



## **Behavioral Determinants and their Impacts on Customers' Saving Deposits in Islamic Banks**

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### **ABSTRACT**

The purpose of this paper is to determine the factors that affect Islamic ethical behavior of customers in Malaysian Islamic banking sector. A survey has been conducted by using questionnaire that was adopted and created. The data from 530 respondents were collected from customers of Islamic banks located in Malaysia. The study reveals that there were differences between age, marital status and income based on the independent sample t-test and one-way ANOVA analysis of the demographic factors while there was no difference for race, gender and educational level. The regression analysis indicates a significant positive relationship between religious obligation and reputation with the Islamic ethical behavior of Malaysian customers. Conversely, profit and investment shows insignificant effect on the Islamic ethical behavior of Malaysian customers. The paper contributes to the literature on Islamic Banking in South East Asia economy.

**Keywords:** Malaysia, Islamic Ethical Behavior, Islamic Banks

**JEL Classifications:** C0, J1

### **1. INTRODUCTION**

The definition of ethics in Islam according to Hashi (2011) is divided into two meanings. First, ethics is defined as the science that is related with the principles of right and wrong based on the human behaviors. In other meaning, ethics is the analysis of moral standards and behavior to guarantee that human understand the right moral behavior. Second, ethics is defined as "good character" or good human conduct where an individual is not conducting any immoral activities against Al-Quran and Sunnah. Al-Aidaros et al. (2013) also agreed that Islamic ethics is good principles and values that followed the Islamic sources to distinguished what is right and what is wrong. These ethics definitions differs from the western concept such as utilitarianism, relativism, egoism, deontology, virtue ethics and the divine command theory that are not consistent to all aspects in life.

In order for the Islamic Banks to practice their main ethical principle, they have to engage with the business ethics. Islamic business ethics is code of conduct and standard that explains how

business companies and their personnel should behaved along with the wide range of activities in business practices including marketing, human resource management, commerce, management, and accounting which were not contradict with the Al-Quran and Sunnah (Suahib, 2012). The Islamic ethical structure has its own characteristic procedures which were resulting from two basic principles. Firstly, halal (lawful and permitted). Secondly, haram (unlawful and prohibited) (Arslan, 2008). Business morality and ethical will rise the yield of business concern regardless of considering lawful and unlawful events or trades (Hashim, 2012). Furthermore, business activities can be a part of customers' worship and obedience to Allah if they are performed in line with the Islamic principle.

An ethical Islamic banking needs ethical customers to pursue and acknowledge the practice of Islamic banks in order to differentiate the practice from others especially the conventional banks. Che et al. (2013) highlighted the Prophets' Muhammad behavior as the tools in measuring the Islamic ethical behavior as stated in the Al-Quran which includes truthfulness, honesty, justice,

responsibility and trustworthiness. In addition, the depositor is an individual who need to have the effort to seek the pleasure of Allah (swt) by concentrating more to the good behavior as stated in the Al-Quran. However, the aim of this study attempts to determine the Islamic ethical behavior of Malaysian customers in Islamic banks to ensure sustainability and competitiveness of the Islamic banks.

This paper investigates whether the factors determines behavioral of customers' savings deposits and their impacts on the Islamic banks operating in Malaysia. For that purpose, the researcher employs the parametric data envelopment analysis method to analyze the effects between the factors. The preferred method allows us to distinguish between three different types of factors, namely demographic factors, religious obligation, reputation, and profit and investment. Finally, the researcher also employ correlation analysis and regression analysis framework to analyze the behavioral determinants of customers' savings deposit in Malaysia.

The article begins with a brief overview of the Islamic ethical behavior. This is followed by section 3, where we provide a review of related studies. Section 4 discusses on the methods employed in the study and variables employed in the analysis. The researcher presents the empirical findings in section 5. The article concludes and provides discussions on the policy implications in section 5.

