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Article

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THE CURIOUS CASE OF *RIBĀ*'S MUTED ROLE IN BANK SELECTION CRITERIA AMONG MUSLIMS IN KLANG VALLEY, MALAYSIA

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ABSTRACT

Purpose – Arguably, the most significant difference between conventional and Islamic banking is the prohibition of *ribā* (interest)—besides *gharar* (uncertainty) and *maysir* (speculation). Naturally, it is questioned whether *ribā* is the make-or-break selection criterion for Islamic banking customers in Malaysia. Consequently, this study examined the moderating effect of *ribā* knowledge on the nexus between the already widely researched bank selection criteria (i.e., service quality, corporate reputation, cost and benefits, and technology) and bank selection among Malaysian Muslims.

Design/Methodology/Approach – This research is quantitative, cross-sectional and non-experimental. It uses structured questionnaires to acquire and understand bank selection criteria and the moderation effect of *ribā* among Malaysian Muslims. The sample comprised 244 Muslim customers with loan/financing accounts in banks in Klang Valley, Malaysia. This study uses exploratory factor analysis and structural model analysis for data analysis.

Findings – The findings reveal three criteria—notably, corporate reputation, cost and benefits, and technology—that exhibit a significant correlation with bank selection. Despite the strong injunctions against *ribā*, it failed to moderate the relationship between bank selection criteria and bank selection. Additionally, the subsequent importance-performance test indicates that *ribā* knowledge holds lower significance compared to the three significant criteria. Therefore, the authors believe there is a strong possibility that Malaysian Muslims, specifically in Klang Valley, may not factor the prohibition of *ribā* into their banking selection decisions.

Research Limitations/Implications – The items measured for knowledge of *ribā* have not been widely tested and are not designed to assess the level of religiosity of the respondents nor the awareness of Islamic law behind the prohibition of *ribā*. Nevertheless, this paper provides insight into the level of knowledge about *ribā* among Muslims in Klang Valley, Malaysia and its possible moderating effect on bank selection. Future research could extend this work and examine the knowledge of *ribā* with respect to the level of respondents' religiosity and/or the awareness of Islamic law behind the prohibition of *ribā*.

Practical Implications – Religious authorities, non-government organisations and Islamic banks could leverage these insights by uplifting and broadening public education, especially for the Muslim community, on the actual meaning of *ribā* and its implications in their lives and the hereafter.

Originality/Value – The lack of studies focusing on the subject of *ribā*, its practice in conventional banking, and its prohibition in Islamic banking has often been overshadowed by research studies on adoptions and perceptions of Islamic banking and finance, which may have led to the negligence of its importance in choosing Islamic banking over conventional banking among Muslims in Malaysia.

Keywords – Banking selection criteria, Conventional banking, Islamic banking, *Ribā*
Article Classification – Research paper

INTRODUCTION

As a multi-racial and multi-ethnic country, Malaysia practices a dual banking system consisting of both conventional banks (CBs) and Islamic banks (IBs). IBs in Malaysia operate under either one of the following three models: Islamic windows (e.g., Citibank and UOB), Islamic subsidiaries of a conventional parent bank (e.g., CIMB Islamic and RHB Islamic) or full-fledged IBs (e.g., Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad). Naturally, availability of a dual banking system in Malaysia provides more choices and alternatives for consumers—Muslims and non-Muslims alike.

The precursor to Islamic banking, conventional banking typically operates on *ribā* (interest)-based deals. Although there is no specific legal provision to prohibit Malaysian Muslims from patronising *ribā*-based banking, at least from the Sharīʿah (Islamic law) perspective, conventional banking is haram (impermissible) for Muslim consumers. It is because the use of traditional loan contracts in conventional finance virtually eliminates risk sharing, i.e., risk transfer in which banks guarantee both the principal and the interest on customers' deposits. In other words, the only risk of CBs is in the collateral and not in the business activities *per se* (Al-Jarhi, 2017). The central idea of the conventional system, where money generates money by using interest, is also against the Sharīʿah. From the Islamic point of view, money can only generate money if there is buying and selling of an underlying commodity (e.g., crude palm oil) in any given transaction.

Fundamentally, Islamic finance has been developed to avoid three prohibited elements: *ribā*, *gharar* (uncertainty), and *maysir* (gambling). Many Qurʾānic verses and hadiths discuss *ribā*. *Ribā*-related Qurʾānic verses were revealed in phases, with the final phase (Qurʾān, 2:275–281)—which occurred towards the end of the period of revelation— stating that there is a clear difference between trade and *ribā* and emphasising the absolute ban of *ribā* (Erdem, 2017). In particular, the Qurʾānic verse 2:279 strongly underlines the prohibition of *ribā* and the declaration of war by Allah (SWT) and the Prophet (SAW) against the disobedient Muslims engaged in *ribā*.

Notwithstanding, CBs remain a force to be reckoned with despite the gradual increase of the Islamic banking market share in Malaysia. An example that highlights the discrepancy is the significant difference in compounded annual growth rates (CAGR) between CBs and IBs over the past decade. While CBs have experienced a modest CAGR of 4.6 per cent, IBs have outperformed them with a considerably higher CAGR of 10.99 per cent. Despite this, the striking fact remains that as of March 2023, the total assets held by CBs stand at a staggering RM2.29 trillion, which is twice the size of the assets held by IBs, amounting to RM1.05 trillion (BNM, 2023). Consequently, Islamic subsidiaries of CBs have a greater competitive advantage than domestic and foreign full-fledged IBs. Cases in point, inherent cross-subsidies and support from their strong parent companies enable the more cost-efficient Islamic subsidiaries to outperform full-fledged Islamic banking counterparts. Ariff (2017) argues that as the Islamic subsidiaries of CBs continue to be in the driving seat, there is a likelihood that they will continue to 'Islamise' their conventional products. Therefore, such a practice does not bode well for the long-term future of Islamic banking. The similarity of products, pricing, and behaviour has inadvertently blurred the distinction between CBs and IBs. While both Islamic subsidiaries of CBs and full-fledged IBs are technically bound by the same strict Sharīʿah regulations and requirements, full-

fledged IBs must once again assume the leadership role in manoeuvring the industry to the next frontiers of value-based intermediation as espoused by Bank Negara Malaysia.

