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Article

Credit-using behavior of Muslims in non-Muslim country:A study of Nakhon Si Thammarat, Thailand

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BANKING & FINANCE | RESEARCH ARTICLE

Credit-using behavior of Muslims in non-Muslim country: A study of Nakhon Si Thammarat, Thailand

Pornpen Thippayana¹ and Nalinee Thinnam^{1*}

Abstract: In today's globalizing economy, a wide variety of credit sources are available to people in need of funds. However, for Muslims, prescriptions and limitations imposed by the Islamic religion have the potential to shape their credit-seeking behavior. This study investigates credit-using behavior of Muslims in Thailand, a non-Muslim country. The sample comprised 385 Muslims selected from 13 districts in Nakhon Si Thammarat. Data were obtained through face-to-face administration of structured questionnaires and analyzed through means, frequencies, standard deviation and ANOVA. Findings showed that most of the Muslims in Nakhon Si Thammarat did not seek credit from Islamic sources. Instead, they looked to conventional banks, General Cooperative and Saving Group and Non-bank creditors. In addition, most Muslim credit users were found to be conservative, had only one credit contract with one financial institution, minimal remaining debt balances, and were punctual in debt repayment. It was also revealed that Islamic Cooperatives and Savings groups constituted the most suitable Islamic source of funds for Shariah-compliant credit. It is recommended that stakeholders in the banking and credit sector should put in more effort to advance the operations of Islamic cooperatives and savings groups to provide convenient access to financial services and broaden the scope of Islamic credit to Muslims.

Subjects: Finance; Banking; Credit & Credit Institutions

Keywords: Credit-using behavior; Muslim; Islamic credit; Shariah principle; non-Muslim country; Thailand

1. Introduction

In recent times, household debt has become a central issue in the banking and financial sectors in Thailand. Between 2003 and 2019, Thailand's household debts saw a significant rise every year from 0.24 trillion USD in 2003 to 1.70 trillion USD in 2019. The household debt to GDP ratio in Thailand was at the top of the rankings among the region (Bank of Thailand, 2020). A survey conducted by the National Statistical Office of Thailand indicated that in the first half of 2019, 54% of Thai households had debts at an average of 5,316 USD/household and 77% of the total number of households incurred debts for a living, mostly for basic consumption, purchase of houses/mortgage/land and education (National Statistical Office, 2019).

Even though incurring debts is crucial as it can instantly mitigate financial difficulties confronting individuals, careful consideration is required, given that it means using other people's money and that debt repayment shall inevitably follow (Kukk, 2019). Therefore, it is important that people

refrain from incurring unnecessary debts, where possible, as the inability to manage sufficient incomes and budget for debt repayment can have ramifications on financial management and independence (Andersen et al., 2016). On the other hand, studies, such as Comelli (2021) have shown that debts can in fact add value to the life of debtors as long as they coexist with effective debt management approaches. This is because some types of debts are considered “good debts” as they are crucial in fostering one’s future prosperity and alleviating immense suffering that can have a toll on health and wellbeing (Wongchan, 2016).

Related to debts is the issue of credit, a phenomena that creates conditions for individuals to gain access to funds and become indebted. Given today’s increasingly growing economy, a wide variety of credit sources are available for those in need of funds. Nevertheless, for Muslims, with as much need of funds as others adhering to different religions, limitations associated with their religious beliefs have the potential to shape their credit seeking behavior. Such limitations align with the standard of Islamic conduct called “Shariah,” which exerts influence on every sphere of Muslim life (Islamic Bank of Thailand, 2018). Within Islamic traditions, Shariah outlines quite clearly, the methods by which Muslims can obtain credit, which implicitly include debts.

The Muslim population is witnessing steady growth in Thailand. According to the National Statistical Office's 2018 census, 3,639,232 people out of Thailand's 66,413,979 population are Muslim, accounting for 5.48%, second only to Buddhists (National Statistical Office, 2022a). The statistics show that the Muslim population in the country increased by 25.04% over the last ten years, from 2008 to 2018 (National Statistical Office, 2022b). In Nakhon Si Thammarat, the study town for this paper, Muslims account for 6.17% of the total population (Nakhon Si Thammarat Provincial Office, 2018), second to the Buddhist population and similar to the national population.

As indicated earlier, credit is a crucial source of obtaining funds for a living. Underpinned by the need for sufficient funds for a living, many people seek additional funding sources besides income and savings. Therefore, designing credit facilities that conform to religious principles and actual conditions of people in terms of the opportunity to access the type of credit genuinely suitable for their life contexts has become very important in the financial sector. However, for a Muslim who is restricted to fund-seeking methods enshrined in Shariah, complying with the religious standard of conduct when it comes to accessing credit has implications on his/her credit-seeking behavior, especially in a country where Islam is a minority religion. Studies focusing on credit-using behavior in Thailand, a non-Muslim country, are very limited, leading to a narrow understanding of Muslim credit-using behavior. It is, therefore crucial to provide detailed perspectives on credit-using behavior of Muslims in the country.

In this paper, we examine the credit-using behavior of Muslims in Nakhon Si Thammarat, Thailand. Specifically, we examine the relationship between general (background) and Muslim-specific characteristics¹ in using credit, with a view to understanding how these dynamics influence credit-using behaviors. This research contributes to a better understanding of Muslim credit usage, providing operators in the financial-sector avenues to design credit facilities appropriate to Muslims. It also contributes to the literature on the influence of religious principles on credit-using behaviors of Muslims living in a non-Muslim country. The majority of studies on Islamic principles (Shariah), banking or credit behaviors (e.g., Amin, 2008; Amin et al., 2011; Wan Ibrahim & Ismail, 2015), focus on Islamic banks in Muslim countries. This study marks a departure on this front, examining credit use from the perspective of Muslims living in a non-Muslim country.

