



ANTECEDENTS OF CUSTOMER PURCHASE
INTENTION TOWARDS THE PERAK GOLD DINAR

BY

MARGARIAT PEREDARYENKO

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Graduate School of Management
Centre for Strategic Continuing Education and Training
International Islamic University Malaysia

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ABSTRACT

The main objective of this thesis is to explain customer purchase intention towards Perak Gold Dinar (PGD) through cognitive customer behavioural lenses. The conceptual framework of the study represents an extended Theory of Planned Behaviour (TPB) with the inclusion of objective and subjective consumer product knowledge as exogenous variables. The study adopted a mixed method exploratory design – instrument development model. The findings from the initial qualitative enquiry were used to guide the development of the construct measuring customers' PGD purchase-related beliefs. The measure of the objective product knowledge of the customers was also specifically developed for the purpose of this study. The measures of TPB constructs were adapted from among the existing reliable instruments in the literature. The population under study was identified as all the registered customers of one of the largest nation-wide distributors of Gold products in Malaysia. Therefore, the total list of the registered customers was taken as the sampling frame. The sample of 571 respondents was obtained on the basis of simple random sampling. A link to the online questionnaire form was distributed through email by the distributor's company that agreed to facilitate the study. The full-fledged Structural Equation Modelling (SEM) was adopted as the analytical procedure. The research found that the hypothesized structural model assessing the indirect explanatory strength of PGD purchase-related beliefs as well as objective and subjective product knowledge on customers' purchase intention towards PGD using attitudes, subjective norms and perceived behavioural control as mediators fits the data well. Even though the objective product knowledge did not exert a direct influence on PGD purchase intention it was found to be practically an important point of entry to tap into the formation of the purchase intention of the customers towards PGD. The unexpected negative suppression effect by the objective product knowledge revealed its indispensable role in the interplay of cognitive behavioural dynamics underlying the formation of the purchase intention towards the PGD.

ملخص البحث

والهدف الرئيس من هذه الأطروحة هو بيان قصد العميل في شراء الدينار الذهبي في منطقة بيراك (Perak) من خلال عدسات سلوك العميل الإدراكية. ويمثل الاطار المفاهيمي لهذه الدراسة نظرية السلوك المخطط الطويلة الأمد مع ادراج هدف العميل الموضوعي والذاتي لمعرفة العميل للمنتج كمتغيرات خارجية . اعتمدت الدراسة على أسلوب تخطيط استكشافي مختلط-نموذج اعداد ادوات. استخدمت نتائج أولية من اسلوب البحث النوعي استرشادا لصياغة صفات التي قيست عليها معتقدات العملاء تجاه شراء الدينار الذهبي في منطقة بيراك. وأيضا من أجل هذه الدراسة بالذات تم اعداد مقياس هدف العميل الموضوعي لمعرفة المنتج كما تم اعتماد مقاييس نظرية سلوك مخطط من الأدوات الموثوق بها في الدراسات السابقة. وغطى حجم الدراسة لجميع المسجلين عملاء أحد كبار موزعي الدينار الذهبي على مستوى ماليزيا. وبناء على هذا اعتمدت كافة محتوى القائمة الإجمالية للعملاء المسجلين كإطار العينات. وتم الحصول على عينة من 571 المجيبين على أساس العينة العشوائية البسيطة تم توزيع رابط موصل إلى نموذج الاستبيان عبر الإنترنت من خلال البريد الإلكتروني من قبل الشركة الموزعة نفسها حيث تعهدت بتسهيل توفير متطلبات الدراسة. اعتمد البحث كذلك النمذجة المعادلة الهيكلية المتكاملة (SEM) لإجراءات تحليلية وخلص البحث إلى أن النموذج الهيكلية افتراض تقييم قوة تفسيرية غير مباشرة لمعتقدات العملاء في شراء الدينار الذهبي من بيراك فضلا عن الهدف الموضوعي والذاتي لمعرفة المنتج في قصد العميل لشراء الدينار الذهبي في بيراك باستخدام أخلاقيات ومعايير شخصية وسيطرة السلوكية على أنها كانت عوامل التوفيق ناسبت البيانات على شكل حسن. ومع كون الهدف الموضوعي لمعرفة المنتج لم يكن مؤثرا في قصد شراء الدينار الذهبي لبيراك ولكنه كان قد تمثل نقطة فعالية ذات أهمية لمكاشفة قصد العملاء لشراء الدينار الذهبي من بيراك. كشف تأثير تثبيط سلبي غير متوقع من قبل المعرفة الموضوعية للمنتج دورها الذي لا غنى عنه في التفاعل بين السلوكية المعرفية الديناميكية الكامنة في تكوين قصد شراء الدينار الذهبي من بيراك.

