that your friends do the same?
4. Who influenced you to boycott these brands?
5. Do you think the boycott was effective?

In the quantitative approach data for the present study was obtained from a survey of students (n=202) and non-students (n=198). The survey sought to evaluate the different reasons of those two groups of customers for taking part in boycotts. A Multi-group Structural Equation Modelling (MSEM) was used to investigate the influence of religious motivation on ethnocentrism, health consciousness and peer-pressure in decisions to boycott KFC and Chinese brands. The Structural Equation Modelling technique is also useful to identify which variables have significant influence upon both the decisions of both Muslim student and non-student groups to take part in boycotts.

The Multi Group Structural Equation Modelling (MSEM) analysis was performed separately for both the student and non-student samples with respect to the boycott of KFC and Chinese brands using *Mplus version 7*. (For each sample and brand, the MSEM generated a model for the intrinsic and extrinsic groups simultaneously. A good fit between data from this study and the model suggests that the MSEM technique is feasible for a comparison between the intrinsic and extrinsic groups.

This study also made a comparison between the intrinsic and extrinsic groups to evaluate differences between the groups and to see whether the differences are significant. A difference is deemed significant if p value <0.05 and it is not significant if p value >0.05 (Hair, Black, Babin, & Anderson, 2010). If the result indicates that $p > 0.05$, it means the effect is equal (no significance difference) for both the intrinsically and extrinsically motivated people. If the result shows that $p < 0.05$, it means religious motivation (being extrinsic or intrinsic) has a significant effect in influencing Muslim boycotts.

RESULTS

There were a total of 202 Muslim students and 198 Muslim non-students (total n= 400) who participated in the survey. All of the participants were adults (18+) from Padang, Indonesia. The distribution of participants by boycott group is provided in Table 1 below.

Table 1. Distribution of Participants by Boycott Group

| | Gender | Number of Boycotters | |
|-------------|--------|----------------------|-----------------|
| | | KFC | Chinese brands |
| Student | Men | 24 participants | 29 participants |
| | Women | 19 participants | 26 participants |
| Non-student | Men | 19 participants | 26 participants |
| | Women | 17 participants | 49 participants |

| | | | |
|--------------|--|-----------------|------------------|
| TOTAL | | 79 participants | 130 participants |
|--------------|--|-----------------|------------------|

More than half of participants were categorized as boycotters. As can be seen from Table 1 a total of 209 out of 400 people answered that they boycotted either KFC or Chinese brands. The remaining 191 people indicated that they did not boycott either KFC or Chinese brands. Table 1 show the distribution of boycotters (209 people) based on their groups (men and women) and gender (men and women). Among the 209 people who responded that they boycotted foreign brands, more participants indicated that they boycotted Chinese brands (130 people) as compared to those who boycotted KFC (79 people). More women were boycott Chinese brands (49 women) as compared to KFC (17 women). Table 2 shows that, there were more intrinsically motivated people than extrinsically motivated people for both groups of students and non-students. In total, there were 218 people who were intrinsically motivated people and only 182 who were extrinsically motivated. Men were more intrinsically motivated than women. There were 118 intrinsic men but only 100 intrinsic women. The difference number between extrinsic and intrinsic people was significant for the male group, 118 of them were intrinsic and only 79 people were extrinsic. However, for total participants (ie males plus females), the proportion of people who were extrinsic (45.5%) was almost equal to those who were intrinsic (54.5%).

Table 2. Respondents' Religious Motivation by Group and Gender

| Respondents' Characteristics | Category | Religiosity | | Total |
|------------------------------|-------------|----------------|----------------|---------------|
| | | Extrinsic | Intrinsic | |
| Group | Student | 97 | 105 | 202 |
| | Non Student | 85 | 113 | 198 |
| | Total | 182 | 218 | 400 |
| Gender | Men | 79 | 118 | 197 |
| | Women | 103 | 100 | 203 |
| | Total | 182 (45.5%) | 218 (54.5%) | 400 (100%) |

The result indicates that boycotters are mostly intrinsic. Table 3 identifies those boycotting KFC and Chinese brands based on gender. It shows that from 79 people who boycotted KFC, the majority of them (52 people) were intrinsically motivated people. Table 3 also indicates that from 130 people who boycotted Chinese brands, the majority of them (70 people) were also intrinsically motivated people.

Table 3. Number of Boycotters of KFC and Chinese Brands based on their Religious Motivation

| Brand | Category | Religiosity | | Total |
|------------------------|----------|-------------|-----------|-------|
| | | Extrinsic | Intrinsic | |
| Boycott KFC | No | 155 | 166 | 321 |
| | Yes | 27 | 52 | 79 |
| | Total | 182 | 218 | 400 |
| Boycott Chinese brands | No | 122 | 148 | 270 |
| | Yes | 60 | 70 | 130 |

| | | | | |
|--|-------|----------------|----------------|---------------|
| | | | | |
| | Total | 182 (45.5%) | 218 (54.5%) | 400 (100%) |

The Effects of Religious Motivation on Muslim Boycotts of KFC

In general, the present study found that religiosity does not have as strong an influence upon boycott decisions as has been believed. It has more effects upon a group of non-students rather than upon students. Religious motivation only has some effects on peer pressure but not upon ethnocentrism and health consciousness in explaining Muslim boycotts of KFC and Chinese brands. The study also shows that the intrinsically motivated people have a stronger motivation to boycott KFC and Chinese brands as compared to extrinsically motivated people.

Because of the binary nature of the scale a chi-square test (χ^2) was used to test the differences between the extrinsically and intrinsically motivated Muslim groups. The results show that there is no significant difference between the extrinsically and intrinsically motivated people when they boycott KFC.

- Student Participants

While the results indicate that intrinsic students have a stronger motivation to boycott KFC than extrinsic students the difference between these two groups is not statistically significant ($p > 0.10$). The extrinsically motivated students boycotted KFC because of their experience of peer pressure ($t = 2.770$, $p < 0.01$, $\beta = 0.507$) while intrinsically motivated students also boycotted KFC because of their experience of peer pressure ($t = 2.200$, $p < 0.05$, $\beta = 0.316$). Intrinsic students experienced a stronger effect of peer pressure to boycott KFC as compared to extrinsic students (β intrinsic student (0.625) $>$ β extrinsic student (0.507)). However the chi-square test indicated that the difference between those two groups is not statistically significant ($\Delta\chi^2 = 1.681$, $p > 0.10$).

- Non-student Participants

The intrinsically motivated non-students are stronger in health consciousness (β intrinsic (0.648) $>$ β extrinsic (0.211)) as their reason to boycott the KFC brand. On the other hand, the extrinsically motivated non-students have a stronger peer pressure reason as compared to intrinsically motivated non-students (β extrinsic (0.992) $>$ β intrinsic (0.631)). However, the result indicated that the difference between those two groups is not statistically significant ($p > 0.05$). It means being extrinsic or intrinsic does not influence their experience of peer pressure. Both groups gave almost similar responses.

Table 4 Reasons to Boycott KFC : Investigation of The Effects of Religious Motivation

| REASONS TO BOYCOTT KFC | RESULT | | | | |
|------------------------|--------------|--|--|---|--|
| | Groups | Extrinsic | Intrinsic | Chi-square test (Difference between groups) | Comments |
| Ethnocentrism | Students | $t = 0.157$, $p = 0.876$, $\beta = 0.027$ (not significant) | $t = -0.043$, $p = 0.966$, $\beta = -0.007$ (not significant) | $\Delta\chi^2 = 1.020$ $df = 1$ $p = 0.3125$ (not significant) | Ethnocentrism does not have significant effects for both extrinsic and intrinsic groups. The difference between those two groups is not statistically significant. |
| | Non-students | $t = 3.092$, $p < 0.01$, $\beta = 0.745$ (significant) | $t = 1.540$, $p = 0.124$, $\beta = 0.235$; (not significant) | $\Delta\chi^2 = 3.315$, $df = 1$, $p = 0.0686$ (not significant) | Ethnocentrism has significant effects for extrinsic groups, but it does not have significant effects for intrinsic groups. The difference between those two groups is not statistically significant. |
| Health Consciousness | Students | $t = 1.885$, $p = 0.059$, $\beta = 0.455$ (not significant) | $t = 1.744$, $p = 0.081$, $\beta = 0.469$ (not significant) | $\Delta\chi^2 = 1.002$, $df = 1$, $p = 0.3169$ (not significant) | Health consciousness does not have significant effects for both extrinsic and intrinsic groups. The difference between those two groups is not statistically significant. |

| | | | | | |
|---------------|--------------|--|--|---|---|
| | Non-students | $t = 0.699$, $p = 0.485$, $\beta = 0.211$ (not significant) | $t = 3.678$, $p < 0.001$, $\beta = 0.648$; (significant) | $\Delta\chi^2 = 2.516$, $df = 1$, $p = 0.1127$ (not significant) | Health consciousness has significant effects for intrinsic groups, but it does not have significant effects for extrinsic groups. The difference between those two groups is not statistically significant. |
| Peer Pressure | Students | $t = 2.770$ $p < 0.01$ $\beta = 0.507$ (significant) | $t = 2.200$ $p < 0.05$ $\beta = 0.316$ (significant) | $\Delta\chi^2 = 1.681$ $df = 1$ $p = 0.1947$ (not significant) | Peer pressure has significant effects for both extrinsic and intrinsic groups. The difference between those two groups is not statistically significant. |
| | Non-students | $t = 3.662$ $p < 0.001$ $\beta = 0.992$ (significant) | $t = 3.855$ $p < 0.001$ $\beta = 0.631$ (significant) | $\Delta\chi^2 = 1.436$ $df = 1$ $p = 0.2307$ (not significant) | Peer pressure has significant effects for both extrinsic and intrinsic groups. The difference between those two groups is not statistically significant. |

The result of the survey was indeed in line with what most of the interviewees thought about boycotting. A female student (Putri, 19 years old), for example, described her opinion as follows:

“Most of my friends boycott American brands. They say that they do it to help other Muslims. They do it for Islam. Although I am not really sure of the effectiveness of boycotts, I do not want to argue with them. I do not want them to see me as someone who does not care about other Muslims. Therefore, I decide to follow their actions in boycotting American brands.”

Ayu (female, 20 years old), admitted that she boycotts American brands such as KFC because she wants to show her anger to America. She assumes that it is the way she helps the other Muslim countries. She said that she does not really care whether the boycott will be effective or not. She simply thought that she had to participate in the boycott as a Muslim. She also added that the fact that her friends also boycott some brands was a supporting factor that made her more committed to boycotting those brands.

It shows that in-group feeling is an important element in deciding whether or not to boycott foreign brands. The participant acknowledged that she wanted to be accepted by her group. To achieve this she wanted to behave in a manner similar to that of the other group members. As she follows her friends' suggestions, peer pressure is therefore a sufficient reason for her to boycott American brands.

The Effects of Religious Motivation on Muslims Boycotts Chinese Brands

The significant differences between extrinsically and intrinsically motivated people can be seen when they boycott Chinese brands. The extrinsic groups $t = 4.601$, $p < 0.001$, $\beta = 0.728$ demonstrated stronger reasons to boycott Chinese brands as compared to intrinsic groups ($\Delta\chi^2 = 7.489$, $df = 1$, $p < 0.01$).

- Student Participants

For students, the influential factor for extrinsic and intrinsic motivated people in explaining their boycott of Chinese brands was in terms of their ethnocentrism ($\Delta\chi^2 = 6.051$, $df = 1$, $p < 0.05$) and their experiences of peer pressure ($\Delta\chi^2 = 7.489$, $df = 1$, $p < 0.01$). There was a significant difference ($\Delta\chi^2 = 7.489$, $df = 1$, $p < 0.01$) between extrinsic and intrinsic groups in terms of their experience of peer pressure. It means being extrinsic or intrinsic makes them have a very different response to ethnocentrism and peer pressure. Only intrinsic students were influenced by ethnocentrism ($t = 4.302$, $p < 0.001$, $\beta = 0.544$) while extrinsic student did not consider ethnocentrism as an important factor in their decision to boycott ($p > 0.05$). On the other hand, only extrinsic students were influenced by peer pressure to take part in a boycott ($t = 4.601$, $p < 0.001$, $\beta = 0.728$) while intrinsic students did not see peer pressure as an influential reason for boycotting Chinese brands.

- Non-Student Participants

For non-students, the significant factors for either extrinsic or intrinsic motivated people to explain their boycott of Chinese brands can be seen in terms of their animosity ($\Delta\chi^2 = 30.279$, $df = 1$, $p < 0.001$), their ethnocentrism ($\Delta\chi^2 = 4.278$, $df = 1$, $p < 0.05$) and their awareness of boycott fatwas ($\Delta\chi^2 = 5.315$, $df = 1$, $p < 0.05$). In this group, intrinsic groups have a strong reason to boycott Chinese brands because of their health consciousness ($t = 3.688$, $p < 0.001$, $\beta = 0.683$) but, as can be seen from Table 5, the difference between groups is not significant ($p > 0.10$).