Plentiful literature concentrates on bank selection criteria and determinants to answer why customers choose certain banking products and services (*see* Haron *et al.*, 1994; Dusuki & Abdullah, 2007; Haque *et al.*, 2009) or the perception and motivating factors in customers' bank patronage behaviour concerning conventional and Islamic banking sectors (*see* Ahmad & Haron, 2000; Dusuki & Abdullah, 2007; Loo, 2010; Abdullah *et al.*, 2012). In contrast, research about *ribā* in relation to general consumer banking is scarce. However, some studies did include *ribā* under Islamic financial literacy and other Islamic banking terms and products (*see* Gerrard & Cunningham, 1997; Mahdzan *et al.*, 2017).

Previous literature on *ribā*-related research, especially within the consumer behaviour realm in Islamic banking's body of knowledge, usually revolves around financial literacy (Gerrard & Cunningham, 1997; Mahdzan *et al.*, 2017), attitude (Kaakeh *et al.*, 2019), or adoption of Islamic banking (Albaity & Rahman, 2019). Notwithstanding, this research does not intend to examine Islamic banking from the same perspective. On the contrary, it uses the measurement of *ribā* knowledge to investigate why some Muslims still choose conventional banking over Islamic banking even though Allah (SWT) and the Prophet (SAW) have made it explicitly clear about the prohibition and implication of *ribā* in this world and the hereafter. Considering the level of stern warning by Allah (SWT) regarding *ribā* and the implications of practicing it, this research will focus mainly on *ribā* over *gharar* and *maysir* and its impact on bank selection of Malaysian Muslim customers.

In the consumer decision-making process, information search comes second after need recognition. Knowledge will influence human actions and decisions. An earlier study by Brucks (1985) stated that product knowledge would affect a consumer's search actions throughout the purchase activity, affect the treatment of the information, and affect the consumer's purchase intention. Lin and Chen (2006) assert this point and have found that product knowledge positively affects consumer purchase decisions. With respect to these observations, this study examines whether *ribā* knowledge influences Malaysian Muslim consumers' decisions in their bank selection, particularly in deciding between conventional or Islamic banking products and services.

As one of the central underlying values of Islamic finance, it is important to investigate whether Muslims in Malaysia have the basic knowledge and understanding of *ribā* before making an informed decision in choosing their banks. Therefore, this research will focus on *ribā* knowledge while examining the criteria Malaysian Muslims use in selecting their banks. More importantly, this study attempts to fill a gap in the scarcity of existing studies with *ribā* as a central theme.

Accordingly, the remainder of the paper is organised as follows: the second section discusses related literature on the subject. Subsequently, the research methodology and instruments employed are presented. The next section discusses the results. The paper concludes with prospects for future research in the last section.

LITERATURE REVIEW

The literature review focuses on establishing a knowledge base of the current state of research, identifying gaps, and the need for additional research. A literature review will be conducted to determine what will be included (and excluded) from the current research. Compared to previous studies, this study attempts to measure the level of *ribā* knowledge among Malaysian Muslims by asking questions that focus on the definitions of *ribā* according to *fiqh* (Islamic jurisprudence). It is not within the scope of this research to investigate or measure the technical aspects of the concepts, terms, contracts, or products of IBs in Malaysia. Besides, it is also not the purpose of this study to delve into the law or the legal implications of Islamic banking and finance that arise thereafter.

Islamic Banking Selection Criteria

Numerous studies have been conducted on banking selection criteria for both CBs and IBs with various demographic segmentation and consumer types (Wan Ahmad *et al.*, 2019). Some have investigated country-specific bank selection criteria (Kennington, 1996; Şafakli, 2007; Kaakeh *et al.*, 2019). Dynamic technological advancement, a landscape of various consumer groups with differing characteristics, and the incessant need for product innovations to meet new demands are good reasons to reexamine the bank selection criteria to stay relevant and address any gap therein.

For 30 years or so, conventional and Islamic banking have been the focus of previous studies on bank selection criteria in Malaysia, as described in **Table 1**. Based on the analysis of these previous studies, this research will measure bank selection criteria under the most critical criteria, including service quality, brand image, reputation, cost and benefit, and technology.

Brand image is regularly used as an extrinsic indication when consumers evaluate a product before purchasing (Richardson *et al.*, 1994). A positive brand image will increase consumers' trust and purchase intention both directly and indirectly (Wang & Lee, 2016) On the other hand, reputation is often referred to as an intrinsic brand cue that affects consumers' purchasing behaviour. While the brand image is inclined towards external visualisation of one's products and services, reputation is something an organisation needs to work on from within. In banking business, intrinsic brand cue is more important than other variables like service attributes or media reviews (Mohamad *et al.*, 2014). A bank's reputation influences the types of relationships that banks will continue with their customers and the cost that the bank is willing to bear to keep those relationships. Consequently, a good reputation boosts a bank's efficacy as a service provider.

In a banking customer's decision-making process, the bank's reputation is the main criteria in determining banks' services choice and preference (Kennington, 1996; Almossawi, 2001; Şafakli, 2007). Moreover, the same is also true for Islamic banking customers (Dusuki & Abdullah, 2007; Abduh & Omar, 2012). In a relatively recent study by Narteh and Braimah (2020), the authors measured the corporate reputation dimension by the bank's emotional appeal, the bank's initiative for social and ethical engagement, the bank as a good employer, corporate performance, customer-centric attributes, and the bank's service quality. These characteristics significantly predict customer selection of retail bank service providers.