2. Literature reviews

2.1. Finance and credit: an overview of the Islamic perspective

Like many other religions, Islam serves as a compass for the lives of Muslims. It determines the direction of every single act from birth till death (Mahamad, 2018). Muslims are required to show greater commitment to the religion by adhering to the “rules” and guidelines provided in the

Quran. Broadly, these guidelines are enshrined in the “Shariah” or Islamic principle, which gives detailed guides on all aspects of a Muslim’s life. Shariah means a precept determining a human’s life bestowed upon humans by Allah (One God) for humans to live in all spheres in compliance with it (Islamic Bank of Thailand, 2018). The principle prohibits the reception of interest or “Riba” in any financial agreements as well as wealth derived from businesses involving deception (Albatil) i.e., gambling (Maisir), substantially emphasizes honesty and trustworthiness (Amanah) and prohibits deception (Khuah) and greed (Hiryah) as part of making profits. Mahamad (2018) referred to this as the prohibition of speculation by storing certain goods and gauging the price later to earn a good profit. Additionally, Santisart (2017) indicated that, despite the Quran’s ban on charged interest, it endorses trades and commerce (Albaith).

With respect to credit, Santisart (2017) suggested that the Shariah principle applies to all kinds of financial transactions, whether it be banks, mutual funds, investments, takaful and islamic financial planning. This implies that adherents of Islam must accept only Shariah or Islamic principle-compliant credit. It also means that financial institutions that strive to meet the needs of Muslim clients should provide options for them that conform to the Shariah principle. This is particularly important for countries with a significant Muslim population. More importantly, these discourses imply that Islamic Finance is different from mainstream finance or conventional financial system, as will be highlighted in Section 2.2.

2.2. Islamic finance vs conventional finance

The financial system of the economy in general consists of various types of financial institutions, such as commercial banks, special financial institutions, saving corporative and credit unions, insurance companies, and security companies (Saidu et al., 2018). Normally, a financial institution plays a vital role as an intermediary for capital mobilization and allocation of economic resources and as a provider of payment and settlement services (Bank of Thailand, 2022). Based on risk sharing or profit-and-loss sharing, the financial system can be categorized into two forms: conventional and islamic finance (Mirakhor & Smolo, 2011). Basically, conventional banks, especially banks in most countries, represent the most significant financial institutions in their financial system (Cerović et al., 2017).

Researchers, such as Cerović et al. (2017) and Wan Ibrahim and Ismail (2015), stated that based on conventional finance theories, the primary goal of conventional financial institutions is to maximize profits. However, in Islamic finance, the financial system is based on beliefs and ideology, which provides a distinctive outlook on the phenomena of creation, its evolution, existence, and final destiny. It defines the purpose of human life, identifies its exalted position in the entire creation and delineates the path of its ultimate destination. Hence, the ideology of financing under Islamic systems is based on religious principles, in this case, Shariah principles (Wan Ibrahim & Ismail, 2015). As proposed by Léon and Weill (2018), a key principle of Shariah is the prohibition of interest in financial transactions. Instead, the concept of profit-and-loss sharing replaces interest. In addition, contractual uncertainty is prohibited, meaning that contract terms must be clearly defined, explicit, and without ambiguity. Moreover, sinful activities such as gambling or pig farming cannot be financed under Shariah principle.

Aris et al. (2013) identified eight distinctions between the conventional bank (CB) and Islamic bank (IB). First, in terms of functions and operating modes, CB is fully based on general economic principles, while IB is based on Shariah principles. Second, on investor assurance, CB provides a predetermined rate of interest, but IB is under the profit-and-loss sharing concept. Based on the profit-and-loss sharing concept, investors as capital providers and management as entrepreneurs share the risk; hence, profit rates are only indicators in IB. Third, the goals of banking; CB considers maximizing profit without any restrictions, but IB respects maximizing profit subject to shariah restrictions. Fourth, rules of accounts; CB is governed by product terms and conditions, but IB is governed by undertaking contracts that determine the terms and conditions. Fifth, fundamental function; CB operates on lending and borrowing with compounding interest, but IB participates in

partnership business. Sixth, centers on the relationship between bank and clients. Here, CB deals with clients as creditors and debtors, but IB recognizes clients as partners, investors and traders or as buyers and sellers. Seventh, deposits rate and guarantee; CB uses fixed interest rates, and deposits are fully guaranteed but in IB, the rate of return must be indicative rate and not guaranteed. Only Wadiah deposit accounts are guaranteed. Eight, financing rate; CB is usually based on floating rates, whereas IB employs fixed profit mark-up (*Bai Bithamin Ajil, Murabahah*) and floating profit rates (*Musharakah, Ijarah*).

Considering that Muslims are required to abide by the Shariah principle when it comes to accessing and using credits, it is vital to understand how these dynamics play out in a non-Islamic country or an environment where Islam is not the dominant religion, as is the case with Thailand. In particular, the operations of financial institutions in terms of the types of credit services offered and whether these are tailored to meet the needs of Muslims is crucial as it can affect their credit behavior. The Islamic Bank of Thailand, which operates in the study area for this research, contends that its business operations in the area are in absolute conformity to Islamic principles. For example, it recognizes forbidden objects according to Islamic canons. These include goods for consumption that are forbidden in Islam. It also encompasses forbidden actions such as *riba*, involving interest charges, gambling, merchandise hoarding, speculation, corruption, bribery attempts, and trades that are susceptible to disastrous consequences. Other actions considered ungodly, which may include misappropriation of people's assets, entertainment businesses, inciting customers to infatuation with sinful paths or bullet and arms-producing businesses or other businesses defying good morals, are not allowed by the bank. Undoubtedly, as a bank operating within the tenets of Shariah, meeting the thresholds outlined in the principle is crucial to its operations. Muslim clients operating with the bank will find it convenient as it meets the threshold expected in the context of Islamic principle. However, in places where Muslims do not have access to an Islamic bank or other Islamic-compliant services, their credit-using behavior in terms of taking up credit and which type to choose are bound to be affected.