## 2. ISLAMIC ETHICAL BEHAVIOR

In Islamic perspectives, customer behavior is define as the individuals, Islam presume Muslim to obey according to the specific norms in our everyday lives. A Muslim customer behaves in a different way from a normal customer. Without a change in customer behaviors, the efficiency of Islamic economics and finance stay limited in any society (Kahf, 2011). It can be explain that Islam desires Muslim customers to purchase things according to the worth of the things, since Islam promotes value based purchasing behavior. It dictates from a Muslim to not indulge in purchasing of products or services that are haram (unlawful) which will gives harm to others.

Behavior is an essential characteristic to recognize or predict the behaviors of customers in certain situation (Haque, 2010). Moreover, customer's behavior towards products or services is influenced between the product and service with the customer's self-concept (Sahney, 2015). Results from current researches could help the Islamic banking institutions to cater the future customers in expanding their business. However, it is necessary to understand the customers' behavior on how they understand about the Islamic banking.

## 3. LITERATURE REVIEW

### 3.1. Islamic Ethical Behavior and Demographic Factors

Haque et al. (2007) revealed that gender is the main variable for behavior and also marketing analysis. So, it is crucial for the Islamic banking to identify, recognize, and apply them to create

a gender specific strategy. Since, understanding the behavior desires and expectations provides a substance in how to offer best facility to the customers (Haque et al., 2007). It will also provide new information and improve towards the business (Naylor and Greco, 2002). Furthermore, Khan et al. (2007) revealed that the main category of Islamic banks customers are those of 25-35 years of age. Islamic bank customers are mostly educated and possess strong relationships with the banks while education and income category have a significant role in numerous Islamic banks products or services chosen by the customers compared to the demographic of the customer which influence more in the choosing criteria than other factors.

In addition, Haque (2010) found that in his research based in Malaysia stated that males appear to display better positive behavior toward Islamic banking compared to female. Apart from that, it also shows how the Malays, Chinese and Indians vary in terms of behavior toward Islamic bank. In a study based in Hong Kong, the subsequent demographic factors were to be known as the main factor towards customers' adoption behavior in banking such as gender, age, educational level household income, and occupation (Wan et al., 2005). Recent research by Cohen et al. (2006) emphasized that customers' level of education and age groups are the reason why the customer choose certain banks. Metawa and Almosawi (1998) highlighted in their study in Bahrain that behavior of Islamic bank customers based on the age, level of education, income and nationality as essential with the demographic factors in relation with the customer behaviors.

Run and Lip (2005) argues between demographic factors and the usage of Islamic banks products among customers of Sarawak, Malaysia and they have found gender and age as well as income of respondents nor did education in Sarawak have any connection to usage of Islamic banking products and services. In another research done by Khan et al. (2007) several banks customers in Bangladesh were examined to ascertain their behavior towards Islamic banking services and they revealed that most the customers in the range of 25-35 years prefer Islamic bank products and services, which also based on their income level and education.

### 3.2. Islamic Ethical Behavior and Religious Obligation

According to Ahmad and Haron (2002), in their research on behavior of corporate customers based in Malaysia, they have found that on average 55% of the respondents stated that religion is the main factor of selecting the Islamic banks while 75% of Malaysian customer selections are made based on the government marketing channel that promotes Islamic banking. Bley and Kuehn (2003) found that the behaviors of customers are among the three most basic factors for banking selections. However, they also stated that 40% of respondents choose Islamic banking because of Islam factor. Similarly, Awan and Azhar (2014) examined the same research in Jordan and surveyed 206 customers and they have found that 70% of the respondents choose Islamic banks because of religious factor.

