

## **What's In It for Me? Profiling Opportunity Seeking Customers in Malaysian Islamic Banking Sector**

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### **Abstract**

*This paper aims at analyzing the preferences of Malaysian bank customers with a focus on identifying characteristics of the opportunity seekers, those who only consider the economic benefit of the product offered. We also look at the determinants of consumers preferences for financial products used for resource mobilization, and for financing of business start-ups. Starting from an innovative methodology of identifying opportunity seekers as clients with inconsistency in their preferences, we apply asymptotic statistical methods for estimation, comparison of binomial proportions and with multinomial discrete choice on a survey of 1858 retail consumers. We find that although Muslims are more likely to choose Islamic banks, they are also the most likely customers to be economic value seekers. In addition, our findings support that the growth of Islamic banks in Malaysia is conditional on their ability to attract high-income earners.*

**Keywords:** Islamic Finance, Opportunity seekers, Consumer preferences, Malaysia  
**JEL Classification:** D14, G21, G23  
**KAUJIE Classification:** H22, I0, P1

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## 1. Introduction

Just like their conventional counterparts, Islamic banks are financial intermediaries that mobilize resources from depositors and investors, and facilitate the smooth functioning of the economy by channeling these resources to facilitate the production and distribution of goods and services. Unlike conventional banks though, Islamic banks are subject to additional constraints, as they are prohibited from charging and receiving *Ribā* (commonly translated as interest or usury); from engaging in excessively risky transaction and transactions tainted by asymmetric information (*Gharar*), and from investing in other activities prohibited by Islamic law (The Sharī'ah).

The Islamic finance market has seen tremendous expansion in the last four decades, particularly in the Middle East, South and South East Asia, Africa, etc. with double-digit growth, and an asset base estimated at around \$2 trillion from a global industry perspective (the Economist, 2014). Islamic banking is the dominant component of the industry, accounting for 80% of the assets. Except in Iran and Sudan where the entire financial system is deemed Sharī'ah compliant, the market share of Islamic banks in most countries is small, below 35%.

Malaysia provides an interesting case study as it is home to the second largest market in terms of total assets behind Iran, but the market share of Islamic banks is just at 21% albeit sustained efforts by the government authorities to support the Islamic financial services industry. That points to the need for a better understanding of consumers' behavior regarding Islamic banking products in order to enhance their market penetration.

The motivations of customers adopting Islamic banks over conventional banks have been scrutinized in the literature. One major finding is that faith is not the overarching factor, with customers valuing other factors such as cost and service quality. Today, given the increased sophistication of Islamic banks, customers and their improved knowledge of the various products, Islamic banks have to be more customer oriented in order to retain, and attract Muslim as well as non-Muslim customers. A better understanding of consumers' preferences and of the determinant factors in their preferences regarding key resource mobilization, and key financing instruments would go a long way in boosting market penetration.

The theoretical motivation of this paper can be found in the microeconomic theory of consumer behavior. Unlike in many papers in the literature, this research does distinguish between preferences and choices. Indeed consumers' choices are a

reflection of their preferences, but also of their constraints. Identification problems in untangling the two are overcome only thanks to additional assumptions on the costs of the alternatives (See Arrow, 1959, Varian (1982, 1983) on the axioms of the nonparametric revealed preferences approach). Decisions on whether to patronize Islamic or conventional banks are no exception in the challenges in untangling preferences and constraints.

The centrality of the consumers' constraints in identifying opportunity seekers is rendered more important by the existence of the adaptive mechanisms, in particular the rule of *darurah* a state of necessity on account of which one may omit doing something required by law or may do something illegal (The Oxford Dictionary of Islam).

In this paper, we attempt to identify opportunity seekers, and the determinants of consumers' preferences regarding key bank funding sources, and the most dominant mode of finance.

This paper is organized as follows: Section 2 provides a survey of the literature in relation to our research focus. Section 3 addresses the research hypotheses. The methodology and results are presented in section 4. Section 5 concludes the paper.