2.3. Providing Islamic-compliant services: Perspective on influencing factors

As highlighted in Section 2.1, Muslims are required to comply with Shariah principles in their quest to gain access to credit. The need for financial institutions to offer services that are tailored to the interests of Muslims within the context of Shariah is crucial. Providing services that comply with Islamic traditions is crucial to ensuring that Muslims have access to credit to meet urgent financial needs. Demircuc-Kunt et al. (2013) studied the measurement of the need for financial service forms among over 150,000 Muslim elders in 148 countries. Results showed that Muslims have less probability of having a bank account and getting services from financial institutions, unlike non-Muslims. It was also found that banking services offered to Muslims have no differences from those provided to non-Muslims. Thus, Muslims have less opportunity to request formal loans as services offered by most financial institutions do not conform to Islamic principles. Arpakorn et al. (2016) investigated the need for Islam-compliant financial services in Thailand through a survey on Islam-compliant financial services using 1,807 respondents made up of both Muslims and non-Muslims. The findings revealed that Shariah-compliant financial products lacked variety, mainly confined to deposit and credit transactions. In addition, the results showed that Shariah-compliant financial products were not being widely recognized as they should have been. Thus, lack of knowledge and understanding or even obliviousness to Islamic financial services were the primary reasons Muslims were not seeking Islamic financial services.

Santisart and Pholsorn (2017) studied Islamic financial institutions and economic growth in Thailand's three southernmost provinces, Pattani, Narathiwat and Yala. The results revealed a formidable obstacle to seeking services from Islamic financial institutions, the main ones being lack of knowledge about Islamic finances and banking on the part of both personnel and customers. Noipom (2017) researched on access to finance the Muslim minorities in the southernmost provinces of Thailand. Results demonstrated that there was a wide variety of financial products to meet customers' demands from Islamic financial institutions in the three southernmost provinces.

However, there were minimal details on Islamic-compliant financial products. This limitation stemmed from the fact that the majority of the respondents were not members of Islamic financial institutions, thereby resulting in obliviousness to details of their products and services. Likewise, Islamic cooperatives provide services only to their members by keeping their customers updated on information and knowledge regarding the products or services. Moreover, Lebdaoui and Chetioui (2020a) indicated that improving customer service quality through organizational practices and technological practices could enhance organizational performance in both conventional and Islamic banking. Although there are differences in two banking systems, the results confirmed the positive impact of organizational practices and technological practices on organizational performance in both conventional and Islamic banks.

Regarding the factors that influence people to adopt Islamic banking, Amin et al. (2011) studied the effect of 5 factors: attitude; social influence; religious obligation; government support; and pricing on the intention to use Islamic personal financing. The study focused on two fully fledged Islamic banks in Malaysia: Bank Islam Malaysia Berhad, and Bank Muamalat Malaysia Berhad. Three determinants were found to exert substantial influence on the intention to use Islamic personal financing: attitude, social influence, and pricing of Islamic personal financing. On the other hand, religious obligation and government support were insignificant predictors. Similarly, Jamaludin (2017) examined customers' intention to use personal financing in Selangor, Malaysia. The study examined the issue from two perspectives: Islamic and conventional financing. He found that attitude and pricing were significantly related to customers' decision to use Islamic personal financing. It was also revealed that attitude and social influence had a significant relationship with customers' decision to use conventional personal financing. In Uganda, a country with minority Muslim population (14%), a study by Sulaiman et al. (2016) shows that attitudes positively influenced intention to adopt Islamic Banking. Crucially, Shome et al. (2018) found that compliance with Islamic principles is a significant factor for customers in deciding on Islamic banking and financial products and services in a predominantly Muslim country like the United Arab Emirates (UAE). Furthermore, using data from 1,294 Moroccan households, Lebdaoui and Chetioui (2020b) found that materialism plays an important role towards indebtedness of Muslims in Morocco, a majority-Muslim country. It can be inferred from the extant studies reviewed in this section that a multiplicity of factors influence decisions to utilize Islamic banking services in both Muslim-dominated and minority countries.

On debt management, the National Institute of Development Administration (NIDA) and National Credit Bureau, Thailand (2017) investigated saving behavior and people's debts in the first half of year 2017 by conducting a survey on citizens with incomes across the country, constituting a total of 2,000 units. The results showed that 68% of the citizens were burdened with debts, with an average of 16,481 USD/person, registering the lowest debt amount of 29 USD and the peak at 15 million USD. The majority was responsible for debts higher than 2,915 USD. More than half, 60% of debtors ascribed their debts to purchase/instalment/payment of merchandises, services, and consumer goods. Ranking second and accounting for 36%, was debts incurred from investments in agricultural careers and trading. Sixty-one of debtors managed their debts by being punctual for the debt repayment, while 20% stressed the importance of not incurring any more debts. In terms of the debtor's capability to repay debts, it was found that the average score of the capability is 8, signifying a "very much" level.

3. Materials and methods

Muslim credit users in Nakhon Si Thammarat formed the participants for this paper. Nakhon Si Thammarat is a Buddhist-dominated province in Southern Thailand, about 250 km from Thailand's Muslim neighbor Malaysia. Nakhon Si Thammarat has 23 districts; however, only 13 of them have mosques (also known as masjids), which serve as representatives of the Muslim population. A sample of 385 respondents were recruited from an estimated population of Muslims in 13 districts of the province (Table 1). The sample was using the sample size calculation formula with an unidentified population size (Vanichbuncha, 2003). The number of samples recruited

Table 1. Summary of sample district and sample size

| District | Number of mosques* | Percentage of mosques (%) | Number of respondents |
|-------------|--------------------|---------------------------|-----------------------|
| Muang | 49 | 38.58 | 149 |
| Tha Sala | 38 | 29.92 | 115 |
| Hua Sai | 10 | 7.87 | 30 |
| Ron Phibun | 6 | 4.72 | 18 |
| Sichon | 6 | 4.72 | 18 |
| Cha-uat | 5 | 3.94 | 15 |
| Bang Khan | 5 | 3.94 | 15 |
| Pak Phanang | 3 | 2.36 | 9 |
| Khanom | 1 | 0.79 | 3 |
| Thung Song | 1 | 0.79 | 3 |
| Thung Yai | 1 | 0.79 | 3 |
| Phrom Khiri | 1 | 0.79 | 3 |
| Phra Phrom | 1 | 0.79 | 3 |
| Total | 127 | 100.00 | 385 |

*Source: The Provincial Islamic Council of Nakhon Si Thammarat (2019)

from each of the 13 districts was calculated in proportion to the number of mosques in each district (Table 1).