APPROVAL PAGE

The thesis of Margarita Peredaryenko has been approved by the following:

Prof. Mohamad Sahari Nordin
Supervisor

Assoc. Prof. Dr. Ismail Sheikh Ahmad
Co-Supervisor

Asst. Prof. Dr. Azura Omar
Co-Supervisor

Assoc. Prof. Dr. Kalthom Abdullah
Internal Examiner

Prof. Dr. Samsinar Md. Sidin
External Examiner

Assoc. Prof. Dr. Fauziah Sh. Ahmad
External Examiner

Assoc. Prof. Dr. Badruddin Hj. Ibrahim
Chairman

DECLARATION

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Margarita Peredaryenko

Signature

Date

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

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*This work is dedicated to my selfsacrificing Mother. May Allah bless her in this world
and in the hereafter. Ameen.*

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TABLE OF CONTENTS

| | |
|---|-----------|
| Abstract | ii |
| Abstract in Arabic | iii |
| Approval Page..... | iv |
| Declaration | v |
| Copyright Page..... | vi |
| Acknowledgements | viii |
| List of Tables | xiii |
| List of Figures | xv |
| List of abbreviations | xvi |
| | |
| CHAPTER ONE: INTRODUCTION | 1 |
| 1.1 Introduction..... | 1 |
| 1.2 Background of the Study | 1 |
| 1.3 Statement of the Problem..... | 3 |
| 1.4 Conceptual Framework..... | 4 |
| 1.5 Research Questions..... | 8 |
| 1.6 Research Objectives..... | 9 |
| 1.7 Significance of the Study..... | 9 |
| 1.8 Delimitation of the Study..... | 12 |
| 1.9 Operational Definition of Terms | 14 |
| 1.9.1 Purchase Intention..... | 14 |
| 1.9.2 Attitudes | 14 |
| 1.9.3 Subjective Norms | 15 |
| 1.9.4 Perceived Behavioural Control | 16 |
| 1.9.5 Behavioural-Related Beliefs | 17 |
| 1.9.6 Objective and Subjective Product Knowledge..... | 17 |
| 1.10 Organization of Thesis..... | 18 |
| | |
| CHAPTER TWO: LITERATURE REVIEW | 20 |
| 2.1 Introduction..... | 20 |
| 2.2 Contextual Importance of Gold Dinar in Malaysia | 21 |
| 2.3 Previous Research on the Gold Dinar..... | 23 |
| 2.4 Research Gap | 26 |
| 2.5 Constructs of Interest..... | 29 |
| 2.5.1 Purchase Intention as a Proxy of Actual Purchase..... | 29 |
| 2.5.2 Antecedents of Purchase Intention..... | 30 |
| 2.5.2.1 The Theory of Planned Behaviour Framework | 30 |
| 2.5.2.2 Attitude and Purchase Intention | 34 |
| 2.5.2.3 Subjective Norm and Purchase Intention | 37 |
| 2.5.2.4 Perceived Behavioural Control and Purchase Intention | 39 |
| 2.5.3 PGD Purchase-Related Beliefs as Exogenous Variable | 41 |
| 2.5.4 Consumer Product Knowledge as Exogenous Variable | 43 |
| 2.5.4.1 Consumer Product Knowledge and Purchase Intention | 43 |
| 2.5.4.2 Components of Consumer Product Knowledge | 47 |
| 2.6 Proposed Model and the Hypotheses..... | 50 |

