ACCEPTANCE LEVEL TOWARDS ISLAMIC BANKING AMONG INDIVIDUAL CONSUMERS IN MALAYSIA

BY

CHUNG FOO LIANG
KOH HUEY WEN
KOK FIE PING
PIONG SHIN LING
TE LEE KUEN

A research project submitted in partial fulfillment of the requirement for the degree of

BACHELOR OF BUSINESS ADMINISTRATION (HONS) BANKING AND FINANCE
BACHELOR OF FINANCE (HONS)

UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF BUSINESS AND FINANCE
DEPARTMENT OF FINANCE

APRIL 2013

DECLARATION

We hereby declare that:

(1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) Equal contribution has been made by each group member in completing the research project.

(4) The word count of this research report is 23,563 words.

Name of Student:	Student ID:	Signature:
1. Chung Foo Liang	1001397	_____
2. Koh Huey Wen	1003192	_____
3. Kok Fie Ping	0904153	_____
4. Piong Shin Ling	1001443	_____
5. Te Lee Kuen	1002625	_____

Date: _____

ACKNOWLEDGEMENT

It is appreciated that our research project has been successfully conducted with the assistance of various authorities. Hence, we would like to grasp this opportunity to express our sincere appreciation and acknowledge those who had been contributed towards our research project.

First and foremost, we would like to express thanks to Universiti Tunku Abdul Rahman (UTAR) for giving us such a good opportunity to conduct this research project which is useful for our future. Throughout this research project, it enables us to obtain specific knowledge and skill which is very valuable to us. Also, it allows us to build up strong friendship and cooperation through the teamwork in this project.

Besides that, we want to express our deepest grateful to our supervisor, Encik Mior Ahmad Jafri Bin Md Sabri who has advised and guided us patiently in completing this project. We appreciate his contribution and it is our pleasure to be under his supervision as he shares many of his opinions and gives us valuable guidance in order to assist us to achieve our objectives of this research. Moreover, we able to complete our research project on time satisfactorily with his patient guidance and full support.

Apart from that, we would also like to take this opportunity to thank and appreciate our second examiner, Puan Nurul Nabila Binti Jasli. During our VIVA presentation, she has pointed out some weaknesses of our project and also suggested solutions for us to further enhance our research project. We appreciate her advice as it helps to improve our research project to be more perfect.

In addition, we would like to acknowledge to all the respondents for their participation, cooperation and enthusiasm in our questionnaire surveys. We appreciate all the respondents who are willing to spend their precious time to fill up the questionnaire. Last but not least, we are grateful to all our team members for their cooperation, tolerance and contribution towards this research project.

Once again, we would like to express a sincere gratitude to all of you. Thank you.

DEDICATION

We would like to express our sincere gratitude to our honour supervisor, Encik Mior Ahmad Jafri Bin Md Sabri, for his valuable guidance, advice and motivation in assisting the completion of this research project.

Furthermore, we would like to dedicate this research project to our family members for the appreciation of their encouragement and financial support. Moreover, this research project is dedicated to all of our group members who have contributed most of the time, effort, energy, knowledge and cooperation in conducting this research. Our collaboration, understanding, respect and enthusiasm towards this research highly lead to the completion of this research project.

Apart from that, this research project is dedicated to the public who has assisted in the success of the survey conduction. We would like to express special thank to them for their participation and the valuable information provided to complete this research.

TABLE OF CONTENTS

Page

LIST OF TABLES

Page

LIST OF FIGURES

LIST OF APPENDICES

Page

LIST OF AABBREVIATIONS

IBS	Islamic banking system
Product Services	Appealing products and services
Social Religious	Social and religious perspectives
Confidence	Confidence in Islamic banking
SPSS	Statistical Package for Social Sciences

PREFACE

Islamic Banking is an important banking system which uses to perform the interest free activities based on the principle of Shariah. Bank Islam Malaysia started it operation in 1983. Shariah finance is a blend of Islamic Economies and modern lending principles, its products can be sold to Muslims and non-Muslims alike. Furthermore, as a fastest growing industries and it is able to compete with the conventional banking.

This research is conduct to examine the acceptance level of Islamic banking products and services among individual consumers in Malaysia. This study also found that changes in Malaysian financial landscape and the introduction of Islamic banking have generated a new dimension from social and religious perspective in banking sector for both Muslim and Non-Muslim. Besides that, Islamic bank also need to provide some high quality product and also offer some innovative products and services to their customer.

The objective of this study is to investigate the acceptance level of Islamic banking products and services among individual consumers in Malaysia. In addition, this study also aim to investigate the background, knowledge and understanding of individual consumers, individual consumer perception and also the acceptance level of individual consumers towards Islamic banking products and services in Malaysia.

ABSTRACT

Being one of the strongest proponents of Islamic Banking, Malaysia has been promoting the idea of implementing Islamic Banking System (IBS) with the purpose to expand the ring of unity among Muslims and to ensure a fair distribution and utilization of fund in compliances with Islamic Principles in order to parallel the conventional system. The existence of financial institutions for both Islamic and conventional, Malaysians have been presented with numerous choices to choose the products and services that meet their needs and wants. This study provides important contribution to the Islamic bankers in understanding customer attitudes, preferences and characteristics. The purpose of this research is to investigate the acceptance level towards Islamic banking among individual consumers in Malaysia.

A sample size of 409 respondents is drawn from Klang Valley and Kuala Lumpur. The results show that more than half of the respondents are aware of the Islamic banking products and services in Malaysia. Multiple Linear Regression analysis is then conducted, and all independent variables have significant positive effect on acceptance level, where the independent variables are appealing products and services, social and religious perspectives, and confidence in Islamic banking. Besides, confidence in Islamic banking has the highest Cronbach's alpha and the strongest impact on acceptance level.

CHAPTER 1: RESEARCH OVERVIEW

1.0 Introduction

The introductory chapter provides a comprehensive background to the study of focusing on the research topic. Specifically, this research aims to examine the acceptance level towards Islamic banking among individual consumers in Malaysia. In depth, this chapter presents an overview of the scenario with research background, problem statement, followed by research objectives, research questions, hypotheses of study, significance of the study and finally the conclusion.

1.1 Research Background

Islamic Banking is a concept that given by Allah Almighty to perform the activities and operation and in the same times to perform the interest free activities by using the principle of Shariah. It can be further explained that Islamic Banking is mainly on prohibition of interest payments (*riba*) as only goods and services are allowed to carry a price (Rahman, 2007). The most important feature of Islamic Banking is sharing of risk among investors, the bank and the borrowers (Ahmad, Rehman & Humayoun, 2011). According to Uzair (1976), the working structure of Islamic Banking is a type of mechanism that used to present to cope with the challenges of interest and risk (as cited in Ahmad, Rehman, Saif & Safwan, 2000). In connection, Islamic scholars have continued to develop the products that resemble conventional banking products by replacing interest payments and discounting with fees and contingent payment structure.

In the depressed world financial scenario, especially the subprime crisis in 2008, Islamic Banking has emerged as a strong alternate financial system. Political and business leaders at the Fifth World Islamic Economic Forum in Jakarta in March 2009 have praised the Islamic financial institution resilience against recession

citing their refrain from investing in toxic assets (Loo, 2010). It has recorded a phenomenon growth in a short period of time and has reached $1 trillion US dollar and the growth rate is 20% annually. Currently, there are more than 500 institutions worldwide which already become an important part of the finance and investment industries (Cheng, Chuah, Bohari, & Adam, 2011).

1.1.1 Background of Islamic Banking in Malaysia

Malaysia, is a strongest proponents of Islamic Banking, and also a country with multiracial which ruled by Malays who are Muslim by birth (Loo, 2010). Malaysia has been promoting the idea with the main purpose to create a parallel in conventional system by distribution of a fair funding in compliances with Islamic Principles and to create the unity spirit among Muslims through the carry out of Islamic Banking System (IBS) (Loo, 2010). Bank Islam Malaysia has started its operation in 1983. In 1993, under the Islamic Banking Scheme (IBS), finance companies, merchant banks and also commercial banks are allowed to provide Islamic products and services (Ahmad & Kazmi, 2010). Furthermore, Malaysia has also promoted itself as an important center for the Islamic research and studies. In 2008, there is a set up of International Shariah Research Academy while in 2006, there is a formation of International Centre for Education in Islamic Finance (INCEIF) (Loo, 2010).

The products of Shariah Finance can be sold to Muslims and non-Muslim because it is a kind of modern leading principles and the blend of Islamic Economies. Moreover, many commercial banks in Malaysia try to establish Islamic banking business to get the opportunities of the $US 1 trillion industry. In Islamic banking, lot governance mechanisms try to lay enhanced confidence and also improve the risk management through Islamic law framework. Recently, almost half of the Malaysia Islamic Banks' customers are Non-Muslims. The attraction of Islamic Banking is mostly related to the ethical values and inherent commitment to transparency that make the Islamic banking to gain recognition as an alternative to

the traditional commercial banking. Through this perception, it makes the industry to grow fast (Cheng et al., 2011).

According to Haron, Ahamd and Planisek (1994), who pioneer the research on bank patronage in Malaysia, find that almost 100% Muslims and 75% non-Muslims are aware of existence of Islamic Banks. Most of them wish to have a relationship with related banks after they are familiar with the existing IBS. As such, a study on the perceptions of individual towards Islamic Bank must be done rather than emphasizing on Muslims and Non-Muslims as in the earlier researches.

Competitive rivalry in between Islamic banking and conventional banking, and amongst Islamic banks itself shall raise the challenges faced, to name a few would be misperception of non-Muslims, innovation of products offered, inadequacy of qualified expertise, and mainstreaming of Islamic banking.

1.2 Problem Statement

Islamic banking has emerged as one of the fastest growing industries and it is able to compete with the conventional banking. It can be considered as one of the most important players in service industry today, especially in Malaysia. There are new dimensions for both Muslims and Non-Muslims in the sector of social and religious perspective which is generate from the introduction of the Islamic banking system and also the transformation in Malaysian financial landscape. As a direct relationship, the rapid changes have caused the changes in customers' interest and also their ability to demand better quality of banking services. In Malaysia, there are a lot of choices in the banking sectors products and services to meet the customer's needs and wants due to the existence of dual banking systems.

Owing to the emergence, Islamic products have to compete with products offered by conventional banks and also Islamic banks. Due to its staff competition, Islamic banks need to study on individual consumer perceptions to market the Islamic products effectively (Haron, Ahmad, & Planisek, 1994; Dusuki &

Abdullah, 2007). The Islamic banking needs to consider their bank's image and also the performance of transaction speed in the channel of delivery system, product diversity and banking convenience to attract more individual consumers to purchase their products and services. Thus, before implementing any Islamic products and services, the factors towards individual perception must be identified in order to achieve the desired outcomes in future.

The focus will be on the current situation and future trends that might affect the Islamic banking industry within the coming years. It pays more attention to the weakness than the strength. It mostly used to differentiate Islamic banking and finance that make it different from the conventional theory of banking and finance. Both of this growing awareness and the economic system are needed to meet the challenges that will be faced by the society today.

The first step to analyze the Islamic banking industry is to understand the drivers of change such as confidence in Islamic bank. Besides that, the most important feature that shapes the Islamic finance and also distinguishes the industry from the conventional finance is the establishment of the ethical, equitable, just, fair socio-economic system. All of these can bring the confidence in the Islamic system to their customers. Furthermore, by building a deeper understanding on the assumptions will help in detecting the threats in the future.

A self-administered questionnaire survey will be given to 500 target respondents, in which the questions will be expanded from problem statements to achieve research objectives by answering accordingly to the research questions as will be presented in following sections.

1.3 Research Objectives

In this section, several goals serve as objectives in examining the acceptance level towards Islamic banking among individual consumers in Malaysia.

1.3.1 General Objective

Precisely, the study investigates the acceptance level towards Islamic banking among individual consumers in Malaysia.

1.3.2 Specific Objectives

1. To investigate the background, knowledge and understanding of individual consumers on Islamic banking in Malaysia.
2. To examine the individual consumer perception towards Islamic banking in Malaysia.
3. To investigate the acceptance level of individual consumers towards Islamic banking in Malaysia.

1.4 Research Questions

In this research, there are several research questions developed to examine and investigate the acceptance level toward Islamic banking among individual consumers in Malaysia. Those research questions are as follows:

1. How do the background, knowledge and understanding of the individual consumers influence the acceptance level towards Islamic banking?

2. What are the contributing factors to the choice of using Islamic banking products and services?

3. How far the individual consumers in Malaysia can accept Islamic banking?

1.5 Hypotheses of the Study (for quantitative research)

There are several hypotheses have been developed to facilitate the objective of this study to investigate individual consumer perceptions and acceptance level. The hypotheses are developed after reviewing the literature and it is based on the proposed theoretical framework from Chapter 2.

1.5.1 Hypothesis 1

H_0: There is no significant effect of all independent variables on acceptance level of individual consumers towards Islamic banking in Malaysia

H_1: There is significant effect of all independent variables on acceptance level of individual consumers towards Islamic banking in Malaysia

1.5.2 Hypothesis 2

H_0: There is no significant effect of appealing Islamic banking products and services on acceptance level of individual consumers towards Islamic banking in Malaysia

H_1: There is significant effect of appealing Islamic banking products and services on acceptance level of individual consumers towards Islamic banking in Malaysia

1.5.3 Hypothesis 3

H_0: There is no significant effect of social and religious perspectives on acceptance level of individual consumers towards Islamic banking in Malaysia

H_1: There is significant effect of social and religious perspectives on acceptance level of individual consumers towards Islamic banking in Malaysia

1.5.4 Hypothesis 4

H_0: There is no significant effect of the confidence in Islamic banking on acceptance level of individual consumers towards Islamic banking in Malaysia

H_1: There is significant effect of the confidence in Islamic banking on acceptance level of individual consumers towards Islamic banking in Malaysia

1.6 Significance of the Study

First of all, this study provides important contribution to the Islamic bankers in understanding customer attitudes, preferences and characteristics. They have to provide a high quality of services and promote image that can impresses the consumers of different cultures and backgrounds. As proven by researcher, reputation and image are significant to retain customer (Ziaul, Nigar & Muslim, 2010; A. Malik, Bhatti, Parveen, & Arshad, 2011)

In the meantime, Islamic banks can refer to this study in planning to increase their comparative advantage on innovative product offering. As Islamic banks need to compete with those conventional banks, so it is good for Islamic banks to offer innovative products and services in order to compete with competitors. However, the drawback of current application in Islamic banking is more emphasize on product development and management rather than the customer needs (Naraen, 2007).

This study enables the Islamic banks to have some idea to easily marketing their products based on different types of customer needs and preferences. It is important especially for Research and Development (R&D) department to define their product line to new market geographically of similar culture adoption. Local Islamic banking might explore new economies of scale from this research.

Moreover, this study encourages co-operative process amongst Islamic banks. Islamic banks may support each other by co-operation of product and service offering, information exchange and merger and acquisition in order to promote stronger, more stable established Islamic banking and financial system.

Furthermore, this study serves as a reference for Malaysian government in achieving the objective of making Malaysia an Islamic hub. It also provides a clear picture to the readers that Islamic banking products and services can also meet customer needs and it shows how it is different from those conventional banking products and services. Besides that, the study can help the academic for future implication from Islamic banking and marketing perspective.

1.7 Chapter Layout

Overall, there are totally five chapters in this dissertation. That chapter is organized as below:

1. Chapter 1 is the introduction part of the research which it is used to provide an inclusive overview of the background of the study, problem statement, research objectives, research questions, hypothesis of the study, and significance of the study.

2. Chapter 2 contains of the review of the literature, review of relevant theoretical models, proposed theoretical or conceptual framework and also the hypotheses development.

3. Chapter 3 is the part covers the research methodology, like research design, sampling design, data collection methods, data processing, research instrument, constructs measurement (scale and operation definitions) and data analysis.

4. Chapter 4 is illustrating the data analysis and used to find the result from the descriptive analysis. This chapter includes the scale measurement, inferential analysis such as hypotheses testing, multiple regressions, Pearson correlation and ANOVA, the test are used to examine the relationship of the variables.

5. Lastly, Chapter 5 is presenting the summary of statistical analyses, discussion of major findings and limitation of the study. Recommendations and conclusion are provided at the end of this research.

1.8 Conclusion

The Islamic banking industry in Malaysia has emerged in global banking system and it grows rapidly by its increasing market share. Thus, Islamic banking industry should be more focused on their consumer perceptions regardless of Muslims or non-Muslims by offering those products and services that are beneficial to them. It is important to understand the consumers' current demands in order to expand the growth of Islamic banking business.

This study also highlights that the most important factor perceived by individual consumer in selecting their banks is the cost of the products and services. This means that Islamic bank products will not be attractive to this market unless it is more competitive than those products of the conventional banks.

As a conclusion, consumer acceptance level towards Islamic banking is important for Islamic banking industry in Malaysia as it is still not fully accepted by all Malaysians. Since the Islamic banking is "younger" than the conventional banking in Malaysia, it needs greater effort to create awareness on Islamic banking products and services to capture consumer acceptances.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter discusses all the variables and explores the relationship between variables from the past studies. This introduction is followed by review of literature of dependent and independent variables, demographic factors, review of theoretical models, proposed theoretical framework, hypotheses development and finally conclusion.

2.1 Review of the Literature

Islamic banking is widely accepted by both Muslims and non-Muslims (Iqbal & Molyneux, 2005). Customers of Islamic banks are therefore perceive as significant to their selection and patronage of banks, hence Islamic banks should improve to greater extent in securing customers' recognition and acceptance (Dusuki & Abdullah, 2007). Consequently, acceptance level of consumer in Malaysia serves as the dependent variable and its relationship with some independent variables are shown in the coming section. Review on demographic factors and awareness towards Islamic banking are also provided to further understand other factors which might have effects on acceptance level.

2.1.1 Acceptance Level (Dependent Variable)

Islamic banking concept has existed in Malaysia for just 50 years since establishment of Tabung Haji. If compared to Islamic banking systems in Arabic countries, Malaysia's Islamic banking market is still not fully developed because the majority of consumers are more familiar with conventional banking. Hence, it can be said that Islamic banking is still new for Malaysians. According to Rehman

and Shabbir (2010), customers' perception would have an effect on a new products adoption. In adopting a new product, customers will make choices over the products that match to their experiences and needs as compared to the existing products (Rogers, 1983). Besides, awareness or knowledge about a product is a moderating factor in selecting a new product (Lai, 1991). Similarly, to implicate the findings from these researchers to Islamic banking, it can be summarized as acceptance of Islamic banking would be a consideration of consumers based on their perception, experiences, needs and knowledge.

.

2.1.2 Consumer Perception (Independent Variables)

2.1.2.1 Appealing Islamic banking products and services

Based on the Islamic Shariah principles that stated Islamic banking products have some prohibited criteria which different from the conventional banking products (Damirchi & Shafai, 2011). The meaning of Shariah compliant is the law approved by the Shariah board of the bank. They comprise asset-backed, social responsibility, profit and risk sharing, and Islamic based economic perspective activities which Gharar is prohibited. Furthermore, Islamic banks forbid simply lending out money at interest, this Islamic rule is to prevent the illegal outcome or speculative transactions also known as "Maysir" and "Gharar" (Hussein, 2010; Damirchi & Shafai, 2011). In order to create an efficient and progressive Islamic bank system, Bank Islam Malaysia develops a variety of instruments of products and services to gain more concern from outsiders. All fund invested must be in Halal modes under supervision of the Shariah Advisory Board of Bank Negara Malaysia. Currently, Malaysian banks have provide more than 100 appealing Islamic products and services under Islamic contracts of Mudharabah, Musharakah, Murabahah, Bai Bithaman Ajil, Ijarah and many others.

2.1.2.2 Social and religious perspectives

Perspective is defined in Oxford Dictionary as the mental view of the relative importance of things. In terms of religion and education, "the mental view" refers to the teaching and learning process whereas "relative importance" refers to emphasis and progression. Perspective is mainly proposed the need for a well defined viewing point, from all other things or religious phenomena which can be viewed and relative to each other. However, any viewpoint that is contrast with others may affect the perspectives of the subject matter. In Islamic banking industry, it has been revealed in a study that the availability of services and social and religious perspective at high level enabling the consumers feel easier and more comfortable which in turn leading to higher acceptance level of consumers on Islamic banking (Haque, Osman & Ismail, 2009).

2.1.2.3 Confidence in Islamic banking

To engage in the Islamic banking, confidence and reliability are the basics of building trust, where trust means having confident in the partner's reliability and willing to involve in partnership (Moorman, Zaltman & Deshpande, 1992). This is in line with Morgan and Hunt (1994), whom define trust as a party has confidence to engage in a relationship with another party. Garbarino and Johnson (1999) further explain that trust is the customer confidence in the service quality and reliability. Meanwhile, from the perspective of Islamic banking, trust is a moral obligation where every individual performs his duties and social, political, and economic lives (Hanafi & Sallam, 1997; Wilson, 1997; Haron & Shanmugam, 2001). However, this is opposed by Haque, Osman and Ismail (2009) where they find the confidence in bank has less impact on customer perception. Hence, to summarize, confidence toward Islamic banking can be simplified as the trust that a customer would pay on the Islamic banks for relationship engagement.

2.1.2.4 Demographic factors

Perception of consumers towards Islamic banking products and services is differ from one location to another in Malaysia depending upon some factors of demographic such as age, gender, income, marital status, occupation and religion as well as the type of bank either Islamic or conventional bank. Thus, this section is to address the questions about the consumer demographics towards perception of Islamic banking.

2.1.2.4.1 Religion

The earlier researches by Erol and El-Bdour (1989) and Erol, Kaynak and El-Bdour (1990) confirm that there are three key factors that influence the consumers perception towards Islamic banking: fast and efficient services, reputation and confidentiality, meanwhile religious is not a main intention criterion.

However, in a study explored by Haque et al. (2009) finds that a significant difference of perception between races towards Islamic banking. Different religious such as Buddhism, Christianity, Islam and others have different beliefs, as revealed by Rehman and Shabbir (2010). Researchers discover that customers do not have so much knowledge or information for those Islamic term products such as Mudharaba, Mushaaraka and Murabaha but they invest those products mostly because of the religion reason.

Other than that, according to Khan, Hassan and Shahid (2007) who conduct a research on 100 customers of Islamic bank in Bangladesh and find the religious principles is the main factor for bank selection criterion. Moreover, understanding or clarifying customer demographics on bank adoption criteria is an effective measurement tool to modified group-behavior of the customer. Hence, it is easier for bank to positioning amongst the banking consumers needs.

2.1.2.4.2 Age

Kaynak, Kucukemoroglu, & Odabasi (1991) report that respondents under age 40 have more concern on the bank location in term of convenience as compared to other groups of age. Kengis and Voukelatos (1997) find that matured adults (age 35 and above) have different conception amongst others. They are more concern on the dimensions other than seeking a reduction in queuing time. However, young adults or middle age between 25 and 34 emphasize more on experiencing the modern technology, problem solving, willingness of staff to help with politeness, clear explanations of the products and services given, friendliness, and the bank location. Meanwhile, image of appearance of the staff and lower queuing times are of those reasons to attract teenagers age range between 18 and 24.

Khan et al. (2007) find that majority age ranged between 25 and 35 years old of the Islamic banking customers in Bangladesh might preserve long-term relationships with their banking service providers. In contrast, according to Haque et al. (2009), among Malaysia customers, age does not have significant relationship in influencing the overall perception towards Islamic banks. However, several researches indicate that only a small percentage of Baby Boomers respondents and the majority X-Gen respondents show significantly more willingness to maintain a relationship of doing business with Islamic banks (Haron, Ahmad & Planisek, 1994; Dusuki & Abdullah, 2007; Thambiah, Nathan & Eze, 2006).

2.1.2.4.3 Marital Status

According to Boyd, Leonard and White (1994) who emphasize that the marital statuses have different adoption relate to its products and services either married or unmarried customers. The report shows that customer who are single or unmarried have lack of order of precedence on reputation rather than married customers. Another important demographic variable is the number of family members in term of household size will affect the total monthly income as well. Boyd et al. (1994) also discover majority of the households emphasize on reputation, cost-benefit and efficiency.

2.1.2.4.4 Education Level

Kaynak et al. (1991) confirm another factor which is based on the educational background among the bank consumer when dealing with Islamic banks. The authors find that consumers who have high level of education qualification are more focus on the friendliness of bank employees, fast and efficient service, bank location and availability of credit as compared to the customers who only have primary or secondary school education level.

2.1.2.4.5 Location

According to previous researchers, it is important to gain knowledge throughout the differentiated needs and preferences of customers between two regions (Ahmad et al., 2002; Abbas, Hamid, Joher, & Ismail, 2003; Dusuki & Abdullah, 2007; Aziz, 2010). The study conducted by Haron et al. (1994) is restrictive that the data is only collected from one single district. Dusuki and Abdullah (2007) have conducted research only in the major cities of Malaysia which are Kuala Lumpur and Johor, reporting the Islamic banking adoption in Malaysia is found to be limited in scope such as sample size or restrictive in representation. Therefore, these could lead to lack of information to represent the overall demand of perception of the Islamic banking consumers in Malaysia.