## 2. Literature

The literature on the motivations of Islamic bank customers is vast, and covers different eras of the industry as well as country-specific case studies. There are conflicting findings on religion being the driving factor of adoption of Islamic banks by consumers. Using exploratory factor analysis, a study by the State Bank of Pakistan in 2014 concludes that religious factors explain for 23 percent of the demand for Islamic banking, while consumer satisfaction accounts for 39 percent<sup>1</sup>. Erol and El Bdour (1989) find in Jordan that religious factors are not the overarching factor in explaining customers' choice of Islamic banks over conventional banks. Other factors come into play, particularly peer group effects, customer service, availability of credit with favorable terms, etc. They find that 91% of their survey respondents believe that people are not choosing Islamic banks for religious reasons. Haron et al. (1994) support these results. They found that, in Malaysia, there is no difference in the factors that Muslims, and non-Muslims perceive as relevant in the selection of banks.

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<sup>1</sup> State Bank of Pakistan (2014)

The opposite is found in other places in the literature. There is evidence that the preference for Islamic banking attributes in Malaysia is a combination of the quality of services and convenience, but more importantly that consumers opting for Islamic banks was mainly due to the religious motivations (Echchabi and Nafiu, 2012). The same finding that the critical role is faith is found in Bahrain (Metawa and Almosawi, 1998).

The above illustrative references, although far from comprehensive, show that the conflicting findings are in large part the consequence of methodological problems. Erol and El Bdour use a sample of only 12% female, and their study was about respondents' perceptions of others' motives rather than their own. Echchabi and Nafiu use a self-administered questionnaire distributed to 500 Islamic banks' customers in Malaysia. Data collected from customers of Islamic banks solely when estimating the effects on the overall population of bank customers is an example of truncated data, and is a source of model misspecification and biased estimates (See Greene 2003). The same issue arises in Metawa and Almosawi (1998) which surveyed customers of two leading Islamic banks to conclude that religion is the most important factor in their choice.

Islamic banking customers are becoming more aware and more sophisticated. Given the increased competition among Islamic banks, in particular in Malaysia, Islamic banks have now understood that they do not need to rely on religious factors as a strategy in attracting customers, and should focus more on provision of quality, efficient services and product and services innovations. To internalize this important aspect and to avoid the methodological pitfalls mentioned above, our study uses a combination of Islamic as well as conventional bank customers, and attempts to untangle preferences and constraints. To our knowledge there has not been a major research aiming at identifying opportunity seekers among customers, and testing hypotheses on that important population. This research attempts to fill that gap.

### **3. Methodology**

Our first research objective is to identify the customers who choose to patronize Islamic banks only for the economic benefits of its business proposition. We refer to them as opportunity seekers, or value seekers. Four types of products are selected for our analysis:

- 1- Current Accounts: This generic term is used in the survey and refer to demand deposits for conventional banks. For Islamic banks, they are similar to demand

deposits, and are in the Islamic contractual forms of *wadī'ah* or *amānah*<sup>2</sup>, meaning that Islamic banks act as keepers, trustees of the depositors' funds and agree to return them on demand, and in full to the depositors. The Islamic bank only plays a safekeeping role unless given permission to invest in its regular activities. In this case, the amount is treated as an interest free loan to the Islamic bank, which is nevertheless responsible to return the full amount upon request, regardless of whether the Islamic bank makes profits or losses. It is therefore an important resource mobilization tool for Islamic banks as well as conventional banks. We postulate that preferences regarding where to open this type of account is reflection of the customers' values.