| | |
|---|------------|
| 2.7 Summary..... | 57 |
| CHAPTER THREE: METHODS | 59 |
| 3.1 Introduction..... | 59 |
| 3.2 Research Design | 59 |
| 3.2.1 Quantitative Approach Using Survey Method..... | 59 |
| 3.2.2 Mixed Method Sequential Exploratory Instrument Development Model | 60 |
| 3.2.3 Overview of the Present Research Process | 62 |
| 3.3 Preliminary Exploratory Qualitative Study | 65 |
| 3.3.1 Respondents | 65 |
| 3.3.2 Instrument | 66 |
| 3.3.3 Data Collection | 66 |
| 3.3.4 Data Analysis | 67 |
| 3.3.5 Results..... | 68 |
| 3.3.6 Inter-Rater Reliability | 75 |
| 3.4 Survey Research Instrument..... | 76 |
| 3.4.1 Core TPB Constructs | 77 |
| 3.4.1.1 Purchase Intention | 77 |
| 3.4.1.2 Attitude | 78 |
| 3.4.1.3 Subjective Norm..... | 79 |
| 3.4.1.4 Perceived Behavioural Control..... | 80 |
| 3.4.2 PGD Purchase-Related Beliefs | 81 |
| 3.4.3 Consumer Product Knowledge Constructs | 82 |
| 3.4.3.1 Subjective Product Knowledge | 82 |
| 3.4.3.2 Objective Product Knowledge..... | 84 |
| 3.4.4 Questionnaire Design..... | 86 |
| 3.5 Population and Sample | 91 |
| 3.5.1 Population | 91 |
| 3.5.2 Sample Size..... | 91 |
| 3.5.3 Sampling Procedure | 93 |
| 3.6 Research Procedures | 93 |
| 3.6.1 Data Collection Method..... | 93 |
| 3.6.2 Data Analysis | 95 |
| 3.6.2.1 Data Preparation Prior to Analysis | 95 |
| 3.6.2.2 Preliminary Data Analysis..... | 96 |
| 3.6.2.3 Exploratory Factor Analysis..... | 98 |
| 3.6.2.4 Structural Equation Modelling | 99 |
| 3.7 Summary..... | 111 |
| CHAPTER FOUR: DATA ANALYSIS AND FINDINGS..... | 113 |
| 4.1 Introduction..... | 113 |
| 4.2 Data Preparation | 113 |
| 4.3 Statistical Assumptions..... | 114 |
| 4.4 Descriptive Statistics on Demographics | 115 |
| 4.5 Exploratory Factor Analysis: PGD Purchase-Related Beliefs..... | 119 |
| 4.6 The Assessment of the Measurement Model..... | 121 |
| 4.6.1 Reliability of Constructs | 121 |
| 4.6.2 Assessing Overall Measurement Model Fit..... | 121 |

| | |
|---|------------|
| 4.6.3 Convergent Validity | 129 |
| 4.6.4 Divergent Validity..... | 131 |
| 4.6.5 Common Method Bias | 132 |
| 4.7 The Assessment of the Structural Model..... | 133 |
| 4.7.1 Assessment of the Overall Fit | 133 |
| 4.7.2 Hypotheses Testing and Findings | 141 |
| 4.7.2.1 TPB Antecedents of PGD Purchase Intention..... | 143 |
| 4.7.2.2 PGD Purchase-Related Beliefs and TPB Constructs..... | 143 |
| 4.7.2.3 The Role of Objective and Subjective Product Knowledge Constructs | 144 |
| 4.7.2.4 Significance of the Mediation Effect..... | 152 |
| 4.8 Summary..... | 154 |
| | |
| CHAPTER FIVE: DISCUSSION, RECOMMENDATIONS AND CONCLUSIONS | 156 |
| 5.1 Introduction..... | 156 |
| 5.2 Summary of the Findings | 156 |
| 5.3 Discussion of the Findings | 161 |
| 5.3.1 TPB Antecedents of PGD Purchase Intention | 161 |
| 5.3.2 Behavior-Related Beliefs and TPB Constructs..... | 163 |
| 5.3.3 Role of Objective and Subjective Product Knowledge..... | 165 |
| 5.3.3.1 Influence on TPB antecedents of Purchase Intention..... | 166 |
| 5.3.3.2 Indirect Influence on Purchase Intention..... | 168 |
| 5.3.3.3 Direct Influence on Purchase Intention | 169 |
| 5.4 Implications and Recommendations..... | 173 |
| 5.4.1 Theoretical Implications | 173 |
| 5.4.2 Practical Implications..... | 176 |
| 5.4.3 Limitations | 179 |
| 5.4.4 Directions for Future Research | 180 |
| 5.5 Conclusion | 182 |
| | |
| REFERENCES..... | 184 |
| | |
| APPENDICES | 206 |
| Appendix 2.1 Gold Dinar Studies: Tabulated Summary | 206 |
| Appendix 2.2 Theory of Planned Behavior Studies in the Context of Purchase Situation: Tabulated Summary..... | 207 |
| Appendix 2.3 Support for the Hypothesized Relationships: Tabulated Summary .. | 214 |
| Appendix 3.1 Interview Guide for the Qualitative Elicitation Study | 219 |
| Appendix 3.2 Verbatim Transcription of the Interviews | 220 |
| Appendix 3.4 Interview Recording..... | 230 |
| Appendix 3.5 Coding: Generation of the Themes and Sub-Theme..... | 231 |
| Appendix 3.6 Inter-Raters' Profile and Rating Forms..... | 240 |
| Appendix 3.7 Questionnaire Design | 257 |
| Appendix 4.1 Descriptive Statistics for Standardized Z Scores | 278 |
| Appendix 4.2 Extreme Values for Mahalanobis Distances | 279 |
| Appendix 4.3 Extreme Values for Cook's Distance..... | 280 |
| Appendix 4.4 Descriptive Statistics: Skewness and Kurtosis for Observed Variables | 281 |

