

**THE ATTITUDE TOWARDS SHARI'A-BASED CREDIT CARD IN ISLAMIC  
FRAMEWORK IN MALAYSIA: A RELIGIOSITY STUDY**

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**ABSTRACT**

Islamic Credit Card has started its first innovation in Malaysia in the year 2002 with Arab Malaysian Bank (AMbank) - *Al-Tasrif* Card. But, the society does not really aware and interested on the new invention until another Islamic Credit Card emerged under Bank Islam Malaysia Berhad with Bank Islam Card. With a great promotion done, BIMB is known as the first bank introduced Islamic Credit Card. In the year 2006 later, another card was issued in order to cater the demand and to become another alternative for Muslim consumers. Bank Simpanan Nasional then announced the new *Al-Aiman* Card with the similar Shari'a operation with the other two cards. However, the emergence of Islamic Credit Card in Malaysia does not portray the level of awareness and understanding among card holder. Thus, this study is an attempt to obtain the relationship between ownership of Shari'a-based Credit cards to the religiosity indexes of the respondents. Specifically, the study focuses on the respondents' different level of religiousness in terms of their 3 main entities, i.e. Tauhid, Belief on Pillars of Iman, Application of Pillars of Islam and performing other complementary deeds.

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## Introduction

The emergence of Islamic Credit Cards in Malaysia begun in the year 2002. Currently, there are three banking institutions have first introduced their Islamic Credit Cards. Am Bank Malaysia Berhad was the first to introduce alternative credit cards with Islamic principles known as the AmBank *Al-Taslif* Credit Card, and later followed by Bank Islam Malaysia Berhad, with its credit card named the Bank Islam Card. In the year 2006, Bank Simpanan Nasional announced a new Islamic Credit Card known as *Al-Aiman*.

The AmBank *Al-Taslif* Credit Card, which was introduced on 30<sup>th</sup> September 1996 has been formulated initially based on the Shari'a principle of *Bai' bithaman ajil* (sale with deferred payment).<sup>1</sup> Later, the Ambank changed the Shari'a principle to *Bai' Al-Inah*, which governs installment payments over a fixed period.<sup>2</sup> According to Wahbah al-Zuhayli in his book *al-Fiqh al-Islami wa Adillatuhu*,<sup>3</sup> *Bai' bithaman ajil* is also known as *Bai' al-Nasiah* and *Bai' al-'Inah* as they share a common element – i.e. deferment of payment.<sup>4</sup> On the other hand, Bank Islam Card (BIC) also claims to be the first credit card, which is purely based on Shari'a contract, to be offered to Muslims and non-Muslims. BIC alleges to be completely free from any “*riba*” or “*gharar*”. It is also the first credit card in Malaysia to use the SMART chip technology that adopts an optimum security level in a credit card. In the operations of BIC, there are 3 main Shari'a contracts being used, namely *Bai Inah*, *Wadiah* and *Qardhul Hassan*.<sup>5</sup> In other words, to conclude these two arguments, both Arab Malaysia Bank Berhad (Ambank) and Bank Islam Malaysia Berhad (BIMB) are two distinguishing financial institutions offering Shari'a-based credit cards to Muslim users as an alternative for them to fulfil the demand of the their business surrounding in Malaysia today. Similar position goes to Bank Simpanan Nasional. Due to popular demands of credit card, *Al-Aiman* card is again locating the needs by using the contract of *Bai' Inah*.

However, the emergence of Islamic Credit Card in Malaysia does not portray the level of awareness and understanding among card holder. Thus, this study is an attempt to obtain the relationship between ownership of Shari'a-based Credit cards to the religiosity

1 Joni Tamkin bin Borhan (Prof. Madya) (2001) “Perlaksanaan Prinsip al-Bay’ Bithaman Ajil Dalam Penggunaan Kad Kredit Islam: Satu Kajian di Arab-Malaysian Bank Berhad” dalam *Jurnal Shari’a*, Jilid 9, Bilangan 2, Julai 2001.