2.1.2.4.6 Occupation

Boyd et al. (1994) reported that occupation of the respondents is another demographic segmentation to be taken into account. The report discloses that more white-collar households are emphasizing on reputation, modern facilities, and convenience. Meanwhile, the blue-collar households are more concern on availability of core banking basic services or cost-benefit issues. However, in Malaysia, Haque et al. (2009) find that there is no significant relationship with overall perception towards Islamic bank. This shows that occupation will be influencing the awareness of Islamic banking products and services but it will not affect the perceptions of Malaysians with different occupation towards the Islamic Banks.

2.1.2.4.7 Income Level

According to Khan et al. (2007), there is a significant result indicates that the relationship between bank selection criteria and level of income. However, according to Haque et. al. (2009), the monthly income level will not influence the perceptions towards Islamic bank. Based on Khattak and Rehman (2010), perception will vary when different income group of people dealing with Islamic banking services. As a result, when they are dealing or doing business with Islamic bank products and services, there is a significant difference of perception among them.

2.1.2.5 Knowledge on Islamic banking

In 1983, the first Islamic bank, Bank Islam Malaysia Berhad (BIMB) has started its Islamic banking system in Malaysia. In 1993, Bank Negara Malaysia or the Central Bank of Malaysia has introduced a dual banking system called "Interest-Free Banking Scheme" (Shafie, Wan Azmi, & Haron, 2004). There are around 21 Islamic products are developed to cater this scheme with the participants of three

major banks in Malaysia. The main purpose of this system is to allow the conventional banks to offer Islamic banking products and services to their customers besides their own products and services (Abdullah, Sidek, & Adnan, 2012).

Islamic banking is not a religious status, although it always responds to the market needs of Muslims, at the same time, it also provides banking services for non-Muslim customers (Zainol, Shaari, & Muhamad Ali, 2008). Indeed, it has received wide acceptance from both Muslims and non-Muslims (Hamid, Yaakub, Mujani, Sharizam, & Jusoff, 2011). Although Islamic bank is expected to run according to Islamic Law (Shariah), their banking business is no different with other financial institutions or banks. Thus, the competitors that Islamic banks face are not only from conventional banks, but also from new market entrants as well (Shafie, Wan Azmi, & Haron, 2004).

The products and services development in Malaysia can be slot into four phases which are the earliest products, additional products, new products and current products. The earliest products include the Mudharabah investment account, Wadiah saving account, Wadiah current account and Bai Bathamin Ajil housing financing. After that, the second phase is the additional products which include interbank Islamic Money Market, Murabahah working capital finance, and securitization of assets. Followed by new products which are Islamic hire purchase, Islamic credit card, and Ijarah fixed financing. The last phase is the current products which are Musyarakah and Musyarakah Mutanaqisah financing, structured deposit and derivatives, Mudharabah financing and hedging product (Bahari, 2009).

In Islamic banking, the mobilisation of deposits and application of funds are through contracts in compliance with the Shariah principles (Khir, Gupta, & Shanmugam, 2008). Furthermore, the contracts can be classified as three board categories which are participating contracts, trading contracts and supporting contracts.

Firstly is the trading contract which it is a sale contract where it can be sale for goods, debt and cash. The most common trading contracts that can be found in the Islamic banking are:

1. Bai Bithaman Ajil (deferred payment sale): The sale of goods on a deferred payment basis at a price that includes a profit margin agreed upon by both buyer and seller (Khir et al., 2008).

2. Ijarah (leasing): It is an arrangement in which bank purchases the equipment or property selected by their customer, after that they will lease it to the customer on a predetermined fixed rate which it is agreed by both parties (Nanava, 2007).

3. Murabahah (cost-plus sale): It is also known as a sale on mutually agreed profit. Besides that, it can also known as a sale contract in which the client will request the bank to purchase an item for his or her from the third party. Once it is received by the bank then it will direct sell back to the client on the cost plus profit basis (Khan, 2010).

Islam encourages equity based participation that focuses on profit and loss sharing. The risky investments have provided motivation to the economy and also encourage the entrepreneurs to maximize their efforts. The most common participation contracts in the Islamic banks are:

1. Mudharabah: According to Khan (2010), Mudharabah is a trustee finance contract or it can also be known as passive partnership which providing only profit sharing. Since the deposit is guaranteed, so there is no risk on loss, the profit is not predetermined. Furthermore, in this transaction, one party will provide the capital and other party who is the entrepreneur will try to offer labours and expertise. While, the owner will bear all the loss of the capital and the liability of entrepreneur is only limited to their effort and time.

2. Musyarakah: Musyarakah is a contract of equity participation which used to finance medium and also used in the long-term investment (Khir et al., 2008).

There are at least two or more parties enter into the contract and try to form a joint venture in the contract. In this type of situation, each of the parties must contribute the capital and take part in the management of the project. In addition to that, the profit is shared according to the proportion of shares or according to the agreement in fraction, ratio or percentage. Furthermore, all the partners will care the loss according to the proportion of shares that stated in the contract in the early time. The profit and loss cannot be shared in absolute amount.

The products can be sold to Muslims and Non-Muslims, through this way; they would be able to enjoy the Islamic banking facilities together. Generally, Malaysia Islamic banks have put many efforts in introducing various profit and loss sharing products and services to their country citizen (Bahari, 2009). This is due to Islamic banking is the alternative to the conventional banking, so Islamic banks need to do more innovation in term of their products and services. Through this way, Islamic banks can sustain their competitive advantages against others foreign and conventional banks which offer the similar Shariah compliance facilities (Haron & Wan Azmi, 2006). At the same time, Islamic banks must ensure the future growth of the Islamic banking markets (Thambiah, Eze, Tan, Nathan, & Lai, 2010).

According to Osman et al. (2009), the improvement in the service quality can increase their customers' loyalty and customer satisfaction. Service quality is a customer acceptance that judge by customer depends on how well the services meet their expectation. In order to achieve this, the organization must try to develop their service quality to meet their customers' expectation. The study discovers that, most of the customers make their choices towards products and services through the dimensions of value, cost and prior of satisfaction.

It becomes very important to the Islamic bankers because they will deliver the products and services directly to the customers at the branch level. Meanwhile, they will also provide some detailed explanation to the customers so that easy for them to market the product and services. Nowadays, customers with higher educational level have more knowledge about the area that they are interested in,

for example, like financial world (Zainol, Shaari, & Muhamad Ali, 2008). In addition, the researchers also find that employees who are working on the front-line are actually play important roles in representing the organization to the outside world, they do not only influence the assessment made by customers, they also indirectly influence the behaviours, as well as awareness of customer towards Islamic banking.

Abdul Hamid and Mohd Nordin (2001) have conducted a research to determine the importance of education in Islamic banking. Based on the previous research, it could be concluded that Islamic banking products and services are well-received by Muslims. They discover that non-Muslim customers possess very limited knowledge of Islamic banking, but most of the respondent including non-Muslims still can differentiate between conventional banking products and Islamic banking products. The research also finds that most of the corporate banking customers mention that they have limited knowledge about Islamic banking. As highlighted in the research, this is because the banks do not put much effort to educating their customers or marketing their products.

2.2 Review of relevant theoretical models

2.2.1 Theoretical framework by Haque, Osman and Ismail (2009)

Figure 2.1: Theoretical framework by Haque, Osman and Ismail (2009)
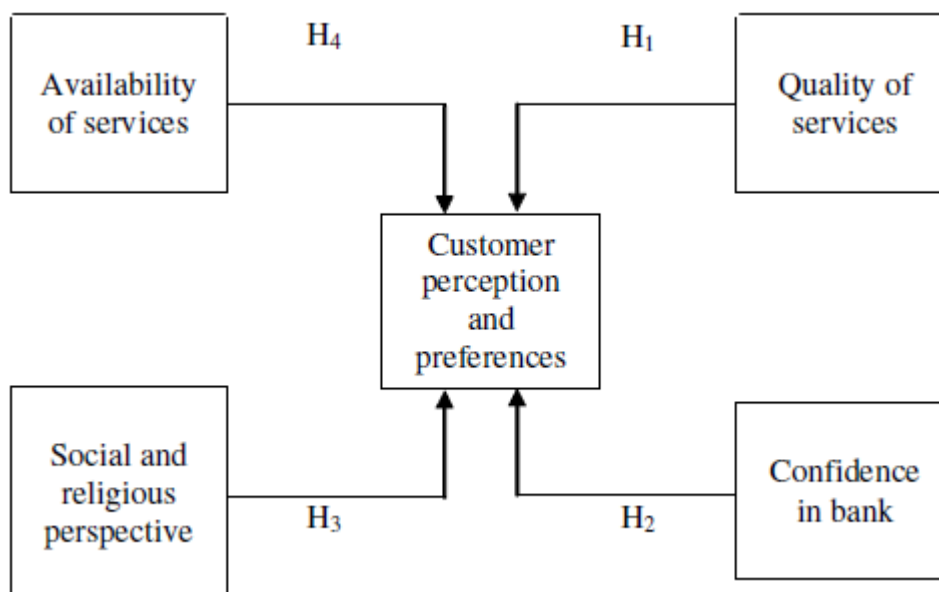
Source: Haque, A., Osman, J., & Ismail, A. Z. (2009). Factor influences selection of Islamic banking: A study on Malaysian customer preferences. *American Journal of Applied Sciences, 6* (5), 922-928.

The study identifies the Malaysia consumer perception towards Islamic banking and the relationship among the four mentioned factors. The dependent variable is customer perception and preferences, while the independent variables are: service quality, confidence in bank, social and religious perspective and finally the services availability.

By using the Logit Model estimation, the authors find that all independent variables, except confidence in bank, have significant positive effect on perception and preferences. Meanwhile the confidence in bank has significant negative relationship with perception and preferences, which is inconsistent with other researchers' findings.

2.2.2 Theoretical framework by Cheng, Chuah, Bohari and Adam (2011)

Figure 2.2: Theoretical framework by Cheng et al. (2011)
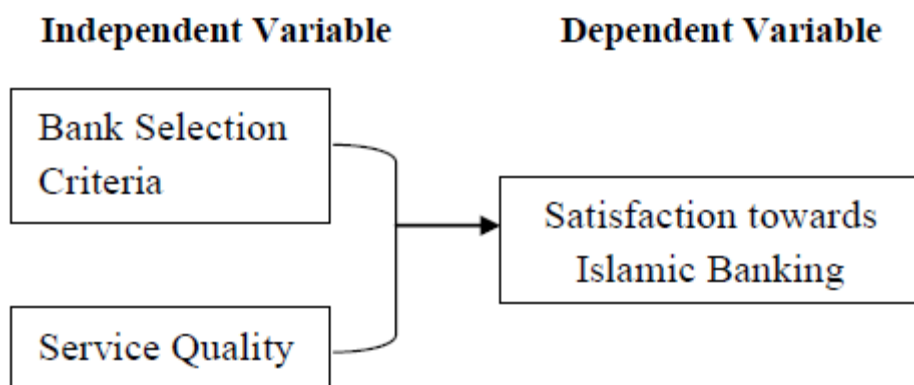
Source: Cheng, W. H., Chuah, C. W., Bohari, A. M., & Adam, M. Z. A. (2011). Bank selection criteria and service quality of Islamic banking: A comparison between Muslim and non-Muslim students and its effect on student's satisfaction. *EconomicsJournal, 14* (3), 104-114.

A total of 270 questionnaires is equally distributed to Muslim and non-Muslim students in Universiti Utara Malaysia to identify on how bank selection criteria and service quality affect the satisfaction towards Islamic banking.

By using Multiple Linear Regression, the results show that both independent variables affect significant positively on the satisfaction, meaning that these two variables are well explaining the dependent variable.

However, as mentioned by the authors, the small sample size and the study only focuses on one university in Malaysia, it might not sufficient and accurate in predicting the satisfaction towards Islamic banking among university students in Malaysia (Cheng et. al., 2011).

2.3 Proposed theoretical framework

Figure 2.3: Proposed theoretical framework
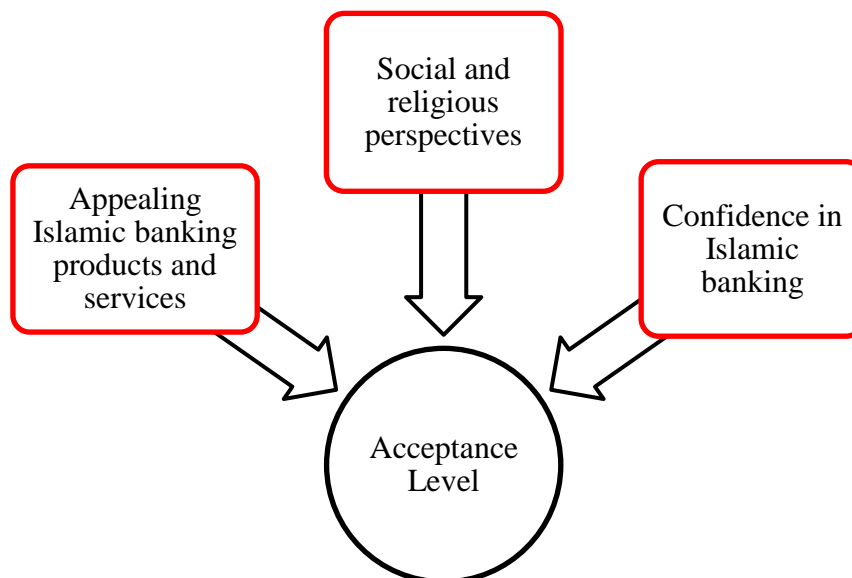
Source: Developed for the research

Based on the discussion in literature review, three factors are identified to importantly explain the acceptance level towards Islamic banking. By referring to both theoretical frameworks developed by previous studies, some adjustment are made and a proposed theoretical framework is designed for this study to meet the objectives and answer to hypotheses in Chapter 1.

The dependent variable proposed is acceptance level of individual consumers towards Islamic banking in Malaysia. At the same time, three independent variables are selected: appealing products and services, social and religious perspectives and confidence in Islamic banking.

As can be seen in the Figure 2.3, all the arrows are heading to acceptance level, indicating to investigate whether all the independent variables have effect on acceptance level. To summarize their relationship as supported by various previous studies, there is significant effect of all independent variables on acceptance level (Haque et al., 2009). Meanwhile, the individual effect of each

independent variable is also significant in explaining the acceptance level respectively (Haron et. al., 1994; Mohammed, Shamsher, & Taufiq (2008); Ergun & Djedovic, 2011).

The nature of relationship between all independent variables and dependent variable are explained in detailed in the next section, 2.4 Hypotheses Development.

2.4 Hypotheses Development

2.4.1 Consumers perception and Acceptance Level

The study intends to find out the influencing factors on consumer acceptance towards Islamic banking. Previous researchers discover that following factors have significant relationships for customers to accept the Islamic banking such as service delivery, cost-benefits, convenience and the relatives or friends (Marimuthu, Chan, Lim, Low & Tan, 2010). They also discover the ethical background and religion do not have the significant relationship towards the acceptance of Islamic banking. Furthermore, it is suggested that Islamic banks need to train their employees to be sufficient knowledge in promoting Islamic financial products (Marimuthu, Chan, Lim, Low & Tan, 2010).

According to Haque et al. (2009), customers have significant positive relationship of availability of services, quality of services and social and religious perspective in selecting Islamic banking. When customers feel satisfied with the facilities provided and quality of products and services, they will use the positive words of mouth to enhance the image of Islamic banking in public.

On the other hand, Abbasi, Naeem, Saeed, Ambreen and Yousaf (2012) point out the marketing strategies used by the Islamic banking through the innovation of products and services also attract the customers towards Islamic banking. In depth, there are other factors that make the customers acceptance towards Islamic

banking through the tangibility, religious thinking and innovation (Abbasi et. al., 2012).

2.4.2 Appealing Islamic banking products and services and Acceptance Level

Nowadays, there are intense competitions between the Islamic banking institutions and the conventional banking institutions to attract customers in selecting their product. A research finds out that there are six factors of behavioural responses to describe the satisfaction of customer to choose the banking products and services (Athanassopoulos, Gounaris & Stathakopoulos, 2000).

- Employee competence
- Reliability
- Physical evidence
- Product innovation
- Value of money
- Convenience

These factors are the key forces that make satisfaction to customers. As nature of measurement, it will also influence the customers to purchase or continue using the existing products and services. Customers also concern about the security and safety of products and services that provided by the bank. The researchers figure out the customers who lack of trust on ATM machine and the safety issue about the internet banking. Thus, the bank needs to improve and measure high security in every aspect of services that are provided. It helps to rebuild the trust of customers and attract them to using the bank services and products (Omar, Sultan, Zaman, & Bibi, 2011).

Carbo-Valverde, Hannan and Rodriguez-Fernandez (2011) find out that the deposit interest rate will be more attractive to customers in the greater in-migration area and the switching cost for the pricing of services and products. The result shows that the bank located at area with much in-migration and the bank

with fewer locked-in depositors will offer higher rates. These two factors help to capture and retain the customers.

Titko and Lace (2012) have evaluated that the staff development is the first step to capture new customers and retain customer loyalty. The researchers find out that banks need to provide the training on customer service management to the staff. These help the staff to demonstrate in their promise and show their friendliness to customers.

After investigations, the result shows that Muslims and non-Muslims have many similarities in selection of banks and services provided (Haron et al., 1994). Haque et al. (2009) state that there are positive relationships of quality of services, social and religious perspective, availability of services towards the Islamic banks in Malaysia. Customers have high satisfaction level to the service and particularly in term of quality of conventional bank as compared to the Islamic bank (Osman et al., 2009). These factors will influence the customer whether to choose the Islamic banking through better understanding about the Islamic bank and how is the bank operation.

There is relationship between the service quality and the satisfaction of customers towards Islamic bank. In addition, the Islamic bank needs to upgrade its physical facilities. These are the important issues which are making customer satisfaction towards the Islamic bank (Saad, 2012). There is strong significant relationship between service quality and image with customer satisfaction towards Tabung Haji service. It provides the empirical evidence that high satisfaction level of customers towards the service and image (Kassim & Nordin, 2013). In Malaysia, there are some studies conducted to investigate customer satisfaction towards Islamic banking services. Customers are more satisfied with some facilities but there still needs improvement for some facilities. According to Tan (2009), transaction speed, convenience of location, fast and efficient service, parking facilities and accessibility are found satisfied by the customers. However, the customers are not very satisfied with the bank external appearance, bank size, ability to meet individual requirements, overdraft privileges and mass media advertising in the Islamic banking of Malaysia.

Moreover, the CARTER instrument which demonstrate the service quality and satisfaction of customer towards Islamic products. In depth, it shows the gap between the perception and the expectation of customer towards the service quality (Abedniya, Zaeim, & Hakimi, 2011). According Doraisamy, Shanmugam, and Raman (2011), there is positive relationship between the perceptive of Malaysian customers towards the Islamic bank product and services. They also find out that Islamic banks need to improve the quality and increase the profitability. Furthermore, the efficiency of transaction and maintain the competitive fees of the products and services also influence the perception of consumer.

Meanwhile Islamic banking products being rather similar with conventional bank product, they use the Shariah aspect to analyze the Islamic financial product development and the issues that appear through the process that based on secondary resource. Malaysia Islamic banking institution has introduced the products that have similar device which offered by the conventional bank based on Shariah concepts. This has helped to accelerate the product development and financial product preference to the customers (Jalil & Muda, 2007). According to Dusuki and Abdullah (2007), Islamic banks which provides the innovative products to serve the consumer all the time, the customers have positive perception towards the new innovation in products, which is AITAB. Majority of the customers are satisfied with Islamic innovative products.

2.4.3 Social and religious perspectives and Acceptance Level

Customer perception and satisfaction are regarded as a key determinant for the Islamic banks overall performance in Malaysia. In fact, customer perception has a significant relationship with religious perspective as their higher standard of level enabling Islamic banking more comfortable and easier (Haque et al., 2009). Most of the customers will choose Islamic banking due to the religion responsibility. However, there are some researches indicate that religious is not a dominant factor that influences the chosen of Islamic banking.

Religious factor is perceived as one of the significant criteria in the adoption of Islamic banking in Malaysia (Erol et al., 1990; Haron et al., 1994; Metawa & Almossawi, 1998; Naser, Jamal, & Al-Khatib, 1999). Based on Haron et al. (1994) study, it indicate that only 40 percent of Muslim consumers in Klang Valley are regarding religion factor as important in patronizing Islamic banks. Besides, according to Haque et al. (2009) and Loo (2010), they state that there is a significant relationship between religion in the perception of disadvantage in Malaysia. The study shows 100% respondents who are Muslims agree that Islamic banking does not conflict with their religion whereas around one-thirds of non-Muslims agree Islamic banking conflict with their religious belief.

On the other hand, Islamic banking is no longer considered as a business entity that strived to meet the religious obligations of Muslim. Indeed, it is more significantly as a business that is ineluctably in getting new customers whilst maintaining the old one (Wilson, 1995). It has also been observed that religious factor is not the main criteria for the adoption of the Islamic banks in Malaysia (Erol et. al., 1989; Dusuki & Abdullah, 2007; Marimuthu et al., 2010). Due to the interest free system has been recognized in the Islamic as well as in the non-Islamic countries, so it does not create the burden only in Islam and also the riba is not only prohibited in Islam. Hence, it shows that the religious factor is not the main determinant of the adoption of Islamic banks (Ratnawati et al., 2010).

Besides, a study has found that religion do not play a significant role in selecting an Islamic bank in Jordan (Erol & El-Bdour, 1989). Also, Gerrard and Cunningham (1997) have found that there is no difference between Muslims and non-Muslims on bank selection criteria in Singapore due to the general lacking of the awareness about the Islamic banking system. According to Metawa and Almossawi (1998), they indicate that religion as the most important criteria for customers to patronize Islamic banks and their study has contradicted with the study by Haron et al. (1994) and Gerrard and Cunningham (1997).

Furthermore, ethical responsibility is also a factor that influences customer in adopting of Islamic banking products. Based on the research, Metawa and Almossawi (1998) find that Islamic principles are the most important factor in

selecting an Islamic bank. According to Karim and Affif (2005), the main reason that customers choose an Islamic bank is due to the strong perception that interest is strictly prohibited in Islam and it is regarded as an attractive element as compared to those conventional banks.

Based on the previous research, it shows that Islamic banking products and services have been well-received by non-Muslims especially in the Klang Valley, Malaysia. It is fast gaining popularity and more widely accepted by the society at large especially for those non-Muslims. The results show that majority of the respondents have both Islamic and conventional banking accounts and it is in line with the wide support worldwide on Islamic banking (Haron et al., 1994). However, the respondents are unsure about the performance of banking facility and products with the establishment of Islamic banking. In addition, they are also unsure about the customer's perception and the potential of Islamic banking products in the future due to lack of information provided to the public.

In addition, according to Haron and Ahmad (2000), they indicate that Islamic banks are using conventional profitability theories in determining their products returns. Hence, the Islamic banks imitate the conventional bank practices and there is pressure on Islamic banks to stress on developing pure Islamic and innovative products and stop imitating conventional practice. It also reveals that the legal and regulatory frameworks, terminologies, systems, and products of Islamic banking are still very complicated and irregular. However, a study has showed that Bahrain and Malaysia have expert in building entirely independent nationwide legal, regulatory and financial frameworks for Islamic banking operation and it has been emulated by other Muslim countries as well (Khan & Bhatti, 2008).

Moreover, in the study of Metawa and Almossawi (1998) reveals that the customers of Bahrain Islamic Bank and Faisal Islamiac Bank perceive Islamic principles as the dominant factor in preferring Islamic banks. There is a study indicates that religious reason influences the chosen of Islamic bank due to the bank operation is based on Shariah principle. The study also shows that customers that deal with Islamic bank are willing to receive return at anytime due to bank

operates based on Shariah principles and they have high confidence in the bank that safeguarding their money and its ability in meet religious concern (Naser et.al., 1999). Based on the earliest survey conducted by Khan (1983), who observes that Islamic banks operate under a dual banking system in the United Arab Emirates, Kuwait, Bahrain, Jordan and Egypt have confront few difficulty in formulating practices that are consistent with Shariah principles. Thus, Islamic banking practices are complex as it compliant with the Islamic rules.

Hence, based on the research conducted by previous researchers, it can be observed that the social and religious factor have influence on the acceptance level towards Islamic banking. According to Omer (1992), religious perspective is the main variable that influences volume of Muslim deposits in Islamic financial institutions. Moreover, the higher the religious commitment and the lower the general education, the stronger the preference for Islamic than conventional (Omer, 1992).

2.4.4 Confidence in Islamic Banking and Acceptance Level

Haron et al. (1994) are amongst the earliest to investigate on bank's confidentiality by proving the confidentiality is ranked fourth and fifth for Muslims and non-Muslims respectively as their selection criteria in Islamic banking. Later, in another research conducted by Naser et al. (1999) in Jordan, bank's confidentiality is ranked as the fourth main reason (64%) of patronizing the Islamic banks and around 80% of the respondents are satisfied with the bank's ability to safeguard the customer confidentiality. This finding is supported by Gerard and Cunningham (2001) who discover the most important criterion in selecting a bank is feeling secure. Similarly, in the study of Othman and Owen (2002), factor analysis of bank's confidentiality is 0.82, indicating it is one of the major factors to positively affect the service quality of Kuwait Finance House customers.