| | |
|--|-----|
| Appendix 4.5 Descriptive Statistics: Skewness and Kurtosis for Residuals..... | 282 |
| Appendix 4.6 Correlation Matrix for BLFS measurement items..... | 283 |
| Appendix 4.7 Anti-Correlation Matrix | 284 |
| Appendix 4.8 Total Variance Explained..... | 285 |
| Appendix 4.9 Scree Plot | 286 |
| Appendix 4.10 Factor Matrix..... | 287 |
| Appendix 4.11 Standardized Residual Covariance for Measurement Model 1 | 288 |
| Appendix 4.12 Modification Indices for Measurement Model 1 | 294 |
| Appendix 4.7 Standardized Residual Covariance for Measurement Model 2..... | 299 |
| Appendix 4.8 Modification Indices for Measurement Model 2 | 305 |
| Appendix 4.9 Standardized Residual Covariance for Measurement Model 3..... | 310 |
| Appendix 4.10 Modification Indices for Measurement Model 3 | 316 |
| Appendix 4.10 Standardized Residual Covariance for Measurement Model 4..... | 320 |
| Appendix 4.12 Modification Indices for Measurement Model 4 | 326 |
| Appendix 4.13 Q-Q Plots for Standardized Residual Covariance of Model 1 - 4... | 330 |
| Appendix 4.14 Standardized Residual Covariance for the Structural Model 4..... | 331 |
| Appendix 4.15 Modification Indices for Measurement Model 4 | 337 |
| Appendix 4.16 Squared Multiple Correlation Coefficients | 345 |

LIST OF TABLES

| <u>Table No.</u> | <u>Page No.</u> |
|--|-----------------|
| Table 1.1 Theoretical Underpinnings of the Conceptual Framework | 8 |
| Table 2.1 Previous Research on the Gold Dinar: Behaviour of Interest | 25 |
| Table 3.1 Respondents' Profile | 66 |
| Table 3.2 Qualitative Elicitation Study: Themes and Subthemes | 68 |
| Table 3.3 Inter-Rater Agreement | 76 |
| Table 3.4 Purchase Intention Measurement Items | 78 |
| Table 3.5 Attitude Measurement Items | 79 |
| Table 3.6 Subjective Norm Measurement Items | 79 |
| Table 3.7 Perceived Behavioural Control Measurement Items | 81 |
| Table 3.8 PGD Purchase-Related Beliefs Measurement Items | 82 |
| Table 3.9 Subjective Product Knowledge Measurement Items | 84 |
| Table 3.10 Objective Product Knowledge Test Content | 85 |
| Table 3.11 Objective Product Knowledge Measurement Items | 86 |
| Table 3.12 Approximate GOF indices and their thresholds adopted in the study | 103 |
| Table 3.13 The thresholds of the assessment of construct validity | 109 |
| Table 4.1 Demographics | 115 |
| Table 4.2 OPK in Categories | 118 |
| Table 4.3 Individual OPK questions in Categories | 119 |
| Table 4.4 Constructs' Reliability | 121 |
| Table 4.5 Standardized Factor Loadings | 130 |
| Table 4.6 AVE and SV Values for the Measurement Model | 131 |
| Table 4.7 Comparison of Standardized Factor Loadings for CFA and Structural Models | 136 |
| Table 4.8 Research Questions and Hypotheses | 140 |