Table 5. Reasons to Boycott Chinese Brands : Investigation of the Effects of Religious Motivation

| REASONS TO BOYCOTT CHINESE BRANDS | RESULT | | | | |
|-----------------------------------|-------------|---|---|--|---|
| | | Extrinsic | Intrinsic | Chi-square test (Difference between groups) | Comments |
| Ethnocentrism | Student | $t = -0.143$, $p = 0.886$, $\beta = -0.030$, (not significant) | $t = 4.302$, $p < 0.001$, $\beta = 0.544$ (significant) | $\Delta\chi^2 = 6.051$, $df = 1$, $p < 0.05$ (significant) | Ethnocentrism has significant effects for intrinsic groups, but it does not have significant effects for extrinsic groups. The difference between those two groups is statistically significant. |
| | Non-student | $t = 2.523$, $p < 0.05$, $\beta = 0.359$ (significant) | $t = -0.668$, $p = 0.504$, $\beta = -0.121$ (not significant) | $\Delta\chi^2 = 4.278$, $df = 1$, $p < 0.05$ (significant) | Ethnocentrism has significant effects for extrinsic groups, but it does not have significant effects for intrinsic groups. The difference between those two groups is statistically significant. |
| Health Consciousness | Student | $t = 2.598$, $p < 0.01$, $\beta = 0.626$ (significant) | $t = 1.914$, $p = 0.056$, $\beta = 0.281$ (not significant) | $\Delta\chi^2 = 2.531$, $df = 1$, $p = 0.1116$ (not significant) | Health consciousness has significant effects for extrinsic groups, but it does not have significant effects for intrinsic groups. The difference between those two groups is not statistically significant. |
| | Non-student | $t = 1.124$, $p = 0.261$, $\beta = 0.237$ (not significant) | $t = 3.688$, $p < 0.001$, $\beta = 0.683$ (significant) | $\Delta\chi^2 = 2.347$, $df = 1$, $p = 0.1256$ (not significant) | Health consciousness has significant effects for intrinsic groups, but it does not have significant effects for extrinsic groups. The difference between those two groups is not statistically significant. |
| Peer -Pressure | Student | $t = 4.601$, $p < 0.001$, $\beta = 0.728$ (significant) | $t = 0.797$, $p = 0.425$, $\beta = 0.123$ (not significant) | $\Delta\chi^2 = 7.489$, $df = 1$, $p < 0.01$ (significant) | Peer pressure has significant effects for extrinsic groups, but it does not have significant effects for intrinsic groups. The difference between those two groups is not statistically significant. |
| | Non-Student | $t = 2.719$, $p < 0.01$, $\beta = 0.487$ (significant) | $t = 1.053$, $p = 0.292$, $\beta = 0.153$ (not significant) | $\Delta\chi^2 = 3.057$, $df = 1$, $p = 0.0804$ (not significant) | Peer pressure does not have significant effects for both extrinsic and intrinsic groups. The difference between those two groups is not statistically significant. |

In the qualitative phase of the study, interviewees provided deeper insights into these issues. Both student and non-student participants acknowledged that they boycott Chinese brands. However, they have slightly different reasons for doing so. Some students claimed that they boycott Chinese products because Chinese brands may reduce their image/prestige within their community. They said that Chinese products are perceived to be of low quality and because their friends' opinions are really important for them they do not want their friends to see them using this kind of product.

One of the participants (Yanti, female, student, 19 years old) expressed her opinion as follows:

"If I have to choose between Chinese products and some brands such as BlackBerry and iPhone, I will choose the non-Chinese products. They have better quality. I will be proud of being the owner of a BlackBerry or iPhone, but I will not feel the same way if I buy Chinese products. If I have Chinese products, I will hide them. I wouldn't want my friends to know about them."

Participants emphasized that they boycott Chinese brands because of pressure from their friends not to use these brands and that using such them might reduce their status in the eyes of their friends.

An interviewee, Aisyah (female, 25 years old, housewife) admitted that she boycotts some brands for other reasons such as health. For example, she avoids fast food because she believes that this kind of

food is not healthy. She also said that she and her family boycott some other brands, such as Chinese brands, that they believe to be unhealthy.

Some interviewees acknowledged ethnocentrism as the reason for them to boycott Chinese brands. They were concerned about the fact that Chinese brands were too prevalent in Indonesia. They showed high concern that Chinese brands may be therefore be detrimental to the continued existence of local brands produced, for example by Small and Medium Enterprises. They claimed therefore to boycott Chinese brands to save local brands.

DISCUSSIONS AND CONCLUSIONS

There have been an increasing number of studies claiming that religion has a significant influence upon the decision-making processes of its followers (Bailey & Sood, 1993; Mokhlis, 2009; Wilkes et al., 1986). These studies conclude, for example, that religion is still considered as important for people in this globalization era as it has been in the past. It is claimed too that some religious rules may also affect the choice of brands made by religious followers.

While some previous studies found that religiosity is the main reason for Muslims to participate in boycotts of foreign brands (Farah, 2011; Farah & Newman, 2010; Gulf News, 2000; Halevi, 2012; Knudsen, Aggarwal, & Maamoun, 2008), the present study has found that while religious motivation indeed has some effects on such boycotts, the effects are not as strong as previously believed.

By comparing two groups of intrinsically and extrinsically motivated Indonesian Muslims the only significant differences that can be observed between their motives for boycotting foreign brands can be seen in terms of their decisions to boycott Chinese brands. The extrinsic group has more significant reasons to boycott Chinese brands as compared to the intrinsic group. In total (n=400), a higher percentage of participants boycotted Chinese brands (32 percent) as compared to those that boycotted KFC (20 percent). This finding provides a new insight into literature on Muslim boycotts which have previously focused mainly upon boycotts of American products (eg. Farah, 2011, Halevi, 2012, Abd Razak et al, 2013). In particular it suggests that consumer boycotts may in part represent an effort by consumers to reduce the potential threat of Chinese brands to the continued existence of competing local brands.

Another important finding of the present study is that peer pressure has a significant influence in explaining boycotts by Indonesian Muslims of both KFC and Chinese brands. This finding is consistent with the suggestion by Mangundjaya (2011) that acceptance of the views of other group members is a critical issue for Muslim communities. This is also supported by previous studies that indicated peer 'influence' is related to how much individuals are influenced by their age-mates (Brechtwald & Prinstein, 2011). Other studies also explain that the "peer" may be either a group or an individual (Estrada & Vargas-Estrada, 2013). Both extrinsic and intrinsic groups in particular tended to care most about their friends' opinions of them whether or not they decided to boycott KFC and Chinese brands. This is, perhaps, because Indonesian Muslims feel really close to their community and family, and that therefore families and friends are important reference groups for them with respect to their decision-making. We may not know therefore whether or not Muslim customers really have an ideological motive for boycotting foreign brands or whether they are simply influenced by the opinions of their peers and merely want to conform and be accepted as part of their inner group.

IMPLICATIONS

One of the strong messages identified in this study is that social or peer pressure has become the main reason for Indonesian Muslim customers to boycott foreign products. This reason appears to be even more influential than religiosity. In terms of practicality, these findings indicate that marketers do not necessarily need to simply categorise Muslim customers with their religious motivations. In advertising, for example, marketers can be as creative as they can be in delivering their messages to Muslim customers. They could, for example, use a medical doctor who is also religious, to convince Muslims that a product is healthy and safe to be consumed. This strategy may be effective because health consciousness has been found to be an important factor in influencing Muslims to boycott a brand. However, it is worth noting that, as suggested by Peletz (2002), there is an increase in the numbers of people in Muslim society who regard themselves as Muslim first and foremost. For this reason, marketers may need to use Islamic symbols and/or product endorsements by non- controversial figures in Muslim society in their advertisements.

LIMITATION

This study simply focused on foreign brand boycotts by Indonesian Muslim customers that may have different values and norms from Muslims in other countries. It would be useful therefore to replicate this study amongst Muslim customers in other countries to explore their attitudes to brand boycotts. More specifically, future researchers could focus upon health consciousness, ethnocentrism and peer pressure as possible reasons for such boycotts in Muslim countries. Some other issues for possible research include the use of boycotts as a means to protect local brands against dominant foreign brands and participation in boycotts as involving individual as opposed to a collective decision. Such research would assist marketers designing marketing strategies targeted at Muslim customers.

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Abstract

The paper provides some fundamental observations on leadership from an Islamic perspective and the Islamic revealed knowledge. Questions on leadership moral consciousness and ethical blunders in decisions making of leaders are being raised more than ever before. However, Islamic leadership, as a critical source in terms of organizational successful performance, has been tested empirically as a construct in very few studies. In the level of organization, Islamic leaders are those who possess knowledge integrated to their profession along with a continuous and vertical relationship with God who is to be loved and worshiped.

An experimental investigation of Islamic leadership principles in Qatar's multifaceted market is reported. The study is the first to examine the interactions with a wide range Leadership Model, leader effectiveness, and organization's innovative practices.

The results indicated that Islamic leadership is positively and significantly associated with perception of leader effectiveness and innovation outcomes. In addition the findings reveal that Islamic leadership is positively correlated with transformational leadership, ethical and authentic leadership as well. Practical implications of these findings are discussed. Directions for future research are also suggested.

Introduction

In recent history, the philosophical model of Anglo-American capitalism, namely that of shareholder value has been the focus of criticism as local and regional economies have been harmfully impacted by its characteristics and nature (Lane, 2003; Clarke, 2009). Numerous lessons drawing from scandals, failures, debts crises, and subsequent recessions appear to be linked to unethical conduct among business and its leaders in all corners of the globe. As Boddy et al. (2010) indicated, dishonest, unprincipled leaders dares to deny responsibility for the crises, continue to hold on to their powerful positions, seeks selfish ends at the expense of other people's welfare, and pressures employees to fit in a hypocritical organizational environment, the public has increasingly lost its faith and trust in corporations and their executives. Therefore, the necessity for legislative and regulatory change within this system so as to include all stakeholders' interests and align business with morality, ethics and courage is pressing (Groves and LaRocca, 2011; Dubrin, 2012). This trend relates to an increasing focus on values in corporations, society and leadership (e.g. Fry, 2009; Heifetz, 1994; Roca, 2008; Kanter, 2010). Values are essential to the functioning of both individuals and organizations (Rokeach, 1979; Suddaby et al., 2010). Furthermore, most recent literature is beginning to look to spiritual and religious traditions (according to Fry, 2003; Marques, 2012; Mendenhall and Marsh, 2010; Phipps,

2012; Lenssen, 2010), not only for individual preservation but also in search of a new and higher perspective from which to engage in the global marketplace. Moreover, the evidences indicted that a combination of business ethics, and values could, according to (Kreikebaum, 1996; Donaldson, 2003; Hasan, 2009; Saeidi et al., 2011 Naor et al., 2008), hold the key to success and high performance in today's multinationals.

While a variety of risks associated with economic, social, political-legal, and industry uncertainties exist in most environments for enterprise, the need for contemporary managers to identify and respond to such influences on the business environment lies behind the increased interest in the process of good decision making (e.g. Gibson, 2008; Mele', 2010; Strait and Wallace, 2008). It is this course to combine relevant practical wisdom and moral will to fully manage the right thing and has the moral skill to recognise what the right thing is (Schwartz and Sharpe, 2010). "The right thing," bearing in minds the phronesis of Aristotle, is the ability to determine and undertake the best action in a specific situation to serve the common good (Nonaka and Toyama, 2007, p. 378). In fact, it is often mentioned by a wide range of studies, the increasing focus on values in corporations, society and leadership (e.g. Fry, 2009; Heifetz, 1994; Roca, 2008; Kanter, 2010). In this respect, Elkins and Keller(2003) and Yukul, (2002) call for flexible organizations with determined leaders who can serve as catalysts and powerful source of influencing employees' innovative behavior, which is an important means of survival in the face of the dynamic nature of competitive environments.

Drawing from literature review citations, Ciulla, (1995) takes this discussion for further explaining that leadership implicitly is referred to "good leadership". Based on this conceptualization, he outlines positive attributes and characteristics including character, honesty, integrity, altruism, trustworthiness, collective motivation, encouragement, and justice (Bass and Steidlmeier, 1999; Den Hartog et al., 1999; Palanski and Yammarino, 2007; Resick et al., 2006; Toor and Ogunlana, 2008). Arguing in a similar vein, Ladkin (2008) has pointed out that "leading beautifully, brings into play the ethical dimension of a leader's endeavour".

All of these coincidences offer perspectives that leadership and managerial decision making need to be communicated more frequently and emphatically exploring dimensions which are all part in the context of strategic thinking and reasoning, visioning and being able to take the long view, being able to effectively dialogue with others and engage them, and effective self-management. Within this line of thinking, the study aims to investigate how values from within Islamic aspects could be adopted to improve global corporate governance business practices. In this regard, for the purpose of investigation, the conceptual attributes of Islamic leadership as a positive form of leadership is developed and aligned to global sources of data as reputed constructs of the broad business understanding.

To the extent that leadership practices impact leaders' performance and innovation outcomes, this research enhances to that mutual conceptualizing and illuminates the intersection between them, when certain leadership value orientations are applied to other different cultural domains (Qatar). Through an examination of Islamic leadership traditions, the study contributes to the body of knowledge on leadership because there is comparatively more research in Islamic countries and from an Islamic point of view too.

This paper unfolds as follows: first, there is an overview of literature about Islamic leadership and values and, followed by the development of a hypothesis. Second, methodology (sample, procedure, and instruments) is discussed. Third, results and findings of the field study data are discussed in detail along with the discussion of the results in relation to the literature. Finally, the paper concludes with limitations and future research.

Literature review

Islamic Leadership

The discourse of Islamic leadership is rooted in a literature that captures social concern, moral commitment, and philosophical mode of thinking, all of which draw on Islamic textual sources. In view of Nicholas, (1994) Islamic approach incorporates business life to religious life form. Islam is a way of life. In this direction, Cournot, (1838/1995) puts forward a revolutionary Islamic assumption to business practices considering business environment as a co-evolving system while human ethics are linked to firm interactions. Similarly, Samir Abuznaid's (2006) capabilities approach along with

Naqvi's (1981) notion of business flourishing indicate that Islam offers an entire socio-economic system, in which ethics dominate economics. More importantly, Islam goes beyond the maximisation of profit for shareholders and stakeholders to that of serving God (Asad, 1993; Kasri, 2009; Qur'an, 23-60; Azami, 2005c; Al-Bukhari[4], No. 853). Another basic pillar of Islam is the pursuit of knowledge which is considered a religious task. As part of the goals of its message, Islam regards Knowledge that forms the foundation in the search of truth (haqq), spirituality, ethics and wisdom (Hilgendorf, 2003). Likewise, Fatoohi, (2009) and Khan et al (2012) assert that knowledge divorced from faith is only incomplete knowledge. From the Islamic perspective Knowledge without morals and values may be powerful but it is not a virtue (Sahadat, 1997).

Discussing the appropriateness of Islam as the right spiritual philosophical framework, Bagheri and Khoisravi, (2006) underscore that Qur'an, (2:170, 17:36 and 6:148) provides a focus on wisdom and guidance rather than the blind acceptance of tradition knowledge. In addition, they promoted the concept of wisdom with its three elements of logic, knowledge and emotional control as an important asset in Islamic view. By all means, leadership in the Arab world has its unique social and contextual environment. Therefore, there is need to be more emphasis on developing a better understanding of leadership by the side of Islamic spirit (Ahmad and Fontaine, 2011, Osman-Gani and Sarif, 2011). It is indeed a matter of increasing importance to be rethought the dominant leadership approaches from a spiritual intention, concentrating on the view that "good companies combine financial and social logic to build enduring success" (Kanter, 2011). In this light, Meyer and Kirby's, (2012) findings should be a major concern. They revolved around the believe that the failure inherent in the current capitalistic practice of management and leadership has stressed too much on return on equity as the core principle that regulates the betterment and competition for its own sake.