On the other hand, according to Ibn-Miskawayh (1968), by following the Islamic ethics, a person should practise accountability to God and be honest and fair in his activities, for example, only documents that reveal true and accurate specifications in the contracts can be exchanged on hand (as cited in Hassan, Chachi, & Latiff, 2008). Based on this context, Parasuraman et al. (1991) find that the customers do not only judge the reliability and accuracy of the information and service but also on own experiences during the service delivery process (as cited in Naser et al., 1999). Several marketing literature advise that consumer trust is build on the perceived honesty, benevolence, and competence (Morgant & Hunt, 1994; Ratnasingham, 1998). Recently, Hassan et al. (2008) also recommend that the Islamic bank managers should try to assist and guide their customer relation advisors (CRAs) by giving out true information to the customers. Hence it is vital that customer trust on true and accurate information serve as an investigation point in this Islamic banking research.

Recently, the second edition of the "Shariah Resolutions in Islamic Finance Book" is published by BNM in October 2010, aiming to increase the transparency level on juristic in Islamic finance and increase appreciation and acceptance of Shariah decisions, in order to allow more efficient Shariah governance and prompt to better interpretation and application of Shariah (Bank Negara Malaysia, 2013). As transparency is one of major concerns in Islamic banking, researchers also suggest establishing more transparency to increase customers' confidence and help avoiding panics (Iqbal, Ahmad, & Khan, 1998). The recent financial crisis strikes the conventional banks has triggered the Islamic banking sector to insulate themselves from crisis through emphasizing on transparency and avoidance of undue risk (Akmal & Saleem, 2008; Johnes, Izzeldin, & Pappas, 2009).

Security system is often linked with online banking, where customers concern on their authentication details whether to be protected. Banks are usually prudent in debt collections and charge all overhead expenses on customers including computer and security systems (Saiful & Mohd Afandi, 2003). Hence, it is crucial to investigate consumer confidence on Islamic banks' security system. Othman and Owen (2002) prove that security of transaction is measured as 0.75 in the factor analysis which is a positive relationship on service quality, a study targeted

on customers of Kuwait Finance House. El Nagar and El Biely (2011) further discover that, the assurance dimension stands as the highest impact on customer satisfaction in Kingdom of Saudi Arabia (KSA). For example, if the bank can instill customer confidence in handling customers' affairs and the security of bank transactions in a professional manner, then customers in KSA will be satisfied through adopting good customer services policies (El Nagar & El Biely, 2011).

Last but not least, Islamic banks are supported by the Islamic teachings, hence it would generate good reputation and instil customers' confidence in its operation and closed information (Naser et al., 1999). A good image is an important aspect for banks in sustaining trustworthiness and establishing a long term relationship with customers (Barich & Kotler, 1991; Amin, Isa, & Suradi, 2010). Some researchers find that bank image and reputation are a key factor in consumers' choice of an Islamic bank (Haron et al., 1994; Naser et al., 1999). Researchers in Jordan, Norafifah and Haron (2002) stress that reputation and image as critical factors to win over customers' confidence in engaging with a bank. Ziaul, Nigar and Muslim (2010) point out that both Muslim and non-Muslim customers have confidence in Islamic banks' image, which can enhance customer loyalty. A. Malik, Bhatti, Parveen, and Arshad (2011) support this point by proving a bank's reputation is highly significant in retaining customers.

2.5 Conclusion

This chapter has explained all the independent variables and dependent variable. It has also reviewed on some theoretical framework by previous researchers and designed a proposed theoretical framework. Finally, this chapter has discussed the hypotheses development to theoretically answer to research questions in Chapter 1, besides serve as a guideline to build questionnaires in the following chapter.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

The research methodology is the methods that used to deal with data collected, analyzed and interpreted. Thus, this is the most important part in the research project. Research methodologies include research design, questionnaire design, pilot test, sampling design, data collection methods, measurement scale, and the data analysis. Besides that, it also provides a clear view to the readers on how the research is carried out.

3.1 Research Design

3.1.1 Descriptive Research

Descriptive research is a research that has specific objective to describe the characteristics of a population or phenomena. It also involves a large sample which is used to explain the attitudes, opinions, or behaviors in particular type of situation. Furthermore, descriptive study is requires some prior knowledge of the nature of research problem.

This research is descriptive by nature because it studies on the acceptance level of Islamic banking products and services among individual consumers in Malaysia. A survey questionnaire is designed in closed-ended questions because it is easy to analyze statistically.

3.1.2 Quantitative Research

Quantitative research is a type of research methodology that sued to quantify the data and have been used by the researcher to apply it on the statistical analysis. Quantitative research is adopted in this research as survey questionnaire is given out to study about Malaysians' acceptance level on the Islamic banking products and services. From the study, the quantitative research is more efficient and it is able to test the hypotheses in a better way, thus, it is an effective tool to measure the influences of following factors on the acceptance level, such as appealing products and services, consumers' social and religion perspectives and confidence in Islamic banking.

3.2 Data Collection Methods

There are two approaches that use to collect data, which are primary data and secondary data. The research questions are answered using both primary and secondary data.

3.2.1 Primary Data

Primary data is very important for all areas of the research. According to Zikmund (2003), primary data is the data collected and assembled for the project on hand. Furthermore, it can be performed through observation, survey, and experimental research conducted that used to get the relevant information from the target population as sample.

Survey is a type of research technique in which the information is gathered through giving out the questionnaire or through interviewing the respondents (Zikmund, 2003). Moreover, survey is a very common tools and a very useful way for the researcher to generated data.

In this research, questionnaire survey is the major resource in the data collection method. A questionnaire is a reformulated written set of questions for respondents to record their answers, usually within rather closely defined alternative (Sekaran & Bougoe, 2010). In order to obtain more precise result, the questionnaires are distributed to working adult.

The questionnaire surveys are given out to Klang Valley area and Kuala Lumpur. There are 500 respondents from different ranges of gender, age, religion, marital status; higher qualification achieved current occupation, individual monthly income, and household total monthly income. The surveys that have been collected are then transformed into primary data by using the software Statistical Package for Social Science (SPSS) Version 20.

3.2.2 Secondary Data

According to Sekaran and Bougie (2010), secondary data is typically gathered from the existing sources which basically gathered from references books, internet, articles, magazines and journals. The entire list at above are the secondary data sources that used to conducting the research. Actually, secondary data is much more convenient and efficient in gather the information than primary data.

In this study, the online journals that subscribed by the Universiti Tunku Abdul Rahman (UTAR) library service are also one of the useful way to get secondary data. Besides, some other online libraries, like textbooks for business research, online research engines also play an important role in help to obtain information to the researcher. The online articles and journals from authors' opinion also can be serving as secondary data for this research.

3.3 Sampling Design

Sampling design is a type of process that used to choose some number of units as a sample to represent the large amount of population from the number of respondents they are selected. Basically, the populations to be studied are sometimes to be too large until impossible for the researcher to reach all of them. Hence, the sampling is enabled the researchers to reach all the respondents through the selected sample from the population.

3.3.1 Target Population

It may be difficult to target the market as a whole, so it is necessary to specify a group of respondents as the target population. Target population is refers to the group which is designed to serve. It is very important to clearly define the target population of this research. Thus, the target population of this research mostly is the working adults in central cities of Malaysia and it is also considered as a main indicator for this study.

3.3.2 Sampling Frame and Sampling Location

In this research, the sample sizes that are targeted are 500 respondents and 500 questionnaires are distributed to the working adults in Klang Valley and Kuala Lumpur. The sampling frame of this research is all the customers in capital city of Malaysia and the locations that are targeted are the banks, companies, LRT stations and KTM stations in Klang Valley and Kuala Lumpur. The location is chosen because this area is considered as the capital area of Malaysia and it is also the main economic and business centre of the country. Meanwhile, Kuala Lumpur is also recognized as an alpha world city, and it is the only global city in Malaysia (Alpha Connect Plus, 2010). Besides, based on the online survey conducted by the previous researchers, Kuala Lumpur and Petaling Jaya are the two main cities where the employees in those areas have median salaries (PayScale, 2013). Thus,

it is very suitable to obtain the most reliable and precise results for this research if conducted the survey in those areas.

Figure 3.1: Median salary in Malaysia according to cities

Source: Salary for Country: Malaysia. (2013, January 21). Retrieved January 27, 2013, from PayScale:

http://www.payscale.com/research/MY/Country=Malaysia/Salary#by_City

3.3.3 Sampling Elements

In this research, questionnaires are distributed to the targeted working adults aged 20 to 55, who are in Klang Valley and Kuala Lumpur. These groups of targeted respondents are the majority and have more working experiences. Their perception enables to make the results become more precise.

3.3.4 Sampling Technique

Sampling technique is classified into two main parts, which is probability and non-probability. Probability samples are based on chance of selection procedures whereas non-probability is where the sample is selected in some non random manner. In this research, the sampling technique that is chosen is the simple random sampling and it is one of the types of probability sampling technique. By using the simple random sampling method, each of the respondents in the population has an equal and known chance of being selected. Thus, it can make the research to become more precise and accurate.

3.3.5 Sampling Size

The sample size that is specified in this research is 500 and a total of 500 questionnaires are distributed to the working adults in Klang Valley and Kuala Lumpur. The survey is conducted from October to December 2012.

3.4 Research Instrument

3.4.1 Questionnaire Design

Personal self-administered questionnaire has been used as a medium for data collection as it able to reach out large number of respondents. The questionnaire consists of 33 questions and divided into 5 sections which are Section A, B, C, D and E. Declaration of private and confidential is highlighted in the survey so that the respondents are comfort in answering the questions. Besides that, fixed-alternative question is also widely used to collect data because it is easier and more time efficient for the respondents to answer the survey question and for the researcher to analyze the data that have been collected.

There are 8 questions in the section A. The purpose of this section designed is to gather the demographics and personal information of the respondents. The questions asked are gender, age, religion, marital status, highest education level, current occupation, individual monthly income, and household monthly income. For section A, the personal information of respondents is gathered through the dichotomous alternative and determinant-choices questions. According to Zikmund (2003), all the respondents are required to choose one answer from several alternatives that given in a question.

Section B is designed to know whether or not the respondent is a user of Islamic banking. The respondents have to select from a list of Islamic banking products and services that are shown if they are using such products or services.

Section C is to know how far the respondent understands about Islamic banking. Some general knowledge of Islamic banking has been asked such as awareness about existence of Islamic banking, its banking operation and Islamic contracts. For Section C, the types of questions are dichotomous alternatives and determinant-choice questions.

Section D is constructed for the independent variable of this research which are appealing Islamic banking products and services, social and religious perspectives, as well as confidence in Islamic banking. There are 5 questions in each independent variable. The first part of the questions is to clarify which Islamic banking products and services are attractive to respondents. The second part is to know how the respondents percept from social and religious views. The third part is to measure how much confidence the respondents have on Islamic banking.

The last part of the questionnaire, section E is used to measuring the dependent variable which is the acceptance level toward Islamic banking.

For Section D and E, the types of questions are attitude rating scale which is Likert scale. From the Likert scale, the level of attitude is measured when the respondents is try to express how strongly agree or disagree with the constructed statements, it also used to indicating their responses ranging from very positive to

very negative toward an attitudinal object. Overall, the respondents are generally been choose from five alternatives which are strongly agreed, agree, neutral, disagree and strongly disagree (Zikmund, 2003).

3.4.2 Pilot Test

Pilot test is a type of test that used to collect the data from the ultimate subject of the research project to serve as a guide for the large study (Zikmund, 2003). The pilot test is often used to conduct prior to the distribution of actual surveys to figure out some major and minor errors that were being neglected in the questions. Besides that, the pilot test was primary used to check the reliability, validity and accuracy of the questionnaires.

There are around 30 sets of questionnaire are distributed to staff in UTAR, Kampar and the data that have been collected is being tested its reliability by using the SPSS 20 software.

During the pilot test, some suggestions were highlighted from the pilot test respondents which are the staff from UTAR, Kampar. There are few results are abnormal but the overall result is still reliable. When pilot test was completed, there are some amendments on the questions were made, at last, there are 500 set of questionnaire are distributed to the target respondents in Klang Valley.

3.4.2.1 Result of Pilot Test

Table 3.1: Pilot test reliability test results

Variable	Cronbach's Alpha	Sum of items
Appealing products and services	0.929	5
Social and religious perspectives	0.767	5
Confidence in Islamic banking	0.939	5
Acceptance level	0.882	10

Source: developed for this research

3.5 Construct Measurement

According to Zikmund (2003) a scale may be defined as any series of items that arrange progressively according to the value. There are many scales that can be used to run the research such as nominal scale, ordinal scale, ratio scale, interval scale, Likert scale and etc. However, the questionnaire is only used nominal, ordinal and Likert scale.

3.5.1 Nominal Scale

Nominal scale is the simplest type of scale which it is used to assigning some specific categories or number. These scales are therefore qualitative rather than quantitative to object serve as labels for identification in the questionnaire. The categories are mutually exclusive of all possibilities. For instance, gender is an example of a variable that measured on a nominal scale. Individual may be classified as "male" or "female" and religious preference is other examples of variables that also measure on a nominal scale. Categorical or qualitative measured on variables are often referred on a nominal scale.

3.5.2 Ordinal Scale

Ordinal scale arranges object according to their magnitude or called as ranking. Every single value has its unique meaning otherwise it has an ordered relationship to each value on the scale. The numbers are arranged in rank order such as credit rating. It has rate as "high risk", "medium risk", and "low risk" which showed that "medium risk" is higher than "low risk" in the rank. However, this scale does not show how much different between the rank. In this study, ordinal scale is applied on highest education level achieved, individual monthly income, and household monthly income.

3.5.3 Likert Scale

Likert scale is a type of measurement scale that developed by Rensis Likert. It is the most widely used approach to scaling responses in survey research in order to measure how strong the respondents agree or disagree when constructed statement that range from positive to negative of an object. This scale is therefore also referred to as a summated scale. For example, 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-stongly agree. Likert scale is used to collect data on how individual consumers percept Islamic banking and their acceptance level.

3.6 Data Processing

Data processing is used to process the questionnaire responses into output. Data processing consist of few steps, firstly is data checking, secondly is data editing, thirdly is data coding, fourth is data transcribing and the last two process are cleaning the data and selecting the data analysis strategy. In short, the aim in this step is to produce a file of data that is as free of errors as possible.

The first step will be done after the questionnaires have been completely created and the checking of the research questionnaire is followed. After checking the questionnaire and it is found out to be free of errors then the process will be beginning. The checking reason of this step is to correct any problem that has been existed. Next it is able to make the immediate correction of the questionnaire before distributing the whole survey form to the respondents.

The second step is to edit the data. Editing data will be implemented after the questionnaire is being checked. The reason for data editing is to review the questionnaire in order to increase the accuracy precision. Some of the questionnaire consists of uniformity answer and unanswered questions exist. So that this is the important step that can use to identify the questionnaires has been consistency.

The third step is data coding. Which in data coding, it is used to transform of the questionnaire data into another format which the computer could encoded. For the questionnaire, there are several different codes being assigned to represent the different type of questions. This code for questionnaire is done after the whole questionnaire is being completed. The next step will be the data transcribing that transcribed the questionnaires by transformed the data into computers through typing all the information.

The next step is the data cleaning process. This type of step is done after the step of data transcribed. The purpose of this step is to make consistency checks. SPSS software version 20 is used to make this kind of consistency check to avoid from inconsistency data. Purpose of consistency check is to identify data which are out of range, inconsistent with the title or have extreme values. There have some difference between checking data at this step and data editing which this data cleaning step is more detail than data editing.

The last step is selecting data analysis strategy. Selection of this strategy is based on the earlier steps of Islamic banking research process which including problem definition, developing of hypothesis and research constructed. The characteristics of the data are also taken into consideration as well in selecting strategy for analysis. In order to examining the proper statistical technique has been selected based on the differences in variables and verifying the relationship between variables and making prediction.

3.7 Data Analysis

After all the data has been collected, it is analyzed and interpreted by using the computer software program, Statistical Package for Social Sciences (SPSS) Version 20.

3.7.1 Descriptive Analysis

According to Zikmund (2003), descriptive analysis refers to the statistics used to describe or summarize the information about a population or sample. Descriptive analysis are very important in running the research Moreover, it is also very hard for to visualize what data was actually showing. Hence, this will become harder if there is a lot of data at the same time. In other way, descriptive statistic can transform the raw data into a form that easy to understand and then interpret, rearranging, ordering and manipulating data to provide descriptive information (Groenewald, 2010).

Besides that, there are few common ways to use in summarizing data by calculating the averages, frequency distributions and also the percentage. Based on this study, the descriptive statistics will be presented through frequencies and percentages by means of summaries the group data using a combination of tabulated description (i.e. tables) and graphical description (i.e. graphs and charts).

Furthermore, the fields that will be tested in this study include gender, age, religion, marital status, higher qualification achieved, current occupation, individual monthly income, and household total monthly income, besides testing on frequencies and means of Likert scale of all variable constructs.

3.7.2 Reliability Test

According to Golafshani (2003), reliability is one of the most important elements of test quality which is refers to the results that are consists over time and also an accurate representation of total population under the research study. If the result can be remake under a similar methodology, then the research instrument is considered reliable. In other words, reliability refers to whether the variability in the observed scores actually represents variability in the underlying true score (DeCoster, 2004).

SPSS Version 20 provides a measurement of internal-consistency reliability whereby it is calculated by averaging of coefficients that result from all possible combination of split halves which is called Cronbach's Alpha or coefficient alpha. The higher the correlation among the variables and the greater the alpha will be tested. According to Zikmund and Babin (2010), coefficient values vary from 0 mean no consistency reliability between items to 1 means complete consistency reliability.

In additional, Table 3.2 shows that the rules of thumb about Cronbach's Alpha Coefficient Size range from 0.6 to 0.9 (Hair et al, 2003) stated that value of Alpha more than 0.9 is considered as excellent, 0.8 to less than 0.9 is considered very good, 0.7 to less than 0.8 considered good, 0.6 to less than 0.7 is considered as moderate, and where the value is less than 0.6 will be considered as poor. Moreover, when a particular item is removed from consideration is a good measure of the items' contribution to the entire test's assessment performance.

Table 3.2: Rules of Thumb about Cronbach's Alpha Coefficient Size

Alpha coefficient range	Strength of association
less than 0.6	Poor
0.6 to less than 0.7	Moderate
0.7 to less than 0.8	Good
0.8 to less than 0.9	Very Good
more than 0.9	Excellent

Sources: Hair, J.F. Jr., Babin, B., Money, A. H., & Samouel, P. (2003). *Essential of Business research methods.* New Jersey: John Wiley & Sons.

3.7.3 Inferential Analysis

In the research project, the inferential analysis is used to study the inference from the samples about the population which they had been drawn (Arsham, 1996).

When the sample data to the population has any inferred conclusion which in the sample that is drawn must show in the probabilistic term. Furthermore, inferential statistic used to make judgment of the probability and checking the validity of a claim. In short, there are two techniques will be focused in this research which include Pearson correlation coefficient analysis and multiple regression analysis.

3.7.3.1 Pearson Correlation Coefficient Analysis

Pearson correlation coefficient refers to measure on demonstrating the relationship of variables and the strength of the association between the two variables. There are using the scatter plot to measure the relationship between the variables. The correlation coefficient value is from -1 to +1.When the value with -1 which indicates that the variables are perfect negative linear relationship with a negative slop. The value with zero indicates that the variables are no linear relationship. The value with +1 which indicates the variables are perfect positive linear relationship with a positive slop. If the Pearson correlation is less than 0.5 which is a weak correlation and more than 0.8 is strong relationship.

Pearson correlation analysis is used to find the correlation between the independent variables (appealing Islamic banking products and services, social and religious perspectives and confidence in Islamic banking) and dependent variables which is acceptance level.

3.7.3.2 Multiple Linear Regression Analysis

3.7.3.2.1 Diagnostic Checking

As proposed in the Chapter 2, the model to be used in this research is Multiple Linear Regression Model. Several assumptions are made in order to form a sample linear regression model:

1. All dependent and independent variables are normally distributed.
2. Relationship between dependent and independent variables are linear.
3. Sample size must big enough (According to Central Limit Theorem, sample size, n must $\geq$ 30).
4. Error is normally distributed with zero mean and constant variance.
5. Error values are statistically independent.
6. There is no relationship between independent variables (X_i).
7. There is no relationship between error and independent variables (X_i).
8. There is no relationship between error and the number of observations.

To ensure the data is useful in explaining the acceptance level towards Islamic banking among individual consumers in Malaysia, some diagnostic checking must be done before proceed to interpreting the Multiple Linear Regression Model. Diagnostic checking is to detect whether there is existence of any statistical problem in the sample and no violation of assumptions. Diagnostic checking that to be conducted are:

1. Normality test: To test whether error terms are normally distributed
2. Multicollinerity checking: To check whether there is relationship between independent variables
3. White test: To test whether there is heteroskedasticity problem (error terms have no zero mean and no constant variances)
4. Durbin-Watson test: To test whether there is autocorrelation problem

When passing all the diagnostic checking and no violation of assumptions, then the estimated coefficients, $\hat{\beta}_i$, will be BLUE (Best, Linear and Unbiased Estimator). BLUE ensures the results are reliable and are not biased, hence, no misleading to the hypothesis testing.

3.7.3.2.2 Multiple Linear Regression Model

Multiple regression is set of independent variables that describe a proportion of the variance is a dependent variable at a significant level and thus set up the relative predictive importance of independent variables. In other words, it is also a statistical technique that allows predicting someone's score on one variable on the basic of their scores on several other variables. Regression analysis is also used to measure the degree of influence of independent variables on a dependent variable.

Next, by using multiple regression analysis, it is able to know how much variance in the dependent can be explained by a set of independents variables by using hierarchical regression. According to Garson (2007), it stated that the higher the correlation, the closer the scored will fall to the regression line and then the yield is more accurate prediction.

In this study, associated with multiple linear regressions is R^2, means coefficient of determination that provides information about the proportion of variation in the independent variables ad the dependent variables. In this research project, the percentage of variance of the dependent variable can be explained jointly by all of the independent variables. Meanwhile, adjusted R^2 is the coefficient of determination of the multiple linear regression after considering degree of freedom (number of independent variables).

The independent variables include appealing Islamic banking product and services, social and religion perspectives, and confidence in Islamic banking whereas dependent variable is acceptance level. Those independent variables listed above might significantly affect the acceptance level towards the Islamic banking. By

collecting data on all of these variables, it is able to know how many and which these variables give rise to the most accurate prediction of acceptance level of individual consumers towards the Islamic banking products and services.

As discussed in Chapter 2, in according to the theoretical framework proposed in this study, a model is designed in relate to the framework:

$$\hat{Y} = c + \hat{\beta}_1 X_1 + \hat{\beta}_2 X_2 + \hat{\beta}_3 X_3 + \hat{\mu}$$

where

$\hat{Y}$ = Acceptance level

c = Constant

X_1 = Product Services

X_2 = Social Religious

X_3 = Confidence

$\hat{\mu}$ = Residual

$\hat{\beta}_i$ (where i = 1, 2, 3) = Estimated coefficient of X_i (where i = 1, 2, 3)

(Note: The name of variables is in abbreviation in designing the model and conducting the statistical tests. Products Services = Appealing Islamic banking products and services; Social Religious = Social and religious perspectives; Confidence = Confidence in Islamic banking)

Last but not least, several hypotheses testing are conducted to test on multiple regression model significance and individual effect of each independent variable on the dependent variable. Hypothesis testing is to verify the statistical assumptions (the hypotheses) to make precise conclusion.

3.8 Conclusion

In conclusion, for Chapter 3, a sample of 500 respondents is targeted to response to this research. For the research design, the descriptive research design and quantitative research are used to quantified and identify the data and applies on

statistical analysis. In this research, primary data and secondary data are used to collect data. Besides, self-administered questionnaire has been used as a medium for data collection as it is able to reach out to large number of respondents.

Before distributing the questionnaire to target respondents, 30 sets of questionnaire for pilot test is carried out in order to test its reliability and validity by using SPSS Version 20. For construct measurement, nominal, ordinal, and Likert scale are used. Data processing like data checking, data coding, data editing, data cleaning, and data transcribing and select the data analysis strategy which is also included in this chapter.

After the data has been collected, the SPSS Version 20 will be used to interpret the data. By using SPSS Version 20, it is able to describe and summaries the information about a sample, namely the reliability of the test items. Furthermore, inferential statistics to checking a validity of a claim and explain a phenomenon. In this study, the Pearson correlation coefficient analysis, diagnostic checking and multiple regression analysis will be conducted as well.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

In this chapter, the data that has been collected from questionnaires is interpreted, examined and analyzed in order to meet the objectives of the study.

The questionnaire is distributed to 500 respondents located in Kuala Lumpur and Klang Valley, and 430 responses are collected back. However, after dropping out some missing values in the data, the sample size becomes 409. Hence, the response rate is 81.8% out of 500 questionnaires given out. After collecting the data, it is converted from the pool of respondents and keyed in to Statistical Package for Social Science (SPSS) Version 20.

In this chapter, the descriptive analysis will be analyzed and tables and graphs are used to represent the particulars of the respondents, which include the gender, age, religion, marital status, higher qualification achieved current occupation, individual monthly income, and household total monthly income. It is then followed by Internal Reliability Test, Pearson Correlation Analysis, Diagnostic testing, Multiple Linear Regression (MLR) and hypothesis testing.

4.1 Descriptive Analysis

Descriptive analysis in this study consists of gender, age, religion, marital status, higher qualification achieved, current occupation, individual monthly income, and household total monthly income. Out of 409 respondents, their demographic profile is presented.