Questionnaires were self-developed to collect data from participants. The questions were in four categories: general characteristics of respondents; Muslim-specific characteristics; credit-using behavior and opinions on Islam-compliant credit being used. Prior to the distribution of the questionnaires, a pilot study was conducted with a sample group to test the validity of the instruments. They were also submitted to experts for review, following which some amendments were made to strengthen them. Data collection took place in the 4th quarter of 2019. Respondents who accessed various credit facilities and agreed to complete the questionnaire were invited to do so by research assistants who had been professionally trained to administer the instruments.

SPSS was used to analyze the questionnaire-generated data. Descriptive statistics comprising frequency, percentage, mean and standard deviation (SD) were used to explain general characteristics, Muslim-specific characteristics and credit-using behavior, as well as levels of opinions on Shariah-compliant credit. Inferential statistics and ANOVA were used to analyze differences between some variables, such as levels of opinion regarding Shariah-compliant credit.

4. Results

The first part of this section presents the results on descriptive statistics. This is followed by the inferential statistics in Table 2.

4.1. Descriptive analysis

Results concerning descriptive statistics comprising frequency, percentage, mean and standard deviation (SD) of the general characteristics, Muslim-specific characteristics, credit-using behavior, and opinions on Shariah-compliant credit are shown in Tables 3–5.

The results show that the majority of the respondents were females, accounting for 64.2%, with males accounting for 35.8%, respectively. The biggest age range was 46–60 years, accounting for 36.4%, followed by the 36–45 year range at 27.0%. A significant proportion of the respondents (78.4%) were married. In terms of careers, 46.8% of the respondents earned a living from self-employment/trading, followed by 21.6% being temporary workers. 33.8% of respondents had over

Table 2. Mean comparison of opinion that the credit being used is Shariah-compliant among samples with different levels of Islamic studies

| Level of Islamic Studies | N | Mean | Standard Deviation | Source of Variation | SS | df | MS | F | Sig. |
|--|-----|------|--------------------|-----------------------------------|---------|-----|-------|-------|-------|
| (1) None | 51 | 2.51 | 1.189 | Between Groups | 31.830 | 5 | 6.366 | 3.713 | .003* |
| (2) Basic Islamic Principle (Fardu Ain/Tadika) | 136 | 3.13 | 1.325 | Within Groups | 649.796 | 379 | 1.715 | | |
| (3) Elementary Islamic Studies | 90 | 2.81 | 1.297 | Total | 681.626 | 384 | | | |
| (4) Intermediate Islamic Studies | 51 | 3.37 | 1.356 | Different pairs are (1) with (5). | | | | | |
| (5) Advanced Islamic Studies | 43 | 3.42 | 1.277 | | | | | | |
| (6) Bachelor's degree equivalents or higher | 14 | 3.00 | 1.569 | | | | | | |
| Total | 385 | 3.03 | 1.332 | | | | | | |

*Sig. < 0.05, statistical significance at the 0.05 level

20 years of work experience, followed by 30.6% having 11–20 years of work experience. 42.6% of respondents had fewer than three dependents, followed by 34.3% being responsible for 3–5 dependents. A majority of respondents (42.6%)’ average monthly income fell between 10,001 and 20,000 Baht, followed by 34.3% making less than 10,000 Baht/month. In terms of education, 35.8% obtained a high school degree/Vocational Certificate, followed by 32.3% obtaining a primary school degree or lower.

On Muslim-specific characteristics, it was found that 136 respondents (35.3%) had attained Basic Islamic Principle (Fardu Ain/Tadika) level of Islamic Studies and 90 respondents (23.4%) completed Elementary Islamic Studies. Moreover, 370 respondents (96.1%) were born Muslims and 341 respondents (86.8%) were regarded as laymen or general Muslims in the community. These categories of respondents do not hold any leadership position in the mosques.

Regarding credit-using behavior, it was found that the majority, represented by 195 respondents (39.9%) have accessed credit from conventional banks in the past 12 months, followed by 70 respondents (14.3%) from general cooperatives/saving groups and 64 (13.1%) from other loan businesses aside from banks. Nevertheless, 56 respondents (11.5%) indicated using credit from Islamic cooperatives/saving groups, while 27 (5.5%) acquired credit from the Islamic Bank of Thailand. These findings are in line with the study conducted by Arpakorn et al. (2016) disclosing that even though a high proportion (83%) of Muslim respondents acknowledged Islamic financial services, nearly half (47%) used such services in compliance with Islamic principles.

On the contrary, those not attracted to the Islamic financial services substantially ascribed their decision to a lack of understanding or even obliviousness to the service, followed by the inconvenience. Regarding the type of credit, the most requested credit was the business credit, as responded by 31.4% of respondents, followed by the car credit at 25.3%. These debts carried their positive value of better earnings, future, and careers; hence, they are undoubtedly Good Debts as defined by the Bank of Thailand (2017). Moreover, this is better than Bad Debts, which tend to provide instant convenience at the expense of a better financial future. Besides that, the remaining credit balance on the current date was mostly less than 50,000 Baht as indicated by 41.0%, followed by the range between 50,001 and 10,000 Baht, reported by 25.7%. This finding is consistent with a study conducted by Arpakorn et al. (2016), of which the respondents at a high percentage of 70.6 are Muslims, disclosing that a majority of the respondents used a credit line lower than 50,000 Baht. However, this finding contradicts with the surveys from the National Institute of Development Administration (NIDA) and the National Credit Bureau (NCB) (2017) that jointly collected data concerning Thailand’s population with income, reported that in the first half of 2017, 33.26% of Thai population had incurred debts of over 100,000 Baht. Furthermore, the highest figures at 64.4% had a maximum of 1 current credit contract and the majority of 70.1% sought credit from 1 creditor. This is consistent with the study by Lamsam et al. (2017) under Puey Ungphakorn Institute for Economic Research that found most of Thai people were bound by a single credit contract and sought credit from a single creditor. About 34.3% reflected that the major purposes of credit included investment in careers, followed closely by purchase/installment/payment for consumer goods (33.5%).