Rafik I. Beekun (2012) suggested a more virtue-centric and moral approach to leadership, explicating the Qur'anic emphasis on the role-modeling aspects of Muhammad character (khuluqin azeem). Thus, he promoted comparatively a useful alternative to the transactional, self-centered model and the value-neutral transformational approach. In his conceptual discussion provides the nature of practical wisdom and virtues to ensure behavioural ethicality based on the "qualities" of truthfulness and integrity, trustworthiness, justice, benevolence, humility, kindness and sabr (patience). On account of the increasing attention that is placed on performance and instrumentality of Islamic leadership, religious beliefs exert has been acknowledged a significant effect (Ali, 2005; D'Iribarne, 2007; Weir, 2008).

Muslim scholars Beekun and Badawi (1999) sketched and highlighted some of the salient principles of leadership from the organization point of view explaining that "leadership is the ability to see beyond assumed boundaries and come up with solutions or paths that few can visualize. This vision must then be projected for everyone to see. Therefore, a leader's vision should act like a magnet as it energizes, focuses, and directs the efforts of its followers. It is the process by which the leader seeks the voluntary participation of followers in an effort to reach organizational objectives". Within these general contexts of leadership and management, they addressed the same issue from the Islamic perspective. According to them, "the real focus of leadership is doing good deeds and working towards the establishment of Allah's ordained order, which is an ethical one. Then, a leader needs to act in accordance with the injunctions of Allah and the Prophet and develops a strong Islamic character". It should be noted here that discussing Islamic leadership is significantly different from the western perspective which is primarily based on a secular worldview and on material aspects. Leading through principles conducive in Islamic practice and Qur'anic doctrine, in contrast, entail instilling the ethical dispositions of work as worship, self-discipline, responsibility, and accountability to create an "efficient and viable enterprise." Nevertheless, developing Islamic concern is not a stance against the West, but a way of enhancing the transnational competitiveness of an economy.

Observant academics experienced in Islamic leadership came up with the formation of attributes and characteristics that pertain to "high leader" behaviour. Indeed, Branine and Pollard (2010, in Nuruddin (2011) provided a spectrum of requirements through elements and qualities that represent the sense of a perceived effective leader. They identified the inter-related concepts of: Intention (Niyya), Forever mindful of the Almighty God (Taqwa), Kindness and care while feeling the presence of God (Ihsan), Justice (Adl), Truthfulness (Sidq), Conscious of self-improvement (Itqan),

Sincerity and keeping promises (Ikhlas), Patience (Sabar). On similar lines, Nuruddin, (2011) notes that, Islamic leadership in its true sense, engage in acts and behaviours that promote knowledge integrated to equivalent profession along with continuous fear of God. Specifically, in his research explains that capable and qualified leaders possess spiritual awareness (slave of God) and rational awareness (vicegerent of God) which drive activities favoured by God by giving birth to soul and conviction. Concerning this, their religiously determined way of life nourishes fear (al-khasyyah) of God making proper use of the realities of life for their benefit and their heart feelings (Nuruddin, 2011).

Moreover, there was another development taking place. The strand of Islamic leadership “core values” requirements, was emboldened by Ahmad (2008, in Nuruddin (2011), conducting three categories of personal and organizational excellence. He suggested a combination of three instructive components, named taqwa (piety), akhlaq (moral), and itqan (quality) which include a set of characteristics that could be utilized as an entry point for appreciating a good and righteous leader.

Previous research

Carefully accounting for conversations about Islam settings and leadership means have been limited (Common,2011; Leung & Bond, 2004; Smith et al., 2006), despite the fact that attention has been improved with heightened involvement of Arab academics and practitioners (Mellahi and Budhwar, 2006; Smith, Achoui, & Harb, 2006). Some notable reviews about the role of Islam on leadership have been contributed by Khaliq Ahmad (2009), Samir Abuznaid (2006), Rafik I. Beekun (2012), Hala A. Sabri (2012) and Dahlena Sari Marbun (2013). Most of the studies have been directed towards understanding durable leadership approaches in Islamic descriptive terms (see, for example, Khaliq Ahmad, 2009; Dahlena Sari Marbun,2013; Wafa El Garah etc,2012). Some studies have also focused on Islamic leadership from a religious point of view (see Rafik I. Beekun, 2012; Ouarda Dsouli etc; Khadija Al Arkoubi, 2013).

Some leadership theorists have addressed the issue of Islamic contributions in relation to the organizational environment and performance (Wahibur Rokhman,2010;Naim Nusair etc,2011). There has been attention on decision making in islamic background (Driss Boussif,2010;C. Zehir, M. Özsahin,2008;Jamil M.,2011). However, empirical studies which examine the disparity between Islamic prescriptions and modern leadership sets have been explored in an attempt to better target applicable leadership skills to the MENA region (Abdallah & al-Homoud, 2001; Common, 2011, p. 221; Sarayrah, 2004;Nahavandi, 2009, pp. 33–59; Khaliq Ahmad etc,2011).

Despite the recognition of potential insufficiencies of Western leadership models when being applied to non-Western countries (Smith et al., 2006), the leadership from an authentic Islamic understanding has not received as much attention in mainstream research agendas. This lack of attention is all the more surprising since movements that link religious practice to productivity and profit have been documented (Pazderic 2004, Bornstein 2005; Cahn 2008; Schulz 2006; Maurer 2005, 2006, Coleman 2000; Jackson 1999; Wiegele,2005). Further, few scholarly accounts have treated the economic fruitfulness and Islamic leadership within the same conceptual frame. Perhaps because Islamic leadership is seen as being too elusive a concept, delineating an abstract doctrine without enacting actual practices constitutive of the Islam tradition.

However, a body of research demonstrated and tested an intensified integration of Islamic practices in leadership empirical evidence. Adnan(2006) established a measure of islamic leadership comprising 10 dimensions- namely, conviction (yaqin), mutual consultation (shura), knowledge (ma’refah), justice (’adl),self-sacrifice (tadhyah), humility, eloquence (fasah), patience (sabr), leniency (lin), and enterprise (iqdam). In the work of Khaliq (2007a, b) was used a tool with three four scales : patience (Sabr), eloquence (Fasah), enterprise (Iqdam) and leniency (Lin). Another way of defining validated constructs of Islamic leadership perception was Lukman’s study (1995). He blended together various views of Islamic principles and proposed that leadership depends upon the awareness used by the self to relate successfully to the sovereignty (Al-Siyadah), mutual consultation (Al-shura), justice (Al-’Adalah), equality (Al-Musawat), freedom (Al-Hurriyyah) and enjoining the right and forbidding the evil. He provided them as the new territory for the further development in setting up an Islamic organization.

Is Islamic leadership perceivable?

Interestingly, one review of historical leadership patterns identifies engaged and inclusive leadership models, which are significantly related to top management team effectiveness, employees' satisfaction with the job, their willingness to extra effort into the work and employees' optimism about their future. Concepts addressed include servant leadership, ethical leadership, authentic leadership, transformational leadership, spiritual leadership. Since the underlying philosophy of Islam is on optimally calling for a complete respect of human dignity, and the validity of any act is judged in terms of its benefit to society, Islamic leadership can be supposed an important insight to practical wisdom in survival and growth of organizations. With the increasing importance of spirituality and religion opening favourable horizons for the business world (Rosile 2000 ; Boje, 2000 ; Ouimet, 2003; Strack et al. 2002; Fernando and Jackson, 2006), it's worth to stress on their inextricably relation and tangling with Islam. Ultimately, developing Islamic practice is premised on the notion that inculcating ethics of work as worship, self-discipline, responsibility, and accountability fosters affluence and salvation (Coleman 2000; Jackson 1999; Wiegele, 2005). Central to achieving this success is the concern into a site of individual management, defining work as a form of spiritual practice, and instilling ethics of individual accountability and personal responsibility.

The challenging point is the fact that religion in the Western societies is a private matter that should not invade the public arena (Gillian 1999), while Islam is a way of life. It is a holistic socioeconomic system where ethics and morals come first and regulates both the spiritual and the materialistic matters of people. This philosophic association between spirituality and religion in Islam align with the tight coupling of integral thinking, consistency of character, relational awareness, and self-critic shapes ethical behavior and responsible leadership. Accordingly, then, in seeking to meet these above positive aspects to coexist in various leadership models is rather unusual.

A number of authors have commented on the parallels as well as lines of distinctions across various beneficial forms of leadership (see Avolio and Gardner, 2005; Brown and Trevino, 2006; Luthans and Avolio, 2003; Walumbwa et al., 2008). With reference to ethical leadership insights, it centres on internalized moral perspective, moral person, moral manager, and idealized influence (see Brown and Trevino, 2006; Walumbwa et al., 2008). Spiritual leadership is built around concern for others, integrity, role modelling, altruism, and hope/faith (see Fry, 2003). Servant leadership draws on the leader's self-awareness, authentic behavior, a spirit of cooperation, trust, mutual caring, a commitment to team, conceptual skills, empowering, behaving ethically, creating value for the community, serving subordinates' needs and working toward the interests of the organization as a whole (Avolio and Gardner, 2005; Liden et al., 2007). Authentic leadership is more concerned with an internalized ethical and moral structure within the individual, actualizing the leader's depth of self, building trust with the followers through relational transparency, and balanced processing (see Northouse, 2013, p. 266; George et al., 2007; Walumbwa et al., 2008).

Finally, transformational leadership is encapsulated in idealized influence, intellectual stimulation, inspirational motivation, and individualized consideration (Avolio and Bass, 2004; Jung et al., 2008). Other dimensions of transformational leadership include leader's self-awareness, internalized moral perspective, and moral person (Walumbwa et al., 2008).

Hypothesis

Guided by the background knowledge provided in the paper, the emerged research hypotheses are described as follows :

1. Islamic leadership will be positively related in association with transformational leadership .
2. Islamic leadership will be positively related to ethical leadership.
3. Islamic leadership will be negatively related to transactional leadership and laissez-faire leadership.
4. Islamic leadership is positively related to authentic leadership .
5. There is a positive relationship between Islamic leadership and leaders' effectiveness.
6. There is a positive relationship between Islamic leadership and innovation performance.

Method

Sample and Procedures

The research was conducted in the state of Qatar, the world's fastest growing Muslim country (IMF, 2012), and one of the most highly regarded Gulf States, in part because of its immense natural gas reserves (the third largest in the world) but also, because of its recent strategy of branding

initiatives. Additionally, the historical background, trade, political interaction, tribalism, government system, rich social customs and variety of population ethnicity, all have shaped Qatari society with strong links to the past, a very active present and an ambitious future. In turn, all these elements have created the uniqueness of Qatar Islamic society. This strong connection to the tribal and social understanding becomes critical not only to the process of daily life, but also affects managerial and organizations' performance.

The study used self-administered questionnaire as the data collection technique, that was distributed to a randomly selected sample of 300 members (companies) of the Qatar Chamber (QC) via e-mail. The sample qualifying procedure for further analysis, was justified by the fact that overall, 95 respondents returned the questionnaire, yielding a relative restricted but acceptable total 31,6 per cent response rate. According to Baruch and Holtom's analysis (2008), "it is clear that studies conducted at the structural level seeking responses from organizational representatives or top executives are likely to experience a lower response rate". The respondents had regular jobs and they rated their immediate managers. Since English is the second official language in the State of Qatar, and the percentage of English-speaking business people is also very high, it was ensured that the wording and format of the questions were clear, precise, and did not confuse the reader. Directing the interest to carry out a full scale study to provide a generalized picture of the Qatar economy, attention was focused on companies that were identified in the literature as recognizing to traditionally strong or rapid growth business sectors (private & public). These include: oil & gas well drilling, construction, manufacturing, services, insurance and real estate, wholesale, retail trade, and 'others' (hospitals, air transportation, trucking, software, telecommunications, banking). In order to minimize self-report bias in the data, we have informed the respondents that their names and the organizations' name are not needed for the survey.

The gender composition of the respondent sample was 73 males. Other personal characteristics of responding managers indicate that 39,4 per cent are above the age of 30; around 42 per cent hold a higher educational degree, and 35 per cent have a considerable working experience with the same manager in the company (3 years or more). The organizational contingencies of the sample show that more than half of the respondents (52 per cent) held professional/technical jobs, 38 per cent held first-level management positions (team leader, supervisor, or section head), 44 percent held middle-management positions, and 18 percent were upper-level managers.

The highest number of managers (48,2 per cent) were specialized in the "other" sector (construction, communication, oil, travel/tourism). In terms of organizational size, based on the number of employees, 48% of the respondents represent firms with 300 employees or less, with around 32% of them representing firms with less than 100 employees.

Measures

The Portrait Value Questionnaire (PVG) recommended by Schwartz (1994b) was used to measure ten basic motivational values and beliefs of the Qatari people. This scale includes short portraits of forty items, originally developed by England (1967). Each portrait describes a person's goals, aspirations or wishes to indicate what is, or is not, important to him or her as values. The relative theory "The Universal Values Structure theory" recognised that individuals and society values are the guiding elements for life, namely: power, achievement, stimulation, self-direction, universalism, benevolence, tradition, conformity and security. The PVG scale has been widely used in empirical studies (Roccas et al., 2002; Ralston et al. 1995a). Sample items included "It's very important to help people around you. You want to care for their wellbeing" and "Being very successful is important. You like to impress". These items were rated on a six-point Likert scale that was labelled: "Very much like me", "Like me", "Somewhat like me", "A little like me", "Not like me", and "Not like me at all". The Cronbach's alpha of this scale was 0.96.

Ethical leadership was measured with a ten-item version of the Ethical Leadership Questionnaire (ELQ) recommended by Yukl et al. (2012). The ELQ items capture different aspects of ethical leadership and contain both traits and behaviors including 5 dimensions: honesty, integrity, accountability, consistency of actions with values, and providing ethical guidance. A six-point Likert-style response format is employed ranging from 1 (strongly disagree) to 6 (strongly agree). Sample items included: "Holds members accountable for using ethical practices in their work";

“Communicates clear ethical standards for members”; and “Insists on doing what is fair and ethical even when it is not easy”. This scale had a coefficient alpha of 0.90.

In order to seek ratings of managers on authentic leadership, Avolio et al. 's (2007) ALQ was used. The 16-item Authentic Leadership Questionnaire (ALQ) comprises four dimensions (self-awareness, relational transparency, internalized moral perspective, and balanced processing), Each with four items describes leader's behaviour and has a frequency response format. Sample items included “my leader admits mistakes when they are made,” and “my leader demonstrates beliefs that are consistent with actions.” Each item has a 5-point Likert type response format, ranging from 0 (not at all) to 4 (frequently, if not always). Analysis generated a satisfactory value (0.90) of Cronbach alpha.