| | |
|--|-----|
| Table 4.9 SEM Results for the Structural Paths | 142 |
| Table 4.10 Bivariate Correlations between Variables | 146 |
| Table 4.11 SEM Results for the Model with Omitted OPK | 147 |
| Table 4.12 Comparison of Standardized Paths Estimates | 147 |
| Table 4.13 Comparison of Squared Multiple Correlations | 147 |
| Table 4.14 Bootstrap Results: Standardized Indirect Effect | 153 |
| Table 4.15 Effect Size for Mediation | 153 |
| Table 5.1 Summary of the Findings | 160 |
| Table 5.2 PGD Purchase-Related Salient Beliefs | 164 |

LIST OF FIGURES

| <u>Figure No.</u> | <u>Page No.</u> |
|--|-----------------|
| Figure 1.1 Conceptual Framework of the Study | 5 |
| Figure 2.1 Theory of Reasoned Action | 32 |
| Figure 2.2 Theory of Planned Behaviour | 33 |
| Figure 2.3 Consumer Decision Model | 44 |
| Figure 2.4 Theory of Buyer Behavior | 46 |
| Figure 2.5 Topology of Consumer Product Knowledge | 48 |
| Figure 2.6 The Conceptual Framework with the Hypotheses | 51 |
| Figure 3.1 Mixed Method Exploratory Design: Instrument Development Model | 61 |
| Figure 3.2 Overview of the Present Research Process | 63 |
| Figure 4.1 CFA Pull Model 1 | 123 |
| Figure 4.2 CFA Pull Model 2 | 125 |
| Figure 4.3 CFA Pull Model 3 | 127 |
| Figure 4.4 CFA Pull Model 4 | 128 |
| Figure 4.5 One-Factor Measurement Model | 133 |
| Figure 4.6 Originally Hypothesized Structural Model | 135 |
| Figure 4.7 Structural Model with the inclusion of regression path between SPK and SN | 139 |
| Figure 4.8 Research Model with Standardized Paths Estimates | 141 |
| Figure 4.9 Venn Diagram Depicting the Suppression Effect | 150 |
| Figure 4.10 Graphical illustration of the suppression | 151 |

LIST OF ABBREVIATIONS

| | |
|-------|---|
| ATT | Attitude |
| AVE | Average Variance Explained |
| BLFS | Behaviour Related Beliefs |
| CFA | Confirmatory Factor Analysis |
| CFI | Comparative Fit Index |
| CR | Composite Reliability |
| EFA | Exploratory Factor Analysis |
| GOF | Goodness of Fit |
| MI | Modification Index |
| ML | Maximum Likelihood |
| OPK | Objective Product Knowledge |
| PBC | Purchase Behavioural Control |
| PGD | Perak Gold Dinar |
| PI | Purchase Intention |
| RMSEA | Root Mean Square Error of Approximation |
| SEM | Structural Equation Modelling |
| SMC | Squared Multiple Correlation |
| SN | Subjective Norm |
| SPK | Subjective Product Knowledge |
| SRC | Standardized Residual Covariance |
| TPB | Theory of Planned Behavior |
| TRA | Theory of Reasoned Action |

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The aim of this chapter is to introduce a reader to the most important building blocks of the entire research such as the research background, problem statement, research questions, research objectives, and the significance of the study. It is intended to give an initial but brief understanding of the research.

1.2 BACKGROUND OF THE STUDY

Customer purchase behaviour towards the Gold Dinar in Malaysia has been presenting a challenge to its marketers as a result of a mixed response from customers. The first Gold Dinar in Malaysia was introduced in 2006 in the State of Kelantan. Initial euphoria towards the Kelantan Gold Dinar was beyond the expectation of the issuers. However, it moderated eventually (Muhammad, Muhammad, & Jusoh, 2008). In his study on the acceptance of Gold Dinar as a medium of exchange, Dali (2009) also states the fact that many private companies that were established to offer the Gold Dinar to the public closed down due to the poor response from both the government and the public. The experience is different with regards to the issuance of the Perak Gold Dinar (PGD) where there seems to be a better acceptance amongst the government and public, and doing well, posing a new challenge to understand as to why such diametrically opposing acceptance and phenomenon.