4.1.1 Respondents Demographic Profile

Table 4.1: Frequency Table for Demographic Profile

	Frequency	Percentage (%)
Gender		
Male	197	48.2
Female	212	51.8
Age		
< 20	2	0.5
20 – 29	178	43.5
30 – 39	156	38.1
40 – 49	44	10.8
50 - 59	29	7.1
Religion		
Muslim	193	47.2
Non-Muslim	213	52.8
Marital Status		
Single	209	51.1
Married	190	46.5
Divorces	9	2.2
Others	1	0.2
Highest Qualification Achieved		
No formal education	4	1.0
below secondary school	7	1.7
secondary school	20	4.9
STPM/ A-level/Diploma	100	24.4
Bachelor's degree	232	56.7
Master's/PhD's degree	24	5.9
Professional qualification	18	4.4
Others	4	1.0
Current Occupation		
Professionals (Doctor/Lawyer/Engineer/Accountant)	29	7.1
Manager/ administrative staff	77	18.8
Banking and finance personnel	178	43.5
sales and marketing personnel	62	15.2
Academician/ educator	19	4.6
Government disciplinary body (police/ army)	4	1.0
Housewife	13	3.2
Self-employed	16	3.9
others	11	2.7
Individual Monthly Income		
< RM1000	11	2.7
RM1000 – 1999	20	4.9
RM2000 – 2999	144	35.2
RM3000 – 3999	123	30.1
RM4000 – 4999	52	12.7
> RM5000	59	14.40
Household Total Monthly Income		
< RM1000	10	2.4
RM1000 – 1999	21	5.1
RM2000 – 2999	102	24.9
RM3000 – 3999	70	17.1
RM4000 – 4999	41	10.0
> RM5000	165	40.3

Source: Developed for this research

4.1.2 Central Tendencies of Measurement of Construct

4.1.2.1 Gender

Table 4.2: Gender

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	197	48.2	48.2	48.2
Female	212	51.8	51.8	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.1: Gender
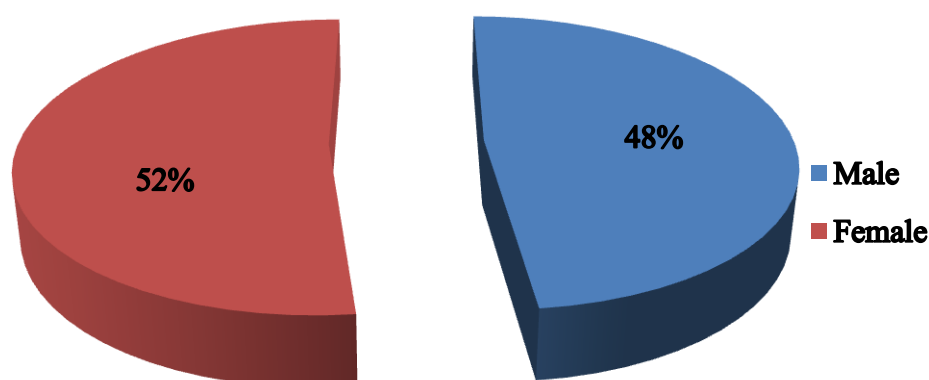
Source: Developed for this research

Table 4.2 indicates the number of respondents and percentage according to the gender. From the results, it is found that there are 212 female respondents (51.8%) and 197 male respondents (48.2%), hence a total of 409 respondents (100%).

4.1.2.2 Age

Table 4.3: Age

Age	Frequency	Percent	Valid Percent	Cumulative Percent
< 20	2	.5	.5	.5
20-29	178	43.5	43.5	44.0
30-39	156	38.1	38.1	82.2
40-49	44	10.8	10.8	92.9
50-59	29	7.1	7.1	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.2: Age
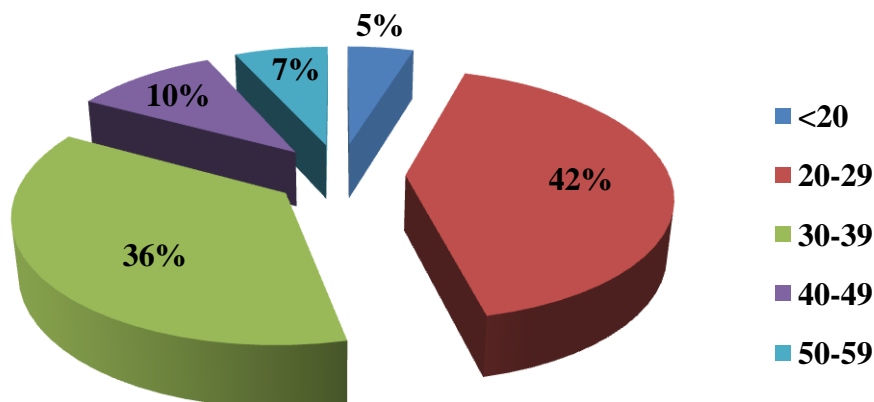
Source: Developed for this research

Based on the Table 4.3, the age range below than 20 years old gains the lowest percentage, which consists of only 2 respondents (0.5%). In contrast, the age range between 20-29 years old is the highest percentages, consist of 178 respondents (43.5%). From the data shown that for the age range between 30-39 years old get the second highest that consist of 156 respondents (38.1%) and the range 50 years old and above which is 29 respondents (7.1%).

4.1.2.3 Religion

Table 4.4: Religion

Religion	Frequency	Percent	Valid Percent	Cumulative Percent
Muslim	193	47.2	47.2	47.2
Non-Muslim	216	52.8	52.8	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.3: Religion
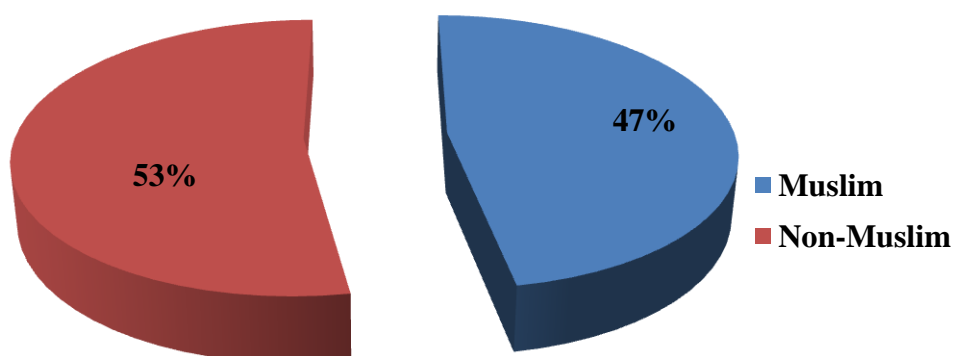
Source: Developed for this research

According to Table 4.4, the percentage of non-Muslims and Muslims respondents are about equal, where 52.8% of non-Muslims (216 respondents) and 47.2% of Muslims (193 respondents).

4.1.2.4 Marital Status

Table 4.5: Marital Status

Marital Status	Frequency	Percent	Valid Percent	Cumulative Percent
Single	209	51.1	51.1	51.1
Married	190	46.5	46.5	97.6
Divorced	9	2.2	2.2	99.8
Others	1	.2	.2	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.4: Marital Status
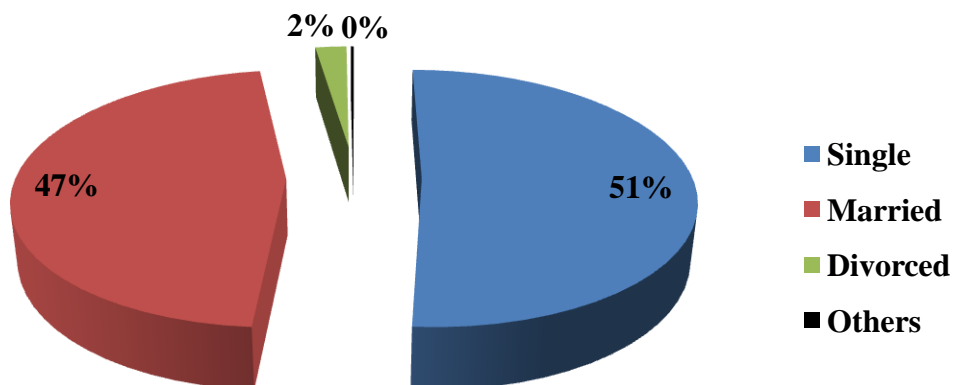
Source: Developed for this research

From the table above, the Marital Status result shows that the highest percentage of respondents is from Single which is more than half comprises 209 respondents (51.1%). Then it is followed by the Married which covers 190 respondents (46.5%). Only 9 respondents (2.2%) are Divorced and the remaining is from other marital status.

4.1.2.5 Highest Education Level

Table 4.6: Highest Education Level

Highest Education Level	Frequency	Percent	Valid Percent	Cumulative Percent
No formal education	4	1.0	1.0	1.0
Below secondary school	7	1.7	1.7	2.7
Secondary school	20	4.9	4.9	7.6
STPM/ A-level/ Diploma	100	24.4	24.4	32.0
Bachelor's degree	232	56.7	56.7	88.8
Master's/ PhD's degree	24	5.9	5.9	94.6
Professional qualification	18	4.4	4.4	99.0
Others	4	1.0	1.0	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.5: Highest Education Level
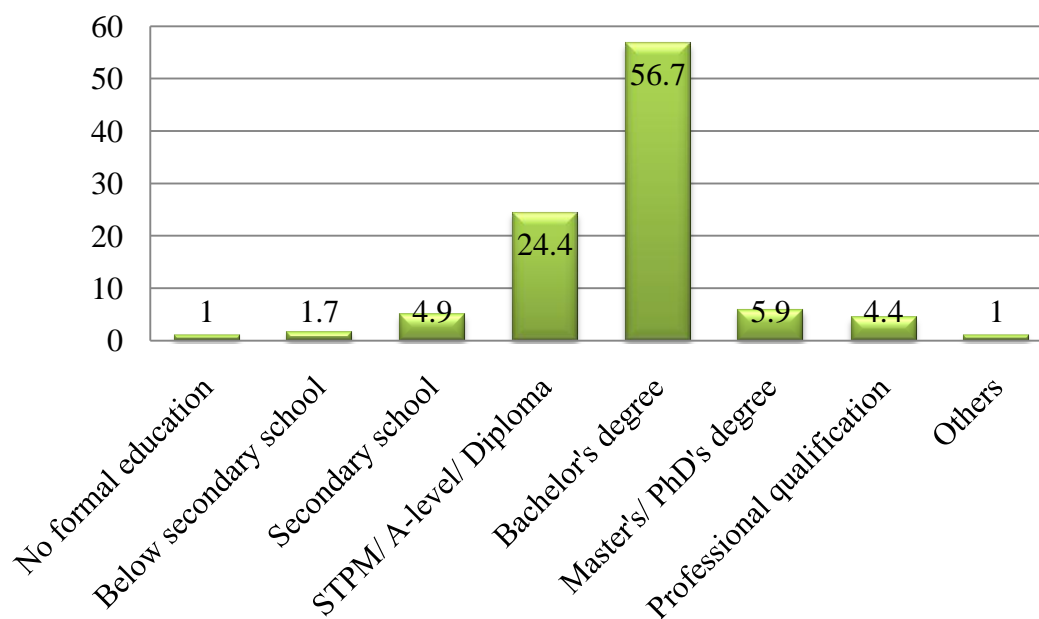
Source: Developed for this research

As for the educational level, the highest percentage of respondents comes from bachelor degree level which is 232 respondents (56.7%). In comparison, there are two lowest percentage come from the "no formal education" and "others" which each of both comprises only 4 respondents (1.0%). The STPM/A-level/diploma gains the second highest percentage from the respondents which is 100 respondents (24.4%), followed by Master's/PhD's degree with 24 respondents (5.9%), secondary school with 20 respondents (4.9%), and professional qualification with 8 respondents (4.4%) and below secondary school with only 7 respondents (1.7%).

4.1.2.6 Current Occupation

Table 4.7: Current Occupation

Current Occupation	Frequency	Percent	Valid Percent	Cumulative Percent
Professionals (Doctor/ Lawyer/ Engineer/ Accountant)	29	7.1	7.1	7.1
Manager/ administrative staff	77	18.8	18.8	25.9
Banking and finance personnel	178	43.5	43.5	69.4
Sales and marketing personnel	62	15.2	15.2	84.6
Academician/ educator	19	4.6	4.6	89.2
Government disciplinary body (police/ army)	4	1.0	1.0	90.2
Housewife	13	3.2	3.2	93.4
Self-employed	16	3.9	3.9	97.3
Others	11	2.7	2.7	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.6: Current Occupation
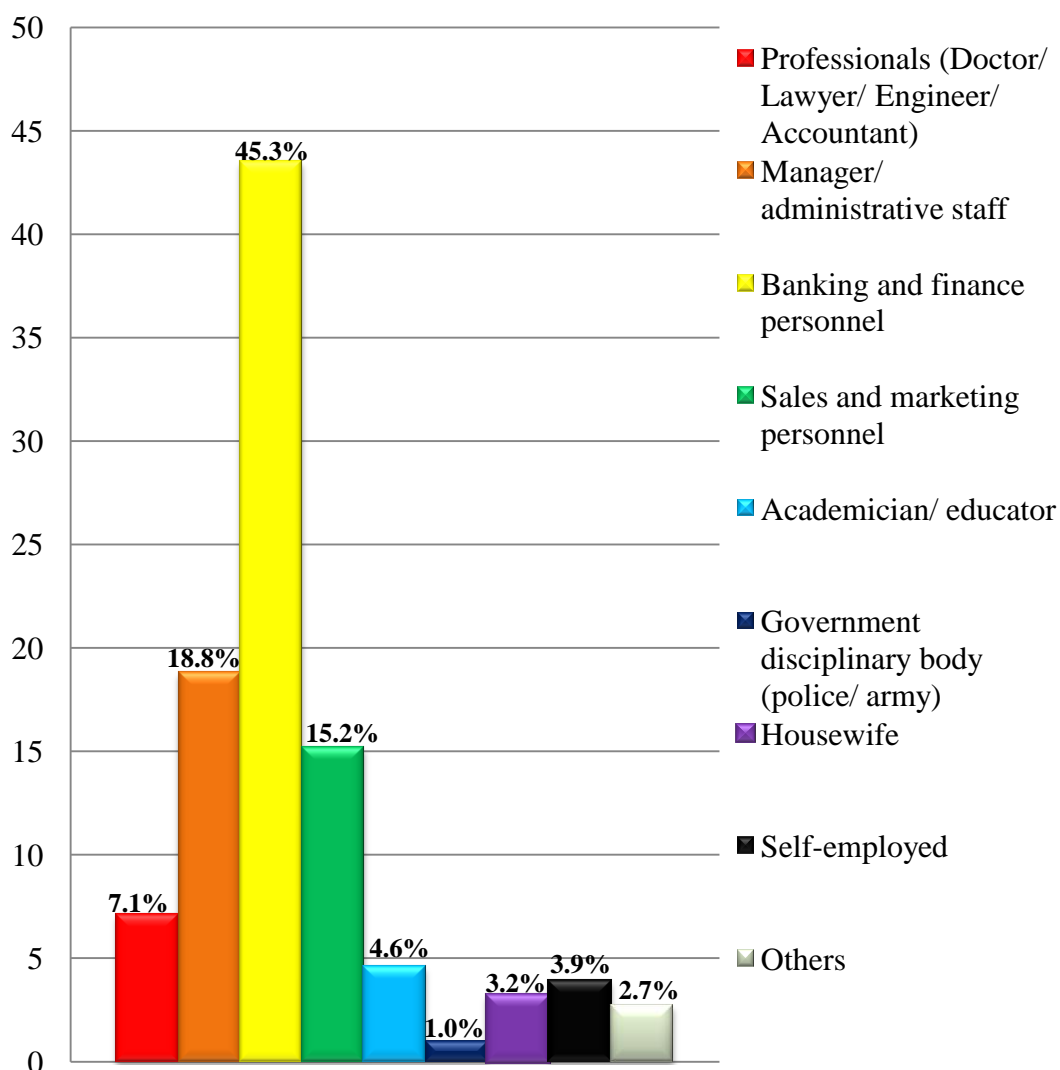
Source: Developed for this research

Table 4.7 shows that the occupation, as 178 (43.5%) is the highest frequency of respondents are from banking and finance field. There are 29 professionals (7.1%), 77 manager/administrative staff (18.8%), 62 sales and marketing personnel (15.2%), 19 academicians (4.6%), 4 government disciplinary body (1.0%), 13 housewives (3.2%), 16 self-employed (3.9%) and 11 of respondents (2.7%) are from other areas.

4.1.2.7 Individual Monthly Income

Table 4.8: Individual Monthly Income

Individual Monthly Income	Frequency	Percent	Valid Percent	Cumulative Percent
< RM1000	11	2.7	2.7	2.7
RM1000–1999	20	4.9	4.9	7.6
RM2000–2999	144	35.2	35.2	42.8
RM3000–3999	123	30.1	30.1	72.9
RM4000–4999	52	12.7	12.7	85.6
> RM5000	59	14.4	14.4	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.7: Individual Monthly Income
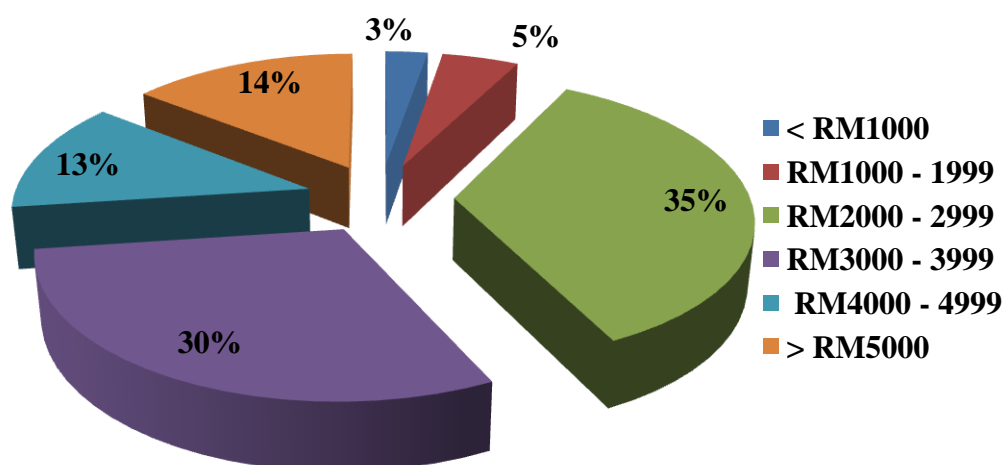
Source: Developed for this research

Table 4.8 presents the different income levels of respondents. A large majority of the respondents have the monthly income of RM2000 to RM3999. From the result, it is found that most of the respondents, which are 144 respondents (35.2%) have monthly income level between RM 2000–RM2999. It is followed by the income level in the range of RM3000–RM3999 which consists of 123 respondents (30.1%). Next, the respondents that receive the income range between RM5000

and above are 14.4% or 59 people. While, the last three income level are RM4000–RM4999 which contributes 52 respondents (12.7%), RM1000–RM1999 comprises 20 respondents (4.9%) of and income less than RM1000 consists of 11 respondents (2.7%).

4.1.2.8 Household Monthly Income

Table 4.9: Household Monthly Income

Household Monthly Income	Frequency	Percent	Valid Percent	Cumulative Percent
< RM1000	10	2.4	2.4	2.4
RM1000-1999	21	5.1	5.1	7.6
RM2000-2999	102	24.9	24.9	32.5
RM3000-3999	70	17.1	17.1	49.6
RM4000-4999	41	10.0	10.0	59.7
> RM5000	165	40.3	40.3	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.8: Household Monthly Income
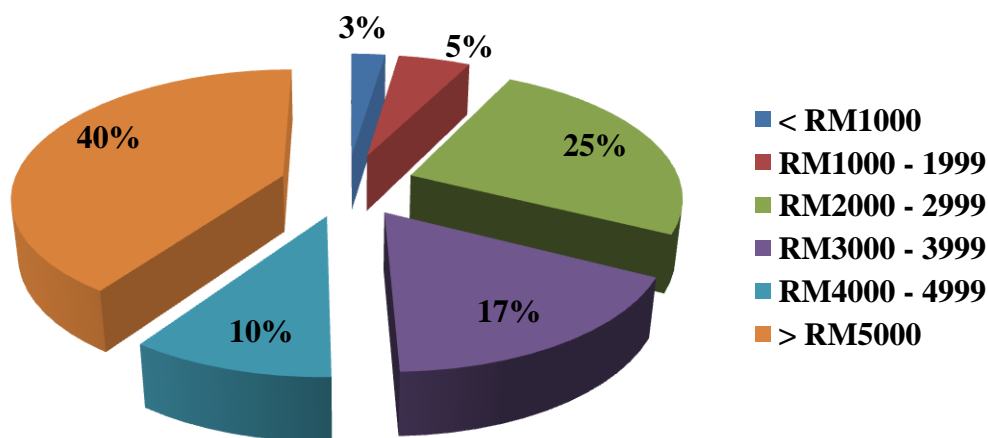
Source: Developed for this research

Table 4.9 presents the household total monthly income earned by the respondents. Most of the respondents, 40.3% of them are from household monthly income of more than RM 5000. Followed by the second highest household income level that range between RM 2000 and RM 2999 which is 102 respondents (24.9%). Lastly, the least number of respondents earn income of below RM 1000, which is only 2.4% of respondents.

4.1.2.9 Islamic banking use information

Table 4.10: Islamic banking use information

	Yes		No	
	Frequency	%	Frequency	%
Savings account/ current account	187	45.7	222	54.3
Term deposit/ Fixed deposit	67	16.4	342	83.6
Investment account	42	10.3	367	89.7
Housing financing (BBA)	60	14.7	349	85.3
Education financing	36	8.8	373	91.2
Personal financing	34	8.3	375	91.9
Share financing	9	2.2	400	97.8
Automobile financing	47	11.5	362	88.5
Cash line facility/ overdraft	9	2.2	400	97.8
Credit card/ debit card	76	18.6	333	81.4
Bank assurance/ insurance	55	13.4	354	86.6

Source: Develop for research

Based on Table 4.10, 187 (45.7%) respondents who use the saving or current account and 76 (18.6%) respondents use the credit card or debit card. As for term deposit or fixed deposit which is 67 (16.4%). Moreover, number of respondents who use the housing financing (BBA) is 60 (14.7%). Only 55 (13.4%) of the respondents use the bank assurance or insurance. In the other words, the number of respondents who use the Islamic Banking products and services are almost the

same which are 47 automobile financing users (11.5%) and 42 investment account users (10.3%). Furthermore, education financing and personal financing also have almost the same frequency which is 36 (8.8%) and 34 (8.3%) respectively. Lastly, there are a same number of respondents who use share financing and cash line facilities or overdraft which is 9 respondents each (2.2%).

4.1.2.10 Awareness on Islamic banking

4.1.2.10.1 Heard of Islamic Banking

Table 4.11: Heard of Islamic Banking

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	357	87.3	87.3	87.3
No	52	12.7	12.7	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.9: Heard of Islamic Banking
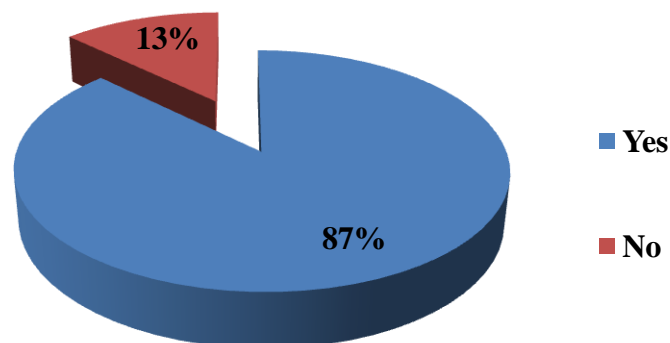
Source: developed for the research

Based on the Table 4.11, it shows that 357 respondents (87.3%) have heard of Islamic Banking. However, 52 respondents (12.7%) have never heard of Islamic Banking.

4.1.2.10.2 The Operation of Islamic Banking is Compliant to the Islamic Law

Table 4.12: The Operation of Islamic Banking is Compliant to the Islamic Law

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	319	78.0	78.0	78.0
No	90	22.0	22.0	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.10: The Operation of Islamic Banking is Compliant to the Islamic Law
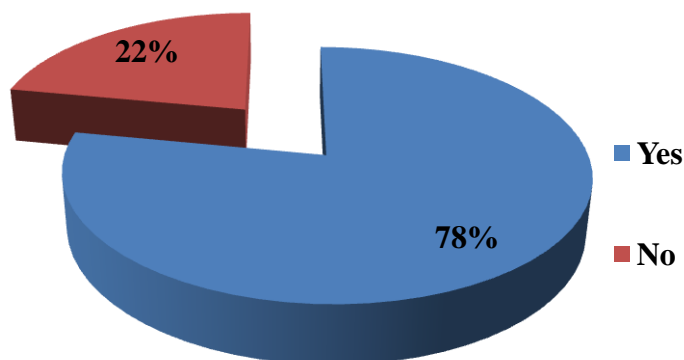
Source: developed for the research

Based on the Table 4.12, it shows that 319 (78.0%) of respondents know that the operation of Islamic banking is compliant to the Islamic Law. While, 90 (22.0%) respondents do not aware of it.