Metawa and Almosawi (1998) agreed in their study among the Bahrain respondents by which religion as the major factor for banking selection. This study also supported Bley and Kuehn

(2003) which showed in UAE the Muslims mostly preferred the Islamic banks because of religious belief and not financial knowledge. This shows that, the stronger the religious belief the greater they will prefer the Islamic banks services. In addition, (Khan et al., 2007) also conducted the research of banking selection criteria in Bangladesh and they found that religion is the major factors that attract customers to use the Islamic banks. Furthermore, based on Naser et al. (1999), it was highlighted that religious is not the most important factor in their study which is conducted in Jordan. Religious concern is not the main criteria of selection among the respondents of their study.

However, a research conducted by Dusuki and Abdullah (2007) found that religious criteria is not the major factor in banking selection in Malaysia. In the research, knowledge, personnel and competent are the main factors for the respondents' choice of Islamic banks followed by other factors. However, Haque et al., (2009) analysis on the factors that attracted 168 bank respondents in Malaysia in dealings with the Islamic banks found that religious factor provided a positive impact in banking selection followed by confidentiality, social perspective, service quality and variety of offerings.

### 3.3. Islamic Ethical Behavior and Reputation

According to Ahmad et al. (2015), in their survey on the customers' behavior towards Islamic banks in Pakistan have found that reputation of the bank is the main factor for the customer to select particular bank since reputation itself help to gain more customers. This statement also has been agreed by Almossawi (2001). Similarly, it was agreed that bank's reputation are one of the factors that has powerful influence on the overall behavior of customers towards Islamic banks. Furthermore, it has been suggested that marketers from the Islamic banks should promote their decent reputation to attract new customers (Radiah et al., 2014).

Haque et al. (2009) examined that the reputation and the branding of the banks have powerful effect on customers' choice of where they would deposit their savings in Malaysia. They also found that reputation is proven as one of the vital criteria in the banking choice decision. Other than that, a study which has been conducted with the students in the United Kingdom discovered that they chose a certain bank mostly owing to reputation or image of the banks and also references by family and friends (Tank and Tyler, 2005). Bank reputation, religious reasons, long service hours and range of facilities appears to have a great influence on the banking selection criteria in Pakistan together with the online system, ethical practices, network of branches and friendly personnel (Rehman, 2012). Imtiaz et al. (2013) analyzed that individuals person will reflect on the banking reputation, quick response, facility and service quality before depositing to the bank at any level.

### 3.4. Islamic Ethical Behavior and Profit and Investment

Almejyesh and Rajha (2014) stated that the rate of profit applied by Islamic banks have solid relationship with the deposit amount of Islamic banks. Hence, the organizations of Islamic banks are required to abide with the market rate when declaring the rate of profit to their depositors. Empirical study in Sudan shows that

peoples' belief is not the only reason for the success of Islamic banking but there are other reasons such as reasonably high returns on investment and low risk of return are also among the factors (Bashir, 2003). In addition, it has also been highlighted that there is a significant dissimilarity in means of return among Islamic banks and conventional banks in Bangladesh (Kabir et al., 2012).

Imtiaz et al. (2013) stated that Islamic banking is known as an ethical way of banking from the depositors and Islamic perspectives because in Islamic banking, investor normally has equal understanding about the investment. For the South African study towards the use of interest-free Islamic banking products, the greatest frequently used of these products are equity funds and savings or investments accounts (Saini et al., 2011). Ta and Har (2000) and Kaynak and Harcar (2005) analyzed that the factors of profitability i.e. high interest rates and low service charges are the main factor of customers choice of certain banks. In Malaysia, Ahmad and Haron (2002) stated business behavior between Islamic banking products and services by 45 customers in their survey. The main finding shows that economic factors which consisted of quality services and profitability are more significant for Malaysian customers rather than religious reasons.

Bashir (2003) asserted that customers choose Islamic banking due to the factors such as the profit that it brought at the end of the day and investment that applies Islamic principles and it has the capacity to safeguard the profit and investment at the same time. Ahmad et al. (2015) agreed that customers choose a certain bank based on the profitability factors for examples low service charges and high interest rates.

