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Research paper

Critical Success Factor of Demand Towards New Product of Islamic Home Financing: A Pilot Test

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Abstract

This research focuses on the new product of home financing in Malaysia. The purpose of the research is to examine if there is any relationship between knowledge, benefit, marketing and quality towards new constructed product of home financing. A hundred respondents of people who have home financing have been chosen in the field of research in Kuala Terengganu and Kuala Nerus, Malaysia. The method of instrument was using questionnaires and made up of five variables. Reliability analysis was the statistic for found the result. There were six variables got high Cronbach's-alpha, which was greater than 0.6 means accepted. It can be concluded that the suitability test of the instruments which was adapted from previous study to the population and situation of the research was accepted. Yet, by using Kolmogrov Smirnov test, it was found that the entire variables were distributed normally. Researcher concluded that the analyze data by using parametric technique analysis.

Keywords: *Home Financing; Knowledge; Benefit; Quality; Marketing; Islamic Bank.*

1. Introduction

In Islamic Banking practice, the Islamic aspect is contemplating as main essential factors in differentiating it from its conventional complement. Therefore, in participating in the present dual market system, it is essential for Islamic Banks to keep aligned with the shariah-principles that appear for the very concentrate of the Islamic rules. In fact, those banks that planned to move into the Islamic market need to design a shariah-board or a shariah-counselor to make sure its shariah compliance and minimize shariah-risk [1].

During the Malaysia's economy crisis in 1997, many houseowner felt burdened with the existing conventional loan. In the conventional system, there was no ceiling rate to maximize the fluctuation rate if the economy became worst. Starting from that, people get more aware with product offered by the bank as it is a major commitment that is made out in a life.

2. Literature Review

According to [2], the main objective is to explore the option of Islamic-home-financing criteria in Islamic Banks of Malaysia found that shariah-principle had less-high monthly income through its interest free practicing

According to [3] the objective is to evaluation the Islamic-banking history in Malaysia from 1963 until 2010. The result shown that as an Islamic country, Malaysia has an excellent infrastructure to assist the inception of an Islamic-banking hub in the Islamic-region.

There were several previous studies on home financing related product. In [4] found that perceived control, subjective-norm, attitude and Islamic product were involved in determining the acceptance of customer on Islamic-home-financing products. In [5] said that Islamic banks throughout the years, developed several modes of finances, which are more or less similar to their conventional parts.

3. Methodology

The Barakah house financing is affordable and transperant in term of the contract details regarding the profits gains by the company [6-9]. The actual concept of buying the house with the price is P and the profit is not more than the 1/3 of the price. According to Prof. Dr. Wahbah Az-Zuhaili as quoted by [10] in Ar-Risalah, Islam basically has no standard restrictions or standards on profit-making. The merchant is free to determine the desired profit of an item. However, a blessing benefit (Barakah Model) is a profit that does not exceed one-third of the price of capital.

In 12] survey that a research domain was managed to examine the relationship between knowledge, benefit, marketing and quality towards new product of home financing in Malaysia. The questionnaires for pilot test were 100 questionnaires, which were delivered in Kuala Terengganu and Kuala Nerus. Respondents were

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chosen among the people who had home financing. The questionnaire was adopted from [13-14]. The questionnaire has 5 construct, where 4 construct were independence variables. By using ten Likert-Scale for each question of the questionnaire. The responds from respondents for this pilot study, then analyzed using Statistical-Packages for Social-Science (SPSS) version 21 to find the result of reliability-analysis and Kolmogrov-Smirnov.

4. Results and Discussion

In Barakah, we used a quarter profit from principal financing because to make sure the profit gain does not exceed one third of the principal. Only the profit the formula will be derivation by [11] as follows:

Derivation of Barakah Housing Loan = Principal + Profit (one fourth of the principal)

$$= \frac{[P + \frac{1}{4}P(1+rn)]}{n}$$
$$= \frac{P + \frac{1}{4}P + \frac{Prn}{4}}{n}$$
$$= \frac{p(1 + \frac{1}{4} + \frac{rn}{4})}{n}$$
$$= \frac{P}{n}[\frac{5+rn}{4}] \quad (1)$$

where P = Principal of total home financing, r = Profit rate per month and n = Periodic payment of home financing in month.
The response by the public as to whether people are willing to opt for this model can be determined through the survey as performed by the pilot study below.

4.1. Reliability-analysis

The design of organizing the pilot study was to analyze the questionnaire's reliability. Below is the result of reliability-analysis for the pilot study.

Table 1: Reliability Analysis

Variables	Cronbach's-Alpha	No. of Item
Product	0.962	3
Knowledge	0.911	6
Benefit	0.967	4
Marketing	0.921	6
Quality	0.966	6.

It shown that all of the six variables got high Cronbach's-alpha, the Cronbach's-alpha is bigger than 0.6 means accepted [15].

4.2. Normality test

Normality test was managed as its requirement [16]. By using one-sample Kolmogorov-Smirnov test [17], it shows that the collected data were distributed normally. Table 2 shows the result.

Table 2: Statistical Normality Test of One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean.	.0000000
	Std. Deviation.	4.44056836
Most Extreme Differences	Absolute.	.090
	Positive.	.086
	Negative.	-.090
Kolmogorov-Smirnov Z		.901
Asymp. Sig. (2-tailed)		.392
a. Test distribution is Normal.		
b. Calculated from data.		

The p-value = >0.05 on the one-sample Kolmogrov-Smirnov test statistics output on Table 2 shows that the data collected violate the assumption of normality distribution. Due to the violation of normality distribution, it suggested to use parametric technique analysis [17].

5. Conclusion

From the reliability test result for pilot test, it shown that all of the six variables got high Cronbach's-alpha, the Cronbach's-alpha is bigger than 0.6 means accepted [16]. So that, the adopted instruments to the population and situation of the study are accepted. From the normality test by using 0ne-sample Kolmogrov-Smirnov test, the result show that the collected data were normally distributed.

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