Subsequent to its introduction in Malaysia, Gold Dinar was looked upon as an alternative medium of exchange (Diwany, 1997; Yusuf, Dali, & Husin, 2002; Meera, 2002; Rab, 2002; Zuhaimy, 2003; Meera & Larbani, 2004; Hosein, 2008). However,

this idea soon faded due to challenges and difficulties imposed by the current financial system that inhibits the usage of any non-fiat instruments as a medium exchange as has been enshrined in the section 63 of the Legal Act, highly regulated by the regulator, Bank Negara or the central bank (Central Bank of Malaysia Act 2009, s 63). Meanwhile, the role of Gold Dinar as an important tool to preserve public wealth is very well documented with sufficient research and empirical evidence over space and time (Ghosh, Levin, Macmillan & Wright, 2004; Worthington & Pahlavani, 2007; Tkacz, 2007; Bau & McDermott, 2010; Ibrahim, 2012; Idris, Ab Aziz, Ismail, Sahiq, Idrus, Yazid & Mohamed, 2013; Ghazali, Lean & Bahari, 2015; Lean & Yeap, 2016). This prompted the government of Malaysia to support various initiatives like the Bank Negara's Kijang Gold Dinar, Perak Gold Dinar and others with dual aim of protecting and preserving wealth of its citizens, since Gold Dinar as an investment, proven to be a safe hedge against inflation (e.g. Gosh et al., 2004; Worthington & Pahlavani, 2007; Lean & Yeap, 2016). In addition, indirectly, this also supports the aim of Gold Dinar promoters in placing Gold Dinar in the hands of the public.

Viewing the Gold Dinar as a public wealth preservation tool rather than alternative medium of exchange requires different theoretical approaches to study the factors that may influence its successful adoption by the public. There is an apparent void in the literature of treating the Gold Dinar as a consumer product in the market while this approach has a potential to provide new and more realistic insights into how to make its distribution among the public a successful enterprise. The scarcity of studies on Gold Dinar from the marketing perspective was also mentioned in one of the most recent studies of Gold Dinar by Ab Hamid, Ya'kob, Wardhani and Aflah (2013). It appears that to date none of the researchers studied what are the behavioural dynamics

that drive customer purchase response towards the Gold Dinar. The intent of the present research is to fill up this lacuna.

1.3 STATEMENT OF THE PROBLEM

In light of established studies and research on gold as a viable instrument of value preservation during times of uncertainty, introducing various gold coins was one of the initiatives undertaken by various Malaysian State Governments in order to make gold investment available to the public. To just name a few alternatives for gold coins investment:- they are the Kijang Emas issued by Bank Negara (Central Bank), Royal Mint Gold Dinar, Kelantan State gold Dinar and the Perak State gold Dinar. Placing these products in the hands of people is seen as the starting point towards allowing people to diversify their investments and protect their wealth.

Apart from government initiatives, the public in general has also recognized the value of gold investments. However, as it has been stated above the public's response to gold coins initiatives was ambiguous or mixed at best. For example, the case of the PGD has become an extremely successful initiative. To date the PGD was minted thrice and following all of its minting, gold coins were sold even before they reached the market. At the same time, in the case of the Kelantan Gold Dinar (Muhammad, Muhammad, & Jusoh, 2008) or some private companies (Dali, 2009) the response from the public was rather dreary.

This necessitates a holistic explanation of the formation of customer purchase intention towards the PGD. It is important to investigate factors contributing to the success of the PGD among the Malaysian public. In doing so, it is important to examine the influence of cognitive behavioural aspects such as consumer product knowledge and purchase related beliefs on consumer purchase intention towards PGD. While the

customer behavioural approach is ignored in the literature explaining the purchase of the Gold Dinar, it can potentially open a completely new perspective on the understanding of customer behaviour towards the Gold Dinar.