For Transformational leadership the scale Includes 20 items that measure peers' and subordinates' perceptions towards the practice of five transformational leadership dimensions (idealized behaviors with 4 items, idealized attributes with 4 items, inspirational motivation with 4 items, intellectual stimulation with 4 items, individualized consideration with 4 items).The twenty developed items in this variable are relied mainly on Avolio et al. (1999) and Sally (2006) work. Rating was completed on a five-point Likert scale with 1 representing “strongly disagree” and 5 representing “strongly agree.” Sample items of transformational leadership behaviour included “My manager talks optimistically about the future,” “My manager encourages subordinates to re-think their ideas,” and “My manager values employees' contributions”. The estimated internal reliability coefficient for the scale was assigned a score a =0.91.

To measure procedural innovation climate, this study asked employees to rate their individual perceptions toward of the practice of innovation in their work unit. This scale was measured by using 22 items adapted from the reliable questionnaire developed by Scott and Bruce (1994). Regarding the practicing innovation variable, sample items included “Our ability to function creatively is respected by the leadership,” and “People around here are expected to deal with problems in different ways”. Each item has a five-point Likert type response format with 1 representing “strongly disagree” and 5 representing “strongly agree.” Coefficient (a) for this scale was .90.

Leader effectiveness was measured with two items from relevant subscales in the Managerial Practices Survey (MPS) developed by Yukl and colleagues (Kim and Yukl, 1995; Yukl et al., 2002). These items have been used successfully in several earlier studies (Mahsud et al., 2010; Yukl et al., 2012). The first item asked subordinates to rate the overall effectiveness of their manager in carrying out his/her job responsibilities which include supporting, recognizing, developing, consulting, and delegating (empowering).That item employed a nine-point response format (1= the least effective manager I have known; 9 = the most effective manager I have known). The second item asked subordinates to assess their manager's work unit performance relative to past performance (1 = Increased a lot and 7 = Decreased a lot) and comparing it with similar work units (1 = Much better and 7 = Much worse). The scores for each item were standardized before measuring a composite score on the leader effectiveness.

Preliminary Analysis

Table 1 presents the descriptive statistics, bivariate correlations, and internal consistency reliabilities for all six measures included in the study. To verify the convergent and discriminant validity of the six research measures, confirmatory factor analysis (CFA) was performed . Given the measurement items, the CFA revealed that all scale items had statistically significant factor loadings ($p < 0.01$) for their respective latent constructs (λ values ranged from 0.62 to 0.97; only three items had λ values below 0.70).

In the line with Kline's (2005) suggestions, we relied on multiple indices to assess the fit of the measurement model. Kline (2005) suggested that a satisfactory model fit can be inferred when the χ^2/df ratio is below 3.00 and values for the comparative fit index (CFI) and incremental fit index (IFI) are above 0.90 and the value for the standardized root mean square residual (SMSR) is below 0.10. In addition to these fit indexes, the root mean square error of approximation (RMSEA; Browne and Cudeck, 1992) assessed model lack of fit. For the RMSEA, values of 0.05 or less indicate close fit, values between 0.05 and 0.08 indicate reasonable fit, and values between 0.08 and 0.10 indicate marginal fit (Browne and Cudeck, 1992). The values obtained for the CFI, IFI and RMSEA from the CFA results were 0.93, 0.93, and 0.07, respectively. Additionally, the value for the χ^2/df ratio was 1.96.

These results suggested that the measurement model had a satisfactory fit to the data. Furthermore, we compared the fit of the measurement model with alternative one-factor and four-factor models. The one-factor model fitted the data significantly worse than the proposed five-factor model ($\Delta\chi^2=1,417.30$ (9), $p < 0.01$, CFI = 0.67, IFI = 0.70, and RMSEA= 0.12). The five-factor model also fitted the data significantly better than an alternative four-factor model in which the correlation between Islamic and transformational leadership was set equal to one ($\Delta\chi^2=455.50$ (4), $p < 0.05$, CFI=0.88, TLI= 0.88, and RMSEA= 0.10).

Table 1. Means, standard deviations, and correlation coefficients

| Measures | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 |
|--------------------------------|------|------|--------|--------|--------|--------|--------|--------|
| 1. Islamic leadership | 3.95 | 0.89 | (0.96) | | | | | |
| 2. Transformational leadership | 4.88 | 1.01 | 0.63* | (0.91) | | | | |
| 3. Ethical leadership | 3.52 | 0.91 | 0.52* | 0.65* | (0.90) | | | |
| 4. Authentic leadership | 3.04 | 0.64 | 0.55* | 0.41* | 0.56* | (0.90) | | |
| 5. Innovation | 3.62 | 0.76 | 0.67* | 0.67* | 0.51* | 0.63* | (0.90) | |
| 6. Leader effectiveness | 4.16 | 1.17 | 0.34* | 0.48* | 0.64* | 0.67* | 0.67* | (0.96) |

Notes: n=95; Cronbach's α values for the measures are shown in parentheses along the diagonal; * $p < .05$

Hypothesis Testing:

Structural equation modelling (SEM) was performed to test the hypothesized relationships between Islamic, transformational, ethical and authentic leadership, innovation and leader effectiveness. The SEM results specified that the hypothesized structural model (i.e. full mediation model) provided a satisfactory fit to the data ($\chi^2/df = 2.0$, RMSEA = 0.07, CFI= 0.92, and IFI= 0.92).

The SEM results are shown in Figure 1 in the form of a path model which depicts the statistically significant path coefficients between the relevant variables. Specifically, transformational leadership ($\beta = 0.43$, $p < 0.05$), ethical leadership ($\beta = 0.52$, $p < 0.05$) and authentic leadership ($\beta = 0.51$, $p < 0.05$) had significant positive associations with Islamic leadership ($R^2 = 0.56$) while Islamic leadership was found to have significant positive linkages with innovation ($\beta = 0.55$, $p < 0.05$) and perceived leader effectiveness ($\beta = 0.63$, $p < 0.05$).

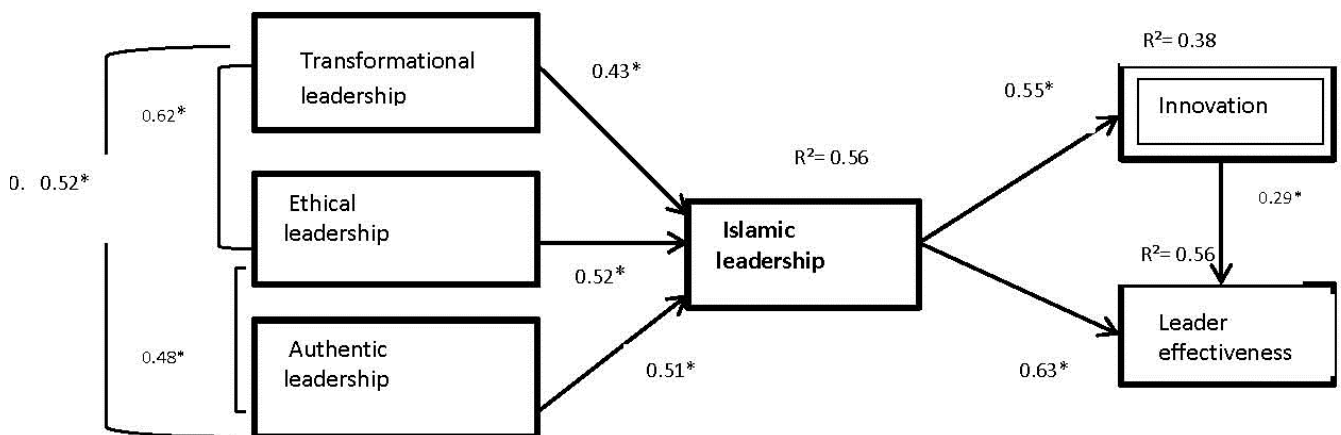


Figure 1:
Partial mediation model

Discussion

The results of the analyses provide support for hypotheses stated earlier. As predicted, Islamic leadership is positively related to transformational, ethical and authentic leadership. The fact support the option that Islamic practise may can contribute to the contemporary management literature, highlighting the point that Islamic piety is an ethic of personal responsibility that is instilled by the

individual accountability to God(Rose (1999).Thus, compared with the other tested leadership practices, Islamic leadership might be more substantial for drawing upon and promoting both positive psychological dimensions and a positive ethical climate, because of spirituality into a site of individual management,defining work as a form of spiritual practice, and instilling ethics of individual accountability and personal responsibility for this worldly success and other worldly salvation.

A reasonable question is whether there is difference between the western ethic described by Weber (2000) and Islamic ethic. For Weber, the ethical orientation that emerged from the revisions made by theologians is conducive to an clearly rationalized, capitalist way of life in a contingent unintentional way. In contrast, the Islamic ethic involves the intensification of Islamic practice to enhance Islamic piety and transform economic behaviour.

Interestingly, the findings are consistent with the notion that leaders using the Islamic beliefs can stimulate and encourage innovation among their followers and facilitate their effectiveness. With a more extensive view, we argue that the impact of Islamic leadership is reflected in motivation, empowerment, morality, and organizational commitment which in turn influence innovation and performance positively. Importantly, this may capture employees' emotional attachment to, identification with, and involvement in their organization (Meyer and Allen, 1991; Porter et al., 1974).

This discussion opens up the debate for consideration of the noticeable change that Islamic leadership can achieve regarding to the community of interests of both leaders and followers. It is likely that Islamic leadership placed in a strong ethical, moral and spiritual/religious context, will enable leaders to improve the organizational status quo. While businesses are aware of the importance of ethical stands and religious beliefs, how to protect organizations and society from harm, leaders' authenticity is a challenging issue (Boddy et al. 2010;Walumbwa et al. 2008) .Given that the theory and study of Islamic leadership is still emerging, Dar. Rudnycky (2009) asserts that researchers examine the effect of Islamic spiritual as a form of religious worship at entrepreneurial activities to identify economic productivity(Schulz 2006; Wise 2003)

The research obtained results indicate that Islamic leadership has a positive correlation with leader effectiveness. Thus, the findings suggest that managers in public and private organizations can use the content of the scales to measure Islamic practice to perform effectively. In the same vein, previous empirical research has confirmed that ethical and authentic leader behaviors are each positively related to leader effectiveness (Brown et al., 2005; De Hoogh and Den Hartog, 2008; Kalshoven et al., 2011; Kim and Yukl, 1995).

Limitations and future research

The first limitation of this study is that the research focused on a limited number of outcomes (leader effectiveness, innovation behaviour).Future works can focus on how ethical leadership is associated with OCB, OC, employees' satisfaction and willingness to extra effort. Another limitation of this study is the sample size. Despite efforts, only 95raters returned the completed questionnaires. Finally, in the study, analysis doesn't consider the possible mediating role of Islamic leadership in the relationship between employee outcomes and organizational culture.

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Abstract

The appearance of regional autonomy policy and decentralization in education aims to provide opportunities to educational participants to obtain skills, knowledge, and attitude which are useful to society. Madrasah could respond to sudden change in curriculum as it does not exactly follow the national curriculum. As an educational institution born out of societal needs, madrasah integration in society is easier, as society participates more in madrasah operation. The involvement of society is not only limited based to parents involvement, but also the wider societal involvement. As in accordance with the spirit of decentralization which takes in aspiration and participation of society, the involvement of society at large is needed to develop and improve madrasah educational quality. Using conceptual approach, this paper aims to chart a way forward for madrasah to prosper in today's age of regional autonomy, providing a marketing perspective.

Keywords: madrasah, marketing strategy, regional autonomy, decentralization

Introduction

Madrasah could be deemed a new phenomenon among Islamic educational institutions in Indonesia. Its teaching and learning has not yet been standardised from one region to another, especially regarding curriculum and lesson plans. Effort to unite and standardise the madrasah system has only been tried since the 1950s after Indonesia obtained its independence. In its development madrasah is divided into levels; Ibtidaiyah, Tsanawiyah and Aliyah. Madrasah is younger than pesantren. The first madrasah was the Madrasah Manba'ul Ulum of the Surakarta Kingdom in 1905 and the Adabiyah School founded by Syekh Abdullah Ahmad in West Sumatra in 1909 (Malik Fadjar, 1998). Madrasah was founded to realize the renewal of Islamic educational system by some concerned Muslim scholars. The renewal, according to Karl Sternbrink (1986), consists of three things:

- The effort to perfect the pesantren educational system.
- Adjustment with Western education system, and
- The effort to bridge the traditional educational system with Western educational system.

Madrasah as an Islamic educational institution is now placed as a school under the national education system. The signing of Joint Decision Letter (*Surat Keputusan Bersama - SKB*) of three ministers (Religious Affairs, Education and Culture, and Interior) indicated that the position of madrasah is strong enough to equal the position of school. In addition the SKB was also deemed as a positive step to increase the quality of madrasah from the aspects of status, degree value and curriculum (Malik Fadjar, 1998). In one of the deliberation points for the SKB it was stated that steps to increase madrasah educational quality needs to be undertaken such that madrasah alumni could continue or transfer to common schools from the primary to tertiary level.

This paper would elaborate briefly the problems of madrasah in Indonesia, as well as regional autonomy, solution to madrasah problems, and ends with a conclusion. Conceptual approach is used to chart a way forward for madrasah to prosper in today's age of regional autonomy.

Problems of Madrasah in Indonesia

First, weak foundation, vague purpose, irrelevant curriculum, unqualified teachers, hazy evaluation. Madrasah education is imprecisely defined from primary to tertiary levels. According to Moh Raqib madrasah alumni is also not creative gauged from the abundance of unemployment among them as they prefer to become civil servant in which quota is limited. This shows a lack of creativity to generate

self-employment. This lack of creativity often caused by the lack of emphasis on creativity in the educational system.

Second, the lack of teacher's profesional competence. The teachers, who are the most important component in an education system, in general lack this competence.

Third, educational leaders who are weak in communication and negotiation. They often do not have sufficient ability to build internal communication with the teachers.

In addition of internal factors, there are also internal factors:

First, the discriminative treatment of Islamic education system by the government. The fund allocation given by the government to Islamic education is comparatively very little compared the funds given to non-Islamic education system.

Second, the bureaucrat's paradigm on Islamic education has been dominated by sectoral approach not functional approach. Islamic education is not considered as part of the education sector as it is not under the Education and Culture Department.

