

Conceptualization of Islamic Spiritual Intelligence (ISI) in the Islamic Financing Adoption

Siti Nor Amira Mohamad (Corresponding author)

Senior Lecturer, Department of Economics, Finance & Muamalat, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Shah Alam, Selangor, Malaysia

E-mail: sitinoramira@uitm.edu.my

Fadziani Yaakub

Senior Lecturer, Department of Economics, Finance & Muamalat, Academy of Contemporary Islamic Studies (ACIS), Universiti Teknologi MARA (UiTM) Shah Alam, Selangor, Malaysia

E-mail: fadziani@uitm.edu.my

Mohamad Yazis Ali Basah

Associate Professor, Faculty of Economics & Muamalat, Universiti Sains Islam Malaysia, Bandar Baru Nilai, Negeri Sembilan, Malaysia

E-mail: yazis@usim.edu.my

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Abstract

Islamic financing is the methods and types of funding a personal or business uses which consist of sale-based and equity-based, used to carry out unique benefits and capital investments. Islamic financing research is very restricted and needs to be more developed, notably on the demand side or the consumer. This article aimed to explore the impact of Islamic Spiritual Intelligence (ISI) on the behavioural intention of Islamic financing adoption. This study uses a content analysis technique to accomplish this goal. The study is based on reading scholarly papers and related materials and is based on ISI theme theories and the use of Islamic funding. The analysis discovered that ISI has a favourable relationship with consumer behaviour regarding Islamic financing adoption.

Keywords: Islamic Banking & Finance, Islamic Financing, Islamic Spiritual Intelligence

(ISI), Content Analysis

1. Introduction

The Islamic economy has piqued the interest of academics, intellectuals, and policymakers worldwide in the relationship between financial activity and economic growth (Akkas & Asutay, 2022). Many nations, particularly those in the Middle East and Asia, including Malaysia, with a sizable Muslim population, have adopted Islamic finance as a distinctive model of banking operations and a different kind of financing (Hasmawati & Mohamad, 2019). By encouraging financing, investment, and increasing capital productivity, economic growth may enhance within the Islamic financial industry. As a result, the demand for financing for households and entrepreneurs is encouraged to boost economic production. As a result, Islamic financing is conveyed through the Islamic banking process by mobilizing savings and disbursing them as financing.

For the last ten years, Malaysia's Islamic finance industry has seen substantial growth in terms of its operations, assets, and capital, making it one of the fastest-growing Asian nations with a sophisticated financial system (Akalpler & Duhok, 2018; Mohamad et al., 2018). Although Malaysia's economy experienced a recession in 2009, data from the Economic Outlook 2021 report published by the Finance Ministry (MoF) reveals that the country's Islamic financial sector has grown, with total assets valued at RM1.03 billion and an increase in the amount of outstanding Islamic financing to RM787.8 billion. According to this data, Malaysia's Islamic finance industry can provide credit even during recessions, which may have aided in the country's economy's recovery.

One of the key drivers of the so-called Islamic economy, which prohibits not just engaging in *riba* (usury), but also other actions that are seen as sinful, such as speculating, drinking, and gambling, is Islamic financing (Mohamad et al., 2014), however, according to Basah et al. (2018) there are hazards posed by the complexity of financial products if improperly managed. The terms "Islamic financing", "Shariah-compliant financing", "Halal financing", and "i-Financing" all essentially refer to the same thing.

Although several types of research on Islamic finance have been conducted, including Islam and Ahmad (2020) and further research from Ibrahim and Mohd Sopian (2021), the contemporary dispute is on whether Islamic Spiritual Intelligence (ISI) might affect one's inclination to use Islamic financing (Zakiah & Al-Aidaros, 2017; Ali et al., 2018; Wijaya et al., 2021). It is because ISI, such as *Siddiq* (truthfulness), *Amanah* (responsibility), *Tabligh* (delivery), and *Fatanah* (Wisdom), are consistent with the individual's internal power of having a pure heart. A person with a pure heart wants to act in a way that benefits them both now and in the future. Thus, the purpose of this study is to discuss the relationship between Islamic Spiritual Intelligence (ISI) and the acceptance of Islamic financing, as well as how it affects how each individual uses their Islamic financial products.