- 2- Savings accounts: They are remunerated accounts for both Islamic and conventional banks. In Islamic banks, savings accounts are in the form of Profits Sharing Investment Accounts (PSIA), that provide returns based on profit and loss sharing, a Sharī'ah compliant means of earning returns on capital. Customers' preferences regarding savings accounts therefore reflect their values.
- 3- Personal loan: Islamic banks are allowed to provide loans to their customers without interest (benevolent loan or *qarḍ ḥasan*). However, they can generate income by financing commercial and investment activities for a profit. On the other hand, conventional banks are allowed to provide loan to their customers for interest.
- 4- Start-up business financing: This type of financing takes mainly the form of *Muḍārabah* or *Mushārah*, two forms of joint ventures. In *Muḍārabah*, the bank provides all the funds and the entrepreneur contributes his or her expertise, and has entire control on the management of the project. In *Mushārah*, both parties contribute to the capital, but the bank is allowed to participate in the management of the project.

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<sup>2</sup> Islamic banks are not automatically allowed to use funds deposited on the basis of *Wadī'ah* (trust) to fund their activities. They can however charge a fee for providing safekeeping services. Two enhanced versions of *wadī'ah* are currently used by Islamic banks: safekeeping with guarantee of funds (*wadī'ah yad damanah*), and safekeeping with trust (*wadī'ah yad amānah*), with guarantee of funds only under bank negligence. The banks can use these funds to finance commercial activities. With expressed permission from the depositors which Islamic banks request, the funds can be used to fund the bank's activities, but they are not required to share profits, nor are they allowed to transfer losses to the holders of these accounts. Finally, Islamic banks are allowed to offer gifts to these customers, either in the forms of in-kind gifts or in monetary form to attract these funds, which could provide them with comparative advantages as their conventional counterparts do not reward current account holders.

Opportunity seeking customers are defined as the ones with inconsistency in their preferences regarding these four instruments. For example, if a customer's preferences are a mix of Islamic financial products, and conventional products among these 4 types, he or she is considered an opportunity seeker. Otherwise, he or she is strongly for Islamic finance or against. This methodology does not imply that all the final choices of the customers will be all Islamic or conventional, as the final choices of consumer incorporate their constraints. In an economic environment with tolerance under necessity, it is inconsistency of preferences, rather than inconsistency of choices that identifies opportunity or value seekers.

The second step is to test the prevalence of opportunity among Muslims and non-Muslims. In particular, we test the null hypothesis that non-Muslims are more opportunity seekers than Muslims. That approach is conservative, and it is statistically more appropriate as a rejection of that hypothesis would support a stronger conclusion compared to the alternative that there is no evidence to reject the hypothesis that Muslims are more likely to be value seekers.

The main objectives of this research are the following:

- 1: Are non-Muslims more value seekers than Muslims towards IB industry?
- 2a: What are the factors that influence preferences for Current Accounts?
- 2b: What are the factors that influence preferences for Savings Accounts?
- 2c: What are the factors that influence preferences for Personal Loans?
- 2d: What are the factors that influence preferences for Startup Business Financing?

To address the research objectives of this paper, we use a combination of t-tests, logistic and multinomial logistic regressions. In order to test the first hypothesis, the first step is the identification of the value seekers using the methodology of the consistency of preferences discussed above. The second step is a comparison of their proportion for Muslims and non-Muslims using a t-test to test the null hypothesis of the equality of these proportions.

Let  $P_1$  and  $P_2$  be the true proportion of value-seekers among non-Muslims and Muslims respectively. We test the null hypothesis  $H_0: P_1 = P_2$  against the alternative  $H_A: P_1 < P_2$ . Our sample statistics noted  $N_1$  and  $p_1$  for the number and proportion of value-seekers in the non-Muslim sample, and  $N_2$  and  $p_2$  for the Muslim sample are used to compute the statistic  $t = \frac{p_1 - p_2}{\sigma_{\bar{p}}}$  where  $\sigma_{\bar{p}} = \sqrt{\frac{p_1(1-p_1)}{N_1} + \frac{p_2(1-p_2)}{N_2}}$ , which, under regularity conditions, follows a student's distribution that is approximated using a normal distribution given our large sample size.

To identify the factors that explain consumers preferences for Islamic banking products (Current Accounts, Savings accounts, Personal loans, and Business Startup Funding), we first use Multinomial logistic on the three outcomes (Conventional, Windows, and Stand-alone IB), and logistic on the Conventional vs IB merging windows and stand-alone IB. The models are estimated with independent variables representing demographic variables of religion, age, gender, income and education.