Third, Islamic education institution is the last alternative of many youths in society after they are not accepted in non-Islamic educational institution. This view of society can certainly be an indicator of their lack of trust of Islamic education system.

The position and role of Islamic education with its variety of educational institution are still topics of contention. Islamic education should be able to play its part as alternative education promising a good future. But the fact remains, madrasah, school, and Islamic higher education institution tend to affiliate with Islamic social organization such as Muhammadiyah, NU, and Persis or Perguruan Islam bodies/foundations.

It is hoped that there would be efforts for schools and related institutions to create an ideal Islamic education system to develop optimally spiritual, emotional and intelligence quotients. The three of them are integrated in a virtuous circle, which then create a new paradigm in society that Islamic schools are of good quality. As such the discriminative attitude and the problem of educational quality could slowly change. Certainly through the concept of integrated curriculum, the education process could balance between religious studies and non-religious studies.

Regional Autonomy and Decentralization

The emergence of regional autonomy policy and decentralisation aims to provide opportunity to educational participants to obtain skills, knowledge, and attitude which can contribute to society. Madrasah could also survive more in the fast-changing curriculum, as it does not follow the national curriculum. The decentralization management delegates responsibility to school to conduct teaching and learning process according to local need. As such, madrasah could manage its activities without central government intervention. Through teaching and learning based on local need, curriculum is not burdened with unnecessary materials. The teaching and learning process is hoped to be effective such that a higher achievement could be obtained. The involvement of government in education caused madrasah management to include additional programs to increase educational quality. Remedial and course programs to increase cognitive, social and emotional ability of students from low socio-economic background could be added.

Solution to Madrasah Problems

Education is closely related to globalization. There needs to be reforms in Indonesianmadrasah , with the emphasis to create a more comprehensive and flexibel education, such as the graduates could function effectively in a global democratic society. An alternative is to develop madrasah with global vision (Zamroni, 2000: 90).

According to Rahman, the main solution is the development of creative and dynamic as well as integrated education system in which madrasah is a perfect vehicle. While Tibi wrote that the main solution is secularization, which is the industrialization of a society which means functional differential of social and religious system.

Marketing Perspective

Madrasah, from a marketing perspective, is an institution which serves customers in the form of students, parents, and the public, collectively known as 'stakeholder'. These stakeholders must be provided a satisfactory service, as they have paid through a variety of means, such as tuition fee, building investment fee, exam fee, tax, and government's school assistance. This service could be seen

from a variety of aspects, from infrastructure to human resource. A willingness to view madrasah from a marketing perspective entails a willingness to be demanded a satisfactory service by consumers. No longer acceptable are leaky roofs, dirty toilets, dimly lit rooms, outdated computers, and unsafe environment. Staff should be friendly, polite, and disciplined. Teachers should master their subjects, update their knowledge, and able to motivate students. The end point of all these aspects would be customer satisfaction, which would increase the popularity of madrasahs as a preferred choice for primary to secondary educational institution.

Conclusion

In the spirit of decentralization which allows society to channel its aspiration and participate in education quality development and improvement, society needs to have a high degree of care of educational institutions in their vicinity. This could inculcate a high degree of ownership through contribution in management, control, development, and other forms of participation to make local community proud of educational institution in their midst. The problem of madrasah arises due to forgetting of its roots. There is dual interpretation. Madrasah is not an extension of pesantren. On one hand, madrasah is identical with school because it has a relatively similar curriculum with non-Islamic school. The solution of madrasah problem is the policy taken to determine madrasah's fate, which should not put at a disadvantage its Islamic specialty in the short and long term.

There should be no more discrimination between madrasah and school. The local government needs to pay adequate attention. Eventhough all this while madrasah is under the control of central government. If the current design of madrasah development is deemed effective to achieve and maintain vision, mission, and purpose of national education, the Ministry of Religious Affairs need to optimize coordination with Education Council and School Committee, in addition of increasing accountability. Madrasah as an educational institution from, by, and for the society has not obtained fully our attention. The increase in educational quality would not be realized without the participation of all parties. As such, madrasah needs to be helped, defended and fought for. A marketing perspective, such as elaborated in this paper, needs to be discussed and debated among all stakeholders.

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Corporate Governance in Islam

Corporate Governance in Islam: A Comparative Study of OECD Principles and Islamic Principles of Corporate Governance

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Abstract

This is an attempt to provide comparison of Organization of Economic Co-operation and Development (OECD) principles and Islamic principles of corporate governance (CG). Like Pakistan, majority of the corporate civilized countries all over the world are using OECD principles as guideline and benchmark for corporate governance in their corporate sector. The Islamic financial system has progressed a lot in last one decade, beside this there is need to develop the Islamic CG system too. In the paper, OECD principles have been taken from publications of OECD. For Islamic principles the Quran, Hadis, and renowned Islamic scholars have been consulted. After the analysis, it has been found that OECD principles are covering six different issue and rights related to firm. But Islamic corporate governance necessarily has wide horizon, with obligations extended beyond shareholders, financiers, suppliers, customers, and employees, embracing the spirit of humanity well-being as well as the temporal needs of the Islamic community.

Author would like to acknowledge the resources support he received from University of Management and Technology, Pakistan.

INTRODUCTION

This paper explores the importance of Principles of Islamic Corporate Governance in the light of Quran & Sunnah. It compares the Islamic Principles with the OECD Principles of Corporate Governance. The implications of Islam for corporate governance and the issues about international convergence have also been raised.

In the practical sense, corporate governance involves the nuts and bolts of how corporations should fulfill their responsibilities to their shareholders and other stakeholders. Transparency, accountability and adequate disclosure are three essential ingredients in corporate governance. The concept of corporate governance was put forward because of increasing awareness on the importance of the need to protect the rights of all stakeholders, including minority shareholders. This concern started in new shape in early 20th century with development of corporations in western countries. However, it shaped properly in early 1990s with Cadbury Report (1992). This report kept on improving in the form of different reports and at last shaped into OECD Principles of Corporate Governance-2004. These Principles were so sound that it immediately adopted by EU, World Bank, USA, other OECD and non-OECD countries (Morck, 2005).

This term corporate governance is relatively new, but the concept is actually not alien to Islam. Islam is not only a religion but also a complete code of life. The hallmark of the Islamic business system lies in the high ethical values that underpin the governance and business operations. Islam stresses the practice of justice, equality, truthfulness, transparency, protection to minorities, accountability and adequate disclosure in every aspect of life. All forms of exploitation are prohibited. There is no doctrine of caveat emptor in Islamic law. As mentioned above that, OECD Principles of Corporate Governance are based on three basic principles transparency, accountability and adequate disclosure. OECD has developed these principles after a series of reports and researches but surprisingly these were the basic principles of business in Islamic Civilization about 1400 years ago.

Here it has tried to identify similarities in both codes of business conduct and differentiations in both have been identified. It will help to find more consolidated principles of corporate governance that would be applicable and acceptable to whole world.

The paper has divided into six parts; after introduction there is definition and need identification of corporate governance, third part explains the OECD principles of corporate governance, on fourth is Islamic viewpoint on corporate governance, fifth contains comparison of both approaches and last is the conclusion.

CORPORATE GOVERNANCE

“In the practical sense, corporate governance involves the nuts and bolts of how corporations should fulfill their responsibilities to their shareholders and other stakeholders. Corporate governance is the mechanism by which agency problems of corporation stakeholders, including the shareholders, creditors, management, employees, consumers and the public at large are framed and sought to be resolved. Transparency, accountability and adequate disclosure are three essential ingredients in corporate governance” (Hakim, 2002).

Good corporate governance reinforces sound regulation and supervision. It contributes towards maintaining market confidence, and strengthening transparency and accountability. Its emphasis is to be value-oriented and promote fairness and justice with respect to all stakeholders of the organization. For corporate governance to work, good corporate practices need to be instilled and embedded in all aspects of the operations and at all levels within the organization.

Good and proper corporate governance is considered imperative for the establishment of a competitive market. There is empirical evidence to suggest that countries that have implemented good corporate governance measures have generally experienced robust growth of corporate sectors and higher ability to attract capital than those that have not (SECP, 2005).

Sound corporate governance practices have become critical to worldwide efforts to stabilize and strengthen good capital markets and protect investors (Darman, 2005). They help companies to improve their performance and attract investment. Corporate governance enables corporations to realize their corporate objectives, protect shareholders rights and meet requirements, and to demonstrate to the wider public how they are conducting their business. Research shows that investors from all over the world indicated that they would pay large premiums for companies with effective corporate governance. Companies with better corporate governance had higher per book ratios, demonstrating that investors do indeed reward good governance (McKinsey, 2004).

Taken together, all above discussion of corporate governance lead to the basic idea, which refers to the system by which companies are directed and controlled, focusing on the responsibilities of directors and managers for setting strategic aims, establishing financial and other policies and overseeing their implementation, and accounting to shareholders for the performance and activities of the company with the objective of enhancing its business performance and conformance with the laws, rules and practices of corporate governance.

OECD PRINCIPLES OF CORPORATE GOVERNANCE

The *OECD Principles of Corporate Governance* were endorsed by OECD Ministers in 1999 and have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They have advanced the corporate governance agenda and provided specific guidance for legislative and regulatory initiatives in both OECD and non-OECD countries (OECD, 2004).

The Principles are intended to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance. The Principles focus on publicly traded companies, both financial and non-financial. However, to the extent they are deemed applicable, they might also be a useful tool to improve corporate governance in non-traded companies, for example, privately held and state owned enterprises. The Principles represent a common basis that OECD member countries consider essential for the development of good governance practices. They are intended to be concise, understandable and accessible to the international community. They are not intended to substitute for government, semi-government or private sector initiatives to develop more detailed “best practice” in corporate governance.

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, managers, shareholders and other stakeholders, and spell out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structures through which the company objectives are set, and the means of attaining those objectives and monitoring performance” (OECD, 2004).

Following are the principles of Corporate Governance designed by OECD:

I. Ensuring the Basis for an Effective Corporate Governance Framework

The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

II. The Rights of Shareholders and Key Ownership Functions

The corporate governance framework should protect and facilitate the exercise of shareholders' rights.

III. The Equitable Treatment of Shareholders

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

IV. The Role of Stakeholders in Corporate Governance

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

V. Disclosure and Transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

VI. The Responsibilities of the Board

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

The above six OECD principles of corporate governance are based on following three basic principles;

1. The mechanism of **decision making** and its **transparency**
2. **Accountability** in roles and responsibilities
3. Adequate **disclosure** of results

Above principles seems to be clearly aligned with Hakim (2002) that transparency, accountability, and adequate disclosure are the basic ingredients of corporate governance. The soundness of these principles has been proved by its adoption all over the world (Morck, 2005).

ISLAM AND CORPORATE GOVERNANCE

“Indeed, Islam strongly advocates all forms of positive governance. Islamic values and ethical conduct have already been in built and are inherent in the community. Islamic corporate governance serves through its underlying principles of economic well-being of the Muslim community, universal brotherhood, justice, accountabilities, truthfulness, and transparency, protection to minorities, adequate disclosure and equitable distribution of income. Therefore, while the virtues of Islam have always advocated good corporate governance, the challenge to us lies in its application. The paramount principle is honesty and fair dealings. All forms of exploitation are prohibited. “Islam always encouraged trade and commerce as long as it is conducted within the framework of Holy Quran, and the word of Allah as revealed to his Prophet Muhammad (PBUH)” (Lewis,2005)

Islam commands authority over the totality of a Muslim's being, not accepting any distinction between sacred and the secular. Two aspects, in particular, shape the nature of Islamic corporate governance. One is that Islamic Law, the Shari'ah claims sovereignty over all aspects of life, ethical and social, and to encompass criminal as well as jurisdiction. The ethical principles define what is true; fair, just, the nature of corporate responsibilities, the priorities to society, along with some specific governance standards. Second, in addition to providing a set of business ethics, certain Islamic economic and financial principles (zakat, riba, prohibition of speculation) have a direct impact upon corporate practices and policies.

The stated above three basic principles used by OECD to define corporate governance, can be searched out in Islam as well.

Corporate Governance Framework

As OECD have emphasized on proper corporate governance framework before stating the principles. Islam also provided the vast guidelines for implementation and monitoring framework. The Ibn

Khaldun's analysis (1407) of the rise and fall of governments and civilizations, moral norms, which emanate in his analysis from the Shari 'ah in a Muslim society, may not get reflected in laws, and the laws may not get implemented effectively if the political authority does not attend to this task seriously. It is the responsibility of the political authority to check all morally objectionable behavior - dishonesty, fraud and unfairness that are harmful for socio-economic development. It must also ensure the fulfillment of contracts and respect of property rights, and inculcate in the people qualities that are necessary for social harmony and development with justice. What may be important within the Islamic perspective is not just the holding in check of objectionable behavior (nahi 'an al-munkar) but also the promotion of desired behavior (amr bi al-ma'ruf) by the creation of a proper enabling environment through effective educational, political, social, legal and economic reforms and the building of proper institutions for this purpose. The governments generally fail to perform these tasks if they are not accountable before the people, do not apply the law equally and equitably on all the different strata of the population, and do not employ staff based on character and competence. Like OECD, the above guidelines from Islam also emphasized on promoting the transparent, consistent and equal rule of law.

Decision Making

After implementation framework, Islam is also very clear on the principles of corporate governance

- "And consult them on affairs (of moment). Then, when you have taken a decision, put your trust in Allah." (Ale Imran, 3:159)
- "Those who respond to their Lord, and establish regular prayers; who (conduct) their affairs by mutual consultation; who spend out of what We bestow on them for sustenance." (Al-Shu'ra, 42:38).
- Abu Hamzah Anas bin Malik (RA), who was servant of the Messenger of Allah, reported that the Prophet (PBUH), said: "None of you truly believes (in Allah and in His religion) until he loves for his brother what he loves for himself (Al-Bukhari & Muslims)".

Similar to OECD principles, above verses also emphasize on consultation with stakeholders at the time of decision-making and give equal importance to all stakeholders (including minority shareholder). However, one addition is trust in Allah. There are two benefits of trust in Allah after decision is taken. First; the bless of Allah will help in implementation of decision. Second, when all stakeholders will trust in Allah, there will be no conflict among them. Mode of decision-making is also different from OECD. Islam believes in consultation and consensus of stakeholders but OECD principles empower the BOD and senior management for decision-making.