2 <http://www.ambg.com.my/p/card/AlTaslif.asp>, retrieved on 14<sup>th</sup> December 2006

3 Al-Zuhaili, Wahbah (Dr.) (1997) *al-Fiqh al-Islami wa Adillatuhu*. Volume 4, p. 466

4 Norhashimah Mohd Yassin (Dr.), “Islamic Banking Product” in *al-Nahdah*, p. 34

5 [http://en.wikipedia.org/wiki/Bank\\_Islam\\_Malaysia#Bank\\_Islam\\_Card](http://en.wikipedia.org/wiki/Bank_Islam_Malaysia#Bank_Islam_Card), 14<sup>th</sup> December 2006

indexes of the respondents. Specifically, the study focuses on the respondents' different level of religiousness in terms of their 3 main entities, i.e. Tauhid, Belief on Pillars of Iman, Application of Pillars of Islam and performing other complementary deeds.

### Review of Related Literature

Most of the studies done on Islamic Credit cards focused on the legal aspects as well as the Shariah views. On a wider perspective, studies on the marketing of Islamic Banking products and activities are numerous and are well-developed particularly, in Malaysia.

In addition, there are many controversial issues when it comes to credit card financing pertaining to Fiqh and Shariah rulings. Credit card financing contract is basically similar to personal financing contract. An opinion from Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in their Shari'a Standards 2003 in Standard no. 3/3 indicated the following resolution:

“It is not permissible for an institution to issue credit cards that provide an interest-bearing revolving credit facility, whereby the cardholder pays interest for being allowed to pay off the debt in installments”<sup>6</sup>

The operation of Islamic credit card in Malaysia on another dimension does not vary very much especially in matters pertaining to Shariah elements and contracts. Basically, until 2008 there are three banks offering Shariah-based credits card, i.e. Ambank, BIMB and BSN that comply with the *Bay' Inah* contracts in issuing their cards. The controversy of *Bay' Inah* for the other Islamic countries is not applicable in Malaysia since the *Bay' Inah* contract has been validated by the Shariah Advisory Council of Bank Negara Malaysia in the resolution as follows:

The Council in its 18th meeting held on 12th April 2001 / 22nd Muharram 1422 resolved that the mechanism of Islamic credit card which applies *bai` inah* concept to generate funds for credit purposes by a customer who requests for the Islamic credit card is permissible.<sup>7</sup>

6                   na. 2003. *Shari'a Standards 2003-4*. Bahrain: Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), pp.22

7                   Islamic Banking and Takaful Department. *Resolutions of Shariah Advisory- BNMIRH/GL/012-2*. Kuala Lumpur: BNM. Council of Bank Negara Malaysia, pp. 25

Thus, it is important to relate the religious state of card holders to its cardholding attitude to ensure that the implication and application of Islamic Credit Card fulfil the *Maqasid* element of *Bay' Inah* contract.

In Islam, religiosity is actually maintaining Islamic way of life. Islam never gives a separation towards devotional activities and livelihood affairs. Thus, in the actual context, religiosity of a person implies maintaining acts of devotion in his/her everyday life and every activity as a Muslim.

— This study basically was conducted based on a research paper conducted by Naziruddin Abdullah and M. Shabri Abd. Majid (2001)<sup>8</sup>. Their study entitled “Saving Behaviour in Islamic Framework: The Case of International Islamic University Malaysia (IIUM)” has come out with a model for calculating the religiosity index of a respondent with regards to their saving attitudes. Previously, Al-Haq (1993) in his study also on the effects of religious level towards consumption and saving also has concluded in his study that the consumption and saving behaviours are determined by economics consideration and religious teaching.

— Eventhough an earlier study by Siti Adilah Abu Bakar (1999) argued on the numerical calculation of one’s religiosity level with a reason that the level is determine by Allah and He alone can give the correct measurement on Muslim’s level of religiosity, still there are vacuums in terms of practical and outer expression of Muslims which can be seen via their acts and attitudes. Thus, the study proceeds with the ideas that religiosity index of a person can be measured numerically provided that the measurement is not a taken as a vital one and be the major reference in assigning a person’s level of Iman and Taqwa. It is just a mere study relating to marketing strategies that can be predicted and manipulated by Muslims bankers particularly.

### — Research Objective

1. To determine the relationship between ownership of Shari’a-based Credit cards to the religiosity indexes of the respondents.

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<sup>8</sup> Naziruddin Abdullah and M. Shabri Abd. Majid. 2001. “Saving Behaviour in Islamic Framework” dalam *Jurnal Shari’a*, Jilid 9, Bilangan 2, Julai 2001.