Table 1: Studies of Bank Selection Criteria in Malaysia

Literature	Bank selection criteria in Malaysia		Banking framework
	Most important	**Least important**	
Haron *et al.* (1994)	Service quality Friendly personnel Speed of transactions	Recommendations External appearance Size of bank	Conventional
Dusuki & Abdullah (2007)	Service quality Friendly personnel Financial reputation	Location Product price Environmental practice	Islamic
Amin (2008)	Sharīʿah principle Low monthly payment Transparency practice	Location Product range Longer financing period	Islamic
Amin *et al.* (2009)	Service provision Sharīʿah principle Pricing	Ample parking space Recommendations	Islamic
Ahmad *et al.* (2011)	Brand (Reputation) Ease of use Service quality	Financial benefits Location	Islamic
Abduh & Omar (2012)	Sharīʿah principle Profitability Reputation	Friendly personnel Location Full-fledged/window	Islamic
Selamat & Abdul-Kadir (2012)	Service quality Confidentiality Reputation	Overdraft privilege Mass media advertising Recommendations	Both
Md Saleh *et al.* (2013)	Accessibility Pricing Reliability	Value-added service Friendly personnel Location	Both
Mohd Suki (2018)	Reputation Price Electronic services	Location Appearance	Both
Abdul Hadi & Muwazir (2020)*	Religious & ethical (Muslims) Service & convenience (non-Muslims)	Services & convenience (Muslims) Religious & ethical (non-Muslims)	Islamic
	* Selection criteria are ranked based on multi-ethnic groups		
Mohd Thas Thaker *et al.* (2020)	Convenience (and technology) Product pricing Reliability	Accessibility (ATM)	Islamic

Source: Authors' own

As reported by Ahmad and Haron (2000), most IB customers emphasised religious values together with other aspects like cost and benefit, service delivery, reputation, and location in IBs' patronage. Nevertheless, authors such as Dusuki and Abdullah (2007) and Marimuthu *et al.* (2010) argued that IBs should be focusing on the cost and benefit factor in order to compete with their conventional counterparts. Previous literature also recommends that IBs must not solely depend on religious elements as a unique selling proposition, but they should also focus on providing quality products and services that are cost-efficient. Other studies, which found cost and benefit (including price) as significant predictors in bank selection criteria include, *inter alia*, Al-Ajmi *et al.* (2009), Hedayatnia and Eshghi (2011) and Zulfiqar *et al.* (2014).

The incorporation of technology in the service industry has played a crucial role for service providers to better serve their customers, and banks too have been motivated to incorporate as much technology into their business model to stay relevant (Bauer *et al.*, 2005). It is because technology allows for considerable timesaving for both customers and employees, reducing costs, and simplifying the network transactions (Dangolani, 2011). Hence, the availability of technology-based services such as self-service machines (ATMs and CDMs), Internet banking, mobile banking, and other digital banking products is essential in influencing Malaysian banking customers' selection criteria—both conventional and Islamic (Mohd Suki, 2018; Mohd Thas Thaker *et al.*, 2020).

Definitions, Perception and Implications of *Ribā*

The word '*ribā*' is an Arabic word that means addition or increase. A prominent Muslim scholar, Abu al A'la al Mawdudi, defined *ribā* as 'a predetermined excess or surplus over and above the loan received by the creditor conditionally in relation to a specified period' (Afzal ur Rahman, 1986, p. 71). This definition outlines three main elements of *ribā*, which include excess or surplus over and above the loan principal, excess determined by the time-relation factor, and specified excess in the loan agreement (Engku Ali, 2007). Meanwhile, a renowned Malaysian Sharīʿah scholar and prominent figure in Islamic finance, Dr Zaharuddin Abdul Rahman delineates a more contemporaneous definition of *ribā* as any addition to *ribawī* items (i.e., gold, silver, dates, wheat, salt, and barley or any contemporaneous measure of value as well as staple and storable food) and any addition to debt due to time (delay or deferment) (Abdul Rahman, 2008; 2010). **Table 2** summarises the main types of *ribā*.

Table 2: Main Types of *Ribā*

Ribā al-Duyūn (Occurs due to borrowing and debt)		*Ribā al-Buyūʿ* (Occurs due to buying and selling of *ribawī* items)	
Qarḍ	*Jāhiliyyah*	*Faḍl*	*Nasīʾah*
Privileges to the lender in loan or debt transactions	Increase in payment due to delays or deferment	Addition of weight on one of the exchanged items	Addition in the exchanged items due to delay of delivery

Source: Adapted from Abdul Rahman (2008, 2010)

Fontaine (2019) researched Malaysian Muslims' perception of *ribā* by incorporating questions about other sins such as eating pork, drinking alcohol, and dating. The research findings indicated that 40 per cent of Muslims seem unsure about *ribā*'s legal status while 31 per cent have no issue with partaking in *ribā*-based transactions. This is rather worrying for one obvious reason—the prohibition of *ribā* in Islam. Some Muslims' trouble in understanding the prohibition of *ribā* in Islam arises from inadequate appreciation of Islamic values, particularly Islam's strict insistence on socioeconomic justice and equitable distribution of wealth (Rufai, 2014).

In light of the above, Shahar *et al.* (2016) outlined several adverse effects of *ribā*: the inequitable redistribution of wealth in a society and the exploitation of the needy and the poor, whose future earnings are reduced, and consequently they will be trapped in an unending poverty cycle. In addition, Rufai (2014) indicated that *ribā*'s unjust nature will negatively impact a needy

person's morale by weakening his kindness and goodwill toward the lender. Therefore, the wisdom behind the prohibition of *ribā* is to attain the following purposes: to safeguard the Muslims' assets from unjust treatment, to motivate and command Muslims towards lawful and Sharīʿah-compliant investments, and to deter hatred, evil and envy among Muslims caused by unjust practices (Rufai, 2014). Besides, the prohibition of *ribā* will also inspire people to do good deeds to one another as recommended by Islam—by applying the concept of lending out of goodwill and expecting no extra return, which in turn heightens the brotherhood spirit among Muslims.