In summary, Islamic bank managers should be interested in understanding what the special factors that influence their customers' behavior are. They need to know what aspects influences customers in terms of the Islamic ethical behavior. Examination of the critical incidents associated with factors is an approach that may help address such a question.

## 4. DATA AND METHODOLOGY

The Reliability test, Independent sample t-test analysis, one-way ANOVA, Pearson correlation and multiple regression analysis are employed to examine the behavioral determinants and their impacts on the customers' savings deposit in Islamic banks.

### 4.1. Reliability Test

In this study, to measure the relevant of data comprising the stability and consistency of the item is defined as the reliability test. This test is crucial for this research to determine the degree to which items measure the concepts that stay composed as a set.

The reliability test used the internal consistency that recognizes the correlation reaction to each question with other questions within the questionnaire. The greatest broadly used approaches to investigate the internal consistency are by using the Cronbach's Alpha. Gliner et al. (2009) stated that the item with multiple choices, for example the questionnaires which constructed on the Likert Scale, then the Cronbach's Alpha is the accepted method

to examine the reliability. Sekaran (2003) stated that the nearer the Cronbach's Alpha to 1 then it will provide a greater reliability from the internal consistency. Hence, the reliability lower than 0.60 is reflected to be poor, then in range 0.70 is acceptable and the reliability which more than 0.80 is reflected as good.

#### 4.2. Descriptive Statistical Analysis

Descriptive statistics provide numerical and graphic measures to sum up the pool of data in an explicit and reasonable approach (Sekaran and Bougie, 2013). This also helps to abridge huge amounts of data in practical way. Tank and Taylor (2005) used descriptive statistical analysis to convey the relationships among the job satisfaction constructs and gender, race, marital status and etc. Descriptive statistics are suggested when the objective of the study is to explain and explore a data set that is more commonly and suitably than would likely via raw data only. It is frequently used inside the reports that comprise significant total of quantitative or qualitative data.

If the correlation shows negative ( $r < 0$ ), it shows if one variable increases with one unit, the other variable will decrease with one unit. Meaning, there is an existing converse relationship with the two variables. Frequencies are used to explain the respondents' profile for example age, gender, individual income and educational level. Furthermore, it is used to measure the level of all variables which the value of mean is attained and calculated beside the standard deviation (Coakes and Steed, 2007).

This study employed descriptive analysis because the descriptive analysis provided the frequencies, percentage values as well as the measure of central tendency and dispersion such as mean and standard deviation. The frequencies are used to describe the demographic factors of the respondents, such as gender, age, marital status, education level and income. In addition, descriptive analysis is also used to measure the level of all variables where the mean score for each variable were computed along with the standard deviation.

#### 4.3. Pearson Correlation

Hauke and Kossowski (2011) defined Pearson's correlation coefficient as a measure of the forte of the relationship concerning two variables that hard to be measured quantitatively such as the relationship between two endless variables such as income and years of education. The correlation among slightly two variables using Pearson's correlation will continuously between  $-1$  and  $+1$ . Moreover, a correlation coefficient of 0 defines that there is no relationship existed whether positive or negative, between these two variables. A correlation coefficient of  $+1$  defines that there is a perfect positive correlation, or existing relationship, among the two variables. In the study if  $+1$ , as one variable rises, the second variable rises in accurately the same level or ratio (Kremelberg, 2011). If the correlation is negative ( $r < 0$ ), this shows that if one unit of variable increases, the other variable will reduce with one unit. It shows there is an opposite relationship existed among the two variables (Shen and Lu, 2006).