#### **4. Data**

The data used in this paper are from the Consumer Survey for the 2015 Malaysia Islamic Finance Country Report (IFCR 2015) by the Islamic Research and Training Institute (IRTI) in partnership with CIBAFI and Thomson Reuters released in June 2015. The survey population consisted of 1858 individuals in Malaysia (see table 1 for descriptive statistics on the respondents). Data were collected for 915 males and 875 females, with 73.67% of them being Muslims, and 26.33% non-Muslims.

The structure of the Malaysian population is slightly different from our sample in terms of religious composition while the gender distribution of our sample is consistent with the population structure. Government estimates place the proportion of Muslims in the country at 61%, which points to an overrepresentation of Muslims in our sample. However, the 2014 government estimate of the population Male to Female ratio is 1.03, which is comparable to our sample's 1.04. as of 2014. On the age structure of our sample, Malaysia population ratio of 25-54 to 55-64 is 5.42 (2014 estimates) compared to our sample's corresponding ratio of 21.25, which indicates an oversampling of the population of young and middle age. Despite these limitations, our findings are still informative as we are only interested in the adult population and their preferences relative to banking activities, and the trajectory of the banking industry.

#### **5. Findings**

The survey data were tabulated, and respondents were classified as value-seekers or non-value-seekers depending on the consistency of their preferences regarding current accounts, savings accounts, personal loans, and business startup financing. The results and subsequent hypothesis testing regarding the prevalence of opportunity seeking motives are presented in table 2. We find that 7.12% of non-Muslims (Coded 0) in our sample are value-seekers compared to 11.16% of Muslims (coded 1). Overall, 10.15% of our sample are found to be value-seekers.

Table-1  
Demographic and socio-economic characteristics of respondents

<b>Variables</b>	<b>Groups</b>	<b>Frequency</b>	<b>Percent</b>
Age	Less than 18 years old	3	0.16
	18-24 years old	407	21.94
	25-34 years old	688	37.09
	35-44 years old	472	25.44
	45-54 years old	201	10.84
	55-64 years old	64	3.45
	65-74 years old	17	0.92
	75 years or older	3	0.16
	<b>Total</b>	<b>1855</b>	<b>100</b>
Gender	Female	875	48.88
	Male	915	51.12
	<b>Total</b>	<b>1790</b>	<b>100</b>
Religious affiliation	Muslim	1,304	73.42
	Bahai	2	0.12
	Buddhist	173	9.74
	Christian	150	8.45
	Hindu	105	5.91
	sikhism	3	0.18
	taoism	1	0.06
	Punjabi	1	0.06
	Unaffiliated	16	0.9
	Prefer not to disclose	21	1.18
	<b>Total</b>	<b>1,776</b>	<b>100</b>
Education (highest grade or school or college completed)	No schooling completed	23	1.29
	Primary school	33	1.85
	Secondary school	299	16.8
	High school Diploma	394	22.13
	Professional degree	69	3.88
	Undergraduate	492	27.64
	Master's degree	403	22.64
	Doctorate degree	34	1.91
	Prefer not to disclose	33	1.85
<b>Total</b>	<b>1,780</b>	<b>100</b>	
Income (Ringgit per month)	1,000 and below	159	9.02
	1,001-4,000	663	37.61
	4,001 – 7,000	474	26.89
	7,001 and above	176	9.98
	Prefer not to disclose	291	16.51
<b>Total</b>	<b>1,763</b>	<b>100</b>	

Source: Calculations of authors from the Consumer Survey for the 2015 Malaysia Islamic Finance Country Report (IFCR 2015)



**Table-2**  
**Results of Test of Comparisons of Proportions of Value-Seekers**  
**Between Two Groups (Muslims and Non-Muslims)**