METHODOLOGY

Sample

The non-probability sampling technique is used in this research by adopting convenient judgement and snowball sampling. The technique was also chosen because of the non-possibility of estimating the target population and the unavailability of a sampling frame. The sampling method is intentionally used due to respondents' ability to provide information as outlined and required by the researcher by the attribute of knowledge or experience (Etikan *et al.*, 2016). These techniques are cost-effective, easy to implement, and most convenient (Taherdoost, 2016). Judgmental sampling is employed with two main criteria: Muslim respondents and respondents with a loan or Islamic financing account in any commercial bank in Malaysia. Hence, Muslim working adults are suitable for the sampling purposes.

Data Collection

Self-administered surveys were distributed to offices within the Greater Kuala Lumpur area where willing Muslim working adults were identified. A total of 350 printed surveys were handed out, and the response time ranged from a week to more than a month. The researcher sent reminders to improve the response rate, promising anonymity and appealing for participation. The same survey was uploaded to an online channel, and the link was shared within the researchers' network.

Research Instrument

The questionnaire was divided into three sections. The first section consists of the measurement of bank selection criteria. Thirty-one (31) items were developed to measure the five bank selection criteria. Moreover, the items under the service quality construct were also adjusted to accommodate the standard Customer Service Charter (Charter) implemented by all banks in Malaysia. The Association of Banks in Malaysia (ABM) and Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) oversee the development, rollout, and revision of the Charter with the participation of their member banks.

The second section consists of items to measure *ribā* knowledge. These items were developed following personal communication with an expert reviewer, Dr Zaharuddin Abdul Rahman, on September 26, 2020. The following items were concluded as a measurement for *ribā* knowledge appropriate for research among public respondents:

- *Ribā* is an addition in the exchange of *ribawī* items (of the same type and category) due to the addition of weight on one of them.

- *Ribā* is an addition in exchange for *ribawī* items (of the same type or category) due to the delay of delivery.
- *Ribā* is an increase in debt payment due to delays or deferments.
- *Ribā* can also be in the form of additional payments for late payment of debts.
- *Ribā* is any privilege afforded to the lender in the debt or loan transaction of goods comprising comparable or similar items that can be calculated objectively, e.g., money with money.

The expert reviewer advised adding a brief meaning of *ribawī* items as additional information for the respondents before answering the questions. Hence, the following statement is added before the questions about *ribā*—'The six *ribawī* items according to the hadith are as follows: gold with gold, silver with silver, wheat with wheat, barley with barley, salt with salt and dates with dates. The word *ribawī* does not mean *ribā*'.

Before the pilot and actual data collection, the drafted and complete survey question set was then shared with third-party individuals for expert reviews, especially on the *ribā* knowledge construct. This process was performed because the items adopted for *ribā* constructs have yet to be widely tested. Even though the individual experts' views vary, they can determine questions that have the possibility of data quality problems (Olson, 2010). Two subject-matter experts were involved in the research questionnaire pretesting methods through informal reviews by the individual experts.

The third section consists of demographic data. To filter out non-eligible respondents, these two main instructions were included: respondents must provide the loan account type they owned and the bank that is servicing the loan. Each respondent can select more than one loan account owned by him/her and subsequently may choose more than one bank as the loan provider. By doing so, the distribution of loan account type and bank type (conventional or Islamic) can be determined.

Measurement scales used in this research are nominal and ordinal scales. A demographic profile using a nominal scale enables grouping of information collected. This research uses a 10-point Likert scale. While the traditional five-point Likert scale conforms to Likert's rules for construction and testing (Blumberg *et al.*, 2014), the 10-point scale generally displays higher validity than the five-point scale for convergent and discriminant validity assessment (Coelho & Esteves, 2007).

Data Analysis

Statistical and mathematical methods involving computerised analysis were executed using IBM SPSS v26 and SmartPLS 4.0. SPSS is generally used for descriptive and factor analysis, while SmartPLS is chosen to estimate the path coefficients hypothesised by the model framework. SmartPLS was selected to analyse a complex model such as this research as suggested by Hair *et al.* (2021). In addition, SQL Server 2019 Express was used for data management and processing.

RESULTS AND DISCUSSIONS

Demographic Profile

The population of interest for this study was Muslim working adults with one or more loan or Islamic financing accounts in any bank in Malaysia. As expected, most of the respondents were grouped in the age range of 20 to 50 years old as this group represents the working-age population in Malaysia (i.e., 15 to 64 years old as per the definition used by the Department of Statistics Malaysia (DOSM) for their Labour Force and Social Statistics' monthly releases and quarterly and annual reports). The respondents' demographic profile is summarised in **Table 3**. The percentage distribution is shown in **Table 4**.

Table 3: Demographic Profile

Demographic Variable	Frequencies	Percentage (%)
Gender		
Male	104	42.6
Female	140	57.4
Total	244	100.0
Age		
Below 20 years old	1	0.4
20–30 years old	52	21.3
31–40 years old	110	45.1
41–50 years old	62	25.4
51–60 years old	18	7.4
Above 60 years old	1	0.4
Total	244	100.0
Education Level		
Primary/Secondary School	51	20.9
Matriculation/College/Diploma	71	29.1
Bachelor's Degree	93	38.1
Postgraduate Degree	21	8.6
Professional Qualification	7	2.9
Others	1	0.4
Total	244	100.0
Marital Status		
Married	188	77.0
Not Married	56	23.0
Total	244	100.0
Income		
Less than RM2,000	17	7.0
RM2,000–RM3,999	78	32.0
RM4,000–RM5,999	68	27.9
RM6,000–RM7,999	53	21.7
RM8,000–RM9,999	12	4.9
RM10,000–RM11,999	9	3.7
RM12,000–RM13,999	3	1.2
RM14,000–RM15,999	0	0.0
RM16,000–RM17,999	1	0.4
RM18,000–RM19,999	1	0.4
RM20,000 and above	0	0.0
Not disclosed	2	0.8
Total	244	100.0

Table 4: Demographic Profile (Cont.)

