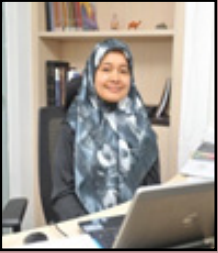




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Marketing and Promotions of Islamic Credit Cards: A Case of Malaysian Islamic Financial Institutions

Credit cards, also known as ‘plastic money’, are one of the most established contemporary modes of payment in today’s society. By owning a credit card, the owner would be entitled to a number of benefits such as credit facility, cash advance, paperless or easy payment, prestige and e-commerce transacting (Billah, 2007). Its attractiveness lies in granting the cardholder the permissibility of purchasing goods and services within the credit limit even when funds are low. The Payment Systems Report published by Bank Negara Malaysia (BNM) or the Central Bank of Malaysia (CBM) reported that in 2013, payment through credit card is still the most popular in Malaysia as compared to other card payments such as charge card and debit card. The statistic in the Report shows that credit card payment accounted for 15.9% of the total e-payment of 69% in 2013; compared to charge card and debit card which only constitute for 0.2% and 2.3% respectively.

At present, consumers have the option to either apply for conventional and/or Islamic credit cards. The difference between conventional and Islamic credit cards is that conventional credit cards operate on a loan basis and charge interest rates or *riba*, while Islamic credit cards do not involve the charging of interest on the money “advanced” to cardholders. Instead, Islamic credit cards charge profit for every transaction or payment made under it. The reason for this is that Islam prohibits interest or *riba* as stated in the Quran, “And Allah has permitted trading and prohibited *Riba*” (al-Baqarah: 275).

Malaysian consumers have started to enjoy the use of Islamic credit cards as early as 2001, when it was first offered by Arab-Malaysian Bank (AmBank). The credit card was named Al-Taslif card. A year later, Bank Islam Malaysia Berhad announced its Bank Islam Card. Bank Simpanan Nasional followed suit with its Al-Aiman credit card (Syahidawati and Nuradli, 2010). The impetus for the introduction of these Islamic credit cards was said to arise from the need to sustain long-term relationship with their customer. Therefore, in order to offer them a full range of banking services, Islamic banks started to offer Islamic credit cards to their customers (Nurbek, 2012).

Compared to Islamic credit cards, which made its presence in the Malaysian market only in 2002, the conventional credit cards have been established since the 1970s. There is therefore a need for Islamic banks to catch up with the fast pace of conventional credit cards. To do so, the Islamic credit card issuers would require a good marketing strategy to attract and capture a bigger share of the market. However, in doing such marketing and promotion, the Islamic card issuers are subjected to ethical conducts in advertising, which is based on a strong foundation of Islamic injunctions (Anwar and Saeed, 1996). Amongst the ethical issues found in Islamic marketing or advertising relate to truthfulness, spending behaviour, legitimate and illegitimate products, publishing ethics and human dignity (Anwar and Saeed, 1996). However, this short article will only highlight the issues pertaining to spending behaviour in relation to Islamic credit card promotions by Islamic financial institutions in Malaysia.

Islam promotes moderation and discourages its followers from living an extravagant and prodigal lifestyle. There are several verses in the Quran, which stipulate guidelines in spending. It says, “When they spend, they are neither extravagant nor niggardly, but

hold a just balance between these (extremes)” (25:67). In another verse, “Make not your hand tied like a niggard to your neck, nor stretch it forth to its utmost reach, so that you become blameworthy and destitute“ (17:29). Also in another verse it says, “Waste not by excess, for Allah love not the wasters” (6:141). Similar restriction is found in these verses, “Squander not (your wealth) like a spendthrift” and, “Surely spendthrifts are brothers of the devils, and the devil is ungrateful to his Lord” (17:26-27). Taking the cue from these Quranic verses, Anwar and Saeed (1996) argued that Islamic advertising should not encourage its consumers to squander money or to take pride in their material possessions. Hence, having a luxurious lifestyle is discouraged in Islam.