For this study, high positive correlation between the Islamic ethical behavior of Malaysian customers in Islamic banks with demographic

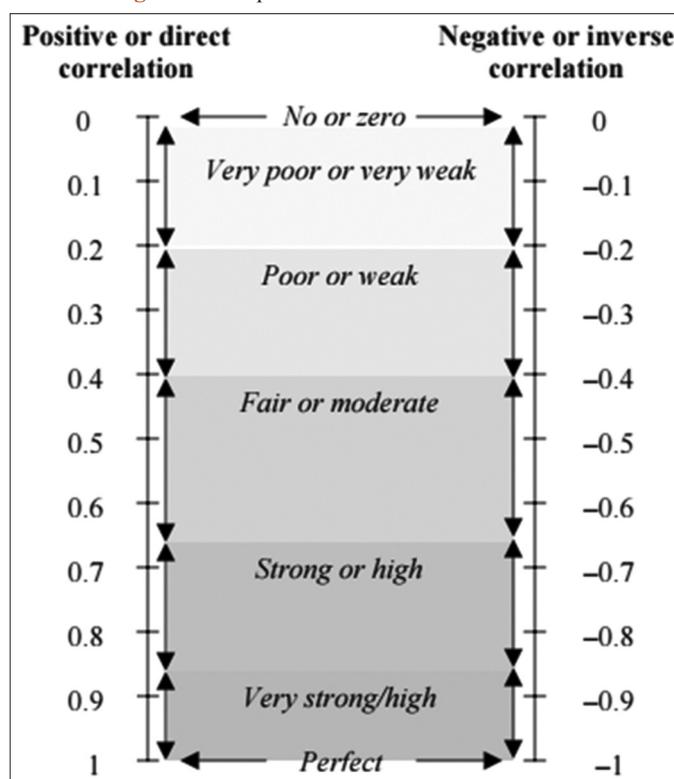
factor, religious obligation, reputation, and profit and investment with value of  $P < 0.01$  indicates that the stronger the demographic factor, religious obligation, reputation, and profit and investment the greater the Islamic ethical behavior of Malaysian customers in Islamic banks. Other than that, if there is negative correlation between Islamic ethical behavior of Malaysian customers in Islamic banks with demographic factor, religious obligation, reputation, and profit and investment, then it shows the level of Islamic ethical behavior of Malaysian customers in Islamic banks is weaker.

Moreover, this study is using several underlying assumptions for example the scale of measurement, related pairs, linearity, normality and homoscedasticity. The Figure 1 below displays the range of strong, medium and weak correlation. The study employed Pearson correlation because the researcher wants to measure the strength of the association between the independent behavior (i.e., religious obligation, reputation, and profit and investment) with the dependent variable (the Islamic ethical behavior of Malaysian customers).

#### 4.4. Multiple Regression

Multiple regression analysis is the best powerful instrument that is broadly used by researcher (Ngo, 2012). According to Sykes (2007), multiple regression are defined as the tools that lets added factors to come into the analysis distinctly so that the result of each factors will be estimated. It is worthy for measuring the effect of numerous simultaneous influences towards a single dependent variable. When already recognized the multiple variables connected to the dependent variable, the researcher can take information regarding the independent variables and utilize it to gain more powerful and precise assumptions about how things acting to the way they are (Higgins, 2005).

Figure 1: Interpretation of correlation coefficient



This is a beneficial tool but it is limited since typically a number of diverse variables will assume a conclusion. The researcher attracted in predicting how an individual behave in depositing money. Independent variables are demographic factors, religious obligation, reputation and profit and investment might all contribute towards the Islamic ethical behavior of Malaysian customers in Islamic banks. If the researcher collected data based on all of the variables, possibly by surveying about several hundred customers from the public, the researcher will be capable to see how much and which one from these variables gives the most precise prediction of Islamic ethical behavior of Malaysian customers in Islamic banks.

Numerous statistical tools have been established to determine the independent variables contributions towards Multiples Regression method. The highlight is based on two general techniques which are one technique gives diverse methods of rank ordering individual assumptions' contributions to an complete regression outcome or  $R^2$  such as Pratt's measure, relative weights, dominance analysis and the second technique about the partitioning  $R^2$  into the distinctive and mutual variance contributions of the independent variables for example squared semi-partial correlations and commonality analysis (Nathans et al., 2012). Williams et al., (2012) stated his predictions underpinning of the multiple regression analysis are ratio of cases independent variables, linear regression, normality, autocorrection, multicollinearity and homoscedasticity. All of the above predictions stated will be tested and all the variables did not violate the predictions.