Demographic Variable	Frequencies	Percentage (%)
Formal Religious Education		
No formal religious education	21	8.6
Primary education	46	18.9
Secondary education	106	43.4
Tertiary education (*Pondok* (Madrassah)/College/University)	71	29.1
Total	244	100.0
Religiosity		
Yes	206	84.4
Neutral	37	15.2
No	1	0.4
Total	244	100.0

Source: Authors' own

Table 5: Bank and Account Type Distribution

Bank	Percentage (%)
Conventional bank	38.2
Islamic bank	56.8
Others	5.0
Loan/financing account type	**Percentage (%)**
Housing loan/financing	32.1
Hire purchase loan/financing	36.3
Personal loan/financing	31.6
Loan/financing ownership	**Percentage (%)**
One loan/financing type	67.6
Two loan/financing types	18.0
More than two loan/financing types	14.4

Source: Authors' own

Measurement Model Analysis
Exploratory Factor Analysis

The Kaiser-Meyer-Olkin (KMO) and Bartlett's tests are two statistical procedures to confirm the feasibility of exploratory factor analysis (EFA) for a given data set. Factor analysis was performed with all the latent variables and observed for correlations and dimension reduction. For the data set, Bartlett's test of Sphericity is significant ($p=.000$), and the KMO score is 0.967, confirming the feasibility of EFA.

Factor rotation is a systematic method in which the measured items are loaded together in different factors or components. The results indicated that four-factor components explained 77.34 per cent of the variance from the original five constructs. After removing three items under brand image because of cross-loading, the remaining 27 items were regrouped as service quality, corporate reputation, cost and benefit, and technology, as shown in **Table 5**.

Table 6: Loadings, Reliability and Validity

Construct	Item	Loading	Cronbach's Alpha	CR	AVE
Service Quality (SERVQUAL)	My bank offers timely and efficient services.	0.893	0.956	0.965	0.821
	My bank provides information on features and fees for the various products and services through various channels (i.e., branch/call centre/bank's website).	0.911			
	My bank offers high-quality products and services.	0.937			
	My bank understands my needs and solves them.	0.934			
	My bank addresses my complaints or issues consistently and promptly.	0.901			
	My bank has experts who manage my account.	0.857			
Corporate Reputation (CORP)	It is prestigious to be a customer of my bank.	0.903	0.972	0.976	0.819
	My bank is committed to sustainable development.	0.917			
	My bank appears to make financially sound decisions.	0.916			
	My bank attracts good investors.	0.934			
	My bank competes fairly in the marketplace.	0.905			
	The leadership of my bank is held in high regard.	0.933			
	My bank outperforms its competitors financially.	0.929			
	My bank offers value for money.	0.910			
	My bank offers products that are not available in other banks.	0.788			
Cost and Benefit (COST)	My bank charges reasonable service fees.	0.881	0.935	0.949	0.756
	It is easy to get a loan from my bank.	0.801			
	My bank offers a longer loan tenure than other banks.	0.815			
	My bank offers a lower interest rate on loans than other banks.	0.897			
	My bank offers a lower monthly instalment than other banks.	0.928			
	My bank charges a low interest rate on overdue loan payments.	0.887			
Technology (TECH)	My bank provides a secured Internet banking service.	0.891	0.949	0.958	0.765
	My bank provides a secured mobile banking app service.	0.888			
	My bank provides other digital products, i.e., e-wallet, QR pay.	0.804			
	My bank provides a variety of self-service machines, i.e., ATM, Cash Deposit (CDM), Cheque Deposit (CQM), Cash Recycler (CRM).	0.872			
	My bank provides effective and efficient online services.	0.911			
	My bank is easily accessible via physical platforms such as branches and self-service machines.	0.880			
	My bank is easily accessible via virtual platforms such as call centres and Internet banking.	0.873			

Table 7: Loadings, Reliability and Validity (Cont.)

Construct	Item	Loading	Cronbach's Alpha	CR	AVE
Bank Selection (BANKSEL)	I choose my bank because of its service quality.	0.934	0.955	0.965	0.848
	I choose my bank because of its brand image.	0.921			
	I choose my bank because of its reputation.	0.945			
	I choose my bank because of its value for money.	0.897			
	I choose my bank because of its use of information technology (IT).	0.907			
Ribā Knowledge (RIBA)	*Ribā* is any addition in the exchange of *ribawī* items (of the same type and category) due to the addition of weight on one of them.	0.914	0.893	0.921	0.702
	Ribā is any addition in exchange for *ribawī* items (of the same type or category) due to delivery delay.	0.914			
	Ribā is an increase in debt payment due to delays or deferments.	0.848			
	Ribā is any privileges afforded to the lender in the debt or loan transaction of goods with *mithliah* status (comparable or similar item and can be calculated objectively) such as money with money.	0.830			
	Ribā can also be in the form of additional payments for late payment of debts.	0.656			

Source: Authors' own

Reliability and Validity

The reliability of the constructs was verified using Cronbach's Alpha and Composite Reliability (CR). Cronbach's Alpha of each construct exceeded the recommended threshold of 0.700. Convergent validity was acceptable because the average variance extracted (AVE) was over 0.500. For practical significance, loadings greater than 0.50 are considered necessary (Hair *et al.*, 2014).

Fornell-Lacker criterion was utilised to assess the model's discriminant validity. Using this method, the square root of the AVE and the correlation of latent constructs were compared. A latent construct should describe the variance of its indicator rather than the variance of other latent constructs. Hence, each construct's AVE square root should have a more significant value than the correlations with other latent constructs (Ab Hamid *et al.*, 2017).

Next, the model's discriminant validity was assessed using correlations' Heterotrait-Monotrait ratio (HTMT). If the value of the HTMT is higher than 1, one can conclude that there is a lack of discriminant validity (Ab Hamid *et al.*, 2017).