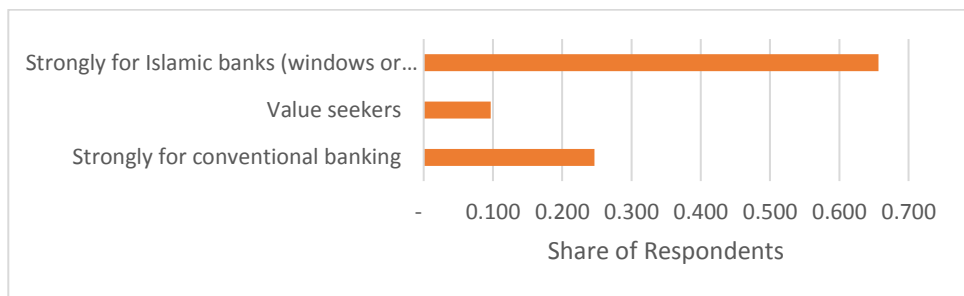
	Muslims			Non-Muslims			t-test
	N	P	SE	N	P	SE	
Value Seekers =1 if respondent is classified as value-seeker, 0 otherwise.	1093		.1116	365		.0712	-2.21 *
			.0095			.0134	

\* P <.05

Note: N=number of observations, P=sample proportion, SE=Standard Errors  
 The difference is the proportion for non-Muslims minus the proportion for Muslims.

Our results indicate a rejection of the hypothesis of equality of proportions against the alternative that Muslims are more likely to be value-seekers than non-Muslims at 5%. Although non-Muslims can be expected to be value-seekers as they are not motivated by Sharī‘ah compliance, our findings shows that Muslims are actually more likely to consider the decision of patronage as an economic decision. But the results are also in contradiction with common belief in the Islamic banking industry that value seekers are a large portion of IB clientele (see figure-1). Given the oversampling of the Muslim population, these results indicate that value-seekers are no more than 10% of the clientele population.

**Figure-1**  
**Classification of Respondents by Preferences**



The overall fit of the model is good for all four models as the likelihood ratio tests support that both models would be better at predicting preferences than a generic model with only a constant (prediction based on the average proportions). Below, we summarize the key findings of each model.

**Current account:** The results are presented in Table-3, and indicate that customers are indifferent between stand-alone Islamic banks and Islamic windows. None of the variables can help predict preference for one over the other. A simple logit model is therefore estimated, as it yields more efficient estimators. When it comes to conventional versus Islamic bank though, we find that religion, age, income and education are significant predictors of customers' preferences on current accounts. Using the logit model, or the expended multinomial logistic model, the results are consistent and show that the likelihood of preferences tilting towards Islamic banks increases with age, education, for Muslims compared to non-Muslims, but it decreases with income.

Table-3  
Multinomial Logistic /Logit Model for Preferences regarding Current/Checking Account?

Survey question: What type of bank do you use/ would use mostly for the following products and services (Current/Checking Account)? (Please tick the appropriate choices)

Variables	Conventional vs Stand-alone IB	Islamic Windows vs Stand-alone IB	Conventional vs Islamic vs Stand-alone (Windows or stand-alone)
Age	-.026 (-2.46)	.003 (.4)	-.028 (-2.89)
Income	.0001 (2.45)	-.00005 (-1.42)	.0001 ( 3.38)
Muslim	-2.498 (-11.21)	.163 (0.66)	-2.579 (-13.47)
Male	-.211 (-1.05)	-.256 (-1.48)	-.087 (-.47)
Education 1 (Secondary school)	.254 (.39)	.72 (1.18)	-.201 (-.36)
Education 2 (High School Diploma)	-.505 (-.80)	.059 (.10)	-.538 (-.99)
Education 3 (Undergraduate or professional degree)	-1.585 (-2.60)	-.669 (-1.18)	-1.289 (-2.45)
Education 4 (Master's degree or doctorate)	-1.035 (-1.64)	-.070 (-.12)	-.997 (-1.83)
Constant	2.872 (3.86)	.276 (.41)	2.032 (3.12)
Reference category: Stand-alone Islamic bank			# of observations: 870
Number of observations: 870			Likelihood Ratio Chi Sq. (8): 242.50
Likelihood Ratio Chi Sq. (16): 281.10			Prob > chi2=0.0000
Prob > chi2=0.0000			Log likelihood: -391.18437
Log likelihood: -808.48408			Pseudo-R sq: .2366
Pseudo-R sq: .1481			