This study employed multiple regressions because the researcher used to test the hypothesis and it will determine the extent of the collaboration paraphernalia of the independent variables (i.e. religious obligation, reputation, and profit and investment) towards dependent variable (the Islamic ethical behavior of Malaysian customers).

#### 4.5. Research Model and Establishment or Research Hypothesis

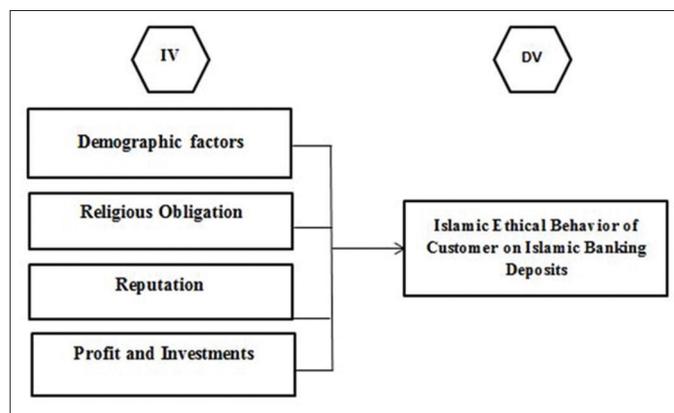
This study aims in reviewing the demographic factors, religious obligation, reputation and profit and investment measure suggested in the existing literature and then finding out the influence the Islamic ethical behavior of customers on demographic factors, religious obligation, reputation, profit and investment. Therefore, research model for empirical analysis was established as Figure 2 based on the result of the research. As research model, based on the results of previous studies, the dimension of Islamic ethical behavior of Malaysian customers were suggested to investigate its influences on demographic factors, religious obligation, reputation, profit and investment.

$H_1$ : There is significant relationship between demographic factors and the Islamic ethical behavior of Islamic banks' customers in Malaysia.

$H_2$ : There is significant relationship between religious obligation and the Islamic ethical behavior of Islamic banks' customers in Malaysia.

$H_3$ : There is significant relationship between reputation and the Islamic ethical behavior of Islamic banks' customers in Malaysia.

Figure 2: Research model



$H_4$ : There is significant relationship between profit and investments with the Islamic ethical behavior of Islamic banks' customers in Malaysia.

#### 4.6. Method of Research

In this study, the online questionnaire survey was targeted towards the customers aged between the ranges of 18-60 years who have the experience of using the service of Islamic banks.

To accomplish the purpose of the research, questionnaire survey was distributed approximately 17 days from April 8, 2016 to April 24, 2016. The total of 550 questionnaire were answered online by the respondents. Among 550 surveys collected, only 530 were deemed as relevant to the research.

In this study, survey was targeted to the persons who used the service from the Islamic banks in Malaysia.

## 5. EMPIRICAL RESULTS

### 5.1. Reliability Analysis

In this study, in order to measure reliability, Cronbach's  $\alpha$  coefficient-internal consistency analysis-was used. The reason of adopting Cronbach's  $\alpha$  coefficient was to enhance variable reliability by sorting out the items affecting reliability and then ruling out those variables when several items were used to measure the same concept. Normally, it proves to be sufficient when Cronbach's  $\alpha$  coefficient appears at least 0.6, and therefore reliability coefficient on each variable was suggested in Table 1 to show reliability for each item.

### 5.2. Testing of Hypothesis

To test the hypothesis, t-test analysis, One-way ANOVA, analysis of correlation among variables and multiple regression analysis between antecedent and dependent variables were carried out.