In terms of decision-making, self-made decisions emerged as the highest (43.4%), outranking the decisions made together with spouses experienced by 42.3%. In most cases, houses, buildings, and properties were used as collateral for loans, as indicated by 36.5% of the respondents, as against 18.3% that did not use any assets as collateral. Less than 20% (17.0%) used a guarantee from a personal or corporate guarantor. In addition, 16.3% indicated the use of personal vehicles as collateral. On credit repayment, most of the respondents (59.0%) pointed to the traditional payment channels, with direct cash payment being the most frequent repayment method. Very few respondents (11.9%) used internet banking for repayment. Regarding the repayment behavior over the last 12 months, the majority (70.6%) were able to repay the credit according to agreements/have no accrued expenses/pay at an amount above the minimum, followed by 24.2% who

Table 3. Number and percentages of group variables

| Item (n = 385) | | Number (Response) | Percentage of response |
|----------------------------------|---|--------------------------|-------------------------------|
| General characteristics:- | | | |
| Gender: | Male | 138 | 35.8 |
| | Female | 247 | 64.2 |
| | Total | 385 | 100.0 |
| Age: | Less than 25 years | 21 | 5.5 |
| | 26-35 years | 93 | 24.2 |
| | 36-45 years | 104 | 27.0 |
| | 46-60 years | 140 | 36.4 |
| | 61 years or above | 27 | 7.0 |
| | Total | 385 | 100.0 |
| Marital status: | Single | 61 | 15.8 |
| | Married | 302 | 78.4 |
| | Separated/Divorced/widow | 22 | 5.7 |
| | Total | 385 | 100.0 |
| Occupation: | Government officer/State enterprise employee/Government sector employee | 48 | 12.5 |
| | Private sector employee | 20 | 5.2 |
| | Farmer | 42 | 10.9 |
| | Self-employment/Trading | 180 | 46.8 |
| | Temporary worker | 83 | 21.6 |
| | Others | 12 | 3.1 |
| | Total | 385 | 100.0 |

(Continued)

Table 3. (Continued)

| Item (n = 385) | | Number (Response) | Percentage of response |
|----------------------------------|----------------------------------|--------------------------|-------------------------------|
| Work experience: | Less than 5 years | 53 | 13.8 |
| | 5-10 years | 84 | 21.8 |
| | 11-20 years | 118 | 30.6 |
| | More than 20 years | 130 | 33.8 |
| | Total | 385 | 100.0 |
| Number of dependents: | None | 63 | 16.4 |
| | Fewer than 3 dependents | 164 | 42.6 |
| | 3-5 dependents | 132 | 34.3 |
| | More than 5 dependents | 26 | 6.8 |
| | Total | 385 | 100.0 |
| Average monthly income: | Less than 10,000 THB | 132 | 34.3 |
| | 10,001-20,000 THB | 164 | 42.6 |
| | 20,001-30,000 THB | 55 | 14.3 |
| | 30,001-40,000 THB | 16 | 4.2 |
| | 40,001 THB or above | 18 | 4.7 |
| The highest levels of education: | Total | 385 | 100.0 |
| | Primary school or lower | 124 | 32.2 |
| | Secondary school/Voc. Cert. | 138 | 35.8 |
| | Associate degree/High Voc. Cert. | 32 | 8.3 |
| | Bachelor's degree | 83 | 21.6 |
| | Master's degree or above | 8 | 2.1 |
| | Total | 385 | 100.0 |

(Continued)

Table 3. (Continued)

| Item (n = 385) | | Number (Response) | Percentage of response |
|---|--|--------------------------|-------------------------------|
| Muslim-specific characteristics:- | | | |
| The highest level of Islamic Studies: | None | 51 | 13.2 |
| | Basic Islamic Principle (Fardu Ain/Tadika) | 136 | 35.3 |
| | Elementary Islamic Studies | 90 | 23.4 |
| | Intermediate Islamic Studies | 51 | 13.2 |
| | Advanced Islamic Studies | 43 | 11.2 |
| | Bachelor's degree equivalent or above | 14 | 3.6 |
| | Total | 385 | 100.0 |
| Entering Islam: | Born Muslim | 370 | 96.1 |
| | Converted | 15 | 3.9 |
| | Total | 385 | 100.0 |
| Position/role in a Muslim community: | Imam/ Khatib/ Bhilan | 13 | 3.3 |
| | Scholar/Academic | 18 | 4.6 |
| | Provincial Islamic committee | 7 | 1.8 |
| | Mosque's laymen/general Muslim | 341 | 86.8 |
| | Other roles | 14 | 3.6 |
| Credit using behavior:- Sources of credit used over the past 12 months: | Total | 393 | 100.0 |
| | Conventional bank | 195 | 39.9 |
| | Islamic Bank of Thailand | 27 | 5.5 |
| | General Cooperative/Saving Group | 70 | 14.3 |
| | Islamic Cooperative/Saving Group | 56 | 11.5 |
| | Non-bank | 64 | 13.1 |

(Continued)

Table 3. (Continued)

| Item (n = 385) | | Number (Response) | Percentage of response |
|---------------------------|------------------------------|--------------------------|-------------------------------|
| | Pawn shop | 9 | 1.8 |
| | Friend/relative/acquaintance | 42 | 8.6 |
| | Informal loan grantor | 16 | 3.3 |
| | Others | 10 | 2.0 |
| | Total | 489 | 100.0 |
| Type of credit | Car credit | 117 | 25.3 |
| being used: | Housing credit | 94 | 20.3 |
| | Business credit | 145 | 31.4 |
| | Personal credit | 80 | 17.3 |
| | Credit for Hajj and Umrah | 10 | 2.2 |
| | Others | 16 | 3.5 |
| | Total | 462 | 100.0 |
| The remaining credit | Less than 50,000 THB | 158 | 41.0 |
| balance at present: | 50,001-100,000 THB | 99 | 25.7 |
| | 100,001-500,000 THB | 73 | 19.0 |
| | 500,001-1,000,000 THB | 37 | 9.6 |
| | 1,000,001 THB or higher | 18 | 4.7 |
| | Total | 385 | 100.0 |
| Number of Credit contract | 1 contract | 248 | 64.4 |
| at present: | 2-3 contract | 128 | 33.2 |
| | 4-5 contract | 6 | 1.6 |
| | More than 5 contract | 3 | 0.8 |
| | Total | 385 | 100.0 |
| Number of creditor at | 1 creditor | 270 | 70.1 |
| Present: | 2-3 creditor | 113 | 29.4 |