A holistic investigation and explanation of the factors that make the difference between the intention to purchase or not to purchase the PGD will allow marketers of other Gold Dinars to make mass acceptance of their Dinars by the public a successful undertaking. The findings will help to shape their respective strategies in marketing, advertising, promotion and customer education initiatives aimed at further accentuating the importance of the Gold Dinar.

1.4 CONCEPTUAL FRAMEWORK

The conceptual framework of the present study was developed with the purpose of explaining customer purchase intention towards PGD through cognitive customer behavioural lenses. This conceptual framework as shown in Figure 1.1 represents the extended model of the Theory of Planned Behaviour (TPB) (Ajzen, 1991) with the inclusion of two components of consumer product knowledge – objective and subjective. The objective and subjective product knowledge constructs are included as exogenous variables that along with PGD purchase related beliefs exert indirect influence on the formation of PGD purchase intention through attitude, subjective norm and perceived behavioural control of PGD purchase. The direct link between product knowledge constructs and PGD purchase intention is also hypothesized in the conceptual framework of this study.

TPB devised by Ajzen in 1991 was widely used to explain the behaviour of individuals in various domains of social science including that of consumer marketing. In fact it became one of the most applied theories that were used to explain the

purchasing behaviour of the customers due to its unique practicality and prescriptive ability (Bray, 2008). According to TPB any behaviour of an individual, including that of purchase behavior, is predicted by behavioural intention. Behavioural intention in its turn has three antecedents – attitude towards the behavior, subjective norm and perceived behavioural control (attitude towards PGD purchase, subjective norm towards PGD purchase and perceived control of PGD purchase in the context of this study which is purchase situation). Finally, each of these antecedents is influenced by a corresponding behaviour related beliefs of an individual.

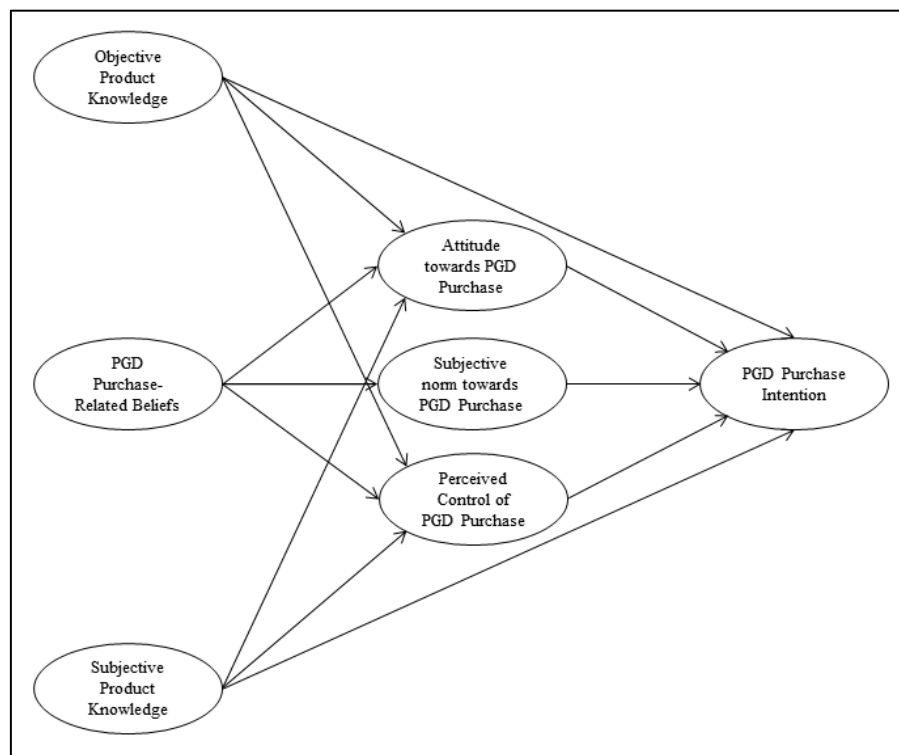


Figure 1.1 Conceptual Framework of the Study

Although TPB belongs to the group of the so called cognitive theories, one of the most important cognitive constructs, which is knowledge, was not included into the model by its author. In fact, the author of the theory specifically pointed out that

knowledge, defined as information accuracy, “is neither necessary nor sufficient; indeed, it can be irrelevant to decision making” (Ajzen, Joyce, Sheikh, & Cote, 2011, p. 115). However, this study argues, that the knowledge construct, might although be irrelevant to certain types of behaviour, should be included in models aimed at explaining customer purchase behavior.