Disclosure and Transparency

Another reference in Quran explained in verses 282 and 283 of Surah al-Baqarah, states a detailed:

- "O you who believe! When you contract a debt for a fixed period, write it down. Let a scribe write it down in justice between you.....You should not become weary to write your contract down, whether large or small, for its fixed term, that is more just with Allah, more solid as evidence, and more convenient to prevent doubts among yourselves... Take witnesses whenever you enter into a commercial contract" (Al-Baqarah: 282)
- And if you are traveling and cannot find a scribe, then let there be a mortgage taken And do not conceal any evidence for he whoever hides it, surely his heart is sinful, and Allah is all Knower of what you do" (Al-Baqarah: 283)

These two verses gave the clear guidelines for disclosure and transparency. It emphasizes on making reports for each aspect of business and clearly discloses to each stakeholder to avoid doubts among them. Here is also an addition which is not given by OECD is that make sure Allah know everything. So stakeholders can hide things from each other but when all believe that Allah know everything, no one can courage to hide something from each other. It will promote proper disclosure and transparency in reporting.

Accountability

From the perspective of Islam, deeds are more important than mere words, slogans, rhetoric or lectures, as highlighted in various verses of the Quran:

“O ye who believe! Fulfill (all) obligations” (Al-Maidah: 01).

- “O ye who believe! Betray not the trust of Allah and the apostle, nor misappropriate knowingly things entrusted to you” (Al-Anfal: 27).
- “O ye who believe! Eat not up your property among yourselves in vanities. But let there be amongst you traffic and trade by mutual goodwill, nor kill (or destroy) yourselves; for verily Allah hath been to your Most Merciful” (An-Nisaa: 29).
- “And do not eat up your property among yourselves in vanities, nor use it as bait for the judges, with intent that ye may eat up wrongfully and knowingly a little of (other) people’s property” (Al-Baqarah:188).
- “Obey God, and obey the Apostle, and those charged with authority among you. If ye differ in anything among yourselves, refer it to God and His Apostle, if ye believe in God and the Last Day: That’s the best and most suitable for final determination” (4:59).
- “Each one of you is a guardian, and each guardian is accountable to everything under his care” (Bukhari & Muslim)
- "Why do you say that which you do not do?" (As-Saff :02)

All above verses and Hadis are clear principles of accountability in roles and responsibilities. Moral values needed for this purpose are clearly specified in the Quran, the Sunnah and the Fiqh. The Quran requires the honest fulfillment of all contracts (al-Quran, 5:1) irrespective of whether these are written or oral, and explicit or implicit. It prohibits betrayal of all trusts (al-Quran, 8:27) and considers it immoral to derive any income by cheating, dishonesty or fraud (al-Quran, 4:29). It prohibits the giving of bribes to derive an undue advantage (al-Quran, 2:188). The Prophet (PBUH), made it abundantly clear that whoever cheats is not one of us (i.e. not a Muslim). (Mishkaat)

At another place, Prophet (PBUH) said;

“The hypocrite has three signs: when he speaks he tells lies; when he makes a promise he does not fulfill it; and, when he is entrusted with something he commits a breach of trust” (Bukhari & Muslim).

He also said that;

“Honest and trustworthy businessman will be with the Prophets, the truthful and the martyrs on the Day of Judgment”. (Bukhari & Muslim)

In Islam, it has been clearly defined the accountability in roles and responsibilities of not only the business people but in life of every person. So corporate governance not only limited to BOD and senior management but every person related with that organization. OECD has made senior management accountable to BOD and BOD to shareholders but Islam made accountable not only to stakeholders, also to God; the Ultimate Authority. OECD made persons accountable for all written and defined obligations but Islam asks for accountability of oral promises too.

Corporate Governance in Islam and OECD Principles – A Comparison

We are now in a position to make a comparison between Corporate Governance in Islam and OECD Principles as under.

| Basis of Difference | OECD Principles | Islamic Principles |
|---------------------|--|---|
| Authority | Directors have authority for decision-making. They follow the principles of OECD. | Sole Authority is for Almighty Allah; all decisions are to be made by keeping in view Shari’ah. |
| Decision Making | Decision-making rests with CEO & Senior management. Voting required just for selection of BOD and few other decisions. | Consultation and Consensus seeking for each decision from respective stakeholders. |
| Goal | Maximization of profits and shareholders’ value | Sensation of equality, equal distribution of wealth, consideration to whole community. |
| Accountability | Senior management accountable to shareholders. | Accountability not only towards Shareholders but also towards Almighty Allah. |

| | | |
|-------------|---|--|
| Ethics | Transparency, accountability and disclosure. | Justice, equality, truthfulness, transparency, protection to minorities, wider accountability, written as well as oral disclosure. |
| Application | Principles are not equally applicable all over the world. | Equally applicable all over the world. |

CONCLUSION

Like other civilizations and religions, Islamic literature also emphasize on effective corporate governance. The OECD recommended a set of very effective corporate governance principles a decade before but surprisingly all these principles exist in Islamic civilization about 1400 year ago. The OECD principles have been implemented very efficiently as compare to Islamic principles. Otherwise, after the analysis it has been found that OECD principles are covering only six different issue and rights related to firm. But Islamic corporate governance necessarily has wide horizon, with obligations extended beyond shareholders, financiers, suppliers, customers, and employees, embracing the spirit of humanity well being as well as the temporal needs of the Islamic community and accountable to Ultimate Authority of God who know everything.

As a future research, any organization or body to develop the Islamic corporate governance principles can do work. More than development of these principles, a plan can be brought for efficient implementation of these principles worldwide.

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Abstract

Many customers express high levels of intimidation when it comes to making on-line purchases. This is when word-of-mouth comes into the picture. Word-of-mouth has already demonstrated its significance in terms of driving business growth and effectiveness. However, little research has sought to identify the actual effect of WOM. Based on the existing stream of literature, this research aims to provide the insights into the underpinning of word-of mouth affecting Muslim consumer behaviour. Specifically, it is trying to determine the effect of word of mouth on trust and customers confidence. A total of 309 responses from questionnaire survey were collected from online Muslim customers around Kuala Lumpur. Many new discoveries were made in the analysis. Firstly, is the fact that in making online purchase, word-of-mouth plays a greater role in affecting customer confidence as compared to trust. The division has also led to further understanding of the effect of rapport and conflict handling towards relationship quality and commitment. The finding is indeed beneficial for future service business growth and development in the country.

Introduction

While internet has created an unprecedented business opportunity for online businesses to expand, to gain customers' trust and confidence in turn become a major problem in initiating the business. Customers just cannot easily make up their mind when it comes to on-line purchases. Far too many choices offered before them, confused them. What is even worse, some of those choices are not as what being advertised on line. As a result, customers are relying on mobile devices to communicate with their peers and other customers, to send and receive information, seek opinion, stay informed and able to make business decisions. Such development reflects how mobile word-of-mouth gains considerable importance in the consumer awareness and trialing and purchase of new product.

On-line business also means exposing customers to abundant information and unlimited choices. Thus the process of deciding what to buy involve considerable information gathering by a customer. Early research has confirmed the importance of WOM especially with regard to its implications for trust and associated outcomes (eg DeCarlo et al., 2007). Not too much to say, that has resulted many organizations to reduce expenditures on traditional advertising. Instead they choose to re-visit WOM as a powerful marketing tool (Kilby, 2007). On one end, customers are believed to have negative attitudes toward mobile advertising received directly from advertisers (Tsang et al., 2004) and tend to believe WOM instead.

WOM seems to bring such tremendous effect on buying and selling activities as there is a clear increasing recognition of the importance of message characteristics including their rational and emotional dimensions (Sweeney et al., 2012; Mason and Davis, 2007). Apart from that it seems to reflect the importance of words, content, body language, expressiveness in each of the messages conveyed (Gremmler, 1994; Gabbott and Hogg, 2000).

Due to its known credibility, previous researches showed very much interest in measuring WOM in terms of its frequency and the number of people who receive it (eg Liu, 2006; Godes and Mayzlin, 2004). However, to what extent does WOM affect trust and customers' confidence level remain a question mark. We are not aware of any study that measures the weigh the relationship between WOM

and trust and customers' confidence. No doubt, we expect that WOM will bring positive influence on both factors, but which is more important to the customer.

2. Literature Review

Discussion on literature review is categorized into different factor accordingly:

2.1 Word-of-Mouth (WOM)

Word-of-mouth (WOM) has been defined as "informal communication between private parties concerning evaluations of goods and services" (Anderson, 1998). Covering a greater scope, Harrison-Walker (2001) defines it as informal, person-to-person communication between a perceived non-commercial communicator and a receiver regarding a brand, products, an organization or a service.

It is considered an important 'influencing factor' as customers tend to imitate each other following a social and vicarious learning paradigm (Hawkins et al., 2004). Not only that, customers talk to one another and leads to a higher tendency to share information between one another. The acts support what have been described by Hawkins et al. (2004), that mentions WOM is the process that allows consumers to share information and opinions that direct buyers toward and away from specific products, brands and services. As mentions by Sweeney et al. (2012) adopting the work by Aristotle's work on rhetorical theory. Rhetorical theory is concerned with the ways in which communications can be made persuasive. WOM is somehow a very influential medium as it contains three artistic proofs of special persuasive significance. Those proofs include *ethos* (relates to a speaker's ethical and personal needs), *pathos* (the speakers' underlying emotional appeals) and *logos* (the speakers' logical appeal) (Aristotle, 1924; Buttle, 1998; Sweeney et al., 2012).

Having discussed all those, the basic idea behind WOM is that information about products, services, stores, companies and so forth are spreading from one consumer to another.

2.2 Trust

We feel a strong need to examine the effect of WOM on trust because of two reasons. Practically because it is obvious that trust is the basis for any online transactions. Secondly, customer trust has been highlighted as a central antecedent to a solid and lasting customer commitment (San Martin et al., 2004).

Above all, building customer trust has become an important goal for companies that have direct impact with customers, for example for online transactions (Meijboom et al., 2006). This is so as in online environment, trust is the basis for building long-term successful customer relationship that will then be translated into customer retention.

The feeling of trust actually differentiates any relationship (Shaikh Ali et al., 2013). Furthermore with the extensive use of technology in creating, maintaining and transmitting business information combined with privacy concerns, the question of trust is undeniably important. That leads to the introduction of hypothesis 1:

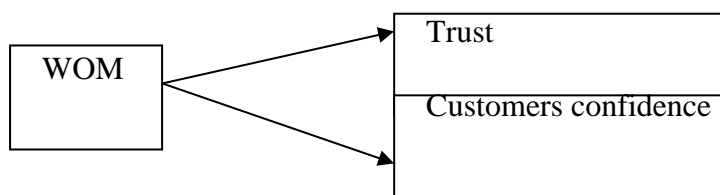
H₁ : WOM significantly affects trust of online Muslim apparel

2.3 Customers' Confidence

Generally, confidence is about having belief, trust or faith about something. Earlier researcher argues that confidence is just another dimension for trust (Morgan and Hunt, 1994; Deutsch, 1960) However, as explained earlier, the importance of trust is well recognized especially in terms of its role in underpinning for both business-to-business and business-to-customer relationships (Gill and Butler, 2003; Ford et al., 2003). On the other hand, confidence or even lack of it does not require any previous contact with the organization (Flanagan and Johnston, 2005). Customer confidence may also arise from the online retailer reputation which defined as faith in overall quality or character as seen or judged by people in general (Malaga, 2001). They further add that confidence consists of four dimensions; reliance, competence, commitment and capability. There are many factors that influence customer confidence. Among others include personal beliefs, communication media and word-of-mouth (WOM). That leads to the introduction of this hypothesis:

H₂ : WOM significantly affects customers' trust of online Muslim apparel
 With all the initial factors, the proposed framework of the study is as follows:

Figure 1 : Proposed Initial Framework

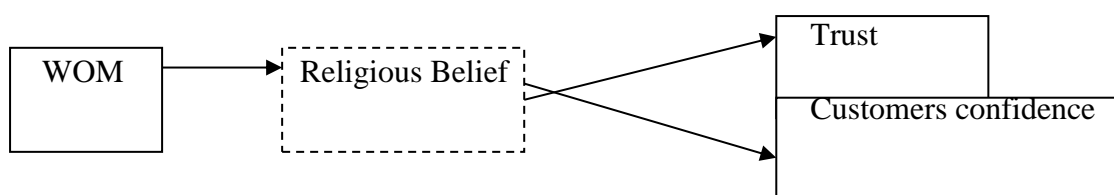


2.4 Mediating effect of religious belief

Religion has always been stressed as an important cultural influence in the marketplace that needs to be recognized and researched in the marketing area (Mittelsteaedt, 2002; Muhamad and Mizerki, 2010). To a certain extent loyalty can be considered as catalysts for customer movement towards buying or ignoring certain product or service. Religious belief defines and explains the values for life, which in turn are reflected in the values and attitudes of societies and human beings. Although religious belief has always been a cultural element in consumer behavior framework, religion and its influence has long been perceived as a taboo subject matter for investigation in marketing (Hirschman, 1983). For Muslims, the role of religion in consumption world is not only a matter of personal religious commitment but also conformance to the stated laws. The laws affecting Muslim consumption behavior are governed by the Quranic philosophy of what is permissible (*Halal*) and what is not permissible (*Haram*) for the believer (Eliasi and Dwyer, 2002). These include adultery, gambling, liquor, interest on money, blood of animals and meat of animals sacrificed in the name of other than Allah (Al-Bukhari, 1976; De Run et al., 2010). It is observed that, financial and food sectors have the strongest of its implications in Islamic societies. To date not many studies conducted on online Muslim clothing and apparel. This research intends to close the gap by measuring the mediating function of religious belief between WOM and trust and customers' confidence in online Muslim apparel consumption.

With the additional factor of religious belief being added to the study, the framework of the study is as follows:

Figure 2 : Proposed Initial Framework – With Additional Mediating Factor



The introduction of religious belief in the framework leads to the following hypotheses:

H₃ : Religious belief significantly mediates the relationship between WOM and trust of online Muslim apparel

H₄ : Religious belief significantly mediates the relationship between WOM and customer's confidence of online Muslim apparel.

3. Methodology

The population is customers of online Muslim apparel companies in Malaysia. Chosen companies are basically selling Muslim women wear from blouses, pants, shawl and others. Out of 12 companies

being approached, six accepted the invitation to participate in the study. Participation by the customers of these companies was purely voluntary.