4.1.2.10.3 The Different of Islamic Banking Products and Services from those of Conventional Banking

Table 4.13: The Different of Islamic Banking Products and Services from those of Conventional Banking

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	318	77.8	77.8	77.8
No	91	22.2	22.2	100.0
Total	409	100.0	100.0	

Source: Developed for this research

Figure 4.11: The Different of Islamic Banking Products and Services from those of Conventional Banking
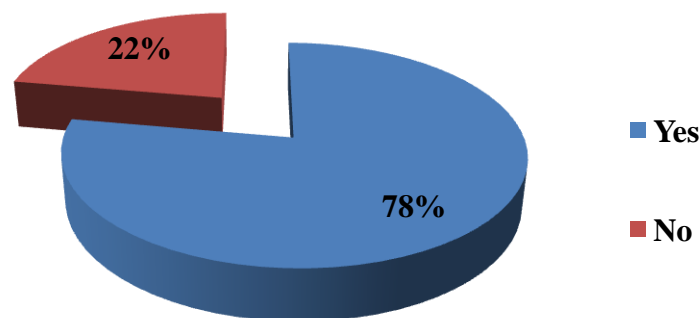
Source: Developed for the research

Based on the Table 4.13, it shows that 318 (77.8%) of respondents know that Islamic banking products and services are different from those of Conventional banking. While, 91 (22.2%) respondents do not know it.

4.1.2.10.4 Aware of the Following Islamic Banking Contracts

Table 4.14: Aware of the Following Islamic Banking Contracts

	Yes		No	
	Frequency	%	Frequency	%
Wadiah	152	37.2	257	62.8
Mudharabah	163	39.9	246	60.1
Musyarakah	123	30.1	286	69.9
Murabahah	97	23.7	312	76.3
Ijarah	93	22.7	316	77.3
Tawarruq	50	12.2	359	87.8
Bai Bithama Ajil	83	20.3	326	79.7

Source: Develop for research

According to Table 4.14, 163 (39.9%) respondents are aware of Mudharabah and 152 (37.2%) respondents are aware of Wadiah. As for Musyarakah which is 123 (30.1%). Furthermore, the number of respondents who aware of the Islamic Banking contracts are almost the same which is Murabahah 97 (23.7%) and Ijarah 93 (22.7%). Moreover, number of respondents who are aware of the Bai Bithaman Ajil is 83 (20.3%). Lastly, Tawarruq has the least awareness among the respondents which is only 50 (12.2%). In other words, 359 (87.8%) of the respondents are not aware of Tawarruq.

4.1.2.11 Perception towards Islamic Banking

4.1.2.11.1 Appealing Islamic Banking Products and Services

Table 4.15: Appealing Islamic Banking Products and Services

Statement	Mean	Std. Dev	SD %	D %	N %	A %	SA %	Rank
Reliability of Islamic banking products and services are guaranteed to consumers.	3.38	0.711	0.5	7.8	49.1	38.4	4.2	2
Pricing on Islamic banking products and services are competitive and attractive to consumers.	3.38	0.762	0.2	12.2	40.6	42.8	4.2	2
Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time.	3.51	0.805	0.2	10.8	35.5	45.2	8.3	1
Islamic banking staffs are willing and ready to provide prompt and effective services to consumers.	3.33	0.801	0.7	13.4	43.8	36.7	5.4	4
Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort.	3.31	0.787	0.5	13.	45.7	35.0	5.1	5

Source: Develop for the research

SD = Strongly Disagree

D = Disagree

N = Neutral

A = Agree

SA = Strongly Agree

Total sample size = 409

Mean Formula:

$$\frac{\sum (\text{Rank} \times \text{number of respondents choose that rank})}{\text{total number of sample size}}$$

From Table 4.15, it exemplifies the percentage of responses on the appealing Islamic banking products and services. The top ranking mean is "Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time" with 3.51 and continue by "Reliability of Islamic banking products and services are guaranteed to consumers" and "Pricing on Islamic banking products and services are competitive and attractive to consumers" with 3.38, "Islamic banking staffs are willing and ready to provide prompt and effective services to consumers" with 3.33. Lastly, the "Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort" with mean of 3.31.

It is found that there is highest ranking is "Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time" with 45.2% respondents voted "Agree", and followed by "Neutral" with 35.5% respondents, "Disagree" 10.8%, "Strongly agree" 8.3% and lastly "Strongly disagree" only 0.2%.

From Table 4.15, it shows that the second highest ranking statement is "Reliability of Islamic banking products and services are guaranteed to consumers" with 49.1% respondents voted "Neutral", and followed by "Agree" with 38.4% respondents, "Disagree" 7.8% respondents. Furthermore, "Strongly agree" gets a percentage of 4.2%. Lastly, "Strongly disagree" with only 2 respondents or 0.5%.

The next item will be "Pricing on Islamic banking products and services are competitive and attractive to consumers" with second ranking. 42.8% respondents voted for "Agree", followed by "Neutral" 40.6%, and continued by "Disagree" 12.2% and last is "Strongly disagree" with 0.2%.

Next statement will be the "Islamic banking staffs are willing and ready to provide prompt and effective services to consumers" with the fourth rank. There are 43.8% respondents voted for "Neutral", followed by "Agree" 36.7%, "Disagree" 13.4%, continued by "Strongly agree" with 5.4%, and the last is "Strongly disagree" with only 0.7%.

The last statements is "Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort", which is fall in rank number five. The statements shows that there is 45.7% respondents voted for "Neutral", followed by "Agree" 35.0%, followed by "Disagree" 13.7%, "Strongly agree" 5.1% and lastly "Strongly disagree" 0.5%.

4.1.2.11.2 Social and Religious Perspectives

Table 4.16: Social and Religious Perspectives

Statement	Mean	Std. Dev	SD %	D %	N %	A %	SA %	Rank
Islamic banking products and services are beneficial to Muslims and non Muslims.	3.56	0.772	0.2	8.1	36.2	46.9	8.6	1
Islamic banks provide sufficient and fair facilities to all consumers in the same way.	3.36	0.844	0.7	13.4	43.0	34.5	8.3	3
Islamic banking procedure is complex because it is compliant to Islamic rules.	3.48	0.880	0.2	13.7	35.5	38.9	11.7	2
Consumers choose Islamic banking products and services because of ethical responsibility.	3.33	0.817	0.5	14.7	42.3	36.4	6.1	4
Consumers choose Islamic banking products and services because of religion responsibility.	3.31	0.790	1.0	13.0	45.2	36.2	4.6	5

Source: Develop for the research

SD = Strongly Disagree

D = Disagree

N = Neutral

A = Agree

SA = Strongly Agree

Total sample size = 409

Mean Formula:

$$\frac{\sum (\text{Rank} \times \text{number of respondents choose that rank})}{\text{total number of sample size}}$$

Referring to the Table 4.16, the top ranking mean is "Islamic banking products and services are beneficial to Muslims and non Muslims" (3.56) and it is followed by "Islamic banking procedure is complex because it is compliant to Islamic rules" (3.48) which ranked second. Then it is followed by "Islamic banks provide sufficient and fair facilities to all consumers in the same way" with a mean of 3.36 which is ranked third and "Consumers choose Islamic banking products and services because of ethical responsibility" with a mean of 3.33 which ranked fourth. Lastly, "Consumers choose Islamic banking products and services because of religion responsibility" has a lowest mean value of 3.31.

Based on the findings in Table 4.16, it shows that 55.5% (46.9%+8.6%) out of 409 respondents which agree that Islamic banking products and services are beneficial to Muslims and non Muslims whereas only 8.4% (0.1%+8.3%) disagree and 36.2% have neutral view.

Besides, there are 42.8% (34.5%+8.3%) of the respondents agree that Islamic banks provide sufficient and fair facilities to all consumers in the same way, 43% either agree or disagree and only 14.1% (0.7%+13.4%) disagree with this statement.

The third statement, it shows that half of the respondents 50.6% (38.9%+11.7%) agree that Islamic banking procedure is complex due to it compliant to Islamic rules, 35.5% hold neutral view and only minority 13.9% (0.2%+13.7%) against with this statement.

Next, nearly half of the respondents 42.5% (36.4%+6.1%) agree that the chosen of Islamic banking products and services is because of the ethical responsibility, 42.3% neutral, 14.7% disagree and only 0.5% strongly disagrees with this statement.

Lastly, 40.8% of the respondents agree that the chosen of Islamic banking products and services is because of the religion responsibility, 45.2% either agree or disagree, 13% disagree and only 1% strongly disagree with this statement.

4.1.2.11.3 Confidence in Islamic Banking

Table 4.17: Confidence in Islamic banking

Statement	Mean	Std. Dev	SD %	D %	N %	A %	SA %	Rank
I choose Islamic banking for it strictly upholds the confidentiality of consumers' privacy.	3.32	0.766	0.5	11.7	47.9	34.7	5.1	5
I believe Islamic banks provide the true and accurate information of the products and services to all consumers.	3.44	0.847	1.0	12.0	37.4	41.1	8.6	2
I trust the Islamic banks' account and operational transparency system.	3.45	0.803	0.2	11.0	40.3	40.3	8.1	1
I am confident with the Islamic banks' security system.	3.44	0.784	0.5	10.0	40.8	41.8	6.8	2
I am confident to deal with Islamic banks because of their image and reputation.	3.43	0.802	0.5	11.5	39.1	42.1	6.8	4

Source: Develop for the research

SD = Strongly Disagree

D = Disagree

N = Neutral

A = Agree

SA = Strongly Agree

Total sample size = 409

Mean Formula:

$$\frac{\sum (\text{Rank} \times \text{number of respondents choose that rank})}{\text{total number of sample size}}$$

From the five questions in Confidence in Islamic Banking, trust in transparency system has highest mean of 3.45 and is ranked number one. There are two constructs are equally ranked as second at mean of 3.44: trust in accurate information and confident in security system, while the confident towards reputation and image with mean 3.43 is the fourth and lastly number five is the upholding of consumers' privacy, mean 3.32.

Out of 409 respondents, there are 5.1% of respondents strongly agree that Islamic banking has strictly uphold the consumers' privacy, 34.7% agree, 47.9% hold neutral view, 11.7% said disagree and lastly, the least only 0.5% strongly disagree.

For the statement "I believe Islamic banks provide the true and accurate information of the products and services to all consumers", 8.6% respondents strongly agree, 41.1% agree, 37.4% neutral, 12% disagree and 1% strongly disagree.

Based on the table, Islamic bank's transparency system is trusted by the respondents at 8.1% strongly agrees, 40.3% equally agree and view neutral, and 11% disagree and 0.2% strongly disagree.

On the other hand, the confidence in the Islamic banks' security system yielded 6.8% strongly agree from respondents, 41.8% of agree respondents, 40.8% neutral, 10.0% disagree and 0.5% strongly disagree.

Last but not least, 6.8% of respondents strongly confident to Islamic banks' image and reputation, 42.1% agree, 39.1% remain neutral view, 11.5% disagree and 0.5% strongly disagrees.

4.1.2.11.4 Acceptance level towards Islamic banking

Table 4.18: Acceptance level

Statement	Mean	Std. Dev	SD %	D %	N %	A %	SA %	Rank
Islamic banking products and services are acceptable among all Muslims and non Muslims.	3.48	0.801	0.5	10.8	36.7	44.7	7.3	2
Personal background and religion are not my consideration when choosing the Islamic banking products and services.	3.46	0.785	0	12.2	35.2	46.5	6.1	3
The concept of interest-free and profit and loss sharing encourage me to choose Islamic banking products and services.	3.43	0.755	0.2	10.0	41.3	43.0	5.4	4
Structure and processing transparency makes me choose Islamic banking products and services.	3.33	0.864	1.5	14.4	41.1	35.7	7.3	5
Engaging in Islamic banking products and services would be my consideration in the near future.	3.49	0.846	1.2	8.8	40.8	38.4	10.8	1

Source: Develop for the research

SD = Strongly Disagree

D = Disagree

N = Neutral

A = Agree

SA = Strongly Agree

Total sample size = 409

Mean Formula:

$$\frac{\sum (\text{Rank} \times \text{number of respondents choose that rank})}{\text{total number of sample size}}$$

From the Table 4.18, it shows that the statement "Engaging in Islamic banking products and services would be my consideration in the near future" has the highest ranking mean of 3.49 and it is followed by "Islamic banking products and services are acceptable among all Muslims and non Muslims" with a mean of 3.48. Next, it is then followed by "Personal background and religion are not my consideration when choosing the Islamic banking products and services" with a mean of 3.46 which ranked third and "The concept of interest-free and profit and loss sharing encourage me to choose Islamic banking products and services" with a mean of 3.43 which ranked fourth. Lastly, "Structure and processing transparency makes me choose Islamic banking products and services" have a lowest ranking mean of 3.33.

According to the findings in Table 4.18, it shows that majority of the respondents 52% (44.7%+7.3%) agree that Islamic banking products and services are acceptable among all Muslims and non Muslims, 36.7% hold neutral view and there is only minority 11.3% (0.5%+10.8%) are disagree with this statement.

On the other hand, it also shows that nearly half of the respondents 52.3% (46.5%+6.1%) agree that personal background and religion are not their consideration when choosing the Islamic banking products and services, 35.2% hold neutral view, 12.2% disagree and none of the respondents strongly disagree with this statement.

For the statement of "The concept of interest-free and profit and loss sharing encouraging the chosen of Islamic banking products and services", 5.4% are strongly agree, 43.0% agree, 41.3% neutral, 10% disagree and 0.2% of respondents strongly disagree with this statement.

Besides, 43% (35.7%+7.3%) of the respondents agree that the structure and processing transparency encouraging the chosen of Islamic banking products and services and nearly 16% (1.5%+14.4%) of the respondents are disagree with this statement.

Lastly, nearly half of the respondents (38.4%+10.8%) agree that engaging in Islamic banking products and services would be their consideration in the near future, 40.8% hold neutral view and there is only 10% (1.2%+8.8%) of the respondents are disagree with this statement.

4.2 Scale Measurement

4.2.1 Reliability test

Table 4.19: Alpha coefficient

Alpha coefficient range	Strength of association
less than 0.6	Poor
0.6 to less than 0.7	Moderate
0.7 to less than 0.8	Good
0.8 to less than 0.9	Very Good
more than 0.9	Excellent

*Source

Table 4.20: Reliability test results

Constructs	Reliability test result	No. of items
Appealing products and services	0.845	5
Social and religious perspectives	0.693	5
Confidence in Islamic banking	0.888	5
Acceptance level	0.807	5

Source: Developed for the research

*Sources: Hair, J.F. Jr., Babin, B., Money, A. H., & Samouel, P. (2003). *Essential of Business research methods*. New Jersey: John Wiley & Sons.

As can be seen from the reliability test result, appealing product and services, confidence in Islamic banking and acceptance level have very good reliability, which is more than 0.8 alpha coefficient, result of each of them is 0.845, 0.888 and 0.807 respectively. Among them, confidence in Islamic banking has the highest reliability. On the other hand, the lowest reliability is social and religious

services, which is only 0.693. This is only considered as moderate reliable but it is closely to 0.7 (consider as good).

As can be seen from the table, all of the reliability tests show the variables are highly reliable, indicating that it is reliable for further analysis.

4.3 Inferential Analyses

4.3.1 Pearson's Correlation Analyses

Table 4.21: Pearson's Correlation Analyses

		Products Services	Social Religious	Confidence	Acceptance Level
ProductsServices	Pearson Correlation	1	.618**	.701**	.673**
	Sig. (2-tailed)		.000	.000	.000
	N	409	409	409	409
SocialReligious	Pearson Correlation	.618**	1	.599**	.576**
	Sig. (2-tailed)	.000		.000	.000
	N	409	409	409	409
Confidence	Pearson Correlation	.701**	.599**	1	.766**
	Sig. (2-tailed)	.000	.000		.000
	N	409	409	409	409
AcceptanceLevel	Pearson Correlation	.673**	.576**	.766**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	409	409	409	409

** Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research

4.3.1.1 Correlation between Appealing Islamic Banking Products and Services and Acceptance Level

Table 4.22: Correlation between Products Services and Acceptance Level

		Products Services	Acceptance Level
Products and Services	Pearson Correlation	1	.673**
	Sig. (2-tailed)		.000
	N	409	409
Acceptance Level	Pearson Correlation	.673**	1
	Sig. (2-tailed)	.000	
	N	409	409

** Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research

Table 4.22 shows the result of correlation between Products Services and acceptance level, there is a significant relationship (p-value = 0.000 < 0.01 significant level) between them. Based on the result provided, it indicates that there is positive relationship between Products Services and acceptance level because of the positive value of correlation coefficient. The products and services variable has a 0.673 correlation with the acceptance level.

The value of this correlation coefficient 0.673 is fall under coefficient range from +0.41 to +0.70. Therefore, the relationship between the appealing Islamic banking products and services and acceptance level is moderately positive.

4.3.1.2 Correlation between Social and Religious Perspectives and Acceptance Level

Table 4.23: Correlation between Social Religious and Acceptance Level

		Social and Religious	Acceptance Level
Social Religious	Pearson Correlation	1	.576**
	Sig. (2-tailed)		.000
	N	409	409
Acceptance Level	Person Correlation	.576**	1
	Sig. (2-tailed)	.000	
	N	409	409

** Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research

Table 4.23 shows the result of correlation between Social Religious and acceptance level, there is a significant relationship (p-value = 0.000 < 0.01 significant level) between them. Based on the result provided, there is positive relationship between Social Religious and acceptance level due to the positive value for correlation coefficient. The Social and Religious variable has a 0.576 correlation with the acceptance level variable.

The value of this correlation coefficient 0.576 is falls under coefficient range from +0.41 to +0.70. Therefore, the relationship between social and religious perspectives and acceptance level is moderately positive.

4.3.1.3 Correlation between Confidence in Islamic banking and Acceptance Level

Table 4.24: Correlation between Confidence and Acceptance Level

		Confidence	Acceptance Level
Confidence	Pearson Correlation	1	.766**
	Sig. (2-tailed)		.000
	N	409	409
Acceptance Level	Pearson Correlation	.766**	1
	Sig. (2-tailed)	.000	
	N	409	409

** Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research

Table 4.24 shows the result of correlations between Confidence and acceptance level, there is significant relationship (p-value = 0.000 < 0.01 significant level) between them. Based on the result provided, there is positive relationship between Confidence and acceptance level because of the positive value of correlation coefficient. The Confidence variable has a 0.766 correlation with the acceptance level.

The value of this correlation coefficient 0.766 is falls under coefficient range from +0.71 to +0.90. Therefore, the relationship between confidence in Islamic banking and acceptance level is highly positive.

4.3.2 Multiple Linear Regression Analysis

4.3.2.1 Diagnostic checking

Before proceeding to interpreting the regression model, several diagnostic tests must be conducted to ensure no violation of assumptions that might lead to biased results in hypothesis testing. The diagnostic checking are normality test, heteroskedasticity test, autocorrelation test and multicollinearity checking.

4.3.2.1.1 Normality Test

Normality test is used to investigate whether the error term is normally distributed. Normality test includes skewness and kurtosis of residual distribution. Skewness measures whether the distribution is symmetric and kurtosis measures whether the distribution is peaked or flatter as compared to a normal distribution. If skewness and kurtosis–3 are close to zero, the distribution is approximately normal distributed (Park, 2008).

Figure 4.12: Histogram of residuals
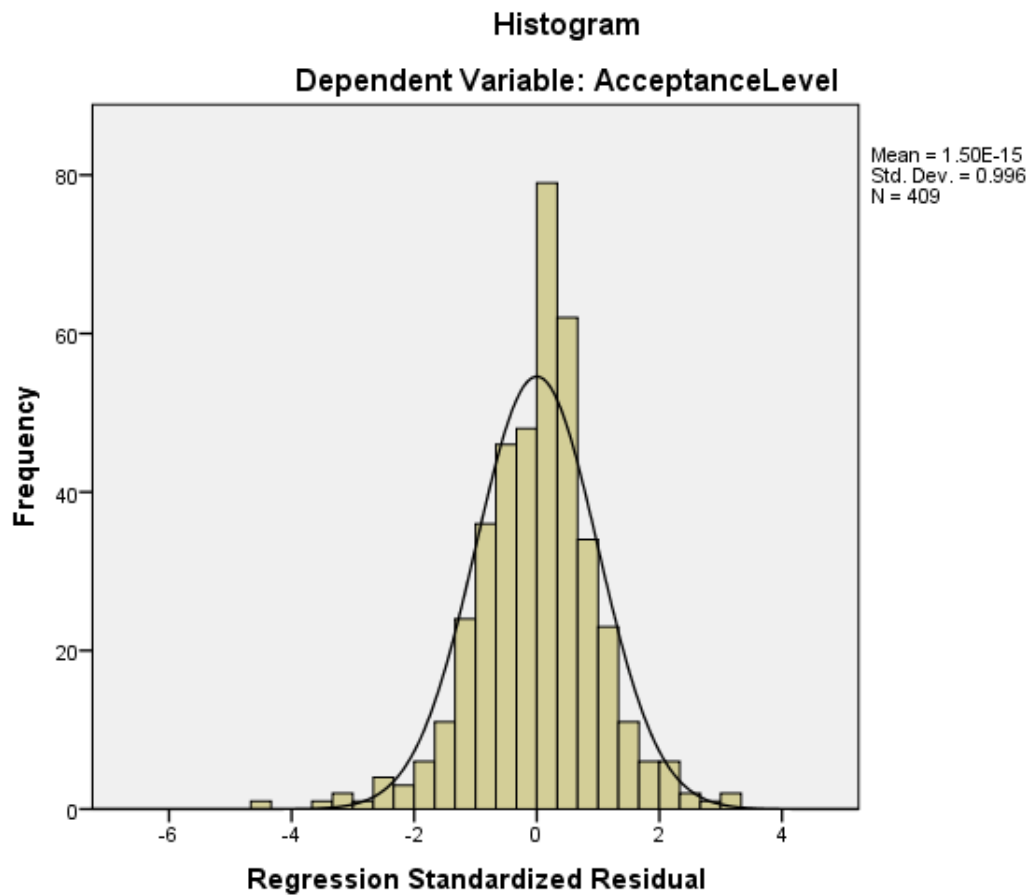
Source: Developed for the research

Table 4.25: Skewness and kurtosis of residuals

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Standardized Residual	409	0E-7	.99631675	-.391	.121	1.943	.241

*Remark: Kurtosis can be reported in two ways: kurtosis or excess kurtosis. Excess kurtosis = kurtosis − 3. SPSS reports excess kurtosis in its computation.

Source: Developed for the research

From Figure 4.12, it graphically shows that the residuals are approximately normal distributed. Meanwhile, from Table 4.25, it shows that skewness is -0.391 (close to zero) and kurtosis is 1.943, indicates that the distribution of residuals is approximately symmetric but with high peak and flat tails.

4.3.2.1.2 Multicollinearity checking

Table 4.26: Collinearity table

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	ProductsServices	.447	2.235
	SocialReligious	.564	1.774
	Confidence	.464	2.155

a. Dependent Variable: AcceptanceLevel

Source: Developed for the research

Multicollinearity problem happens when independent variables are highly correlated to each other. Rule of thumb in detecting multicollinearity problem is, when VIF of a variable exceeds 10, it is said that the variable is highly collinear. From Table 4.25, all independent variables have VIF of less than 10, hence there is no multicollinearity problem in the model.

4.3.2.1.3 White Test (Heteroskedasticity)

Homoskedasticity is one of the assumptions in classical linear regression model. It means variances of residuals are equal. When violation of this assumption happens, heteroskedasticity occurs, which is variances and standard errors will be underestimated then leads to higher value of t-statistic and F-statistic.

White test is one out of several heteroskedasticity tests that does not make any assumptions and it does not require the normality in error terms, hence it can be applied generally. In conducting the White test, the multiple linear regression of acceptance level model is first ran to obtain the residuals. Then an auxiliary model is formed with residual squared as the dependent variable and the independent variables are: original independent variables, square of all original independent variables and cross product of all original independent variables. The residual squared auxiliary model is as:

$$\hat{\mu}^2 = \gamma + \hat{\alpha}_1 X_1 + \hat{\alpha}_2 X_2 + \hat{\alpha}_3 X_3 + \hat{\alpha}_4 X_1^2 + \hat{\alpha}_5 X_2^2 + \hat{\alpha}_6 X_3^2 + \hat{\alpha}_7 X_1 X_2$$
$$+ \hat{\alpha}_8 X_1 X_3 + \hat{\alpha}_9 X_2 X_3 + \varepsilon$$

Where

$\hat{\mu}^2$ = Residual squared (RSQR)

γ = Constant

X_1 = Product Service

X_2 = Social Religious

X_3 = Confidence

X_1^2 = Product Service squared (PSSQR)

X_2^2 = Social Religious squared (SRSQR)

X_3^2 = Confidence squared (CSQR)

$X_1 X_2$ = Product Service $\times$ Social Religious (PSSR)

$X_1 X_3$ = Product Service $\times$ Confidence (PSC)

$X_2 X_3$ = Social Religious $\times$ Confidence (SRC)

ε = Residual in auxiliary model

$\hat{\alpha}_i$ (where i = 1 until 9) = Estimated coefficient of X_i and X_i^2 (where i = 1, 2, 3)

Table 4.27: Auxiliary model summary of residual squared

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.200[a]	.040	.019	.01678

a. Predictors: (Constant), ProductsServices, SocialReligious, Confidence, PSSQR, SRSQR, CSQR, PSSR, PSC, SRC

b. Dependent Variable: RSQR

Source: Developed for the research

The test statistics in White test is nR^2, where n is number of observations. If test statistic > critical value, reject null hypothesis of there is no heteroskedasticity problem. Referring to chi square table (Appendix J), at degree of freedom 9 (total number of independent variables in auxiliary model), at significant level 0.01, critical value is 21.666. From Table 4.27, test statistic nR^2 = 409 (0.040) = 16.36,

indicates that test statistic < critical value (21.666), do not reject null hypothesis, hence it can be concluded that there is no heteroskedasticity problem, or it can be said variances of residuals are equal.