(Continued)

Table 3. (Continued)

| Item (n = 385) | | Number (Response) | Percentage of response |
|--------------------------------------|---|--------------------------|-------------------------------|
| | 4-5 creditor | 1 | 0.3 |
| | More than 5 creditor | 1 | 0.3 |
| | Total | 385 | 100.0 |
| Purpose of credit usage: | Purchase/Installment/Payment for consumer goods | 165 | 33.5 |
| | Build/Purchase/Extend/Renovate house and property for accommodation | 78 | 15.9 |
| | Career related investment | 169 | 34.3 |
| | Educational fund for family | 47 | 9.6 |
| | Deriving profit from investment in assets | 7 | 1.4 |
| | Repaying previously incurred debt | 21 | 4.3 |
| | Others | 5 | 1.0 |
| | Total | 492 | 100.0 |
| Persons involved in decision making: | Self-made | 167 | 43.4 |
| | Spouse | 163 | 42.3 |
| | Family member (except spouse) | 51 | 13.2 |
| | Non-family member | 4 | 1.0 |
| | Total | 385 | 100.0 |
| Collateral: | No asset used as collateral for credit request | 84 | 18.3 |
| | House building land | 168 | 36.5 |
| | Vehicle | 75 | 16.3 |
| | Savings/ Savings lottery | 36 | 7.8 |
| | Government bond/common stock/debenture | 4 | 0.9 |
| | Gold/Jewelry/other valuables | 10 | 2.2 |
| | Personal/corporate guarantee | 78 | 17.0 |

(Continued)

| Table 3. (Continued) | | | |
|---|--|-------------------|------------------------|
| Item (n = 385) | | Number (Response) | Percentage of response |
| Credit repayment method | Others | 5 | 1.1 |
| | Total | 460 | 100.0 |
| | Direct cash payment (to creditor/loan grantor) | 227 | 59.0 |
| Most frequently used Over the last 12 months: | Through creditor's agent i.e., collecting representative/ Counter service/ Post service/ cash payment at Check-out counter at store or supermarket | 46 | 11.9 |
| | Counter money transfer at non- bank | 32 | 8.3 |
| | Bank ATM Transfer | 21 | 5.5 |
| | Internet Banking/ Mobile Bank Application/ Prompt pay | 46 | 11.9 |
| | Other methods | 13 | 3.4 |
| | Total | 385 | 100.0 |
| Manner of credit repayment over the last 12 months: | Punctual repayment/ not accrued balance/ exceeding the minimum amount | 272 | 70.6 |
| | Mostly able to repay as scheduled, with occasionally overdue repayment of less than 1 month/ occasionally overdue | 93 | 24.2 |
| | Mostly unable to repay the full amount and as scheduled | 15 | 3.9 |
| | Unable to repay credit/ more than 3 months overdue | 5 | 1.3 |
| | Total | 385 | 100.0 |

made either 1 month overdue or occasional late repayment. These figures indicate that the majority of Muslims in Nakhon Si Thammarat are excellent debtors, which is consistent with the findings of the NIDA poll and NCB (2017), reporting Thai debtors' average repayment potential at a high level.

The study revealed that the minimum remaining repayment was "Repayment completed" while the maximum was 30 years. The average remaining credit repayment time was 5.25 years.

The results show that scores of opinions reflecting that credit being used by the sample group were Shariah-compliant and did not involve charged interest were at a moderate level (Mean 3.03 and 2.74). Scores of opinions that credit being used was clear, certain, and unambiguous, which might cause conflict or other damages for those involved in transactions and that credit being used was spent in areas rid of involvement or association with speculation and merchandise hoarding (Mean 3.97 and 4.10). Scores of the opinion that the credit being used was allocated to activities rid of involvement or association with gambling, pork, and other forbidden objects were at the highest level (Mean 4.21). The respondents showed high confidence (mean 3.62) in their understanding of the differences between interests and profits in line with Shariah. They also believed that completion of instalments before one's death would bring God gratification at the highest level (mean 4.30).

4.2. Inferential analysis

Inferential Statistics yielded the results of One-Way Analysis of Variance: ANOVA. The ANOVA was conducted to compare the different levels of Islamic Studies and the scores of opinions on the credit being used according to the Shariah Principles.

The study showed that the credit users with Advanced Islamic Studies had an opinion on the credit being used was Shariah-compliant at the highest level (mean = 3.42), followed by Intermediate Islamic Studies (mean = 3.37) and Basic Islamic Principle (Fardu Ain/TADIK) (mean = 3.13).

The one-way ANOVA showed that the opinion scores of at least one pair of credit users with different Islamic educational backgrounds were different, with a statistical significance of 0.05. Paired comparison by Scheffe's Method indicated that the credit users with no Islamic educational backgrounds had fewer mean scores than those with Advanced Islamic Studies.

Table 6 demonstrated that credit users with Advanced Islamic Studies opine that credit being used do not involve interest at the highest level (mean = 3.21), followed by the credit users with Intermediate Islamic Studies (mean = 3.16) and bachelor's degree equivalents or higher (mean = 2.79), respectively. The ANOVA test indicated that the scores of at least one pair of credit users with different Islamic educational backgrounds were different, with a statistical significance at 0.05 level. Paired comparison by Dunnett T3's method revealed that credit users with no Islamic educational background had fewer mean scores than those with Intermediate and Advanced Islamic Studies.