Consumer product knowledge being included into alternative theoretical models that were developed for the purpose of explaining customer purchase behaviour is deemed to be integral to the dynamics of customer purchase behaviour. Specifically, according to the consumer decision model (Engel, Kollar & Blackwell, 1968; Engel, Blackwell & Miniard, 1995; Blackwell, Miniard & Engel, 2001) and theory of buyer behaviour (Howard & Sheth, 1969), the consumer product knowledge construct is linked to the purchase decision of the customers, explicitly and implicitly – through its strong link to information search (Jiang & Rosenbloom, 2013). Furthermore, according to these models, consumer product knowledge influences not only purchase behaviour itself but also the entire process of establishing beliefs, attitudes and purchase intentions. These linkages provide an argument for the inclusion of the consumer product knowledge construct into the TPB model applied to the context of customer purchase behaviour as an exogenous variable. The review of TPB studies in the context of a purchase situation, as it is discussed in Chapter 2, provides further empirical support to this proposition.

In the conceptual framework of the study as per Figure 1.1 the consumer product knowledge is presented by two constructs – subjective and objective product knowledge. These are two widely conceptualized dimensions of the consumer product knowledge. Among the seminal works that introduced the notion of objective and subjective dimensions of consumer product knowledge are Brucks (1985; 1996), Selnes

and Grønhaug (1992), Park, Mothersbaugh and Feick (1994), Alba and Hutchinson (2000). Carlson, Vincent, Hardesty and Bearden (2009) in their meta-analytical review of nearly thirty years of prior consumer research findings regarding the relationships between objective and subjective product knowledge identified at least one hundred and three articles that applied this dichotomy of consumer product knowledge. When Brucks (1986) first introduced objective and subjective dimensions of consumer product knowledge, she emphasized the importance of including both into studies pertaining to the consumer decision-making as they may influence different aspects of the consumer decision making process differently. Later research has empirically confirmed that objective and subjective product knowledge, although correlated, exert different effects on different consumer decision-making related tasks such as product evaluation, information search, and perceived decision outcomes (Raju, Lonial, and Mangold, 1995) or customers' cognitive efforts and the amount of information stored in memory (Philippe & Ngobo, 1999).

The above logic that supported the development of the conceptual framework of this research is discussed in details in Chapter 2. Chapter 2 also concludes with the development and justification of the specific hypothesized relationships among the constructs within the conceptual framework. To conclude this brief discussion of the conceptual framework, theories underpinning the inclusion of its components are once again summarized in Table 1.1.

Table 1.1 Theoretical Underpinnings of the Conceptual Framework

| Theoretical construct | Underpinning theories/models |
|--|---|
| Purchase Intention Attitude Subjective Norm Perceived Behavioural Control PGD Purchase-related Beliefs | Theory of Planned Behaviour (Ajzen, 1991) |
| Objective Product Knowledge Subjective Product Knowledge | Consumer Decision Model (Engel, Kollar & Blackwell, 1968; Engel, Blackwell & Miniard, 1995; Blackwell, Miniard & Engel, 2001) and Theory of Buyer Behaviour (Howard & Sheth, 1969); Topology of Consumer Product Knowledge (Brucks, 1985, 1986; Selnes & Gronhaugh, 1992; Park et al., 1994; Alba & Hutchinson, 2000) |

1.5 RESEARCH QUESTIONS

In order to address the problem statement the research questions that guide this study are as follows:

1. Do customers' attitudes towards PGD purchase, subjective norms towards PGD purchase and perceived control of PGD purchase (further in the text referred to as 'attitudes', 'subjective norms' and 'perceived behavioural control') influence their PGD purchase intention?
2. Do the PGD purchase-related beliefs of the customers influence their attitudes, subjective norms and perceived behavioural control?
3. Does the objective and subjective product knowledge of the customers influence their attitudes and perceived behavioural control?
4. Do the attitudes and perceived behavioural control of the customers mediate the relationship between product knowledge constructs and PGD purchase intention?