Taking a closer look, the independent sample t-tests and one-way ANOVA results in Table 2 show that there are significant differences between all the demographic factors. The table shows that credit card holders who are 61 years old and above are spending significantly higher than other age groups. Those between the age of 41 and 50 appear to spend the least. Besides, credit card

holders who earn between RM8001 (USD2614) and RM10000 (USD3267) are found to spend more than the other groups who earn lesser than the amount. Those who earn RM2000 (USD653) and below spend the least. Married respondents are spending more on their credit cards than those who are single. Managers are found to spend more than any other occupation groups, while students spend the least although occupation is not significantly correlated to credit card spending behaviour. Taking a closer look, the independent sample t-tests and one-way ANOVA results in Table 2 show that there are significant differences between all the demographic factors. The table shows that credit card holders who are 61 years old and above are spending significantly higher than other age groups. Those between the age of 41 and 50 appear to spend the least. Besides, credit card holders who earn between RM8001 (USD2614) and RM10000 (USD3267) are found to spend more than the other groups who earn lesser than the amount. Those who earn RM2000 (USD653) and below spend the least. Married respondents are spending more on their credit cards than those who are single. Managers are found to spend more than any other occupation groups, while students spend the least although occupation is not significantly correlated to credit card spending behaviour.

Taking a closer look, the independent t-test analysis and One-way ANOVA results in Table 3 shows there are significant differences between marital status, age and income of the demographic factors. The Table 3 shows married respondents are more prone to choose the services by the Islamic banks compared to single respondents. Those age between 38 and 47 years old appeared to choose the Islamic banks compared to those age 18-27 years old, the least. Those who earns above RM5000 prone to use the Islamic banks services than who earns <RM2000 who are the least to use the services from the Islamic banks.

Multiple regression analysis normally aims for estimating one dependent variable from the knowledge of several variables. Accordingly, this would enable to find out the Islamic ethical behaviour (IEB) of customers by grasping the factors influence the Islamic ethical behavior of customers in Malaysia, and to which degree it has influenced if so.

Regression analysis can lead to incorrect interpretation if it was estimated wrongly. In other words, the problem of multicollinearity could exist.

In order to conduct the test for equal variance and normality that are the premise of multiple regression analysis, testing of multicollinearity was carried out. Pearson's correlation was used in the analysis of correlation, which shows that there was no existence of multi-collinearity problem (Table 4).

### 5.3. Testing of Hypothesis between IEB of Customers and Antecedent Variable

As the antecedent factors of Islamic ethical behavior of customer, religious obligation, reputation, profit and investment were set up, and the multiple regression analysis was conducted to test the influence on Islamic ethical behavior of customers on Table 2. Table 5 is the result of analysis on the significant for

**Table 1: Result of reliability analysis**

Influencing variable of the IEB of customers	Cronbach's $\alpha$ coefficient
Religious obligation	0.902
Reputation	0.890
Profit and investment	0.920
IEB	0.913

IEB: Islamic ethical behaviour

**Table 2: ANOVA analysis**

R <sup>2</sup>	Adjusted R <sup>2</sup>	F	F-significance
0.802	0.801	709.657	0.000

**Table 3: Independent sample t-tests and one-way ANOVA results between the demographic factors and IEB of customers**

Item	Mean	SD	t, F	Significance
Gender				
Male	4.2902	0.55132	t=0.938	0.349
Female	4.2422	0.62525		
Race				
Malay	4.2700	0.58930	F=2.520	0.113
Others	3.8500	0.52175		
Marital status				
Single	4.1844	0.60095	F=14.006	0.000
Married	4.3769	0.55841		
Age				
18-27 years old	4.1772	0.64056	F=4.738	0.003
28-37 years old	4.3435	0.58159		
38-47 years old	4.4037	0.41973		
>48 years old	4.3360	0.43911		
Educational level				
PHD	4.1587	0.56144	F=2.586	0.052
Masters	4.1894	0.62563		
First degree or equivalent	4.3169	0.54275		
SPM or equivalent	4.1212	0.79555		
Income				
<RM2000	4.1714	0.63987	F=4.679	0.003
RM2001-RM3000	4.2658	0.62825		
RM3001-RM5000	4.3382	0.51803		
>RM5000	4.4236	0.43833		