2. Empirical Studies

In Malaysia, Islamic financing is the main source of financing for customers of Islamic banking. According to a report by Bank Negara Malaysia (BNM), Islamic banking assets reached approximately RM 628,596 (in millions) with an average growth rate of 18–20%

annually. Also, Islamic financing, which recorded a healthy 10.3% growth in 2017 and was substantially ahead of conventional banks' 1.7% growth during the same period, now accounts for 71% of the increase in the banking system's financing in 2017, according to RAM Rating Services Bhd. Islamic banks have a great deal of flexibility, creativity, and choice in the creation of Islamic financing products by using various types of financing contracts known as debt-based financings such as *Murabahah*, *Bai' Bithaman Ajil*, *Istisna'*, and *Bai' Inah*, and other types of contracts known as equity-based financings such as *Musharakah* and *Mudharabah* (Mohamad et al., 2021).

However, the practices of Islamic financing in Malaysia, in general, have come under scrutiny owing to significant adverse testimonies about the outcomes of customers' acceptance of Islamic financing (Mohamad et al., 2014; Loke Ke Wei & Mohd Thas Thaker, 2017; Ali et al., 2022). A report by the Bank Negara Malaysia regarding the financing performance in Islamic banking, for example, found that non-performing financing has reached RM 6.18 billion (as of the year ended 2017), impacting the credit risk performance. Also, the ratio of gross impaired financing (GIF) in Islamic banking is low (1%) compared with conventional banking practices (1.2%) in the year ended 2017.

There are several reasons for the lack of demand for Islamic financing when compared to conventional financing, including a lack of customer awareness of Islamic banking (Mohamad et al., 2015; Islam & Rahman, 2017), a lack of competitiveness of Islamic financing products (Adelekan, 2021), and a lack of specialized officers at the branch level to educate customers on Islamic financing products (Raza, 2012). Many problems that have arisen due to the lack of harmonization have yet to be resolved. The truth is that there has been confusion in the terminology of Islamic banking from one area to another, with certain products considered permissible (halal) by some scholars and prohibited (haram) by others (Mustafa & Othman, 2020; Mohamad & Basah, 2022).

Spiritual intelligence in Islam, however, pointed out that it is the power that governs life as there is good potential in spiritual intelligence to solve the problem of spirituality and religion (Rahman & Shah, 2015). It is noted that some studies revealed that the spiritual model is the element that is often neglected in religious life. It is also pointed out by many researchers that everyone has a spiritual, but they do not need to have religious consciousness. In reality, Baharuddin and Ismail (2015) defined Islamic spiritual intelligence as the inner power derived from the soul, heart, and feelings, as well as from a practice of endurance based on Allah's direction and morals.

The literature review concerning ISI suggested several implications for future research. They are in terms of research intensity of Islamic financing development, the measurement model applied, and the inclusion of Compliance with *the Shari'ah* dimension to determine whether the Islamic banks can fulfil the *Shari'ah* requirements from the customers' perspectives.

This study aims to determine if the ISI, one of the Islamic element's dimensions, would significantly affect the desire to embrace Islamic financing because adherence to *Shari'ah* is necessary for religious and Islamic components dimensions. The creation of ISI measurement for the Islamic banking sector will also be one of the study's major accomplishments.

3. Proposed Model of Islamic Spiritual Intelligence (ISI) and Islamic Financing Adoption

Based on the earlier explanation of the relationship between the ISI and the adoption of Islamic financing, the suggested model conceptualizes the ISI as consumers' behavioural intention. One must concentrate on Islam's teachings to succeeding as an employee or an individual. To be more precise, having a balanced emotional and spiritual intelligence may be built on the traits of the Prophet Muhammad s.a.w, including being *Siddiq* (truthful), *Amanah* (trustworthy), *Tabligh* (spreading faith/advocating), and *Fatanah* (knowledge).

Truthfulness, also known as *Siddiq*, refers to being honest with Allah, others, and oneself. The qualities of *Siddiq* include a sense of obligation to Allah, a work ethic, and a desire for sincerity on both a personal and societal level. *Siddiq* is also the belief that one has to fulfil the obligation to achieve success now and hereafter. While looking to become a successful person, one has to be obedient to Allah and His terms and rules.

Amanah, which means trustworthy, is characterized by a feeling of duty, propriety, courtesies, achieving the best results, and respect for others. It is the conviction that an individual must be fair and just. When you render just judgments amongst individuals, you are being *Amanah*.