Research Model Development

After the factor loading analysis, reliability, and validity measurement were completed, a revised model was developed based on the results. **Figure 1** depicts the revised research framework, and **Table 6** stipulates the revised hypotheses.
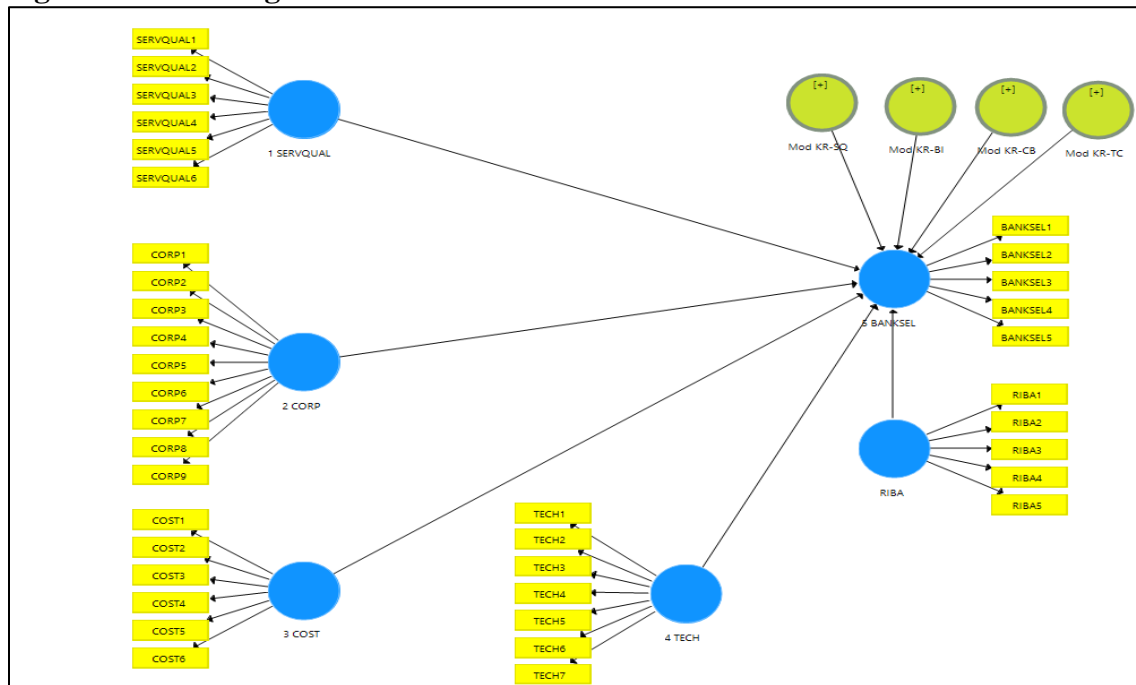
Structural Model Analysis

A structural equation modeling (SEM) measurement was performed using the SmartPLS application to analyse the structural relationship between variables and constructs. **Figure 2** reflects the paths hypothesised in the research framework.

Figure 1: Research Framework
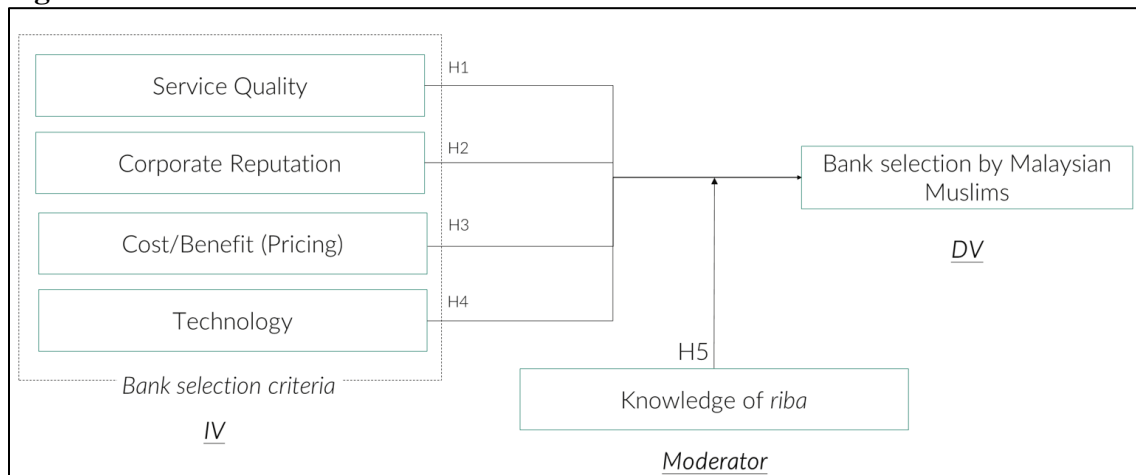
Source: Authors' own

Figure 2: SEM Diagram

Source: Authors' own

Table 8: Revised Hypotheses

	Hypotheses
	Relationships with bank selection
H1	There is a significant relationship between service quality and bank selection among Malaysian Muslims.
H2	There is a significant relationship between corporate reputation and bank selection among Malaysian Muslims.
H3	There is a significant relationship between cost and benefit and bank selection among Malaysian Muslims.
H4	There is a significant relationship between technology and bank selection among Malaysian Muslims.
	The moderating role of ribā knowledge
H5a	*Ribā* knowledge moderates the relationship between service quality and bank selection among Malaysian Muslims.
H5b	*Ribā* knowledge moderates the relationship between corporate reputation and bank selection among Malaysian Muslims.
H5c	*Ribā* knowledge moderates the relationship between cost/benefit and bank selection among Malaysian Muslims.
H5d	*Ribā* knowledge moderates the relationship between technology and bank selection among Malaysian Muslims.

Source: Authors' own

Path Analysis

A structural model is assessed based on the R^2, Q^2, and paths' significance. To explain the endogenous constructs, the value of R^2 should be greater than 0.1 (Falk & Miller, 1992). The results show that the R^2 value is over 0.1. Hence, the predictive capability is established. The other latent variables explain 81.1 per cent of bank selection criteria in the structural model.