Table 4.28: ANOVA table for auxiliary model

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.005	9	.001	1.856	.057[b]
1	Residual	.112	399	.000		
	Total	.117	408			

a. Dependent Variable: RSQR

b. Predictors: (Constant), ProductsServices, SocialReligious, Confidence, PSSQR, SRSQR, CSQR, PSSR, PSC, SRC

Source: Developed for the research

From ANOVA Table 4.28, the auxiliary model has p-value 0.057 (larger than significant level 0.01), do not reject null hypothesis, thus there is no heteroskedasticity problem.

4.3.2.1.4 Durbin Watson Test (Autocorrelation)

Table 4.29: Durbin-Watson result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.794[a]	.631	.628	.09298	1.838

a. Predictors: (Constant), Confidence, SocialReligious, ProductsServices

b. Dependent Variable: AcceptanceLevel

Source: Developed for the research

Durbin Watson is used to test whether serial correlation is present in the term of regression or not. It measures that the correct model has no autocorrelation

problem if statistic test falls between range from 1.50 to 2.50. From Table 4.26, the Durbin-Watson test is 1.838 nearly to 2, do not reject the null hypothesis of there is no autocorrelation in the model. Hence, the model is acceptable and no autocorrelation. This is due to autocorrelation is seldom happen on cross-sectional data. It is often seen in time series data.

After passing all diagnostic checking, then the multiple linear regression model can be proceed for interpreting and hypothesis testing.

4.3.2.2 Multiple Linear Regression Model

The elements of independent variables are the factors influence the dependent variables. This can be determined by the following regression model as below:-

$$\hat{Y} = c + \hat{\beta}_1 X_1 + \hat{\beta}_2 X_2 + \hat{\beta}_3 X_3 + \hat{\mu}$$

where

$\hat{Y}$ = Acceptance level

c = Constant

X_1 = Product Services

X_2 = Social Religious

X_3 = Confidence

$\hat{\mu}$ = Residual

$\hat{\beta}_i$ (where i = 1, 2, 3) = Estimated coefficient of X_i (where i = 1, 2, 3)

Table 4.30: Coefficients table

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Beta	Std. Error	Beta		
(Constant)	.101	.022		4.596	.000
ProductsServices	.223	.045	.222	4.923	.000
SocialReligious	.126	.045	.113	2.820	.005
Confidence	.497	.041	.543	12.236	.000

a. Dependent Variable: AcceptanceLevel

Source: Developed for the research

Referring to the Table 4.30, the equation can be written as follow:

$$\hat{Y} \text{ (Acceptance level)} = 0.101 + 0.223 \text{ (Product services)} + 0.126 \text{ (Social religious)} + 0.497 \text{ (Confidence)}$$

The interpretation of constant term is usually not meaningful. It merely indicates that even there is zero units for products and services, social religious perspectives as well as confidence in Islamic banking, the acceptance level will still be 0.101 units.

Product Services has the significant positive influence towards acceptance level since p-value = 0.000 (less than 0.01 significant level). $\hat{\beta}_1 = 0.223$, this means that for every one unit increases in appealing products and services, the acceptance level will increase by 0.223 units, holding other factors constant.

For Social Religious, it also shows a significant positive influence towards acceptance level. The results show that p-value = 0.005 (less than 0.01 significant level). $\hat{\beta}_2 = 0.126$, thus, for every one unit increases in social and religious perspectives, the acceptance level will increase by 0.126 units, holding other factors constant.

Lastly, the result shows that the Confidence also has significant positive influence towards acceptance level since p-value = 0.000 (less than 0.01 significant level). $\hat{\beta}_3$ = 0.497, shows that for every one unit increases in confidence in Islamic banking, the acceptance level will increase by 0.497 units, holding other factors constant.

4.3.2.2.1 Coefficient of Determination (R^2)

Table 4.31: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.794[a]	.631	.628	.09298	1.838

a. Predictors: (Constant), Confidence, SocialReligious, ProductsServices

b. Dependent Variable: AcceptanceLevel

Source: Developed for the research

Under this regression equation, it illustrates the relationship between the appealing products and services, social and religious perspective and confidence in Islamic banking towards acceptance level of Islamic banking.

Based on the Table 4.26, all the three independent variables are significantly correlated with the dependent variable, the acceptance level because the correlation, R, is 0.794.

From the analysis, the coefficient of determination, R^2, is 0.631 for the examined regression model. It shows that 63.10% of the total variations in acceptance level can be explained by total variations in all independent variables. In contrast, there is a 36.90% show that the variation of acceptance level could not be presented by the equation. This can be explained that there are other additional variables that also important in interpreting the acceptance level.

4.3.2.2.2 Adjusted Coefficient of Determination (Adjusted R^2)

The adjusted R^2 will give the result more accurate and it is adjusted according to the number of independent variables in the model. In addition, the adjusted R^2 avoid overestimating by adding an independent variable into the multiple regression models. Referring to the Table 4.26, it shows that the adjusted R^2 is 62.8%, indicates that, after considering the degree of freedom, there are 62.8% of the variation in predicted acceptance level can be explained by the variation in appealing products and services, social and religious perspective and confidence in Islamic banking.

4.3.2.2.3 ANOVA Table

Table 4.32: ANOVA table for multiple linear regression

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	5.977	3	1.992	230.448	.000[b]
1	Residual	3.501	405	.009		
	Total	9.478	408			

a. Dependent Variable: AcceptanceLevel

b. Predictors: (Constant), Confidence, SocialReligious, ProductsServices

Source: Developed for the research

In the ANOVA Table 4.32, it shows that the F value of 230.448 is significant at p-value= 0.000 which is less than 0.01 significant level ($p < 0.01$). In overall, the regression model with those three independent variables of Product Services, Social Religious and Confidence are suitable in explaining the dependent variable in the model, the acceptance level.

4.3.3 Hypothesis Testing

4.3.3.1 Overall F-test (Hypothesis 1)

H_0: There is no significant effect of all independent variables on acceptance level of individual consumer in Malaysia.

H_1: There is significant effect of all independent variables on acceptance level of individual consumer in Malaysia.

Overall F-test is to test the significance of the Multiple Linear Regression. By referring back to ANOVA Table 4.32 (on Page 91), the p-value = 0.000, less than significant level of 0.01, rejecting the null hypothesis. It is concluded that the model is significant at 0.01 significant level and all the independent variables have effects on acceptance level.

4.3.3.2 T-test Hypothesis 2

T-test is to test the effect on individual variable on dependent variable. This can be achieved by comparing the p-values of the independent variables to significant level (refer to Table 4.30 on Page 89).

H_0: There is no significant effect of appealing Islamic banking products and services on acceptance level of individual consumer in Malaysia.

H_1: There is significant effect of appealing Islamic banking products and services on acceptance level of individual consumer in Malaysia.

Referring to Table 4.30 (on Page 89), the Product Service has p-value of 0.000 (less than significant level of 0.01), hence rejecting the null hypothesis. As it is shown from the result, the beta coefficient is positive 0.223, thus it is concluded that the appealing Islamic banking products and services has significant positive

effect on acceptance level of individual consumers in Malaysia at 0.01 significant level.

4.3.3.3 T-test Hypothesis 3

H_0: There is no significant effect of social and religious perspectives on acceptance level of individual consumer in Malaysia.

H_1: There is significant effect of social and religious perspectives on acceptance level of individual consumer in Malaysia.

Referring to Table 4.30 (on Page 89), the Social Religious has p-value of 0.005 (less than significant level of 0.01), hence rejecting the null hypothesis. As it is shown from the result, the beta coefficient is positive 0.126, thus it is concluded that the social and religious perspective has significant positive effect on acceptance level of individual consumers in Malaysia at 0.01 significant level.

4.3.3.4 T-test Hypothesis 4

H_0: There is no significant effect of the confidence in Islamic banking on acceptance level of individual consumer in Malaysia

H_1: There is significant effect of the confidence in Islamic banking on acceptance level of individual consumer in Malaysia

Referring to Table 4.30 (on Page 89), the Confidence has p-value of 0.000 (less than significant level of 0.01), hence rejecting the null hypothesis. As it is shown from the result, the beta coefficient is positive 0.497, thus it is concluded that the confidence in Islamic banking has significant positive effect on acceptance level of individual consumers in Malaysia at 0.01 significant level.

4.4 Conclusions

In conclusion, descriptive analysis is used to analyze the respondents' demographic profiles like gender, age, religion, marital status, higher qualification achieved, current occupation, individual monthly income, and household total monthly income. Central tendencies are used to measure the data collected from the questionnaire. Besides that, reliability test is used to examine the reliability of all the three variables. Furthermore, the association between the three constructs has been examined by Pearson correlation. Then diagnostic checking is run before interpreting the model. After that, the relationship between the independents variables and dependents variable is analyzed by using Multiple Regression Analysis and the model significance is tested by ANOVA. Finally, the hypothesis testing is conducted to test the effect of individual variables on dependent variable.

CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

The previous chapter has presented the result of analyzed collected data. In chapter 5, it gives details of the interpretation of research results and determined whether the hypotheses were supported by data. This chapter consists of the summary of statistical analyses, discussion of major findings, discussion and implications of study, limitation of study and recommendation for future research. Lastly, an overall conclusion of the entire study aligned with research objectives will be presented.

5.1 Summary of Statistic Analyses

This research paper examines the acceptance level of individual consumers towards Islamic banking based upon the independent variable of product services, social religious and confidence.

5.1.1 Descriptive Analyses

5.1.1.1 Respondents Demographic Profile

The analyses of the respondents' demographic profile has been conducted, includes gender, age, religion, marital status, educational level, current occupation, individual monthly income and also household total monthly income. In this study, there are a total of 409 respondents. For the gender, 197 respondents are male (48.2%) and 212 respondents are female (51.8%). Majority of the respondents belong to the age group of 20-29 years old which total up to 178 respondents

(43.5%) and the minority of the respondents belong to the age group of below 20 years old which is only 2 respondents (0.5%).

Besides, a total of 216 respondents (52.8%) are Non-Muslims and 193 respondents (47.2%) are Muslims. In additional, majority of the respondents are single in marital status which is 209 respondents (51.1%).

The majority of 232 respondents (56.7%) are holding the Bachelor's Degree certificates in educational level. A total of 178 respondents (43.5%) are working as banking and finance personal, however, there is only 4 respondents (1%) working as government disciplinary body, for example police and army.

For individual monthly income, majority of the respondents are having monthly income in the range of RM2000 - RM2999 which is 144 respondents (35.2%) and the minority is only 11 respondents (2.7%) having income below RM1000. The majority of the respondents are having household total monthly income exceed RM5000 which is 165 respondents (40.3%) and the least is only 10 respondents (2.4%) having household total monthly income below RM1000.

5.1.1.2 Central Tendencies of Measurement of Construct

In this research, the frequency analysis is used to analyze the three independent variables and one dependent variable that are constructed for the research purpose. They are appealing products and services, social and religious perspectives, confidence in Islamic banks and acceptance level towards Islamic banking products and services. The variable with the highest mean is the most important statement over others.

From this research, the statement of "Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time" which under the independent variable appealing products and services has the highest ranking in the mean with a value of 3.51. This shows that this statement under this variable is the most important factor in affecting the

acceptance level of the individual consumers towards Islamic banking products and services.

The statement that under social and religious perspective which is "Islamic banking products and services are beneficial to Muslims and non Muslims" has the highest ranking in mean with a value of 3.56. This means that this statement under this variable is most significantly influencing the acceptance level for the individual consumers towards Islamic banking.

Under the independent variable of confidence in Islamic banking, the statement of "I trust the Islamic banks' account and operational transparency system" has the highest ranking mean value of 3.45. This implies that this variable is the most important factor in affecting the acceptance level of individual consumers towards Islamic banking.

Lastly, under acceptance level, the statement of "Engaging in Islamic banking products and services would be my consideration in the near future" is most significantly influencing the acceptance level, at the highest mean value of 3.49 under independent variable of acceptance level.

5.1.1.3 Scale Measurement

The scale measurement in this study is based on the reliability test. In this study, the internal reliability texted across the Cronbach's alpha of 4 constructs and 20 items to examine the reliability level. The 4 constructs in this study includes appealing products and services, social and religious perspectives, confidence in Islamic banking and acceptance level.

Among the 4 constructs, confidence in Islamic banking has the highest score value with Cronbach's alpha of 0.888 and it is followed by appealing products and services with a value of 0.845. Next, it is followed by acceptance level with a value of 0.807. Lastly, social and religious perspectives have the lowest value of

0.693. Hence, it shows that the results were reliable where the value of reliability are all greater than 0.600.

5.1.2 Inferential Analyses

5.1.2.1 Pearson Correlation Analysis

The relationship between all independent variables and the acceptance level are examined using Pearson Correlation analysis.

From the result, it shows that all the three variables are found to have significant positive relationship with acceptance level. Appealing products and services is significantly positive correlated with acceptance level at 0.673. Social and religious perspectives are found significantly positive correlated with acceptance level at 0.576. Confidence in Islamic banking has the highest significant positive correlation with acceptance level with coefficient correlation of 0.766. Thus, confidence in Islamic banking has the strongest impact on acceptance level.

5.1.2.2 Multiple Linear Regressions

The result from multiple linear regression analysis shows that the correlation coefficient, R, between the three independent variables (appealing products and services, social and religious perspectives and confidence in Islamic banks) with the dependent variable (acceptance level) is 0.794. This indicates there is a strong positive linear relationship exists between the dependent variable and all those independent variables.

Besides that, the coefficient of determination (R^2) is 0.631, indicating 63.1% of the total variance in acceptance level has been explained by the appealing products and services, social and religious perspectives and confidence in Islamic banking. The ANOVA table indicates that the F-value of 230.448 is significant (p-

value = 0.000 < 0.01 significant level). In conclusion, according to the table of coefficients, the regression question below is formulated:

$\hat{Y}$ (Acceptance level) = 0.101 + 0.223 (Product services) + 0.126 (Social religious) + 0.497 (Confidence)

Confidence in Islamic banking has the strongest impact on acceptance level due to its highest beta coefficient value of 0.497, when compared to the other independent variables which are appealing products and services (beta coefficient value = 0.223) and social and religious perspectives (beta coefficient value = 0.126).

5.2 Discussions on Major Findings

Table 5.1: Summary of the results of hypothesis testing

Hypotheses Accepted	Results
Hypothesis 1 H_1: There is significant effect of all independent variables on acceptance level of individual consumer in Malaysia.	$R^2 = 0.631$ Adjusted $R^2 = 0.628$ F test p-value = 0.000
Hypothesis 2 H_1: There is significant effect of appealing Islamic banking products and services on acceptance level of individual consumer in Malaysia.	$\hat{\beta}_1 = 0.223$ T test p-value = 0.000
Hypothesis 3 H_1: There is significant effect of social and religious perspectives on acceptance level of individual consumer in Malaysia.	$\hat{\beta}_2 = 0.126$ T test p-value = 0.005
Hypothesis 4 H_1: There is significant effect of the confidence in Islamic banking on acceptance level of individual consumer in Malaysia.	$\hat{\beta}_3 = 0.497$ T test p-value = 0.000

Source: Developed for the research

5.2.1 The Effect of All Independent Variables on Acceptance Level

H$_1$: There is significant effect of all independent variables on acceptance level of individual consumer in Malaysia.

From Table 5.1, the alternative hypothesis is accepted with p-value = 0.000 < 0.01 significant level. It is concluded that all the independent variables have significant effects on acceptance level. Hence these are the contributing factors to individual consumers in choosing Islamic banking. It implicates to answer the Chapter 1 hypothesis of the study.

However, the readers might have more interests to know the individual effect of each independent variable towards acceptance level, whether it is tally with the findings of previous researchers. This is explained in the following sections.

5.2.2 The Effect of Appealing Islamic Banking Products and Services on Acceptance Level

H$_1$: There is a significant effect of appealing Islamic banking products and services on acceptance level of individual consumer in Malaysia.

From Table 5.1, the alternative hypothesis is accepted with p-value = 0.000 < 0.01 significant level, Product Services has significant effect on acceptance level. Beta coefficient indicates one unit increases in appealing products and services, the acceptance level will also increase by 0.223 units, holding other factors constant. Hence, there is significant positive effect of appealing Islamic banking products and services towards acceptance level. This hypothesis is supported with various studies and research findings.

Researchers have discovered significant positive effect of Islamic banking products and service on acceptance level. According to Mohammed, Shamsher

and Taufiq (2008), Non-Muslims and Muslims have a strong acceptance towards Islamic products especially for loan financing which gain more recognition among the customers. Besides, Rodney (2007) identifies that the main criteria of the features of Islamic loan financing is the profit sharing due to no interest charge. Based on Ariff (1988), the Islamic banking will expand rapidly because of the feature of Islamic banking products provided is being interest-free.

Other than that, during the global financial vulnerability, Islamic banks can still sustain and are accepted by many consumers where it has shown that the Islamic financial products have overtaken conventional bank in the Muslim country. Research also states that the debt equity of Islamic bank products are less fluctuate or risky if compare with conventional bank, as verified by Munawar (2001) and Kabir and Rasem (2009).

According to Haque et al. (2009), there is the positive relationship of quality of services, social and religious perspective, availability of services towards the Islamic banks in Malaysia. Based on the result of Titko and Lace (2012), the authors find that the important step to capture new customers and retain customer loyalty is to evaluate the staff and commitment of work performance development. Research by Khalil and Zurina (2012) concludes that Islamic banks could sustain, gain higher image of public and provide better performance is because the administrators of Islamic banks have a positive attitude.

Besides, there is strong relationship between service quality and image with customer satisfaction towards Tabung Haji service (Kassim & Nordin, 2013). The empirical evidence demonstrates high satisfaction level of customers towards the service and image. In a study by Amin, Isa, & Suradi (2010), quality services perception has significant effect on acceptance level. The authors examine the Islamic banking services quality of six dimensions which are the key reasons in satisfying the customers' needs with the overall service quality provided by Islamic banks.

5.2.3 The Effect of Social and Religious Perspective on Acceptance Level

H_1: There is a significant effect of social and religious perspectives on acceptance level of individual consumer in Malaysia.

From Table 5.1, the alternative hypothesis is accepted with p-value $= 0.005 < 0.01$ significant level, Social Religious has significant effect on acceptance level. Beta coefficient indicates one unit increases in social and religious perspectives, the acceptance level will also increase by 0.126 units, holding other factors constant. Hence, there is significant positive effect of social and religious perspectives towards acceptance level. This hypothesis is supported with various previous studies.

The research result proves that social and religious perspectives have significant relationship on the acceptance level of individual consumers in Malaysia. It is consistent with the findings of the previous researchers (Erol et al., 1990; Haron et al., 1994; Metawa & Almossawi, 1998; Naser et al., 1999). In their studies, it is found that religious factors affect the consumers' awareness and understanding for Islamic banking products and services which in turn influence the acceptance level towards Islamic banking.

In addition, the findings of Haron et al. (1994) and Gerard and Cunningham (1997) reveal that conventional bank customers in Malaysia are willing to patronize Islamic banks if they possess adequate knowledge about Islamic banking practice. Also, the findings shown in the study of Haron et al. (1994) which indicate that almost 50% of customers in Klang Valley perceived religious as an element that significantly influence the patronizing of Islamic banks. Hence, it implies that religious factor affect the acceptance level towards Islamic Banking.

The findings here are tally with another research in 2008. Religious belief is one of the key determinants of the consumption of Islamic banking services whereby it

is significantly influencing the acceptance level towards Islamic banking (Gait & Worthington, 2008).

Furthermore, it has been revealed in a study that the availability of services and social and religious perspective at high level enables the Islamic banking easier and more comfortable which in turn lead to higher acceptance level of consumers on Islamic banking (Haque et al., 2009). Therefore, the findings in that study are supporting the results in this study.

5.2.4 The Effect of Confidence in Islamic Banking on Acceptance Level

H_1: There is a significant effect of confidence in Islamic banking on acceptance level of individual consumers in Malaysia.

From Table 5.1, the alternative hypothesis is accepted with p-value = 0.000 < 0.01 significant level, Confidence has significant effect on acceptance level. Beta coefficient indicates one unit increases in confidence in Islamic banking, the acceptance level will also increase by 0.497 units, holding other factors constant. Hence, there is significant positive effect of confidence in Islamic banking towards acceptance level. This finding is in line with the most of the previous studies.

Based on the study of Moorman, Zaltman and Deshpande (1992), confidence means willing to build the partnership in relative to the partner's reliability. As long as the Islamic banks attach to Shariah principles, it can establish a good customer confidence on its operation (Iqbal, Ahmad, & Khan, 1998; Naser et al., 1999).

The results is conform with the study by Ergun and Djedovic (2011), who find that confidence in Islamic banking had factor analysis of 0.559 indicating that this is one of the most important criteria to select Islamic banking. Besides, as

supported by Amin, Isa & Suradi (2010), they discover that the majority of respondents show the highest mean in the trust dimension. El Nagar and El Biely (2011) also prove that the assurance dimensions have the highest effect on customer satisfaction. When they satisfied, they are prone to consume more products.

Besides, this result is also confirmed by another study on perception towards AITAB (hire purshase) conducted in Malaysia. The respondents earn a high mean of 4.15 at standard deviation of only 0.765 (Abdullah & Dusuki, 2006). This shows the customers are very confidence in the current practices of the bank. They are willing to engage with the bank. Thus, it is crucial to maintain the integrity level and ensure the operation is compliance with Islamic principles.

However, this result is in contradicted with the recent study by Haque et al. (2009). They discover that customers have a significant negative view of confidence in bank (beta coefficient = -1.419) in selecting Islamic banking. This might be due to Logit Model is used in their research while the Multiple Linear Regression is used in this study.

5.3 Implications of the study

5.3.1 Managerial implications

The result significances could be served as a reference to the Islamic bankers to have clues on how Malaysian consumers respond to Islamic banking currently. By understanding the trend of consumer preference, Islamic bankers can better serve the customers as such improve product innovation and enhance consumer confidence towards Islamic banking, besides think of some approaches to expand non Muslim customer base.

Moreover, referring to Table 4.1 (on Page 52), most of the respondents do not consume Islamic banking products and services, hence there is a very huge market

to be focused and developed. Therefore this study provides implications to policymakers since Malaysia is targeting to become a financial Islamic hub in South East Asia, it is vital for policymakers to promote Islamic banking to seek for higher acceptance level to wider coverage of Malaysians and establish a very concrete Islamic banking and finance foundation.

5.4 Limitations of the Study

This study has few limitations to be noted. Firstly, the sample size might not sufficient due to time constraint. The reason is, the survey is distributed and collected back from the respondents in only three months. 500 questionnaires were distributed to all the working adults and most of them are from banking and finance sector. Therefore, the collection of information might be less accurate. Another reason is the coverage of location is only limited in Klang Valley and Kuala Lumpur, which might not wholly explain the Malaysians acceptance level towards Islamic banking.

Furthermore, the results show that the respondents might have lack of awareness of Islamic banking products and services, especially the Non-Muslim respondents. Majority of them might not have appropriate knowledge in answering the questionnaire which could have contributed to slightly inaccuracy in the results. Evidence shown by Halim and Norizaton (2001) states that customers have high awareness of Islamic banking but poor understanding to differentiate conventional banking and Islamic banking products and services provided. This is also agreed by another study where almost 60% of respondents lack of valid information in getting understanding towards Islamic banking (Norafifah & Haron, 2002).

Limitations are acknowledged but it is not detracting the significance of results in this study. Limitations here are merely to provide a platform for future researchers to take note on such limitations.

5.5 Recommendations for Future Research

The researchers should increase the number of the questionnaire given out to increase the sample size to ensure more reliable and accurate results. Besides, the coverage of sampling location should be expanded widely and not only in Kuala Lumpur and Klang Valley to reflect a complete view of Malaysians. It would be ideal to include respondents from East and West Malaysia into the sample population.

Moreover, three independent variables studied in this research have shown positive impacts towards acceptance level in the Islamic banking. However, it might have omitted some other independent variables such as awareness towards Islamic banking. Hence, it is suggested to add up more elements in testing the acceptance level of the respondents. On the other hand, more publications on Islamic banking should be encouraged in order to increase the level of understanding and awareness as well as to raise the level of knowledge amongst non-Muslims on Islamic banking perception and operations.

Last but not least, future researchers should alert that Islamic banking is a growing trend in Malaysia. Hence, more and more research topics on Islamic banking should be done to statistically study the customers in order for policymakers to capture this trend and fully utilise the competitive advantages from it.

5.6 Conclusion

This chapter starts with the summary of statistical analysis which includes descriptive and inferential analyses that have been described in detailed. It is then followed by some discussions of major findings whereby the research objectives are proven and the results of hypotheses are further being clarified. Moreover, the implications of the study are discussed in this chapter. Also, the limitations of the study have been outlined and the recommendations for future improvement are provided.