**Savings accounts:** The results for preferences regarding savings accounts are reported in Table-4. We find that income, education and gender do not help in predicting customers preferences between Islamic and conventional regarding savings accounts. However faith plays a significant role as Muslims are highly more likely to prefer Islamic windows or stand-alone over conventional banks.

**Table-4**  
**Multinomial Logistic /Logit Model for Preferences regarding Savings Account**

Survey question: What type of bank do you use/ would use mostly for the following products and services (Savings Account)? (Please tick the appropriate choices)

- 1- Conventional (non-Islamic)
- 2- Conventional (via Islamic window)
- 3- Stand-alone Sharī‘ah-compliant (Islamic)

Variables	Conventional Stand-alone IB	vs	Islamic Windows Stand-alone IB	vs	Conventional vs Islamic (Windows or stand-alone
Age	-.018 (-2.21)		.009 (1.48)		-.023 (-3.10)
Income	.00005 (1.37)		-.00004 (-1.39)		.0006 ( 2.12)
Muslim	-2.447 (-13.65)		.231 (1.15)		-2.558 (-16.56)
Male	-.292 (-1.83)		-.136 (-1.05)		-0.225 (-1.54)
Educ1 (Secondary school)	.332 (.67)		.486 (1.12)		0.052 (.12)
Educ2 (High School Diploma)	-.411 (-.85)		-.058 (.13)		-.384 (-.89)
Educ3 (Undergraduate or professional degree)	-1.113 (-2.33)		-.335 (-0.79)		-.967 (-2.27)
Educ4 (Master's degree or doctorate)	-.714 (-1.46)		.141 (.33)		-.786 (-1.80)
Constant	2.444 (4.23)		-.272 (-.53)		1.889 (3.66)
Reference category: Stand-alone Islamic bank					Number of observations: 1352
Number of observations: 1352					Likelihood Ratio Chi Sq. (16): 377.79
Likelihood Ratio Chi Sq. (16): 377.79					Prob > chi2=0.0000
Prob > chi2=0.0000					347.92
Log likelihood: -1280.87					Prob > chi2=0.0000
Pseudo-R sq: .1285					Log likelihood: -605.46
					Pseudo-R sq: .2232

**Personal loans:** The results for this model (Table-5) indicate that faith is main driver of preferences, as Muslims are more likely to prefer Islamic banks (stand-alone and

windows) over conventional than non-Muslims. Gender also appears to matter with men more likely to prefer stand-alone Islamic banks to both windows and conventional banks. Finally, the variable income has a mixed effect, as it is not significant in differentiating conventional from stand-alone Islamic banks, but points to higher income leaning toward the latter when compared to windows.

Table-5  
Multinomial Logistic /Logit Model for Preferences regarding Personal Loans

Survey question: What type of bank do you use/ would use mostly for the following products and services (Personal Loans)? (Please tick the appropriate choices)

- 1- Conventional (non-Islamic)
- 2- Conventional (via Islamic window)
- 3- Stand-alone Sharī'ah-compliant (Islamic)

Variables	Conventional alone IB	vs Stand- Islamic Windows	vs Stand-alone IB
Age	.009 (.83)		.030 (3.54)
Income	-.00002 (-.42)		-.00007 (-2.00)
Muslim	-2.397 (-10.31)		-.076 (-.32)
Male	-.414 (-2.03)		-.289 (-1.82)
Educ1 (Secondary school)	1.044 (1.51)		.787 (1.33)
Educ2 (High School Diploma)	.524 (.78)		.460 (.80)
Educ3 (Undergraduate or professional degree)	-.887 (-1.35)		-.338 (-0.61)
Educ4 (Master's degree or doctorate)	-.230 (-.34)		.285 (.51)
Constant	1.259 (1.60)		-.694 (-1.04)
Reference category: Stand-alone Islamic bank			
Number of observations: 893			
Likelihood Ratio Chi Sq. (16): 228.37			
Prob > chi2=0.0000			
Log likelihood: -841.54			
Pseudo-R sq: .1195			