Q^2 establishes the predictive relevance of the endogenous constructs. A Q^2 score of above 0 shows that the model has predictive relevance (Hair *et al.*, 2021). The results show that there is significance in the prediction of the constructs. Additionally, Standardised Root Mean Square Residual (SRMR) was used to measure model fit by assessing the average scale of the discrepancies between the observed correlation and the predicted correlation. The value of SRMR was 0.052, which was below the recommended value of close to .08 (Hu & Bentler, 1998), indicating a good model fit.

Hypotheses were tested to establish the significance of direct relationships. H1 evaluates whether service quality (SERVQUAL) has a significant relationship with bank selection (BANKSEL). The results revealed that SERVQUAL has no significant relationship with BANKSEL (H1: β = -.075, t = 1.075, p = .283), while for H2, corporate reputation (CORP) has a significant relationship with BANKSEL (H2: β = .224, t = 2.233, p < .05). For H3, cost and benefit (COST) has a significant relationship with BANKSEL (H3: β = .286, t = 4.033, p = .000). Lastly, technology (TECH) has a significant relationship with BANKSEL (H4: β = .518, t = 6.638, p = .000). Thus, H1 was not supported while H2, H3 and H4 were supported.

Moderation Analysis

Moderation analysis was performed to investigate the moderating role of *ribā* knowledge (RIBA). The results revealed an insignificant moderating role of RIBA on the relationship between SERVQUAL and BANKSEL (H5a: β = -.086, t = 1.257, p = .209), on the relationship between CORP and BANKSEL (H5b: β = .161, t = 1.580, p = .115), on the relationship between COST and BANKSEL (H5c: β = .004, t = 0.053, p = .957), and on the relationship between TECH and BANKSEL (β = -.134, t = 1.748, p = .081).

Hypotheses Results

The hypotheses results are provided in **Table 7**.

Table 9: Hypotheses Results

	Hypotheses	
	Relationship with bank selection	
H1	There is a significant relationship between service quality and bank selection among Malaysian Muslims.	Not supported
H2	There is a significant relationship between corporate reputation and bank selection among Malaysian Muslims.	**Supported**
H3	There is a significant relationship between cost and benefit and bank selection among Malaysian Muslims.	**Supported**
H4	There is a significant relationship between technology and bank selection among Malaysian Muslims.	**Supported**
	The moderating role of *ribā* knowledge	
H5a	*Ribā* knowledge moderates the relationship between service quality and bank selection among Malaysian Muslims.	Not supported
H5b	*Ribā* knowledge moderates the relationship between corporate reputation and bank selection among Malaysian Muslims.	Not supported
H5c	*Ribā* knowledge moderates the relationship between cost/benefit and bank selection among Malaysian Muslims.	Not supported
H5d	*Ribā* knowledge moderates the relationship between technology and bank selection among Malaysian Muslims.	Not supported

Source: Authors' own

Importance-Performance Results

Another test was run to analyse the importance-performance variables measured against bank selection as depicted by the research model. Importance-performance map analysis (IPMA) extends the results of structural model relationship by considering both importance and performance dimensions of each construct in order to prioritise managerial activities. The objective of IPMA is to observe which factors have a low performance but high importance for the target constructs.

The IPMA results show that RIBA had a higher performance than COST and lower performance level than SERVQUAL, CORP, and TECH. The variable with both the highest performance and importance was TECH. SERVQUAL has a negative value of importance which

concurred with the H1 result. Notably, RIBA had the lowest importance compared to the rest of the variables. **Figure 3** illustrates the importance-performance map.

Figure 3: Importance–Performance Map

Source: Authors' own

DISCUSSION

All bank selection criteria were found to influence bank selection positively and significantly except for service quality (H1). A relatively recent study by Abdul Hadi & Muwazir (2020) on Islamic banking selection criteria had similar results. Interestingly, however, Malay customers ranked service quality as the bottom two factors compared to Chinese and Indian customers (top three and top two, respectively).

Four out of six items under the service quality construct are also part of the customer service charter which has been implemented by Malaysian banks since 2011 (with the latest revision in 2017). This may contribute to the insignificant finding in this study that bank service quality has already matured into an industry standard. Therefore, it is advisable for banks to plan and execute a differentiation strategy, all the while maintaining their service quality, par excellence. In addition, banks with good service quality have a better sustainable competitive advantage and maintain customers' long-term trust. This is especially true for banking institutions, as from the bank marketing perspective, service quality is always linked to customer satisfaction, loyalty and interest in buying or using a banking product or service (Chu *et al.*, 2012).

The construct of corporate reputation in this study includes brand image and reputation factors tested in previous research. The result revealed a significant relationship between

corporate reputation and bank selection (H2). The same result was concluded in earlier studies (Boyd *et al.*, 1995; Naser *et al.*, 1999; Dusuki & Abdullah, 2007) and relatively recent studies about bank selection (Mohd Suki, 2018; Selvanathan *et al.*, 2018). This study's finding is not at all surprising as the bank's overall image, financial performance, and reputation are aspects that customers often consider when selecting a bank.

The customers' attitude towards banks is typically concerned with the cost and benefit since they assign substantial weight to the availability of cost-effective financial solutions (Mansour *et al.*, 2010; Awan & Bukhari, 2011). It is evidently clear from the above result where cost and benefit factors have a significant relationship with bank selection (H3). Doraisamy *et al.* (2011) demonstrated the consumers' inclination towards conventional banking because of, *inter alia*, lower operating charges and high interest in savings. Interestingly, despite the widespread belief that Islamic banking products are more expensive than CBs (El-Gamal, 2006; Said *et al.*, 2022), competitive product pricing also significantly influences the non-Muslims' loyalty towards Islamic banking in Malaysia (Thaker *et al.*, 2020). With this information, IBs should vigorously continue to improve their products' pricing competitiveness (or at the very least, match theirs to that of their conventional counterparts) to upgrade their customers' cost/benefit appraisals.