On that premise, a number of observations were made on Islamic credit card advertisements found on certain Malaysian Islamic financial institutions website. For example, there was an advertisement on Hari Raya (Eid) promotions where their cardholders were offered to spend on luxurious items such as High Definition (HD) television, branded handbag, tableware sets and, etc. This Islamic financial institution encouraged their cardholders to buy these luxurious and expensive products on credit. In other words, the Islamic financial institution is encouraging society to indulge in debt for the sake of getting luxurious items. Having said that, it must be said here that what constitutes “luxuries” varies from one individual to another and also varies during different time periods, depending upon one’s resources, status and profession. It is acceptable if the consumers who are attracted to these promotions are financially stable. However, for those who are not financially secure or are poor at managing their finances, these types of promotions would potentially lead them to take on unnecessary debt. The impact of “buy now pay later” could adversely affect this type of customers. Without good financial management, they may end up being declared bankrupt due to the accumulated credit card debts.

It is worth stressing here the spirit of Hari Raya (Eid) for Muslims. Hari Raya is a Day of rejoice and gratitude, when Muslims graduate from a spiritual journey. During the fasting month of Ramadan, Muslims are required to abstain from worldly desires, exercise self-control and engross themselves in activities, such as prayer, charity, pilgrimage, etc., that could secure them a better place in Paradise. However, if Muslims succumb to such Hari Raya promotions, the objective and purpose of Ramadan would be forgotten and violated. These promotions may attract people to shop beyond their means and purchase goods which are not categorized as a necessity. A 2013 survey on Hari Raya spending behaviour was conducted by imoney.com with the advice of the Malaysian Credit Counselling and Debt Management Agency (AKPK), an agency of BNM. The result from the survey shows that more than 10% respondents had to resort to borrowing money for the purpose of celebrating Hari Raya and 64% of them had done so by using credit cards (iMoney.my Releases Survey, 2013). This indicates how spending beyond one’s means could be alarming yet made easy with credit cards. Therefore, it is observed that such promotions do not appear to be in parallel with the spirit of Islam by encouraging people to be in debt through excessive shopping on credit.

Besides the Hari Raya promotions, there were also promotions in the Islamic financial institutions’ websites that offered holiday packages, including Umrah. Islam does not object to these types of activities, but in this context, it is viewed that this type of promotion would only encourage unnecessary spending through credit. For cardholders who are not in a financial position to spend for holiday abroad or even performing Umrah, this would result in spending beyond one’s means. Holiday is for mind relaxation but to take up this holiday package from

this promotion, the cardholder would inevitably invite a huge financial problem into his or her life. The same goes for Umrah package promotions. This is made more inappropriate due to the fact that a certain hadith was mentioned in the promotion that dwells on the reward of performing Umrah. It states, narrated by Abu Hurairah (RA): Allah's Messenger (peace be upon him) said, "From one Umrah to another is expiation for what comes in between, and 'Hajj Al-Mabrur' brings no reward less than Paradise". The authenticity of this hadith is not disputed but including it in an Islamic credit card marketing promotion could be seen as unethical as it encourages Muslims to unnecessarily incur debt. Aisyah, the Prophet's wife, reported that the Prophet (peace be upon him) sought protection from indebtedness during his prayer (Nazimah, 2011). This is evidence that Muslims must avoid from being in a state of indebtedness except if there is a need and for the purpose of necessity.

At the macro level, growing consumer debt would inevitably position Malaysia's economy at risk. A 2013 news article from the Credit Counselling and Debt Management Agency (AKPK) website reported that Malaysia's household indebtedness, pushed mainly by credit card and personal debts, has steadily increased from 75.8% in 2010 to 76.6% in 2011, and to 80.5% in 2014 (Growing consumer debt, 2013). To overcome the spiraling effect of uncontrolled and excessive spending through credit card, it is suggested that Islamic financial institutions should be transparent in their marketing or promotions. They ought to display the real amount and period of installment and create awareness among their cardholders of the legal impact if their debts are not settled. This will enable their customers to be duly informed and make careful spending decisions. Islamic financial institutions should use promotional tools to project Islamic values and not facilitate unnecessary and unhealthy indebtedness. Excessive indebtedness must not be promoted as this would not support the objective of an Islamic economy, which is to meet the demands of societal welfare and socioeconomic justice.

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