

# Religiosity Index for Islamic Home Financing in Sabah

By Dr Hanudin Amin

GENERALLY, one may claim that the term religiosity is “the quality of being pious, devoutness, compliance and piety”. This definition best captures the context of religion in Western society. In Islam, the term religion, however, covers all aspects of human existence where *tawheed*, *akhlak* and *fiqh* matter. It does not accept any separation between the material and spiritual aspects of life. For instance, a *muslim* may be pious but put more money in his hand for *sadaqah* instead of putting it more in his heart.

This week I intend to elaborate the effect of religiosity index on consumer acceptance of Islamic home financing. Three issues are expounded. Issue #1 – Do *muslim* scholars discuss the religiosity issue? Issue #2 – What are proper battery items that reflect religiosity for Islamic home financing? Issue #2 – Does religiosity index affect consumer acceptance of Islamic home financing?

Earlier *muslim* scholars have supported the finding that a consumer’s religiosity has a significant effect on consumption in a *muslim* context (e.g. Elgari, 1990). Someone who approaches an Islamic bank for a mortgage is endowed with a certain level of *iman*. Bendjilali (1995) believes that choosing interest-free financing is blessed by Allah (SWT), hence it is rewarded. Bendjilali (1995) points out that: “A *muslim* consumer who approaches the Islamic bank to get a loan for a real transaction to be financed through *murabaha* mode is endowed with a certain level of *iman*. The degree of *iman* will indicate the degree of compliance to the *Shariah*”.

Moreover, Md-Ilyas (1992) proposed a *muslim* religiosity index in 1992. A *muslim* religiosity index is based on one’s fear (*taqwa*) to Allah (S.W.T), which has an effect on one’s consumption of financing. *Taqwa* makes consumer religiosity from an Islamic perspective different from the Western concept of consumer religiosity. Later works in religiosity have not extended the Md-Ilyas’s (1992) items (e.g. Wan-Ahmad, Ab-Rahman, Ali, & Che-Seman, 2008; Abdullah & Abd-Majid, 2003; Mokhlis, 2009). These scholars, however, have extended the Western concept of consumer religiosity to study *muslims*’ behaviour in bank selection, saving and shopping – failing to report acceptable items based on the *Quran* and *Hadith*.

One’s religion has a significant effect on his consumption (Khan, 1995). Highly religious individuals tend to be conservative, insightful and mature. This explains why those who are highly religious will be reluctant to consume a product, if they are not confident to perform such behaviour. In fact, those who are highly religious are inclined to consume *halal* products, including Islamic home financing, given that this behaviour is supported in Islam (e.g. Al-Qaradawi, 1981). Earlier works on Islamic home financing have paid little attention to the effect of religiosity on one’s behaviour because of the difficulty to operationalise them in the context of mortgages (e.g. Abdul-Samad, 2007; Tameme, 2009; Al-Mutairi, 2010).

Studying religiosity in the context of Islamic home financing is vital for two reasons. First, religiosity and Islamic financing are two components found in the Islamic business philosophy (e.g. Haron & Shanmugam, 2001). This indicates that individuals with a higher level of religious commitment have a preference for Islamic financing including for mortgages. Second, religiosity is a key factor determining a consumer’s bank selection for a mortgage. Consumers tend to choose Islamic home financing because it is following the true spirit of the Islamic business model (Anwar, 2003). It is also out of God-fearing and God-consciousness, which are so central in determining one’s decision for consumption (e.g. Choudhury, 1986).

From a search of the literature, there still remains the question of whether consumer religiosity is conceived of as a single or multidimensional measure. For me, however, religiosity index from the context of Islamic home financing should be measured using a multidimensional approach. Relying on a single item does not capture the different properties of knowledge established in individuals. Multidimensional approach offers flexibility to gauge individuals’ discrepancy of knowledge, feeling and behaviour on religion issues. Churchill Jr.’s (1979) approach for the generation of measurement items is employed. 15 items were generated. The items are: (1) I take debt for basic needs only (2) I take debt when necessary (3) I ask Allah’s protection from indebtedness (4) When I lend money to my family, I simply give it without asking the repayment, and (5) I lend money to those who are in need, among others.

To compute the religiosity index, I use standard deviation and mean and later to segregate the religiosity index into three groups (e.g. high, moderate, and low). A survey involving 250 respondents in Kota Kinabalu, Sabah was conducted to elicit responses with questions asked.

The index is hypothesised to be broken down into three - wealth, debt and social good. The factor analysis result proved the hypothesis. The reliability test also reveals that the said components meet the threshold value of 0.6. The details are: Wealth=.941, Debt=.927 and Social good=.928. Thus, all are retained for the indexation.

For the index, I assign a weight of 34 percent for wealth while the second two is 33 percent each. SPSS is used to segregate respondents into three groups. The overall mean was 4.2933 while the standard deviation was 0.57971. Results reveal that a total of 101 (40.4 percent) respondents who had a high religiosity index, followed by 91 (36.4 percent) respondents who had a low religiosity index and lastly 58 (23.2 percent) respondents who had a moderate religiosity index. I rename the high as “pious religious”, the low as “offhand religious” and the moderate as “moderately religious”. Of the 101 pious respondents, 80 percent were willing to accept Islamic home financing while the rest was not. For offhand religious respondents, 43 percent were willing to accept the facility. For moderately religious group, 88 percent were willing to opt it.

To sum it up, the current write-up proves that religiosity index is important in consumer behaviour and it is one of the key areas which impacts consumer preference. This means that consumers who approach Islamic banks for Islamic home financing are endowed with certain levels of religious preference.

The more religious the consumer, the more likely it is that his’s attitude is influenced by religious considerations, which, in turn, affects consumer preference. Hence, Islamic banks are suggested to employ a different package of Islamic home financing to reflect a different religiosity level of individuals for better visibility of the facility where profit and religion obligation are both upheld, at least.

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