This study indicates a significant relationship between technology and bank selection (H4). This result is also consistent with Mohd Suki (2018), Tesfaye *et al.* (2019), Mohd Thas Thaker *et al.* (2020), who found that technology is a significant factor in bank selection criteria. Moreover, the COVID-19 pandemic has been a catalyst for banking institutions to rely on technology more than ever. Consequently, the provision of alternative (and complementary) banking channels such as Internet banking, mobile banking, and ATM that are user-friendly will continue to serve as a critical success factor for IBs. So much so, it is becoming almost obligatory for banks to leverage fintech in their business operations since consumers are becoming more and more dependent on using technologies in their constant pursuit of convenience.

As for the moderation analysis, no significant effect was found between the independent and dependent variables (H5a, H5b, H5c, and H5d). Even though it is highly recommended for Muslims to possess knowledge about *ribā* that will naturally lead them to patronise Sharīʿah-compliant banking, such knowledge was found to be inconsequential in their decision-making. This is even though more than half of the respondents opted for Islamic home financing products (58 per cent). Remarkably, the issue of *ribā* was not an essential factor in their decision-making. At this point, the authors can only provide several plausible explanations. Malaysia is renowned globally for having one of the most comprehensive Sharīʿah governance frameworks in the world and, hence, the issue of Sharīʿah non-compliance (read: *ribā*) was never an issue for Malaysia's Islamic banking users. A case in point, Bank Negara Malaysia sets out to achieve end-to-end Sharīʿah compliance through two elements, i.e., the Shariah Advisory Council (SAC) and the internal Shariah committee formed at each IB. In addition, through the Shariah Governance Framework policy documents in 2010 and 2019, Bank Negara Malaysia sets out the requirements of Sharīʿah governance structures, processes, and arrangements to ensure Sharīʿah compliance and provides comprehensive guidelines for the board, Shariah committee, Sharīʿah review, Sharīʿah audit, Sharīʿah risk management and Sharīʿah research (Saba, 2018).

In lieu of the above, there is a strong possibility that Islamic banking customers in Malaysia might be (consciously or unconsciously) 'outsourcing' their decision-making responsibility to the respective IBs' Sharīʿah committees and the SAC. Stated differently, they merely follow and accept the Sharīʿah resolutions issued by the SAC without being compelled to acquire the knowledge personally. It can be said that it was relatively easy to acquire this knowledge, but it was not prioritised and applied appropriately in accordance with Islamic teachings, i.e., in the case where one chooses conventional over Islamic bank. This was further evidenced by the IPMA result, where *ribā* knowledge had a higher performance than cost and benefit but ranked lower vis-à-vis the other bank selection criteria. A study by Ariff (2017) might clarify this 'enigma'. He suggested the following four categories of Islamic banking clientele:

1. The loyalist who accepts without questions or hesitation.
2. The skeptics who have doubts but are willing to join in while expecting things to improve gradually.
3. The pragmatist who is uncertain but willing to trust with a justification that sin (if any) would fall on the bank.
4. The indifferent opportunist would freely switch banks depending on costs and benefits.

A case in point, Doraisamy *et al.* (2011) studied consumers' preferences for Islamic banking products and services in the northern Malaysian state of Kedah. The research results show that more than 70 per cent of the respondents knew about Islamic banking, but not all chose to open Islamic bank accounts. The respondents believe that CBs were superior to IBs in terms of higher wealth contribution, lower fees, speed of transactions, reputation, and efficiency. This finding may provide an additional answer to the percentage of Muslims in this study who have transactions with CBs (38.2 per cent), i.e., they may also belong to the opportunist group as defined by Ariff (2017).

CONCLUSION

The research found that corporate reputation, cost/benefit analysis, and technology have significant relationships with bank selection. Since technology has the highest level of performance and importance, it can be concluded that it plays a significant role in bank selection above the other significant factors measured by the research model. With the imminent arrival of Industry 5.0, where people and machines synergistically work together to improve the means and efficiency of production, the importance of technology is greater than ever.

In Malaysia, where most banks offer a dual banking system, customers need to be aware of the advantages and disadvantages of the products and services offered by the banks. According to the Islamic teachings, a practicing Muslim must be mindful of what is forbidden and what is permitted to protect his faith and gain the pleasure of Allah (SWT). As mentioned in the preceding sections, *ribā* is one of the most important prohibited elements in Islamic finance (along with *gharar* and *maysir*). Nonetheless, the study found that the moderating knowledge of *ribā* did not show any significant impact on the measured constructs. Worse still, the importance-performance test shows that it has the lowest importance compared to the significant bank selection criteria, which could explain why some Muslims choose CBs over IBs.

Although it is not legally compulsory for Muslims in Malaysia to patronise IBs over their conventional counterparts, they must be aware of the consequences of engaging in *ribā*-based transactions. Some may argue that the decision to patronise a banking system is the prerogative of the individual, as *ribā* is a personal and sensitive matter. Nonetheless, IBs should go a step further and play an essential role in increasing public knowledge and awareness. Interactive awareness campaigns by Bank Negara Malaysia and IBs should be conducted as part of corporate social responsibility or as a targeted marketing strategy.

Although this study focuses on the influence of *ribā* knowledge on bank selection, it is not designed to measure respondents' level of religiosity or to compare responses between CB customers and IB customers. For this reason, the authors decided not to include questions to measure whether respondents were aware of or knowledgeable about Islamic laws behind the prohibition of *ribā*. Since the items used to measure *ribā* knowledge were not extensively tested, this is a possible limitation that can be addressed as a prospect for future research. In addition, it is suggested that a stratified cluster sample be used to better represent the samples and eliminate sampling bias. Cluster samples can be constructed based on regional zones (North, Central, East Coast, South, and East Malaysia) to better reflect these region's varied demographic profiles. Another aspect of research that could explain why Muslims prefer CBs over IBs is to examine the *ribā* construct in the context of Muslim bank customers' perceptions and awareness in Malaysia and respondents' religiosity. Lack of awareness of Sharīʿah legal injunctions against *ribā* could explain why Muslims prefer CBs to IBs.

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