Structured questionnaire was used as a mean for data collection. At first, we planned to conduct on-line questionnaire survey. A letter which states the purpose of research, as well as the questionnaire survey forms were emailed to the customers of the six selected companies. Unfortunately, the response received from this method is very poor. Then, we decided to change our strategy to personally approach customers. We were lucky when one of the shopping Malls in Kuala Lumpur organized an expo on Muslim apparel from November till December 2012. We grab the opportunity to approach the target respondents to answer our questionnaire survey. For such expo, the need for data collector was obvious. University students were recruited and trained to serve as data collectors. They were chosen on the basis of some background experience in research and data collection. This technique has proven to be successfully used in a variety of service marketing researches (eg Bitner et al., 1990; Gwinner et al. 1998).

Data was collected using a structured questionnaire with questions in prearranged order. The questionnaire items were adapted from different sources to suit the study. Items for trust were adapted from Cho et al. (2009) and Martin and Carnarero (2008). Questions for word-of-mouth and customers' confidence were adapted from Chung and Shin (2009), Awasthy (2012) and Han and Kim (2009) respectively. Modeling word of mouth together with religious belief gives a holistic picture than studying the two constructs separately. In this sense, the study adds value to the present knowledge in the area. Items for religious belief Ateeq-ur-Rehman and Shabbir (2010). All items were measured on a seven-point Likert scale ranging from 1 "strongly disagree" to 7 "strongly agree".

The exercise was conducted over a period of two weeks, seven-days-a-week between 10.00 am until 4.00 pm, and continued from 8.00 until 10.00pm. A total of 500 questionnaires were distributed and 383 (76.6 percent) were returned. Some questionnaire had more than 25% of the items unanswered and were rejected resulting in an effective sample of 309 usable completed questionnaire.

4. Empirical Results

4.1 Demographic Profile

The participants in this study were predominantly females (85.4 percent), majority at the ages of between 25 - 34 years old (66.3 percent). Most of the respondents earn a bracket income of RM 2000 – 4,000 (39.2 percent) and work in the public sector (49.8 percent). We were also interested to learn about the frequency of their online transaction. Majority of the respondents spent about once a month (55.3 percent) for online transactions. Full details are shown in Figure 3.

Table 1: Respondent's Demographic Profile

| No | Profile | Description | Responses | Percentage |
|----|-------------------|-------------------|-----------|------------|
| 1 | Gender | Male | 45 | 14.6 |
| | | Female | 264 | 85.4 |
| 2. | Age | 18 – 24 years | 60 | 19.4 |
| | | 25 – 34 years | 205 | 66.3 |
| | | 35 – 50 years | 43 | 13.9 |
| | | Above 51 | 1 | 0.3 |
| 3. | Monthly income | less than RM2000 | 77 | 24.9 |
| | | RM2,000 – 4,000 | 121 | 39.2 |
| | | RM4001 – 6,000 | 92 | 29.8 |
| | | RM6,001 – 8000 | 4 | 1.3 |
| | | More than RM8,000 | 15 | 4.9 |
| 4 | Job status | Public sector | 154 | 49.8 |
| | | Self-employed | 83 | 26.9 |
| | | Retires | 3 | 1.0 |
| | | Private sector | 52 | 16.8 |
| | | Unemployed | 17 | 19.7 |
| 5. | Online purchasing | Once a week | 61 | 34.7 |

| | | | |
|-----------|--------------|-----|------|
| frequency | Once a month | 171 | 55.3 |
| | Once a year | 77 | 24.9 |

4.2 Measuring Reliability and Validity

Factor analysis was performed on all questionnaire items to establish their suitability for performing the subsequent multivariate analysis. The results presented are based on parsimonious sets of variables, guided by conceptual and practical considerations with loadings of 0.50 and above (Hair et. al., 2010), and cross loadings below 0.20. The varimax factor rotation was employed for the analysis. High communality values were recorded for all the variables, indicating that the total amount of variance an original variable shares with all other variables included in the analysis is high. Overall, the results show that the construct measures are valid.

Finally, the remaining 37 items loaded well on four dimensions (word of mouth, trust, customers' confidence and religious belief) with scores over 0.50 (Hair *et.al.*, 2010). Thus, the validity of measures was established, confirming that the individual items are measuring the same construct and thus are highly inter-correlated (Nunnally, 1978). The Kaiser-Meyer-Olkin measure of sampling adequacy gives a high total of 0.954 and Bartlett's Test of sphericity value is significant ($p = 0.000$). Besides that, reliability analysis was to test the reliability of the questionnaire. The Cronbach Alpha (as shown on Table 2) indicates factors exceeding 0.500, which indicates the reliability of scales used in that survey.

Table 2 : Overall result for reliability testing

| Dimension | No. of items | Cronbach Alpha |
|-----------------------|--------------|----------------|
| Word of mouth | 10 | 0.892 |
| Trust | 11 | 0.834 |
| Customers' Confidence | 10 | 0.874 |
| Religious belief | 6 | 0.746 |

4.3 Regression

We started off by investigating the scenario by using multiple regression analysis for both relationships between word of mouth and trust and also customers' confidence. Since the test is to find out the effect of relationship between one independent variable (WOM) and two dependent variables (trust and customers' confidence). Regressions were divided into two different stages.

In the first part of regression analysis, multiple regressions were conducted between WOM with customers' commitment. The results show that WOM contribute significantly to customers' confidence with ($F=422.861$; $p = 0.000$). The factor contributes about 58 percent of the variation in predicting WOM towards customer confidence. The result is as shown in Table 3 below.

Table 3 : Summary of regression analysis of WOM on customers' confidence

| Summary | | ANOVA | | Dimension | β | T | P |
|--------------------|----------------|---------|-------|-----------------------|---------|--------|-------|
| R | R ² | F | Sig | | | | |
| 0.761 ^a | 0.579 | 422.861 | 0.000 | (constant) | | 12.988 | 0.000 |
| | | | | Customers' confidence | 0.761 | 20.564 | 0.000 |

a. Predictors: (constant, WOM)

We run another analysis in analyzing the relationship between WOM with customers' trust. The results show that WOM contribute significantly to customers' confidence with ($F=215.940$; $p = 0.000$). The factor contributes about 41 percent of the variation in predicting WOM towards customers' trust, which is lower than before. The result is as shown in Table 4 below.

Table 4 : Summary of regression analysis of WOM on trust

| Summary | | ANOVA | | Dimension | β | T | P |
|--------------------------|----------------|---------|-------|------------|---------|--------|-------|
| R | R ² | F | Sig | | | | |
| 0.643^a | 0.413 | 215.940 | 0.000 | (constant) | | 10.859 | 0.000 |
| | | | | Trust | 0.643 | 14.695 | 0.000 |

a. Predictors: (constant, WOM)

Somehow, both results indicate a higher R² in customers' confidence as compared to trust. In other words, that gives the impression that WOM affects customers' confidence more than trust. We run another set of regression test to gauge the mediating effect of religious belief on trust and customers' confidence. We feel the need to determine whether religious belief will enhance the customers' level of trust and customers' confidence in buying online Muslim apparel or not. The summary of the result is as shown in Table 5 and 6 below.

Table 5: The influence of religious belief as a mediating variable between WOM and customers' confidence

| Independent Variable: WOM | REGRESSION ANALYSIS | | | | Changes |
|--|------------------------------------|--------------|---------------------------------------|--------------|---------------------------|
| | Stage 1 (with religious belief) | | Stage 2 (without religious belief) | | |
| | β Value | ρ value | β Value | ρ value | |
| Dependent Variable: Customers' confidence | 0.761 | 0.000 | 0.809 | 0.000 | Increase in β Value |
| Adjusted R ² | 0.579 | | 0.654 | | |

In analyzing the function of religious belief in the relationship between WOM and customers' confidence, it is interesting to note the increase in Beta value (from 0.761 to 0.809). The increase in value indicates that religious belief is not a mediator in the relationship between WOM and customers' confidence.

We run another test to determine the mediating function of religious belief between WOM and customers' trust. The result is as shown in Table 6 below. The result is almost similar to the analysis before whereby the increase in Beta value (from 0.643 to 0.673) is observed. Again, that indicates that religious belief is not a mediator in the relationship between WOM and trust.

Table 6: The influence of religious belief as a mediating variable between WOM and trust

| Independent Variable: WOM | REGRESSION ANALYSIS | | | | Changes |
|------------------------------|------------------------------------|--------------|---------------------------------------|--------------|---------------------------|
| | Stage 1 (with religious belief) | | Stage 2 (without religious belief) | | |
| Dependent Variable: Trust | β Value | ρ value | β Value | ρ value | Increase in β Value |
| Adjusted R ² | 0.643 | 0.000 | 0.673 | 0.000 | |
| | 0.413 | | 0.453 | | |

5. Conclusion and discussion

Vast development of technology and internet leads to the phenomenal growth of globalization. As a result it leads to the exponential growth of world trade. Not only being exposed to wide variety of choices, result from globalization also gives rise to the revelation of knowledge. In fact, consumers do acknowledge the purchase behavior challenged by overabundance of information, which leads to the reliance of word-of-mouth as a basis before making any purchase (Fasolo et al., 2007). That reflects the main objective of this study that is to weigh the different effect of WOM on customers' confidence or trust. Apart from that religious belief is added to determine the mediating effect.

From the results it is learnt that WOM gives a heavier effect towards customers' confidence as compared to trust. The finding is in line with the notion suggested by Flagan et al. (2005) which suggest that confidence is affected by both controllable (internal) and less controllable (external) factors. Those controllable factors include visibility, familiarity and communication. WOM can be included as a source of communication received by customers.

For some, religion serves as a first base to filter their consumption. This notion has prompted us to gauge the mediating role of religious belief in the consumption of online Muslim apparel. The results indicate that, religious belief does not mediate the relationship between WOM and trust and customers' confidence accordingly. The findings does not agree with Mukhtar and Mohsin (2012) that external factors such as concern for others and interacting with the religious community are more powerful in shaping consumer attitude towards Halal products. Perhaps, the finding is suggesting that consumers are more concern with Islamic values when it is involving food and consumable products that they require the assurance that the product conforms to *Islamic Sharia*.

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Takaful Penetration Issues and Challenges in Tunisia

Takaful Penetration Issues and Challenges in Tunisia: Which Factors are affecting the Takaful Demand ?

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Abstract

Recently, takaful industry has witnessed a significant growth in many countries all over the world even in non-Muslim countries like United Kingdom and USA. This success motivated several countries, including Tunisia, to introduce this new financial industry in its market since it presents a promising opportunity as an alternative of risk insurance tool. The introduction of a new financial business is not easy as takaful demand is affected by many economic and socio-demographic factors like income level, education level and religion. This study aims to highlight the different factors that influence takaful demand in Tunisia through a questionnaire survey targeting a sample of consumers and an interview with a takaful manager. We will focus on the relationship between takaful demand and socio-economic variables in order to identify the different issues challenging takaful industry penetration in Tunisia and try to solve this problem.

Keywords: Takaful, takaful demand, penetration factors, Tunisia

Introduction

During the past decade, the Islamic finance has undergone a phenomenal success and unprecedented expansion reaching an annual growth rate of 15% especially in Islamic Banking sector. The success in developing the Islamic banking spurred efforts to extend shariah practices to other segments. The next significant development was the establishment of Islamic insurance takafulⁱ.

Takaful is based on the concept of social solidarity, cooperation and mutual indemnification. It is a pact amongst a group that agrees to donate contributions to a fund that is used to jointly indemnify covered losses incurred by the members. While the concept of Takaful revolves around mutuality and is founded on non-commercial basis, the operations and the fund are commonly managed by a Takaful operator on commercial basisⁱⁱ.

Takaful finds its origins back more than 1400 years when the ancient Arab tribes forced those who offended or killed members of different tribe to pay compensation to the victims or their heirs. Despite these old origins, it was until 1979 when Sudan settled up the first modern takaful company. In 1984, Malaysia settled the takaful act 1984, which was enforced on the 1st January 1985 to provide regulations for Takaful businesses in Malaysia and all matters encompassing Takafulⁱⁱⁱ. In 1985, the Grand Council of Islamic Scholars of the Organization of the Islamic conference allowed formally the use of takaful as the Islamic alternative to conventional insurance. After this decision, many countries started to establish the takaful business especially in the GCC.

Recently, the takaful industry has witnessed a significant growth and succeeded to enter new markets in different countries worldwide like UK and USA. Although the Takaful industry has recorded a considerable growth since 2010 according to many economic reports, it still suffers from a lack of penetration in some vibrant markets, and is still performing in a very monotonous pace^{iv} because of many economic and socio-demographic factors. Tunisia has recently started to make its first serious steps in Islamic finance and it is trying benefit from the successful experiences of other countries. The introduction of takaful business in Tunisia represents a great opportunity of growth as it represents a new risk management tool. In order to ensure a successful penetration of takaful industry in Tunisia as well as other new countries, we will try, in this present paper, to find out which factors

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are behind this low rate of penetration based on previous studies and through a questionnaire survey targeting a sample of 150 Tunisian respondents coming from different social backgrounds and through an interview with a takaful manager.

The first section of this paper provides review of related literature. Section two describes the research methodology of this study followed by analysis of findings in section three and finally, we conclude with some recommendations.

Literature review

Many researchers focused their studies on the factors affecting takaful penetration in different countries like Malaysia and Brunei. They worked on demonstrating the different variables influencing takaful demand. In what follow, we will proceed to a theoretical study in order to determine these variables. We will try to analyze the topic from the consumer's perspective in one hand and the takaful operator's perspective in the other hand.

Consumer perspective

AWARNESS LEVEL

The main factor influencing takaful penetration is the lack of awareness. This problem is constantly mentioned in many papers that studied this issue. In fact, Omama et al. (2013)^v conducted an interview with a number of takaful managers and she found that 75% of the interviewees affirmed that the lack of takaful awareness is a major factor influencing the takaful demand.

The studies of Yon et al.(2009)^{vi} and Abdul Rahman (2010)^{vii} showed that the public takaful awareness level is very limited. People may know takaful but the takaful concept and techniques are still ambiguous and confusing. A questionnaire survey done by Mohd S. et al.(2012)^{viii} demonstrated that 62.2% of the respondents do not know actually the difference between takaful and conventional insurance. This lack of awareness presents a big handicap to the takaful industry growth (Mohd T., 2007)^{ix}.

EDUCATIONAL LEVEL

The educational level of consumers has a very significant impact on takaful demand. Gustina et al.(2012)^x proved that this factor has a positive and significant influence on demand for family takaful. Improving the educational level has an important role in improving the awareness and the understanding of takaful.