## **Methodology**

A sample of 213 respondents in Klang Valley was chosen from various background based on convenience sampling technique. This study is conducted from June 2008 till April 2009. The data collection was obtained from questionnaire designed by the researchers based on the review of the literature. Analysis of data in this research involved only descriptive statistics. Descriptive analysis includes the use of frequency and cross tabulation. An inferential analysis was computed via linear regression.

## **Analysis of Findings**

### ***A. Profiles of the Respondents***

The following are the demographic profiles of the respondents with 8 criteria. From the respondents' profiles, the majority of the respondents are female which are approximately 99 respondents or 46.48 % from the total respondents. The remaining of 109 respondents are male or about 51.17%. In terms of races, the majority is Malay which turns out approximately 196 respondents or 92.12%.

Almost 56.34% of respondents are from the range of 26 until 35 years old which is the highest group of respondents in this survey. In terms of marital status, majority of the respondents are married with children comprises 56.34% from the total respondents.

The respondents from the professional show high degree of representation which is about 54.93%. In regards to the educational level of the respondents, majority of them possess Degree (51.17%), followed by Master / PhD about 19.72% and Diploma is about 13.62%.

The income of the respondents was also asked and the result shows that the majority of respondents have a household income between RM4001 to RM6000 about 27.7%, 21.13% have a household income in between RM2001 to RM4000. 16.9% have a household income in between RM6001 to RM8000.

Table 1: The Distribution of Respondents According to their Demographic Background

NO	PROFILES	N	%	
1	Gender	Male	99	46.48
		Female	109	51.17
		Missing	5	2.35
		Total	213	100
2	Race	Malay	196	92.02
		Chinese	8	3.76
		Indian	5	2.35
		Missing	5	2.35
		Total	213	100
3	Age	16-25	20	9.39
		26-35	120	56.34
		36-45	39	18.31
		46-55	29	13.62
		More than 55	1	0.47
		Missing	5	2.35
		Total	213	100
4	Marital Status	Single	64	30.05
		Married with Children	120	56.34
		Married without Children	22	10.33
		Divorced with Children	2	0.94
		Divorced without Children	1	0.47
		Missing	4	1.88
		Total	213	100
5	Occupation	Professional	117	54.93
		Administration	55	25.82
		Technical	18	8.45
		Self-Employed	4	1.88
		Others	15	7.04
		Missing	4	1.88
Total	213	100		
6	Highest Educational Background	SPM/MCCA or equivalent	24	11.27
		STPM or equivalent	3	1.41
		Diploma	29	13.62
		Degree	109	51.17
		Master/PhD	42	19.72
		Others	2	0.94
		Missing	4	1.88
Total	213	100		
7	Monthly Household / Family Income	Less than RM2000	16	7.51
		2001-4000	45	21.13
		4001-6000	59	27.7
		6001-8000	36	16.9
		8001-10000	22	10.33
		10001 and above	31	14.55
		Missing	4	1.88
Total	213	100		
8	Religion	Muslim	195	91.55
		Non-Muslim	11	5.16
		Others	3	1.41
		Missing	4	1.88
		Total	213	100

### B. Religiosity Index

As far as the obligatory deeds index (OD) are concerned, it consists of Pillars of Islam mainly Belief in Allah, obligatory prayers and fasting, performing *hajj* and *zakat* contribution. We assign points in ascending order with -4 for not important and +4 for very important. Since obligatory deeds are the highest in the hierarchy of all deeds, we assigned 100 points to each item listed. The highest score by a person is +1400 [(2points x 100 x 2 deeds) + (3points x 100 x 2 deeds) + (4points x 100 x 1 deed) = (400+600+400)], the lowest is -1400 [(-2points x 100 x 2 deeds) + (-3points x 100 x 2 deeds) + (-4points x 100 x 1 deed) = (-400+-600+-400)]. More formally the obligatory deeds are quantified using the below written formula:

$$OD_i = 100 \sum_j^t P\delta IS_{ij}$$

Where:	OD	= Obligatory Deeds
	PδIS	= Pillar of Islam
	i	= the respondents
	j	= the number of questions involved
	t	= no. of deeds asked in the questionnaire

Further, recommended deeds index (RD) in our study comprise of selected basic recommended deeds normally done by Muslims including recommended prayers (*Solat Sunnat*) and fasting (*Sunnat Fasting*), quranic recitation, and congregational prayers (*Jemaah Prayer*). With the similar scaling as OD, the formula that is used to compute recommended deeds is as follows:

$$RD_i = 100 \sum_k^s RdD_{ik}$$

Where:	RD	= Recommended Deeds
	RdD <sub>ik</sub>	= Items of recommended deeds listed in the questionnaire
	i	= the respondents
	k	= the number of questions involved
	s	= no. of deeds asked in the questionnaire

Whereby in recommended deeds the highest score is +1200 (3points x 100 x 4 deeds), and the lowest point is -1200 (-3points x 100 x 4 deeds).