**Startup business financing:** Table-6 summarizes the findings for the determinants of preferences regarding institutions for financing startup businesses. They are consistent with results on other financial products as the likelihood of preference of Islamic banks or windows increase with age, and decreases with income. Still

preferences of Muslims are strongly for Islamic banks or windows. Gender and education do not appear to influence preferences when controlling for income levels.

**Table-6**  
**Multinomial Logistic Model for Preference regarding Startup Business Financing**

Survey question: What type of bank do you use/ would use mostly for the following products and services (Startup business financing)? (Please tick the appropriate choices)

- 1- Conventional (non-Islamic)
- 2- Conventional (via Islamic window)
- 3- Stand-alone Sharī‘ah-compliant (Islamic)

Variables	Conventional vs Stand-alone IB	Islamic Windows Vs Stand-alone IB	Conventional vs Islamic (Windows or stand-alone)
Age	.012 (.71)	0.034 (2.58)	-.007 (-.49)
Income	.0001 (2.16)	-.00003 (.50)	.0001 (2.19)
Muslim	-3.029 (-7.35)	-.092 (-.20)	-2.986 (-9.14)
Male	-.220 (-.63)	-.103 (-.37)	-.168 (-.53)
Educ1: (Secondary school)	-.651 (-1.72)	.335 (.43)	-.837 (-1.06)
Educ2: (High School Diploma)	-.198 (-.23)	.461 (.60)	-.447 (-.60)
Educ3: (Under graduate or professional degree)	-1.380 (-1.65)	-.311 (-0.42)	-1.208 (-1.65)
Educ4: (Master’s degree or doctorate)	-1.089 (-1.28)	-.416 (-.56)	-.866 (-1.16)
Constant	1.817 (1.70)	-.987 (-1.03)	1.658 (1.77)
Reference category: Stand-alone Islamic bank			# of observations: 335
Number of observations: 335			Likelihood Ratio Chi Sq. (8): 119.72
Likelihood Ratio Chi Sq. (16): 133.55			Prob > chi2=0.0000
Prob > chi2=0.0000			Log likelihood: -139.90
Log likelihood: -299.31			Pseudo-R sq: .2996
Pseudo-R sq: .1824			

## 6. Conclusion

Understanding customers’ preferences is essential in profiling users of banking products based on motives. Identifying opportunity seekers helps better targeting marketing campaigns and design products characteristics to satisfy consumers’ needs. Our paper finds that opportunity seekers are not the dominant market segment, representing no more than 10% of the clientele population. We also find

that Muslims are more likely to be opportunity seekers than non-Muslims. We looked at the potential of demographic and socio-economic variables such as age, education, religion, gender and income, in explaining consumers preferences between Conventional Banking and Stand-alone Islamic banks regarding key financial products. Our findings indicate that older people and Muslims are more likely to prefer Stand-alone or Islamic banking windows but that higher income earners are more likely to prefer conventional equivalents. Overall, our models did not find significant differences in consumers' preferences of Windows vs Stand-alone Islamic banks.

Although there are signs of optimism for the future of Islamic Banking in Malaysia, our results point to avenues that Islamic banks could explore in order to increase their market share. In particular, promotion efforts targeting high-income earners as on average they are currently more likely to prefer conventional banks; Muslim customers are more value-seeking than non-Muslim customers, indicating that more efforts could be made to market Islamic banking products as a good value proposition, not simply as the Shari'ah compliant alternative to conventional banking; customers need to be better educated on the merits of IB products.

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