Ahmad S. et al. (2012)^{xi} concluded that there is a positive relationship between education and family takaful demand using an analogy study with the conventional insurance demand. With higher education, people can better identify the types of insurance available. Omama et al.(2013) stipulated also that the consumer poor education prevent takaful industry from growing.

INCOME LEVEL

The income level is very crucial in determining the takaful demand. Abdul Hakim (2013)^{xii} used previous studies on conventional insurance demand as an analogy to prove that takaful demand is positively related to income level. Gustina et al.(2012) confirmed also that income factor is strongly significant because when it increases, insurance and takaful become more affordable.

Besides, Hendun et al.(2009)^{xiii} found that income level contribute considerably in increasing the family takaful demand. Consequently, if income level increases, the financial capacity of purchasing takaful increases too.

AGE AND NUMBER OF CHILDREN

Many studies showed that people who are towards the end of an active life are more aware of life after retirement (Tajudeen, 2009)^{xiv}. They try to save during their working lifetime to ensure adequate resources for retirement (Ahmad S. et al, 2012). These findings show us that there is a positive relationship between age and takaful demand. Aged people are more susceptible to accept takaful protection than young people.

Moreover, based on previous findings (Truett and Truett, 1990^{xv}, Browne and Kim, 1993^{xvi}, Outville, 1996^{xvii}), Gustina et al.(2012) concluded that people need to protect spouse and dependent children from declining incomes as result of the death of primary wage earner in the family. That means that people married and having children think more about protection and insurance than single people. The family situation has an impact on takaful demand.

SAVING RATE

Making other financial investment could affect takaful demand negatively. When saving rate is high, for example, consumers prefer to save in the bank rather than buying takaful or insurance product (Gustina et al., 2012).

Savings are considered as competitive products to life insurance and takaful as they can change the decision of consumers to invest their money (Ahmad S. et al., 2012). Saving rate is related negatively to takaful demand.

RELIGION

Muslims with a strong belief prefer extremely to buy Islamic insurance as this kind of products respect Shariah principles. Religion is positively and significantly related to the demand for takaful (Gustina et al., 2012) while less conventional insurance is purchased in Islamic nations (Mohamed et al., 2011)^{xviii}.

However, this factor can have a negative impact on takaful demand as Muslim community do not place much emphasis on the need to cover against risk and would prefer rely on Allah's will (Omaima et al., 2013). Muslims generally gives less concern to risk hedging. We can classify this reason in the lack of awareness factor as there confusion in understanding takaful concept.

Takaful and re-takaful operators' perspective

LIMITED RANGE OF TAKAFUL PRODUCTS

The limited range of takaful products and lack of innovation are a substantial reason that drives consumers to buy conventional insurance products rather than takaful ones (Omaima et al., 2013). Extending the range of takaful products and trying to innovate in order to respond to the consumers' requirements will attract people to buy Islamic insurance. Takaful and re-takaful operators should ensure that they have the expertise and the strength to meet clients' needs (Kirk Austen,2009)^{xix}. Being competitive and innovative is very beneficial to the takaful industry.

Role of re-takaful

THE POOR EXPERTISE OF TAKAFUL STAFF AND AGENTS

The need for highly trained graduates and experienced market players in the Islamic finance industry is prerequisite to ensure the safe introduction of the different Islamic financial products notably those of takaful industry (Hajer Chermi, 2013)^{xx}. The lack of expertise for takaful staff has a negative effect on takaful demand. Without training and experience, takaful agents will not be able to explain products and give the suitable advices to the clients' requirements.

To attract customers, takaful operators need to have knowledgeable staff and takaful agents who are able to convince people to participate in takaful (Omaima et al., 2013). A good understanding of Shariah rules and takaful products techniques is a crucial condition to ensure the success of takaful industry.

DISTRIBUTION CHANNELS AND MARKETING STRATEGIES

In order to reach a wider customers range, takaful operators should use an effective distribution channels. They are called to develop these channels and use them in proper way as distribution channels are an important factor of development for each industry namely takaful industry. Currently, there are four distribution channels used by takaful operators which are direct selling, agency system, brokers and banca-takaful (Omaima et al., 2013).

In addition, a good marketing plan based on a wide range of communication tools and high

technology will improve the awareness about takaful.

Financial and regulatory context

REGULATORY AND LEGAL FRAMEWORK

It is a prominent factor of success to prepare a suitable legislative framework that ensures the safe introduction of new financial products. When a government decides to introduce takaful in its financial market, it should set out clear principles on how takaful business should be taxed and to create an adequate regulatory regime that treats takaful and conventional insurance equally^{xxi}.

In the UK, Europe and the US, there is also limited experience of how takaful can be accounted for and how to run takaful businesses not only to be Shariah compliant but also to comply with local national regulatory insurance rules. In Malaysia which considered as the Islamic finance leader, the establishment of a strong and highly developed regulatory framework is brought a greater clarity to the regulatory treatment of different Islamic products (Hajer Chermi, 2013).

COMPREHENSIVE ISLAMIC FINANCIAL INFRASTRUCTURE

Unlike conventional insurers who can simply invest in bonds and cash assets, takaful operators are facing a big challenge in how to manage their investment portfolio as there is limited availability short-term non-equity financial instruments such as sukuk and Shariah-compliant money market instruments equivalent to treasury bills.

Takaful market situation will be extremely strengthened by the existence of a complete matured and well-established Islamic financial system comprising banks, fund management companies and Islamic capital market.

DURATION OF TAKAFUL INDUSTRY

The short takaful business duration, in comparison with the conventional one, could explain the low penetration of takaful in different countries. For example, Malaysia, the pioneer of Islamic finance, established its first takaful company in 1985 and had only one operator during a period of eight years (Omaira et al., 2013). The takaful market still new and young while conventional insurance is present for a long time. Takaful operators should be patient and work hard to attract new customers and gain a significant share in the insurance market.

Methodology

In this present study, data are collected mainly through two common methodologies which are the questionnaire survey and the interview. Firstly, through the questionnaire, we will try to examine the Tunisian public understanding and perception for takaful concept from the consumers' perspective. We chose randomly a sample of 150 respondents coming from different social backgrounds. The questionnaire is designed in two sections. The section one is about socio-demographic characteristics of the respondents (age, activity...). In the second one, questions focus on the respondents' opinion about takaful business and their understanding of takaful concepts and techniques.

Secondly, the interview will facilitate for us to collect additional information through a conversation with a takaful manager from the unique takaful company in Tunisia "Zitouna Takaful". This interview will help us to understand takaful issues and challenges from the perspective of takaful operators. Through this methodology we can uncover other factors influencing the takaful penetration in Tunisia.

Results and discussion

Questionnaire survey results

Table 1: socio-demographic variables of respondents

| Variable | Frequency | Percentage |
|----------|-----------|------------|
|----------|-----------|------------|

| | | |
|-------------------------------|----|-------|
| <u>Sexe</u> | | |
| • Male | 92 | 0.61% |
| • Female | 58 | 0.39% |
| <u>Age</u> | | |
| • 20-25 years | 7 | 0.05% |
| • 25-35 years | 39 | 0.26% |
| • 35-45 years | 61 | 0.41% |
| • 45 and above | 43 | 0.28% |
| <u>Education level</u> | | |
| • Illiterate | 11 | 0.07% |
| • Primary school | 19 | 0.13% |
| • Secondary school | 53 | 0.35% |
| • College | 67 | 0.45% |
| <u>Income level</u> | | |
| • 0\$-450\$ | 43 | 0.28% |
| • 450\$-780\$ | 76 | 0.51% |
| • 780\$ and above | 31 | 0.21% |

Table 2: Respondents perception and understanding of takaful

| Variables | Frequency |
|---|------------------|
| <u>Do you have insurance?</u> | |
| • Yes | 79 |
| • No | 71 |
| <u>Types of insurance product?</u> | |
| • Conventional insurance | 73 |
| Car insurance | 72 |
| Loan insurance (life insurance) | 6 |
| Travel insurance | 1 |
| • Takaful | 6 |
| Car takaful | 4 |
| Financement takaful | 2 |
| Do you know Takaful? | |
| • Yes | 11 |
| • No | 139 |
| Do you know the difference between conventional insurance and Takaful? | |
| • Yes | 4 |
| • No | 7 |
| How many takaful products do you know? | |
| • None | 4 |
| • 1 | 7 |
| • 2 | 0 |
| • 3 and more | 0 |
| Criteria of choice between conventional insurance and takaful | |
| • Religion | 101 |
| • Price | 28 |
| • Quality | 21 |
| Are you ready to purchase family takaful as a substitute for life insurance? | |
| • Yes | 75 |
| • No | 26 |

| | |
|------------------------------------|---|
| How did know about Takaful? | |
| • Medias | 2 |
| • Internet and email | 1 |
| • Islamic bank | 8 |
| • Conferences and seminars | 2 |
| • Posters, flyers | 2 |
| • People | 3 |

Table 3: characteristics of respondents that have insurance policy

| Variables | Frequency |
|-------------------------------|------------------|
| <u>Age</u> | |
| • 20-25 years | 1 |
| • 25-35 years | 19 |
| • 35-45 years | 30 |
| • 45 and above | 29 |
| <u>Education level</u> | |
| • Illiterate | 0 |
| • Primary school | 3 |
| • Secondary school | 19 |
| • College | 57 |
| <u>Income level</u> | |
| • 0\$-450\$ | 2 |
| • 450\$-780\$ | 46 |
| • 780\$ and above | 31 |

Table 2 shows that 47% of the respondents do not have any insurance policy which means that insurance industry, in general, is facing cultural challenges as the Tunisian people is not accustomed to the insurance practices and buy it only in case of obligation like health insurance. The Tunisian law compels all citizens to buy health insurance for that reason it was excluded from the questionnaire.

We can divide insurance products into two categories: conventional insurance which represents 92.4% of all insurance products and takaful with a share of 7.6% only. We can see that takaful penetration is very low in the market which can be explained by the recent introduction of takaful business that was just in the last year.

The takaful concept is still ignored by the majority of Tunisians. The questionnaire survey demonstrates that 92.6% of respondents do not have any idea about takaful and even the meaning of the word takaful. The remaining 7.4% affirmed that they have known about takaful from different communication channels but few of them can define exactly which takaful concept is, name the different takaful products and discern the differences between takaful and conventional insurance techniques. In fact, there are only 4 respondents that know what takaful is and how it differs from conventional insurance and only 7 persons that could name a one only product. The notion of Islamic insurance is still unknown and ambiguous for the majority of respondents. This lack of awareness could explain the low demand of takaful in Tunisia.

As shown in the table, the number of insured people increases with the age. 74% of them are above 35 years. This indicates that the age factor has a positive impact on insurance demand. In addition, we can observe that the number of insured people increases also with the education level as 72% have a higher-level of education. Consequently, education level is positively related to the insurance demand. Finally, in regards to the income level, we find that all respondents who have income above 780\$ have an insurance policy. We can conclude that the income level and insurance demand have a positive

relationship. The results are considered as good signs for takaful business. By analogy, the latest three factors can affect positively the takaful demand in the future.

Table 2 shows that 67.3% of respondents opt for the religion criteria to choose between takaful and conventional insurance. They agree that having a product respecting shariah principles as it goes with their faith and a way to obey to God. The remaining respondents think that price and quality of service are more important. In the other hand, the 101 respondents that agree with the religion criteria are not totally ready to purchase the family takaful as a substitute for life insurance. In fact, 26 of them said no and explained that this practice is against the fate of God and they are still skeptic towards this kind of products. So religion could have a positive and a negative impact on takaful penetration at the same time. This attitude is a result of misunderstanding of the real meaning of family takaful concept which can be classified in the lack of awareness factor.

Furthermore, we observe that Islamic banks played a significant role in introducing takaful to the public. There are 8 persons from eleven that heard about takaful products through Islamic banks. In addition, all the 6 respondents that have takaful products bought it through the Islamic banks. We can note that Islamic financial infrastructure could serve takaful penetration positively.

Finally, many respondents express their motivation to know more about takaful and they seemed that they were very interested in this new product. Many said that they want more information, more advertising, educational and awareness programs. Some of them complained about the absence of takaful agencies near their places. From the respondents' comments and suggestions, we deduce that marketing strategies and distribution channels are still not developed in Tunisia and they need a big improvement as they have a positive impact on takaful penetration.

Interview with the takaful manager

The interview conversation focused on many points: the present and the future situation of takaful business, issues and challenges facing this industry and the different measures taken to ensure the success of this experience.

The takaful manager said that he is very optimistic about the future of takaful in Tunisia despite its very low rate of penetration for the moment. He attributed this low rate to the short duration of takaful industry in comparison with the conventional insurance. He affirmed that, by the time, takaful will gain a considerable share and we should be just patient. But at the same time, we should take some measures to overcome all issues and challenges existing in the market.

Firstly, takaful operators should give attention to the range of takaful products. They are called to work hard to be innovative and competitive in order to meet consumers' needs. Takaful products should compete in term of price and quality of service to substitute the conventional ones.

Moreover, takaful operators have to develop their distribution channels and marketing strategies. They should invest tremendously and set many agencies all over the country to reach potential customers. They should improve their communication channels to ensure the information transmission concerning takaful concept and techniques.

He added also that the lack of expertise and experience of takaful staff and agents is a big challenge. This lack is a significant factor that prevent takaful from penetration as agents are able of clients' persuasion. For that reason, several intensive training programs were launched in order to prepare knowledgeable staff.

Besides, the takaful manager stated that the new regulatory framework prepared by the Tunisian government will facilitate the introduction of takaful. This framework will avoid many accounting and taxes problem by setting a very clear law.

Finally, takaful business will be strengthened by a well developed comprehensive Islamic financial infrastructure which is difficult for the time being as Tunisia has only two Islamic banks and is waiting for the issuance of the first sukuk. Takaful industry needs Islamic financial tools and institutions to invest its funds and to survive.

Conclusion and recommendations

The main objective of this paper is to find out which are the factors influencing the takaful market penetration. Knowing the main determinants of takaful demand facilitate to the takaful operators to take the suitable measures to improve the business. For example, to improve level of awareness, takaful operators are called to improve their marketing strategies and communicate more and more. They should also develop their distribution channels like using micro-takaful to reach people with low income and setting banca takaful which is witnessing a big success in different countries as banks have better regional spread all over the countries especially in the small towns.

Tunisia and any similar country should benefit from the previous experiences and studies to avoid the common mistakes and follow the right path of success. Further researches are required on how to deal with issues and challenges to stimulate the takaful growth.

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