Communication skills, responsibility, openness, pressure tolerance, teamwork, and harmony at work are all examples of *Tabligh*. Today's *Tabligh* aims to convey the teachings of Islam through the Quran and Sunnah rather than any wahyu (words from God). The duty to deliver wahyu was completed with Prophet Muhammad s.a.w as the last messenger. As the Prophet Muhammad's s.a.w followers, it is our duty to remind Muslims to adhere to Islam's teaching and practices.

Fatanah, or wisdom, is the capacity to make the best choices while being knowledgeable, disciplined, and proactive. Muslims have been taught certain manners or social behaviour in life. Allah knows the difficulties and sorrows that we have to endure. Moreover, when making decisions, be aware that Allah knows well about your situation.

The relationship between user adoption and behavioural intention is explained well by Rahman and Shah (2015) and Seyal and Rahman (2017), who found that the other variables are the best predictors of behavioural intention. Thus, this conceptualization predicts that the ISI influences consumers' behavioural intention to adopt Islamic Financing.

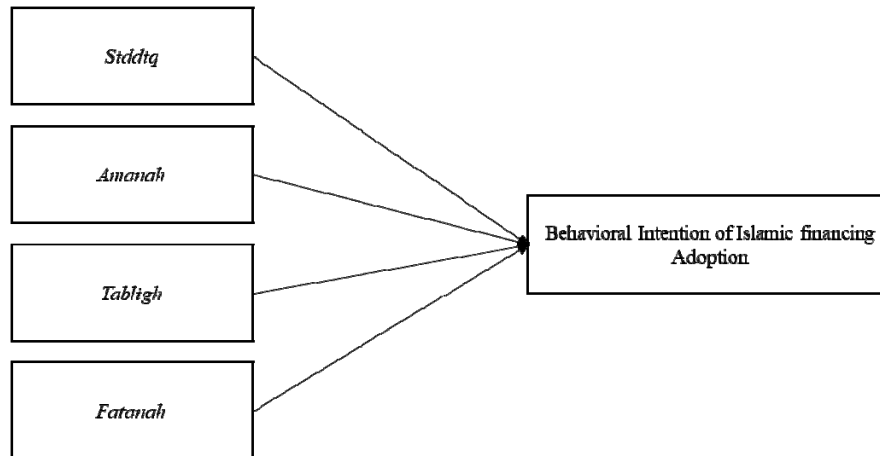


Figure 1. Conceptualization of Islamic Spiritual Intelligence (ISI) to Islamic Financing Adoption

4. Conclusions

This study explores possible opportunities between ISI and behavioural intentions towards implementing Islamic financing. While the industry is still in its infancy, the issue of Islamic financing is now receiving attention in academics. In light of the expanding Muslim population globally and the greater level of Islamic financial inclusion, it is one of the prospective areas of interest that may turn a profit. In addition to adding to the expanding body of literature on Islamic financing, this work was meant to offer a theoretical contribution. The under-researched functions of the ISI in gauging client intention context led to the development of this conception of the model in Malaysia's Islamic banking sector.

Furthermore, the study's significance will be an academic study of Islamic financing in Malaysia, which has yet to be widely covered from the customer's perspective. It focuses on ISI aspects because they are the study's innovative contribution. Furthermore, the study's recommendations can be implemented to improve the implementation of Islamic financing, which affects the performance of Islamic banks in Malaysia.

This study establishes an integrated customer intention measurement tool for the Islamic banking industry, indicating a bright future in Islamic financing, with the financial industry's ability to develop more strategies in aspects of ISI in global nations as well. Finally, it is beneficial to society, the economy, and the nation to increase the participation of the Islamic banking system in financial activities. It will aid Malaysian economic development because it is the most cost-effective and efficient. At the same time, the positive development will benefit Malaysia's Islamic banking market by solidifying Malaysia's position as a key player in this sector.

In conclusion, Islam is a religion connected to spiritual knowledge. Rasulullah s.a.w.'s acts, attitudes, and ideals formed the basis of ISI (Akhlak). *Siddiq*, *Amanah*, *Tabligh*, and *Fatanah* were the main behaviours that went into this evaluation. Muslims who follow and propagate the Prophet's example will not have their focus diverted from their ultimate goal in life. The

ultimate goal in life is to become a Khalifah (leader) so that you can enjoy *Jannah* (heaven) after you die. To the best of the authors' knowledge, this is the first study that looked at the context of Islamic finance to provide light on ISI components and the intention to apply Islamic financing.

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Declaration

All relevant ethics were followed, as no personal information was released or used for analysis.

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