As a conclusion, this research project has been conducted on an investigation of acceptance level of individual consumers towards Islamic banking in Malaysia. The perceptions towards Islamic banking which includes products and services, social and religious perspectives and confidence in Islamic banking have been investigated in this research. Based on the findings of this research, it can be concluded that the customer perceptions are the key determinant that influences the acceptance level of individual consumers towards Islamic banking whereby it has been proven that products and services, social and religious perspectives and confidence in Islamic banking has the significant effect on the acceptance level towards Islamic banking.

Lastly, this research has met its objectives whereby the individual consumer perception, knowledge and understanding on products and services and acceptance level towards Islamic banking in Malaysia has been examined. The results of this research could be used as a guideline for future researchers to further investigate the acceptance level of individual consumers towards Islamic banking in Malaysia.

REFERENCES

A. Malik, J., Bhatti, I. A., Parveen, S., & Arshad, S. (2011). Effect of perceived corporate brand on customers' attitude towards Islamic banking. *International journal of Contemporary Business Studies, 2* (2), 54-68.

Abbas, S. Z. M., Hamid, M. A. A., Joher, H., & Ismail, S. (2003). Factors that determine consumers' choice in selecting Islamic financing products. *5th International Islamic Banking Conference, 9-10 September 2003*, (pp. 1-25). Prato.

Abbasi, M. T. H., Naeem, M., Saeed, R. M. K., Ambreen, A. A. G., & Yousaf, I. (2012). The tendency of customers towards the acceptance of Islamic banking in Bahawalpur region, Pakistan. *Research Journal of Finance and Accounting, 3* (3), 39-50.

Abdelhamid, M. (2005). *Islamic Banking* (Degree Desertation). Department of Economics, Carleton University.

Abduh, M., & Omar, A . M. (2012). Islamic bank selection criteria in Malaysia: An AHP approach. *Business Intelligence Journal.* 271-281.

Abdul Hamid, A. H., & Mohd Nordin, N. A. (2001). A study on Islamic banking education and strategy for the new millennium– Malaysian experience. *International Journal of Islamic Financial Services, 2* (4), 3-11.

Abdullah, A. A., Sidek, R., & Adnan, A. A. (2012). Perception of non-Muslims customers towards Islamic banks in Malaysia. *International Journal of Business and Social Science, 3* (11), 151-163.

Abdullah, N. I., & Dusuki, A. W. (2006). Customers' perceptions of Islamic hire-purchase facility in Malaysia: An empirical analysis. *IIUM Journal of Economics and Management, 14* (2), 177-204.

Abedniya, A., Zaeim, M. N., & Hakimi, B. Y. (2011). Investigating the relationship between customers' perceived service quality and satisfaction: Islamic bank in Malaysia. *European Journal of Social Science*, *21* (4), 603-624.

Ahmad, A., Rehman, K., & Humayoun, A. A. (2011). Islamic banking and prohibition of Riba/interest. *African Journal of Business Management, 5* (5), 1763-1767.

Ahmad, A., Rehman, K., Saif, I., & Safwan, N. (2000). An empirical investigation of Islamic banking in Pakistan based on perception of service quality. *African Journal of Business Management, 4* (6), 1185-1193.

Ahmad, K., & Kazmi, A. (2010). Bank Muamalat: A case study in Islamic Management. *IIUM Journal of Case Studies in Management, 1* (2), 34-44.

Ahmad, N., & Haron, S. (2002). Perceptions of Malaysian corporate customers towards Islamic banking products and services. *International Journal of Islamic Financial Services, 3* (1), 13-29.

Akmal, M., & Saleem, M. (2008). Technical efficiency of the banking sector in Pakistan. *SBP Research Bulletin, 4* (1), 61-80.

Alam, S. S., Janor, H., Zanariah., Wel, C. A. C., & Ahsan, M. N. (2012). Is religiosity an important factor in influencing the intention to undertake Islamic home financing in Klang Valley? *World Applied Sciences Journal, 19* (7), 1030-1041.

Ali, B. M., & Islam, S. (2011). Measuring services quality of banks: An empirical study. *Research Journal of Finance and Accounting, 2* (4), 74-86.

Al-smadi, A. A. A., Hamdan, F., & Almsafir, K. M. (2013). Islamic banking vs conventional banking, during the global financial crisis: Malaysia as a case. *Journal of Islamic and Human Advanced Research, 3* (1), 27-40.

Amin, M., Isa, Z., & Suradi, N. R. (2010). Image and trust in Malaysian Islamic banks: A comparative study on Muslim and non-Muslim customers. *International Conference on Business, Management and Economics (ICBME).* Izmir: 6th International Conference on Business, Management and Economics-ICBME'10 Proceeding.

Ariff, M. (1988). Islamic Banking. *Asian-Pacific Economic Literature, 2* (2), 46-62.

Arsham, H. (1996). Statistical Thinking for Managerial Decisions. Retrieved March 20, 2013, from http://home.ubalt.edu/ntsbarsh/business-stat/opre504.htm

Athanassopoulos, A., Gounaris, S. & Stathakopoulos, V. (2001) Behavioural responses to customer satisfaction: An empirical study. *European Journal of Marketing, 35* (5), 687–707. Retrieved March 20, 2013, from http://www.emeraldinsight.com/journals.htm/journals.htm?issn=0309-0566&volume=35&issue=5&articleid=853735&show=pdf

Aziz, Z. A. (2010). Governor of Central Bank of Malaysia. *Financial Industry Conference, 3 November 2010*, Kuala Lumpur.

Bahari, Z. (2009). The changes of product structure in Islamic banking: Case study of Malaysia. *International Conference On Islamic Perspective On Management And Finance*, (pp. 5-12).

Bank Negara Malaysia. (2013). *Shariah Resolution in Islamic Finance*. Retrieved October 2, 2012, from Islamic Banking & Takaful: http://www.bnm.gov.my/index.php?ch=fs_mfs&pg=fs_mfs_bank&lang=en

Barich, H. & Kotler, P. (1991). A framework for marketing image management. *Sloan Management Review, 32* (2), 94-104.

Boyd, W., Leonard, M., & White, C. (1994). Customer preferences for financial services: An analysis. *International Journal of Bank Marketing, 12* (1), 9-15.

Carbo-Valverde, S., Hannan, T. H., & Rodriguez-Fernandez, F. (2011). Exploiting old customers and attracting new ones: The case of bank deposit pricing. *European Economic Review*, *55* (7), 903-915.

Cheng, W. H., Chuah, C. W., Bohari, A. M., & Adam, M. Z. A. (2011). Bank selection criteria and service quality of Islamic banking: A comparison between Muslim and non-Muslim students and its effect on student's satisfaction. *EconomicsJournal, 14* (3), 104-114.

Damirchi, G. V., & Shafai, J. (2011). A guideline to Islamic marketing mix. *Interdisciplinary Journal of Contemporary Research in Business, 3* (3), 1339-1347.

DeCoster, J. (2004). *Data Analysis in SPSS*. Retrieved January 25, 2013 from http://www.stat-help.com/notes.html

Doraisamy, B., Shanmugam, A., & Raman, R. (2011). A study on consumers' preferences of Islamic banking products and services in Sungai Petani. *Academic Research International*, *1* (3), 290-302.

Dusuki, A. W., & Abdullah, N. I. (2007). Why do Malaysian customers patronise Islamic banks? *International Journal of Bank Marketing, 25* (3), 142–160.

Echchabi, A., Aziz, H. A. (2012). The relationship between religiosity and customers' adoption of Islamic banking services in Marocco. *International Journal of Contemporary Business Studies, 3* (5), 25-31.

El Nagar, H. M., & El Biely, M. M. (2011). A comparison of banking behavior of Islamic bank customer some evidence from Egypt and the Kingdom of Saudi Arabia (KSA). *International Journal of Economics & Financial Studies, 1* (1), 1-14.

El-Ghattis, N. (n. d.). *Islamic banking role in economic development: Future outlook*. Center of Islamic Finance, Bahrain Institute of Banking and Finance.

Ergun, U., & Djedovic, I. (2011). Islamic Banking with a closer look at Bosnia and Herzegovina: Knowledge, perceptions and decisive factors for choosing Islamic Banking. *8th International Conference on Islamic Economics and Finance.* Doha: Center for Islamic Economics and Finance, Qatar Faculty of Islamic Studies, Qatar Foundation.

Erol, C., & El-Bdour, R. (1989). Attitude, behaviour and patronage factors of bank customers towards Islamic banks. *International Journal of Bank Marketing, 7* (6), 31-37.

Erol, C., Kaynak, E., & El-Bdour, R. (1990). Conventional and Islamic Bank: Patronage Behaviour of Jordanian Customers. *International Journal of Bank Marketing, 8* (5), 25-35.

Estiri, M., Hosseini, F., Yazdani, H., & Nejad, H. J. (2011). Determinants of customer satisfaction in Islamic banking: Evidence from Iran. *International Journal of Islamic and Middle Eastern Finance and Management, 4* (4), 295 - 307.

Furqani, H., & Mulyany, R. (2009). Islamic banking and economic growth: Empirical evidence from Malaysia. *Journal of Economic Cooperation and Development, 30* (2), 59-74.

Gait, A., & Worthington, A. (2008). An empirical survey of individual consumer, business firm and financial institution attitudes towards Islamic methods of finance. *International Journal of Social Economics, 35* (11), 783-808.

Garbarino, E., & Johnson, M. (1999). The different roles of satisfaction, trust and commitment in customer relationships. *Journal of Marketing, 63* (2), 70-87.

Garson, G. D. (2010). *Multiple Regression*. Retrieved January 25, 2013, from http://faculty.chass.ncsu.edu/garson/PA765/regress.htm

Gerrard, P., & Cunningham, B. (2001). Singapore's undergraduates: How they choose which bank to patronise. *International Journal of Bank Marketing, 19* (3), 104-114.

Gerrard, P., and Cunningham, B. (1997). Islamic banking: A study in Singapore. *International Journal of Bank Marketing, 15* (6), 204-216.

Golafshani, N. (2003). Understanding reliability and validity in qualitative research. *The Qualitative Report, 8* (4), 597-606. Retrieved January 25, 2013, from http://www.nova.edu/ssss/QR/QR8-4/golafshani.pdf

Groenewald, D. (2010). *Chapter 5: Research Design and Methodology of The Study*. Retrieved January 25, 2013, from http://upetd.up.ac.za/thesis/available/etd-04282010-085324/unrestricted/03chapters5-6.pdf

Hair, Babin, Money & Samouel (2003). *Essentials of Business Research Method*. New Jersey: John Wiley & Sons.

Hakim, S. A., Bhatti, O. K., & Al-Jubari, I. (2011). Advertising of Islamic banking products. *Advertising of Islamic Banking Products, 1* (2), 60-70.

Halim, A. A. H., & Norizaton, A. M. N. (2001). A study on Islamic banking education and strategy for the new millennium Malaysian experience. *International Journal of Islamic Financial Services*, *2* (4), 1-10.

Hamid, M. A., Yaakub, N. I., Mujani, W. K., Sharizam, M., & Jusoff, K. (2011). Factors adopting Islamic home financing: A case study among consumers of Islamic banks in Malaysia. *Journal of Scientific Reasearch 7*, 47-58.

Hanafi, A. A., & Sallam, H. (1997). Business Ethics: An Islamic Perspective. In F. Faridi (Ed.), *Islamic Principles of Business Organization and Management.* Kuala Lumpur: S.Abdul Majeed & Co.

Haque, A. (2010). Islamic banking in Malaysia: A study of attitudinal diferrences of Malaysian cuatomers. *European Journal of Economic, Finance and Administrative Sciences*, (8), 7-18.

Haque, A., Osman, J., & Ismail, A. Z. (2009). Factor influences selection of Islamic banking: A study on Malaysian customer preferences. *American Journal of Applied Sciences, 6* (5), 922-928.

Haron, S., & Ahmad, N. (2000). The effects of conventional interest rate and rate of profits on funds deposited with Islamic Banking system in Malaysia. *International Journal of Islamic Financial Services*, *1* (4), 1-9.

Haron, S., & Shanmugam, B. (2001). *Islamic Banking System: Concepts & Applications*. Kuala Lumpur: Pelanduk Publications (M) Sdn. Bhd.

Haron, S., & Wan Azmi, W. N. (2006). Marketing strategy of Islamic banks: A lesson from Malaysia. *Journal of Islamic Banking and Finance*.

Haron, S., Ahmad, N., & Planisek, S. L. (1994). Bank patronage factors of Muslim and non-Muslim customers. *International Journal of Bank Marketing, 12* (1), 32-40.

Hasan, I. (2008). Islamic banking: Trends, opportunities and challenges. *ABA Journal*, 1.

Hassan, A., Chachi, A., & Latiff, S. A. (2008). Islamic marketing ethics and its impact on customer satisfaction in the Islamic banking industry. *Islamic Economics, 21* (1), 27-46.

Hidayat, S. E., & Al-Bawardi, N. K. (2012). Non-Muslims' Perceptions toward Islamic banking services in Saudi Arabia. *Journal of US-China Public Administration*, *9* (6), 654-670.

Hussein, K. (2010). Bank-level stability factors and consumer confidence- A comparative study of Islamic and conventional banks' product mix. *Journal of Financial Services Marketing, 15* (3), 259-270.

Iqbal, M., & Molyneux, P. (2005). *Thirty Years of Islamic Banking: History, Performance and Prospects*. New York: Palgrave Macmillan.

Iqbal, M., Ahmad, A., & Khan, T. (1998). *Challenges Facing Islamic Banking.* Islamic Research and Training Institute, Islamic Development Bank.

Ismail, H., Thambiah, S., & Eze, U. C. (2011). Customers awareness and current usage of Islamic retail banking products and services in Malaysia. *Australian Journal of Basic and Applied Sciences, 5* (10), 667-671.

Jalil, A., & Muda, M. (2007). Islamic financial product development: Shariah analysis. *IIUM International Conference on Islamic Banking and Finance*.

Johnes, J., Izzeldin, M., & Pappas, V. (2009). The efficiency of Islamic and conventional banks in the Gulf Cooperation Council (GCC) countries: An analysis using financial ratios and data envelopment analysis. *Economics Working Paper Series*. Lancaster University: The Department of Economics. Retrieved October 12, 2012, from: http://eprints.lancs.ac.uk/48965/1/Document.pdf

Kabir, M. H., & Rasem, N. K. (2009). The global financial crisis, risk management and social justice in Islamic finance. *ISRA International Journal of Islamic Finance, 1* (1), 33-58.

Karim, A. A., & Affif, A. Z. (2005). Islamic banking consumer behaviour in Indonesia: A qualitative approach. *International Journal Islamic Finance*.

Kassim, K. M., & Nordin, K. H. M. (2013). Relationship between image, service quality, and organizational citizenship behaviour in determining customer satisfaction towards an Islamic financial institution in Malaysia. *Asian Journal of Business and Management Sciences, 1* (9), 113-119.

Kaynak, E., Kucukemoroglu, O., & Odabasi, Y. (1991). Commercial bank selection in Turkey. *International Journal Bank Marketing, 9* (4), 30-45.

Kengis, P., & Voukelatos, V. (1997). Private and public banks: A comparison of customer expectations and perceptions. *International Journal of Bank Marketing, 15* (7), 279-287.

Khalil, M., & Zurina, S. (2012). Commodity Murabaha: The theory-practice gap. *Design for Scientific Renaissance, 2* (3), 126-138.

Khan, F. (2010). How "Islamic" is Islamic banking? *Journal of Economic Behavior & Organization, 76*, 805–820.

Khan, M. F. (1983). Islamic banking as practised now in the world. *Money and Banking in Islam,* Zaiauddin Ahmed et. al (eds), Islamabad (Pakistan), Institute of Policy Studies, 259-276.

Khan, M. M., & Bhatti, M. I. (2008). *Developments in Islamic banking*. New York: Palgrave MacMillan.

Khan, M. S. N., Hassan, M. K., & Shahid, A. I. (2007). Banking behavior of Islamic bank customers in Bangladesh. *Journal of Islamic Economics, Banking and Finance, 3* (2), 159-194.

Khattak, N. A., & Rehman, K. U. (2010). Customers satisfaction and awareness of Islamic banking system in Pakistan. *African Journal of Business Management, 4* (5), 662-671.

Khir, K., Gupta, L., & Shanmugam, B. (2008). *Islamic banking: A practical perspective*. Malaysia: Pearson.

Lai, A.W. (1991). Consumption situation and product knowledge in the adoption of a new product. *European Journal of Marketing*, *25* (10), 55-67. Retrieved October 3, 2012, from http://www.emeraldinsight.com/journals.htm?articleid=853242

Loo, M. (2010). Attitudes and perceptions towards Islamic banking among Muslim and non-Muslim in Malaysia: Implications for marketing to baby boomers and X-generation. *International Journal of Arts and Sciences, 3* (13), 453-485.

Marimuthu, M., Chan, W. J., Lim, P. G., Low, P. M., & Tan, Y. P. (2010). Islamic banking: Selection criteria and implications. *Global Journal of Human Social Sciences, 10* (4), 52-62.

Metawa, S. A., & Almossawi, M. (1998). Banking behaviour of Islamic bank customers: Perspectives and implications. *International Journal of Bank Marketing*, *16* (7), 299-313.

Mohammed, K. I .B., Shamsher, M. M. A., & Taufiq, H. (2008). Cost, revenue, and profit efficiency of Islamic banks: International evidence using data environment analysis. Islamic Economic Studies, 15(2), 23-76.

Mokhtar, H. S. A., Abdullah, N., & Al-Habshi, S. M. (2006). Efficiency of Islamic banking in Malaysia: A stochastic frontier approach. *Journal of Economic Cooperation, 27* (2), 37-70.

Moorman, C., Zaltman, G., & Deshpande, R. (1992). Relationships between providers and users of market research: The dynamics of trust within and between organizations. *Journal of Marketing Research, 29,* 314-328.

Morgan, R., & Hunt, S. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing, 58*, 20-38.

Munawar, I. (2001). Islamic and Conventional banking in the nineties: A comparative studies. *Islamic Economic Studies, 8* (2), 1-28.

Nanava. R. (2007). *Islamic banking and Islamic financial products: Comparative study of UK, US and Malaysia.* Unpublished thesis, Central European University.

Naser, K., Jamal, A., & Al-Khatib, K. (1999). Islamic banking: A study of customer satisfaction and preferences in Jordan. *International Journal of Bank Marketing, 17* (3), 135 - 151.

Nathan, R. J., Thambiah, S., & Eze, U. C. (2008). Consumer adoption of Islamic banking in Malaysia. *College Sciences in India*, 16-24.

Norafifah, A., & Haron, S. (2002). Perceptions of Malaysian corporate customers towards Islamic banking products. *International Journal of Islamic Financial Services, 3* (4), 13-29.

Omar, A. B., Sultan, N., Zaman, K., & Bibi, N. (2011). Customer perception towards online banking services: Empirical evidence from Pakistan. *Journal of Internet Banking and Commerce, 16* (2), 1-24.

Omer, H. (1992). *The implication of Islamic beliefs and practice on Islamic financial institutions in the UK* (PhD Dissertation). Loughborough University.

Osman, I., Ali, H., Zainuddin, A., Rashid, W. E. W., & Jusoff, K. (2009). Customers satisfaction in Malaysian Islamic banking. *International Journal of Economics and Finance, 1* (1), 197-202.

Othman, A., & Owen, L. (2002). The multi-dimensionality of CATER model to measure customer service quality (SQ) in Islamic banking industry: A study in Kuwait Finance House. *International Journal of Islamic Financial Services, 3* (4).

Park, H. M. (2008). Univariate analysis and normality test using SAS, Stata, and SPSS. *Working Paper*. Indiana University: The University Information Technology Services (UITS) Center for Statistical and Mathematical Computing.

Rahman, A. R. A. (2007). Islamic banking and finance: Between ideals and realities. IIUM *Journal of Economics and Management, 15* (2), 123-141.

Rashid, M., & Hassan, K. M. (2009). Customers demographic affecting bank selection criteria, preference, and market segmentation: Study on domestic Islamic banks in Bangladesh. *International Journal of Business and Management, 4* (6), 131-146.

Ratnasingham, P. (1998). The importance of trust in electronic commerce. *Internet Research: Electronic Networking Applications and Policy*, *8* (4), 313-321.

Ratnawati, A. et al. (2000). *Survey report on potency, preference and community attitude towards Syaria Bank in West Java.* Bogor Institute of Agriculture

and Bank Indonesia, Jakarta. Retrieved March 20, 2013, from: http://www.bi.go.id/NR/rdonlyres/53A3EF99-5B53-4583-989B-CBA0DA08CF94/13297/BPSESJabarenglish.pdf

Rehman, A. U., & Shabbir, M. S. (2010). The relationship between religiosity and new product adoption. *Journal of Islamic Marketing*, *1* (1), 63-69.

Rice, G., & Mahmoud, E. (2001). Integrating quality management, creativity and innovation in Islamic banks. *American Finance House- Lariba 8ᵗʰ Annual International Conference*. California.

Rodney, W. (2007). Islamic asset management. *School of Government and International Affairs Research Working Paper Series*, (pp. 1-14).

Rogers, E. (1983). *Diffusion of Innovations*. New York: The Free Press.

Rustam, S., Bibi, S., Zaman, K., Rustam, A., & Zahid-ul-Haq. (2011). Perceptions of corporate customers towards Islamic banking products and services in Pakistan. *The Romanian Economic Journal, 14* (41), 107-123.

Saad, N. M. (2012). Comparative analysis of customer satisfaction on Islamic and conventional banks in Malaysia. *Asian Social Science, 8* (1), 73-80.

Saad, N. M. (2012). Comparative Analysis of customer satisfaction on Islamic and conventional banks in Malaysia. *Asian Social Science*, *8* (1), 73-80.

Saiful, A. R., & Mohd Afandi, A. B. (2003). Performance of Islamic and mainstream banks in Malaysia. *International Journal of Social Economics, 30* (12), 1249-1265.

Sekaran, U., & Bougie, R. (2010). *Research Methods for Business: A skill Building Approaches* (5ᵗʰ ed.). Chichester: John Willey & Sons Ltd.

Shafie, S., Wan Azmi, W. N., & Haron, S. (2004). Adopting and measuring customer service quality in Islamic banks: A case study of Bank Islam Malaysia Berhad. *Journal of Muamalat and Islamic Finance Research, 1* (1).

Subhani, M. I., Hasan, S. A., Rafiq, M. F., Nayaz, M., & Osman, A. (2012). Consumer criteria for the selection of an Islamic bank: Evidence from Pakistan. *International Research Journal of Finance and Economics, 94,* 114-122.

Tan, T. H. (2009). *A study of Islamic banking customer satisfaction in Malaysia* (Published master dissertation). Universiti Utara Malaysia.

Thambiah, S., Eze, U. C., Tan, K. S., Nathan, R. J., & Lai, K. P. (2010). Conceptual framework for the adoption of Islamic retail banking services in Malaysia. *Journal of Electronic Banking Systems*.

Thambiah, S., Ismail, H., & Malarvizhi, C. A. (2011). Islamic retail banking adoption: A conceptual framework. *Australian Journal of Basic and Applied Sciences, 5* (12), 649-657.

Thambiah, S., Nathan, R., & Eze, U. C. (2006). Consumer adoption of Islamic banking in Malaysia. *College Science in India, 2* (2), 16-24.

Titko, J., & Lace, N. (2012). Bank value: Comparing customer and employee perceptions. *Business, Management and Education*, *10* (1), 66-76.

Wilson, R. (1995). Marketing strategies for Islamic financial products. New Horizon.

Wilson, R. (1997). Islamic finance and ethical investment. *International Journal of Social Economics, 24* (11), 1325-1342.

Yusoff, M. E., & Shamsuddin, A. S. (2003). Musliam consumers attitude towards Islamic finance products in a non-Muslim country. *Humanitarian Journal*, (pp. 94-103).

Zainol, Z., Shaari, R., & Muhamad Ali, H. (2008). A comparative analysis of bankers' perceptions on Islamic banking. *International Journal of Business and Management, 3* (4), 157-168.

Ziaul, M. H., Nigar, S., & Muslim, A. (2010). The effect of trust, customer satisfaction and image on customers' loyalty in Islamic banking sector. *South Asian Journal of Management, 17* (70).

Zikmund, W. & Babin, B (2010). *Essentials of Marketing Research* (4th ed.). Mason, OH: South-Western/Cengage Learning.

Zikmund, W.G. (2003). *Business Research Methods*. (7th ed.) South-Western Publishing.

Universiti Tunku Abdul Rahman

Faculty of Business and Finance

Bachelor of Business Administration (Hons) Banking and Finance

Bachelor of Finance (Hons)

Final Year Project 2012/2013

Title of topic: Acceptance level towards Islamic banking among individual consumers in Malaysia

Dear respondents,

We are final year undergraduate students of Bachelor of Business Administration (Hons) Banking and Finance and Bachelor of Finance (Hons), from Universiti Tunku Abdul Rahman (UTAR). The purpose of this survey is to examine the acceptance level towards Islamic banking among individual consumers in Malaysia.

There are FIVE (5) sections in this questionnaire. Please read the instructions carefully before answering the questions. Please answer ALL questions in ALL sections. It will only take about 10 minutes to complete this questionnaire. Your cooperation in completing this questionnaire is highly appreciated. The contents of this questionnaire will be kept PRIVATE and CONFIDENTIAL and be used solely for academic purposes.