Table 4. Means and standard deviation (SD) of ratio scales

| Variables of Ratio Scale | n | Min | Max | Mean | Standard Deviation |
|---------------------------------------|----------|------------|------------|-------------|---------------------------|
| Credit using behavior:- | | | | | |
| Remaining period for credit repayment | 385 | 0.00 | 30.00 | 5.25 | 5.05 |

Table 5. Means, SD, and interpretation of opinions on the credit being used according to the Shariah principle

| Opinions on the credit being used based on the Shariah principles (n = 385) | Mean | SD | Interpretation |
|--|-------------|-----------|-----------------------|
| (1) The credit being used is Shariah-compliant | 3.03 | 1.332 | Moderate |
| (2) The credit being used does not involve interest. | 2.74 | 1.402 | Moderate |
| (3) Knowing the differences between interest and profit | 3.62 | 1.076 | High |
| (4) Conditions of the credit being used are clear, certain and unambiguous, which, if not, may cause conflict or disadvantages for those involved in transaction | 3.97 | 1.075 | High |
| (5) The credit being used is spent in activities rid of involvement or association with gambling, liquor, pork and other forbidden items. | 4.21 | 1.195 | Highest |
| (6) The credit being used is spent in activities rid of involvement or association with speculation or merchandise hoarding. | 4.10 | 1.168 | High |
| (7) Completion of the credit repayment before death will bring God gratification. | 4.30 | 1.001 | Highest |

5. Summary of results

Most of the Islamic credit users were females with an age range of 36–60 and married. They were primarily self-employed, with a majority of them engaged in trading. They had less than five dependents. Their highest education was secondary/vocational certificate, and their highest Islamic education was Basic Islamic Principle (Fardu Ain/Tadika) and Elementary Islamic Studies. Furthermore, most of them were Muslims by birth, had a position or specific role in the Islamic community as a mosque's layman or general Muslim, and had an average income of less than 20,000 Baht per month (or equivalent to USD 657/month).

Most of the sources of credit were conventional banks, co-operative/general savings groups and non-banks. However, when considering credits that conform to Islamic Principles, co-operative/Islamic savings group and Islamic Bank of Thailand were the main sources. Most of the credits were in the form of business and car credit, typically with a current outstanding balance of less than 50,000 Baht, followed by a current outstanding balance of 50,001–100,000 Baht (or equivalent to USD 1,642–3,283). Moreover, most of them had only one credit contract and up to date with one source of creditor. A significant number of the respondents sought to access credit for career-

Table 6. Mean comparison of the opinion that the credit being used does not involve interest among samples with different levels of Islamic Studies

| Level of Islamic Studies | N | Mean | Standard Deviation | Source of Variation | SS | df | MS | F | Sig. |
|--|-----|------|--------------------|--|---------|-----|-------|-------|-------|
| (1) None | 51 | 2.31 | 1.191 | Between Groups | 29.637 | 5 | 5.927 | 3.099 | .009* |
| (2) Basic Islamic Principle (Fardu Ain/Tadika) | 136 | 2.64 | 1.326 | Within Groups | 724.867 | 379 | 1.913 | | |
| (3) Elementary Islamic Studies | 90 | 2.66 | 1.400 | Total | 754.504 | 384 | | | |
| (4) Intermediate Islamic Studies | 51 | 3.16 | 1.475 | Different pairs are (1) with (4) and (1) with (5). | | | | | |
| (5) Advanced Islamic Studies | 43 | 3.21 | 1.473 | | | | | | |
| (6) Bachelor's degree equivalents or higher | 14 | 2.79 | 1.805 | | | | | | |
| Total | 385 | 2.74 | 1.402 | | | | | | |

*Sig. < 0.05, statistical significance at the 0.05 level

related investment and purchase/instalment/payment for consumer goods. Persons significantly exerting influence over credit request decisions were credit users, followed by their spouses. Most of the collateral was in the form of houses, buildings, land, vehicles, and personal guarantor/corporate guarantor, but some of them did not have any collateral. Most of them repaid the credit directly to the creditor by cash, followed by repaying through the creditor representative and Internet Banking. Moreover, most of them repaid the credit on the due date/with no accrued balances/more than the minimum amount due, followed by repaying on the due date with some delay of less than a month/rarely leaving accrued balances. The average remaining repayment period of the credit being used was 5.25 years. Moreover, most of the Islamic credit users reported that credit was spent on activities devoid of involvement or association with gambling, liquor, pork, and other forbidden items. They also believed that completion of credit repayment before death would bring God gratification.

The results of an one-way ANOVA test showed that, with statistical significance at the 0.05 level, the highest level of Islamic studies had a different effect on the level of opinions on whether the credit being used was Shariah-compliant. Credit users with Advanced Islamic Studies had an opinion on the credit being used being Shariah-compliant and not involving interest at the highest level. Credit users with bachelor's degree equivalents or higher could distinguish between interest and profit. They also indicated that the conditions of credit being used are clear, certain, and unambiguous, which, if not, may cause conflict or disadvantage for those involved in the transaction. Credit users with Basic Islamic Principle (Fardu Ain/Tadika) educational background believed that completion of the credit repayment before death would bring God gratification at the highest level.

6. Discussions

This study has revealed credit-using behavior of the Muslims in Nakhon Si Thammarat, Thailand. Most Muslims in Nakhon Si Thammarat do not seek credit from Islamic sources. However, they rely mainly on conventional banks, commercial banks, and Specialized-Financial Institutions, followed by general cooperatives/saving groups and Non-Banks. Factors such as limited accessibility, lack of awareness of sources and inconveniences were assigned as reasons for the low patronage of Islamic sources of credit. Nevertheless, credit from Islamic sources is occasionally requested from Islamic cooperatives/saving groups. These findings are consistent with the study conducted by Arpakorn et al. (2016) that revealed that even though a high proportion (83%) of Muslim respondents acknowledged Islamic financial services, nearly half (47%) made use of such services as in complying with Islamic principles.

On the contrary, those not attracted to the Islamic financial service, represented by a much bigger proportion, substantially ascribed their decision to a lack of understanding or even obliviousness to the service, followed by the inconvenience. This is in line with the studies by Haron et al. (1994) on Muslims in Malaysia, which found that religion-related reasons played an insignificant role in making decisions on financial service usage. Rather, fast and convenient services emerged as the most influential factors. Likewise, Amin et al. (2011) demonstrated that in Malaysia, significant factors influencing the intention to use Islamic personal financing were attitude, social influence, and pricing, while religious obligation and government support were found to be insignificant factors.