Religiosity Index which comprises all deeds is formulated using the following formula:

$$RI = [(ODi + RD_i)/2600] \times 100$$

In words Religiosity Index is defined as the sum of OD and RD (1400+1200=2600) divided by the maximum attainable points and multiplied by 100. A respondent is considered as par excellence or *Mutaqin* if he/she performed all the obligatory and basic recommended deeds.

The indices, namely obligatory (OD), recommended (RD) and total religiosity (RI) are computed based on the above-explained equations, respectively. In Table 4, each index is arranged in the order of intervals ranged from -100 to 100.

Since the religiosity index is only involved Muslims, thus the questions were only asked to the Muslims respondents that represent 92.95% from the total respondents. As presented in Table 4, while 36.87% of the respondents scored the highest obligatory index (81-100), there was none for the recommended index. For the former, the score of the majority of respondents ranged from (21-40) to (81-100), the latter shows that the score focuses at the intervals of [(-21)-(-40)] to (1-20).

*Table 4: The Religiosity Index*

INTERVAL	Obligatory Index (OD)		Recommended Index (RD)		Total Index – Religiosity Index (RI)	
	N	%	N	%	N	%
(-81) – (-100)	0	0	15	7.58	0	0
(-61) – (-80)	0	0	25	12.63	0	0
(-41) – (-60)	0	0	3	1.52	2	1.01
(-21) – (-40)	2	1.01	52	26.26	5	2.53
0 – (-20)	5	2.53	29	14.65	19	9.60
1 – 20	3	1.52	49	24.75	42	21.21
21-40	16	8.08	16	8.08	59	29.80
41-60	23	11.62	8	4.04	52	26.26
61-80	76	38.38	1	0.51	17	8.59
81-100	73	36.87	0	0	2	1.01
<b>TOTAL</b>	<b>198</b>	<b>100.00</b>	<b>198</b>	<b>100.00</b>	<b>198</b>	<b>100.00</b>

*Source: Researcher's data*

### **Correlation Result**

The researchers conducted a correlation study between the ownership of Conventional Credit Card to the religiosity index. Hypothesis assumes that with a high religiosity index, a Muslim should not possess Conventional Credit Card since it involves *riba* element.

The result shows that there is a significant positive relationship between Religiosity Index and Conventional Credit Card holding. The results is not as expected since respondents with higher Religiosity Index would mean that he/she has no holding of Conventional Credit Card but the result indicate otherwise. The relationship between Religiosity Index and Conventional Credit Card shows a positive relationship significant at 0.006.

*Table 5: Correlation*

		typecc	RI
typecc	Pearson Correlation	1.000	.218**
	Sig. (2-tailed)	.	.006
	N	171	160
RI	Pearson Correlation	.218**	1.000
	Sig. (2-tailed)	.006	.
	N	160	160

\*\* . Correlation is significant at the 0.01 level

To conclude, in so far as ownership of credit card is concerned, religiosity has no direction towards the decision on having Islamic Credit Card or Conventional Credit Card.

### ***Conclusion and Suggestion***

Muslims are those who practically believe on the oneness of Allah and follow in obedient all the Pillars of Iman and Islam. In order to be a pious with high state of religiosity, they are assumed to add values to their worship such as performance of recommended deeds. However, Allah tested Muslims likewise with some good looking benefits and life styles that needed certain level of understanding and consciousness. Credit card is a part of the test. The demand of the society and the life style of our society today have urged many Muslims to possess not only one but many plastic moneys. Understanding on the concepts used the framework of credit card is very important to ensure that so-called pious Muslims are not involved with *riba* element involuntarily. They might have certain assumptions on the concept of credit Card but has no clear directions on its actual application. Thus, awareness, understanding and input should be provided to clear and satisfy the educational need of the society, so that the usage of Conventional Credit Card can be easily avoided by Muslims in general. Islam is the way of life, Pillars of Iman and Islam are the main foundations and the branches like transaction and social life are also important for the enhancement of one's religious sate.

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