IEB: Islamic ethical behaviour

individual variables. Each  $\beta$  coefficient appeared at 0.818 for religious obligation, 0.097 for reputation, and 0.057 for profit and investment. Standardized regression coefficient ( $\beta$ ) that represents importance of regression coefficient appeared at 0.765 for religious obligation, 0.115 for reputation, and 0.066 for profit and investment. In the result of analysis, absolute value of beta coefficient for religious obligation appeared large and therefore, it is deemed to be the variable of best explanation of all.

F-value of regression model was 709.657 (=0.000) and was proved to be significant. As result of testing, the coefficient of determination (R<sup>2</sup>) - one of the measures that shows adequacy of regression estimated from sample data to observe value appeared to be at 0.802. Therefore, 80.2 percent of variation on the Islamic ethical behavior of customers that was dependent variable as result of regression analysis was well explained by antecedent variables.

**Table 4: Correlation matrix of constructive concepts**

Variable	IEB of customer	Religious obligation	Reputation	Profit and investment
IEB of customer	1	0.887**	0.686**	0.682**
Religious obligation	0.887**	1	0.680**	0.688**
Reputation	0.686**	0.680**	1	0.794**
Profit and investment	0.682**	0.688**	0.794**	1

Correlation coefficient is significant at \*0.05 and \*\*0.01 levels, respectively, at both sides; n=530. IEB: Islamic ethical behaviour

**Table 5: Multiple regression analysis between IEB of customers and antecedent variable**

Independent variable	Unstandardized coefficients		Standardized coefficients	t	Significance
	$\beta$	SE	$\beta$		
(Constant)	0.112	0.091			0.220
Religious obligation	0.818	0.030	0.765	27.253	0.000
Reputation	0.097	0.028	0.115	3.421	0.001
Profit and investment	0.057	0.029	0.066	1.936	0.053

Dependent variable: Islamic ethical behaviour of customers. IEB: Islamic ethical behaviour

Thus, three factors such as religious obligation and reputation were found to directly influence the Islamic ethical behavior of customers at a significant level. Whereas, the profit and investment found to be not influential to the Islamic ethical behavior of customers at a significant level.

## 6. CONCLUSIONS

This study aimed for analyzing the influence on the Islamic ethical behavior of customers exerted by demographic factors, religious obligation, reputation, and profit and investment. The result is as follows.

First, as a result of exploring the factors in Islamic ethical behavior it was proven that demographic factors (age, marital status and income), religious obligation, and reputation provide positive influence on the Islamic ethical behavior of customers. As long as Islamic banks keep following the Islamic law, it is the main reason for the customers to prefer Islamic banks services. Meanwhile, profit and investment are found to be not influential to the Islamic ethical behavior of customers at a significant level because banks' respondents stated the profit given are not their main priority and there is no difference between the profit and investment of the Islamic and conventional banks.

Second, the relationship between the Islamic ethical behaviors of customers concerning the religious obligation appeared to have more positive influence on the Islamic ethical behavior of customers. As a result, it seems that the consumer are obliged to follow the Islamic banks that are Sharia compliance and the Islamic banks can keep consistent relation with the customers in future.

As aforementioned, the result of this study shows that excellent Islamic ethical behavior of customers has been the factors that can improve the competitiveness of the Islamic banks, and furthermore the Islamic banks could raise Islamic ethical behavior of customers if they would improve the service by the Islamic banks consistently to get positive feedback for the customers.

However, this study was carried out only in Malaysia with the selected samples and the research only examined four independent

variables whereby only three are found significant with the dependent variable. Thus, a further study needs to be carried out to address the aforementioned area.

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