On credit source, the findings in this study show strong consistency with the study by Arpakorn et al. (2016), stressing that credit from Saving Groups and Village and Urban Community Funds and Specialized Financial Institutions (SFIs) were the most popular sources for people. These financial institutions appealed to respondents because of factors including their service accessibility, convenience, and simplicity of the products. In addition, Santisart and Pholsorn (2017) identified hindrances in reaching out to Islamic financial institutions, namely a lack of Islamic banking and finance knowledge on the part of not only customers but also the personnel. Such finding is in harmony with that put forward by Noipom (2017), which acknowledges that Islamic financial

products in the three Thailand's Southernmost provinces were extremely scarce, despite a wide variety of financial products as generally demanded. These issues could partially be the reasons behind the small number of Muslim customers seeking credit from Islamic fund sources.

Specific to credit utility, most credit users requested credit services to purchase assets for a living and business investment. Others wanted credit to purchase a car or finance a housing project. Ownership of such assets, as houses and cars as well as investment in careers or businesses, inherently requires a considerable amount of funds. Hence, sources of loans apart from savings are necessary despite a relatively long repayment period extending over 1 year. It was found that most of the debts incurred were subject to an average of 5.25 years of repayment. This finding is consistent with Wongchan's (2016) assertion that individual assets for a living may be derived from personal net worth or savings and debts.

The survey also revealed that most Muslims in Nakhon Si Thammarat were bound by one credit contract and sought credit from one financial institution. This is consistent with a study by Lamsam et al. (2017) under Puey Ungphakorn Institute for Economic Research that found that most Thai people are also bound by a single credit contract and seek credit from a single financial institution. In terms of the use of technology in debt servicing, although most financial institutions have developed several platforms to facilitate credit repayment by integrating technology, it was found that direct cash payment through creditor banks' counter transfer remained most popular among credit users compared to payment through Payment points or even Internet Banking, ATM transfer, and non-creditor banks' counter transfer.

In terms of Shariah-compliance credit usage, most of the Muslims in Nakhon Si Thammarat with a background in Islamic Studies showed a moderate confidence that credit being used was overall Shariah-compliant. However, when approached with the question of whether the credit being used involves interest, the majority of Islam-educated Muslims at all levels expressed a moderate level of confidence. For most of those with no experience in Islamic Studies, the low confidence level in the credit obtained is either overall Shariah-compliant or not associated with interest. This finding is in line with the discussion in the initial part of this section that most of the Muslims in Nakhon Si Thammarat seek credit from conventional banks that operate interest-based financing. Muslims, like people in other regions, rely on credit as one of the valuable sources of funds for a living. However, with very limited Shariah-compliant financial sources available, they turn to interest-based financing offered by commercial banks and non-bank institutions even though they are conservative debtors. These banks implicitly operate on charged interest basis instead of non-interest financing.

7. Conclusions and recommendations

Muslims in Nakhon Si Thammarat, Thailand, like followers of other regions, have to rely on credit as a useful source of funds for a living. However, distinctive scenarios occur as a result of Muslims' religious commandments. Therefore, those who are highly educated in Islamic Studies seem to be more drawn to Shariah-compliant credit compared to their lower/non-educated counterparts. The paramount importance of making a living inclines some Muslims to meet their financial needs by seeking credit from non-Shariah-compliant sources, that is conventional banks, including commercial banks, Specialized-Financial Institutions (SFIs), general cooperatives and saving groups and non-banks. When credit from Islamic sources is used, Islamic cooperatives and saving groups constitute the primary choice. However, it appears that Muslims in the study area have a conservative credit-using behavior, as evidenced mainly by one credit agreement from a single financial institution, which demonstrated a strong commitment to on-time repayment.

In line with the findings from this study, we opine that Islamic cooperatives and savings groups constitute the most suitable sources of funds for Muslims in non-Muslim regions like Nakhon Si Thammarat to access Shariah-compliant credit. This has managerial implications in terms of designing financial products that meet the needs of Muslims in the region and possibly other Islam-dominated regions in Thailand.

Furthermore, to improve Shariah-compliant credit use among Muslims in the study area, we propose that Islamic cooperatives and saving groups in non-Muslim areas expand their operations to attract more Muslims. Specifically, we recommend the following measures to be implemented by the management of Islamic cooperatives and savings groups to help attract more Muslim clients:

- (1) Educate their personnel about Shariah-compliant credit so that they can adequately explain and convince customers to have more confidence and willingness to switch to using Muslim Credit.
- (2) Proactively create convenient service options for customers to readily access non-Muslim credit services.
- (3) Offer a competitive profit-and-loss sharing rate or pricing by comparing it to pricing from other sources.

Boost Shariah-compliance credit awareness among targeted Muslim customers by using appropriate Muslim media marketing and advertisement strategies.

These measures will immensely encourage more Muslims in Nakhon Si Thammarat to use Shariah-compliant credit. At the same time, Islamic cooperatives and savings groups stand to benefit significantly from providing services to disciplined and quality customers.

Overall, this study has contributed to the extant knowledge related to the theory and practice of Muslims and credit-using behavior. As a result, managers of banks and non-bank financial institutions can better understand the characteristics of Muslims that seek credit in the Province and design efficacious strategies to attract Muslim customers. Notwithstanding the contributions of this paper, there are some limitations that need to be highlighted. The first limitation is the narrow focus of the survey on Muslims in the 13 districts in Nakhon Si Thammarat Province, hence the findings cannot be generalized beyond Muslims in the entire country. The second limitation concerns the measurements used to analyze the data. The use of ANOVA limited the comparative analysis; hence did not provide direction to potential differences that could stem from the study. Future studies should consider other provinces in Thailand to provide a more comprehensive picture of Muslim credit usage in the country. Despite these limitations, the findings of this study provide invaluable insights into the influence of religious principles (Shariah) on the credit-seeking behavior of Muslims living in a non-Muslim province in Thailand.

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Note

1. In this paper, we define “general characteristics” as the general background (socio-demographic) information (e. g: gender, age, marital status, etc.) of the study respondents. Muslim-specific characteristics are dependent variables that are shown to represent only the Islamic being.

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