Thank you for your cooperation and participation.

Section A: Demographic profile

1. Gender: ☐ Male　　　　☐ Female

2. Age: ☐ < 20　　☐ 20-29　　☐ 30-39　　☐ 40-49　　☐ 50-59　　☐ 60 >

3. Religion: ☐ Muslim　　　☐ Non-Muslim

4. Marital Status: ☐ Single　　☐ Married　　☐ Divorced　　☐ Others: _____

5. Highest qualification achieved:
   ☐ No formal education　　☐ STPM/ A-Level/ Diploma　☐ Professional qualification
   ☐ Below secondary school ☐ Bachelor's Degree　　　☐ Others: _____
   ☐ Secondary school　　　☐ Master's/ PhD's Degree

6. Current occupation:
   ☐ Professionals　　　　　　　　☐ Government disciplinary bodies (police/ army)
   ☐ Manager/ administrative staff　　☐ Student
   ☐ Banking and finance personnel　☐ Housewife
   ☐ Sales and marketing personnel　☐ Self-employed
   ☐ Academician/ educator　　　　☐ Others: _____

7. Individual monthly income: ☐ < RM1000　　☐ RM2000-2999　　☐ RM4000-4999
   　　　　　　　　　　　　☐ RM1000-1999　☐ RM3000-3999　☐ > RM5000

8. Household monthly income: ☐ < RM1000　　☐ RM2000-2999　　☐ RM4000-4999
   　　　　　　　　　　　　☐ RM1000-1999　☐ RM3000-3999　☐ > RM5000

Section B: Islamic banking use information

1. Have you ever used the following Islamic banking products/ services? (Kindly tick √)
   ☐ Savings account/ current account　☐ Share financing
   ☐ Term deposit/ Fixed deposit　　☐ Automobile financing
   ☐ Investment account　　　　　☐ Cash line facility/ overdraft
   ☐ Housing financing (BBA)　　　☐ Credit card/ debit card
   ☐ Education financing　　　　　☐ Bank assurance/ insurance
   ☐ Personal financing

Section C: Awareness on Islamic banking (Kindly tick √)

1. Have you ever heard of Islamic banking?
   ☐ Yes　　　　☐ No

2. Do you know that the operation of Islamic banking is compliant to the Islamic Law?
   ☐ Yes　　　　☐ No

3. Do you know that Islamic banking products and services are different from those of Conventional banking?
   ☐ Yes　　　　☐ No

4. Please tick √ if you are aware of the following Islamic banking contracts.
   ☐ Al-Wadi'ah (Safe custody)　　　　☐ Ijarah (Leasing)

☐ Mudharabah (Profit and loss sharing)   ☐ Tawarruq (Monetisation/ Cash financing)

☐ Musyarakah (Partnership)   ☐ Murabahah (Cost plus profit)

☐ Bai' Bithaman Ajil (Sales with deferred payment)

Section D: Perception towards Islamic banking

1. Please tick √ to describe how far you agree with the following statements.

Appealing Islamic banking products and services	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Reliability of Islamic banking products and services are guaranteed to consumers.					
2. Pricing on Islamic banking products and services are competitive and attractive to consumers.					
3. Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time.					
4. Islamic banking staffs are willing and ready to provide prompt and effective services to consumers.					
5. Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort.					

2. Please tick √ to describe how far you agree with the following statements.

Social and religious perspectives	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Islamic banking products and services are beneficial to Muslims and non-Muslims.					
2. Islamic banks provide sufficient and fair facilities to all consumers in the same way.					
3. Islamic banking procedure is complex because it is compliant to Islamic rules.					
4. Consumers choose Islamic banking products and services because of ethical responsibility.					
5. Consumers choose Islamic banking products and services because of religion responsibility.					

3. Please tick √ to describe how far you agree with the following statements.

Confidence in Islamic banking	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. I choose Islamic banking for it strictly upholds the confidentiality of consumers' privacy.					
2. I believe Islamic banks provide the true and accurate information of the products and services to all consumers.					
3. I trust the Islamic banks' account and operational transparency system.					
4. I am confident with the Islamic banks' security system.					
5. I am confident to deal with Islamic banks because of their image and reputation.					

Section E: Acceptance level towards Islamic banking

Please tick √ to describe how far you agree with the following statements.

Acceptance level	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Islamic banking products and services are acceptable among all Muslims and non-Muslims.					
2. Personal background and religion are not my consideration when choosing the Islamic banking products and services.					
3. The concepts of interest-free and profit and loss sharing encourage me to choose Islamic banking products and services.					
4. Structure and processing transparency makes me choose Islamic banking products and services.					
5. Engaging in Islamic banking products and services would be my consideration in the near future.					

<u>Appendix B: Pilot test reliability output</u>

```
GET
  FILE='C:\Users\Dell 1464\Desktop\FYP\pilot test result.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
RELIABILITY
  /VARIABLES=Reliability Pricing Innovations Staff Convenience
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability

```
[DataSet1] C:\Users\Dell 1464\Desktop\FYP\pilot test result.sav
```

Scale: ALL VARIABLES

Case Processing Summary

		N	%
	Valid	26	100.0
Cases	Excluded[a]	0	.0
	Total	26	100.0

a. Listwise deletion based on all variables in the

procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.929	5

```
RELIABILITY
  /VARIABLES=Beneficial Fair Complex Ethical ReligionResp
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability Statistics

Cronbach's Alpha	N of Items
.767	5

```
RELIABILITY
  /VARIABLES=Confidentiality True Transparency Security Image
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability Statistics

Cronbach's Alpha	N of Items
.939	5

```
RELIABILITY
  /VARIABLES=Acceptable Personal Word InfoByStaff Charge Interest
Structure Safeguard Alternative Engage
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA.
```

Reliability Statistics

Cronbach's Alpha	N of Items
.882	10

Appendix C: Frequency output

```
FREQUENCIES VARIABLES=Gender Age Religion Marital Qualification
Occupation IndvIncome HseIncome Heard IslamicCompliant DiffConvent
Reliability Pricing Innovations Staff Convenience Beneficial Fair
Complex Ethical ReligionResp Confidentiality True
Transparency Security Image Acceptable Personal Interest Structure
Engage
  /STATISTICS=STDDEV MEAN MEDIAN MODE SUM
  /ORDER=ANALYSIS.
```

Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	197	48.2	48.2	48.2
	Female	212	51.8	51.8	100.0
	Total	409	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 20	2	.5	.5	.5
	20-29	178	43.5	43.5	44.0
	30-39	156	38.1	38.1	82.2
	40-49	44	10.8	10.8	92.9
	50-59	29	7.1	7.1	100.0
	Total	409	100.0	100.0	

Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muslim	193	47.2	47.2	47.2
	Non-Muslim	216	52.8	52.8	100.0
	Total	409	100.0	100.0	

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	209	51.1	51.1	51.1
	Married	190	46.5	46.5	97.6
	Divorced	9	2.2	2.2	99.8
	Others	1	.2	.2	100.0
	Total	409	100.0	100.0	

Highest qualification achieved

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No formal education	4	1.0	1.0	1.0
	Below secondary school	7	1.7	1.7	2.7
	Secondary school	20	4.9	4.9	7.6
	STPM/ A-level/ Diploma	100	24.4	24.4	32.0
	Bachelor's degree	232	56.7	56.7	88.8
	Master's/ PhD's degree	24	5.9	5.9	94.6
	Professional qualification	18	4.4	4.4	99.0
	Others	4	1.0	1.0	100.0
	Total	409	100.0	100.0	

Current occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Professionals (Doctor/ Lawyer/ Engineer/ Accountant)	29	7.1	7.1	7.1
	Manager/ administrative staff	77	18.8	18.8	25.9
	Banking and finance personnel	178	43.5	43.5	69.4
	Sales and marketing personnel	62	15.2	15.2	84.6
	Academician/ educator	19	4.6	4.6	89.2
	Government disciplinary body (police/ army)	4	1.0	1.0	90.2
	Housewife	13	3.2	3.2	93.4
	Self-employed	16	3.9	3.9	97.3
	Others	11	2.7	2.7	100.0
	Total	409	100.0	100.0	

Individual monthly income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< RM1000	11	2.7	2.7	2.7
	RM1000-1999	20	4.9	4.9	7.6
	RM2000-2999	144	35.2	35.2	42.8
	RM3000-3999	123	30.1	30.1	72.9
	RM4000-4999	52	12.7	12.7	85.6
	> RM5000	59	14.4	14.4	100.0
	Total	409	100.0	100.0	

Household total monthly income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< RM1000	10	2.4	2.4	2.4
	RM1000-1999	21	5.1	5.1	7.6
	RM2000-2999	102	24.9	24.9	32.5
	RM3000-3999	70	17.1	17.1	49.6
	RM4000-4999	41	10.0	10.0	59.7
	> RM5000	165	40.3	40.3	100.0
	Total	409	100.0	100.0	

Have you ever heard of Islamic banking?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	357	87.3	87.3	87.3
	No	52	12.7	12.7	100.0
	Total	409	100.0	100.0	

Do you know that the operation of Islamic banking is compliant to the Islamic Law?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	319	78.0	78.0	78.0
	No	90	22.0	22.0	100.0
	Total	409	100.0	100.0	

Do you know that Islamic banking products and services are different from those of Conventional banking?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	318	77.8	77.8	77.8
Valid	No	91	22.2	22.2	100.0
	Total	409	100.0	100.0	

Reliability of Islamic banking products and services are guaranteed to consumers.

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly disagree	2	.5	.5	.5
	Disagree	32	7.8	7.8	8.3
Valid	Nuetral	201	49.1	49.1	57.5
	Agree	157	38.4	38.4	95.8
	Strongly agree	17	4.2	4.2	100.0
	Total	409	100.0	100.0	

Pricing on Islamic banking products and services are competitive and attractive to consumers.

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly disagree	1	.2	.2	.2
	Disagree	50	12.2	12.2	12.5
Valid	Nuetral	166	40.6	40.6	53.1
	Agree	175	42.8	42.8	95.8
	Strongly agree	17	4.2	4.2	100.0
	Total	409	100.0	100.0	

Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time.

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly disagree	1	.2	.2	.2
	Disagree	44	10.8	10.8	11.0
Valid	Nuetral	145	35.5	35.5	46.5
	Agree	185	45.2	45.2	91.7
	Strongly agree	34	8.3	8.3	100.0
	Total	409	100.0	100.0	

Islamic banking staffs are willing and ready to provide prompt and effective services to consumers.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	.7	.7	.7
	Disagree	55	13.4	13.4	14.2
	Nuetral	179	43.8	43.8	57.9
	Agree	150	36.7	36.7	94.6
	Strongly agree	22	5.4	5.4	100.0
	Total	409	100.0	100.0	

Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.5	.5	.5
	Disagree	56	13.7	13.7	14.2
	Nuetral	187	45.7	45.7	59.9
	Agree	143	35.0	35.0	94.9
	Strongly agree	21	5.1	5.1	100.0
	Total	409	100.0	100.0	

Islamic banking products and services are beneficial to Muslims and non-Muslims.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.2	.2	.2
	Disagree	33	8.1	8.1	8.3
	Nuetral	148	36.2	36.2	44.5
	Agree	192	46.9	46.9	91.4
	Strongly agree	35	8.6	8.6	100.0
	Total	409	100.0	100.0	

Islamic banks provide sufficient and fair facilities to all consumers in the same way.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	3	.7	.7	.7
	Disagree	55	13.4	13.4	14.2
	Nuetral	176	43.0	43.0	57.2
	Agree	141	34.5	34.5	91.7
	Strongly agree	34	8.3	8.3	100.0
	Total	409	100.0	100.0	

Islamic banking procedure is complex because it is compliant to Islamic rules.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.2	.2	.2
	Disagree	56	13.7	13.7	13.9
	Nuetral	145	35.5	35.5	49.4
	Agree	159	38.9	38.9	88.3
	Strongly agree	48	11.7	11.7	100.0
	Total	409	100.0	100.0	

Consumers choose Islamic banking products and services because of ethical responsibility.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.5	.5	.5
	Disagree	60	14.7	14.7	15.2
	Nuetral	173	42.3	42.3	57.5
	Agree	149	36.4	36.4	93.9
	Strongly agree	25	6.1	6.1	100.0
	Total	409	100.0	100.0	

Consumers choose Islamic banking products and services because of religion responsibility.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	1.0	1.0	1.0
	Disagree	53	13.0	13.0	13.9
	Nuetral	185	45.2	45.2	59.2
	Agree	148	36.2	36.2	95.4
	Strongly agree	19	4.6	4.6	100.0
	Total	409	100.0	100.0	

I choose Islamic banking for it strictly upholds the confidentiality of consumers' privacy.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.5	.5	.5
	Disagree	48	11.7	11.7	12.2
	Nuetral	196	47.9	47.9	60.1
	Agree	142	34.7	34.7	94.9
	Strongly agree	21	5.1	5.1	100.0
	Total	409	100.0	100.0	

I believe Islamic banks provide the true and accurate information of the products and services to all consumers.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	1.0	1.0	1.0
	Disagree	49	12.0	12.0	13.0
	Nuetral	153	37.4	37.4	50.4
	Agree	168	41.1	41.1	91.4
	Strongly agree	35	8.6	8.6	100.0
	Total	409	100.0	100.0	

I trust the Islamic banks' account and operational transparency system.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.2	.2	.2
	Disagree	45	11.0	11.0	11.2
	Nuetral	165	40.3	40.3	51.6
	Agree	165	40.3	40.3	91.9
	Strongly agree	33	8.1	8.1	100.0
	Total	409	100.0	100.0	

I am confident with the Islamic banks' security system.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.5	.5	.5
	Disagree	41	10.0	10.0	10.5
	Nuetral	167	40.8	40.8	51.3
	Agree	171	41.8	41.8	93.2
	Strongly agree	28	6.8	6.8	100.0
	Total	409	100.0	100.0	

I am confident to deal with Islamic banks because of their image and reputation.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.5	.5	.5
	Disagree	47	11.5	11.5	12.0
	Nuetral	160	39.1	39.1	51.1
	Agree	172	42.1	42.1	93.2
	Strongly agree	28	6.8	6.8	100.0
	Total	409	100.0	100.0	

Islamic banking products and services are acceptable among all Muslims and non-Muslims.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.5	.5	.5
	Disagree	44	10.8	10.8	11.2
	Nuetral	150	36.7	36.7	47.9
	Agree	183	44.7	44.7	92.7
	Strongly agree	30	7.3	7.3	100.0
	Total	409	100.0	100.0	

Personal background and religion are not my consideration when choosing the Islamic banking products and services.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	50	12.2	12.2	12.2
	Nuetral	144	35.2	35.2	47.4
	Agree	190	46.5	46.5	93.9
	Strongly agree	25	6.1	6.1	100.0
	Total	409	100.0	100.0	

The concepts of interest-free and profit and loss sharing encourage me to choose Islamic banking products and services.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.2	.2	.2
	Disagree	41	10.0	10.0	10.3
	Nuetral	169	41.3	41.3	51.6
	Agree	176	43.0	43.0	94.6
	Strongly agree	22	5.4	5.4	100.0
	Total	409	100.0	100.0	

Structure and processing transparency makes me choose Islamic banking products and services.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	6	1.5	1.5	1.5
	Disagree	59	14.4	14.4	15.9
	Nuetral	168	41.1	41.1	57.0
	Agree	146	35.7	35.7	92.7
	Strongly agree	30	7.3	7.3	100.0
	Total	409	100.0	100.0	

Engaging in Islamic banking products and services would be my consideration in the near future.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	1.2	1.2	1.2
	Disagree	36	8.8	8.8	10.0
	Nuetral	167	40.8	40.8	50.9
	Agree	157	38.4	38.4	89.2
	Strongly agree	44	10.8	10.8	100.0
	Total	409	100.0	100.0	

<u>Appendix D: Reliability test output</u>

```
RELIABILITY
  /VARIABLES=Reliability Pricing Innovations Staff Convenience
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE
  /SUMMARY=MEANS VARIANCE COV CORR.
```

Reliability

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey results.sav

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	409	100.0
	Excluded[a]	0	.0
	Total	409	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.845	.846	5

Item Statistics

	Mean	Std. Deviation	N
Reliability of Islamic banking products and services are guaranteed to consumers.	3.38	.711	409
Pricing on Islamic banking products and services are competitive and attractive to consumers.	3.38	.762	409
Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time.	3.51	.805	409
Islamic banking staffs are willing and ready to provide prompt and effective services to consumers.	3.33	.801	409
Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort.	3.31	.787	409

```
RELIABILITY
  /VARIABLES=Beneficial Fair Complex Ethical ReligionResp
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE
  /SUMMARY=MEANS VARIANCE COV CORR.
```

Reliability

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey results.sav

Scale: ALL VARIABLES

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.693	.696	5

Item Statistics

	Mean	Std. Deviation	N
Islamic banking products and services are beneficial to Muslims and non-Muslims.	3.56	.772	409
Islamic banks provide sufficient and fair facilities to all consumers in the same way.	3.36	.844	409
Islamic banking procedure is complex because it is compliant to Islamic rules.	3.48	.880	409
Consumers choose Islamic banking products and services because of ethical responsibility.	3.33	.817	409
Consumers choose Islamic banking products and services because of religion responsibility.	3.31	.790	409

```
RELIABILITY
  /VARIABLES=Confidentiality True Transparency Security Image
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE
  /SUMMARY=MEANS VARIANCE COV CORR.
```

Reliability

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey results.sav

Scale: ALL VARIABLES

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.888	.889	5

Item Statistics

	Mean	Std. Deviation	N
I choose Islamic banking for it strictly upholds the confidentiality of consumers' privacy.	3.32	.766	409
I believe Islamic banks provide the true and accurate information of the products and services to all consumers.	3.44	.847	409
I trust the Islamic banks' account and operational transparency system.	3.45	.803	409
I am confident with the Islamic banks' security system.	3.44	.784	409
I am confident to deal with Islamic banks because of their image and reputation.	3.43	.802	409

```
RELIABILITY
  /VARIABLES=Acceptable Personal Interest Structure Engage
  /SCALE('ALL VARIABLES') ALL
  /MODEL=ALPHA
  /STATISTICS=DESCRIPTIVE SCALE
  /SUMMARY=MEANS VARIANCE COV CORR.
```

Reliability

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey results.sav

Scale: ALL VARIABLES

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.807	.806	5

Item Statistics

	Mean	Std. Deviation	N
Islamic banking products and services are acceptable among all Muslims and non-Muslims.	3.48	.801	409
Personal background and religion are not my consideration when choosing the Islamic banking products and services.	3.46	.785	409
The concepts of interest-free and profit and loss sharing encourage me to choose Islamic banking products and services.	3.43	.755	409
Structure and processing transparency makes me choose Islamic banking products and services.	3.33	.864	409
Engaging in Islamic banking products and services would be my consideration in the near future.	3.49	.846	409

<u>Appendix E: Correlation output</u>

```
CORRELATIONS
  /VARIABLES=ProductsServices SocialReligious Confidence
AcceptanceLevel
  /PRINT=TWOTAIL NOSIG
  /STATISTICS DESCRIPTIVES
  /MISSING=PAIRWISE.
```

Correlations

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey
results.sav

Correlations

		ProductsServices	SocialReligious	Confidence	AcceptanceLevel
ProductsServices	Pearson Correlation	1	.618**	.701**	.673**
	Sig. (2-tailed)		.000	.000	.000
	N	409	409	409	409
SocialReligious	Pearson Correlation	.618**	1	.599**	.576**
	Sig. (2-tailed)	.000		.000	.000
	N	409	409	409	409
Confidence	Pearson Correlation	.701**	.599**	1	.766**
	Sig. (2-tailed)	.000	.000		.000
	N	409	409	409	409
AcceptanceLevel	Pearson Correlation	.673**	.576**	.766**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	409	409	409	409

**. Correlation is significant at the 0.01 level (2-tailed).

<div align="center">Appendix F: Normality test output</div>

```
GET
  FILE='C:\Users\Dell 1464\Desktop\latest combined_survey
results.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
REGRESSION
  /MISSING LISTWISE
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT AcceptanceLevel
  /METHOD=ENTER ProductsServices SocialReligious Confidence
  /SCATTERPLOT=(*ZRESID ,*ZPRED)
  /RESIDUALS HISTOGRAM(ZRESID) NORMPROB(ZRESID)
  /SAVE PRED ZPRED RESID ZRESID.
```

Regression

```
[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey
results.sav
```

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Confidence, SocialReligious, ProductsServices[b]	.	Enter

a. Dependent Variable: AcceptanceLevel

b. All requested variables entered.

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.3272	.9102	.6095	.12103	409
Residual	-.42829	.29558	.00000	.09264	409
Std. Predicted Value	-2.333	2.485	.000	1.000	409
Std. Residual	-4.606	3.179	.000	.996	409

a. Dependent Variable: AcceptanceLevel

Charts

Histogram
Dependent Variable: AcceptanceLevel

Mean = 1.50E-15
Std. Dev. = 0.996
N = 409
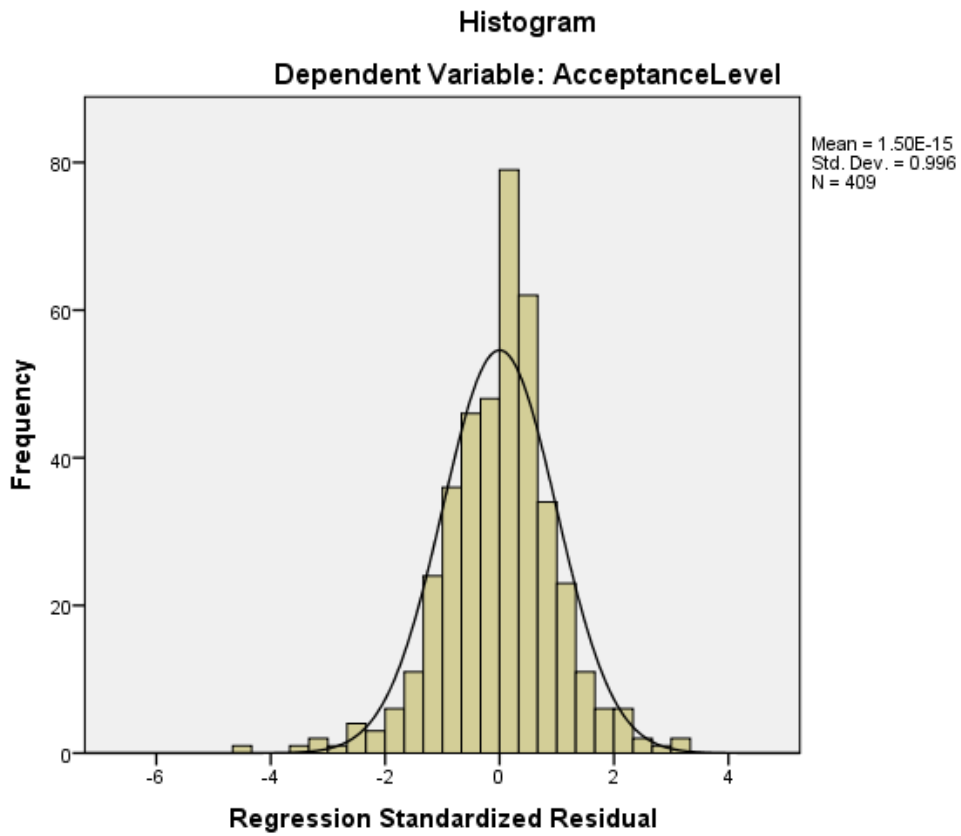
Normal P-P Plot of Regression Standardized Residual
Dependent Variable: AcceptanceLevel

Scatterplot

Dependent Variable: AcceptanceLevel
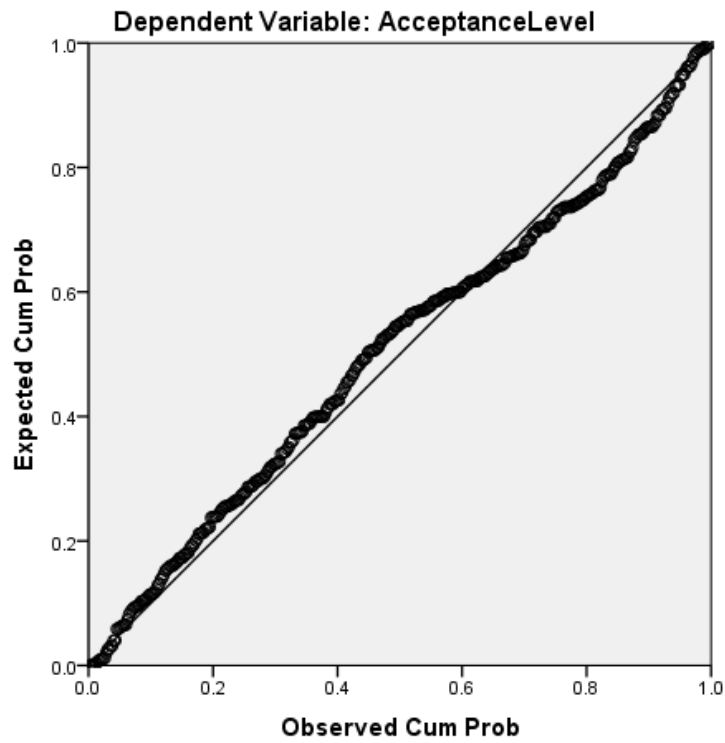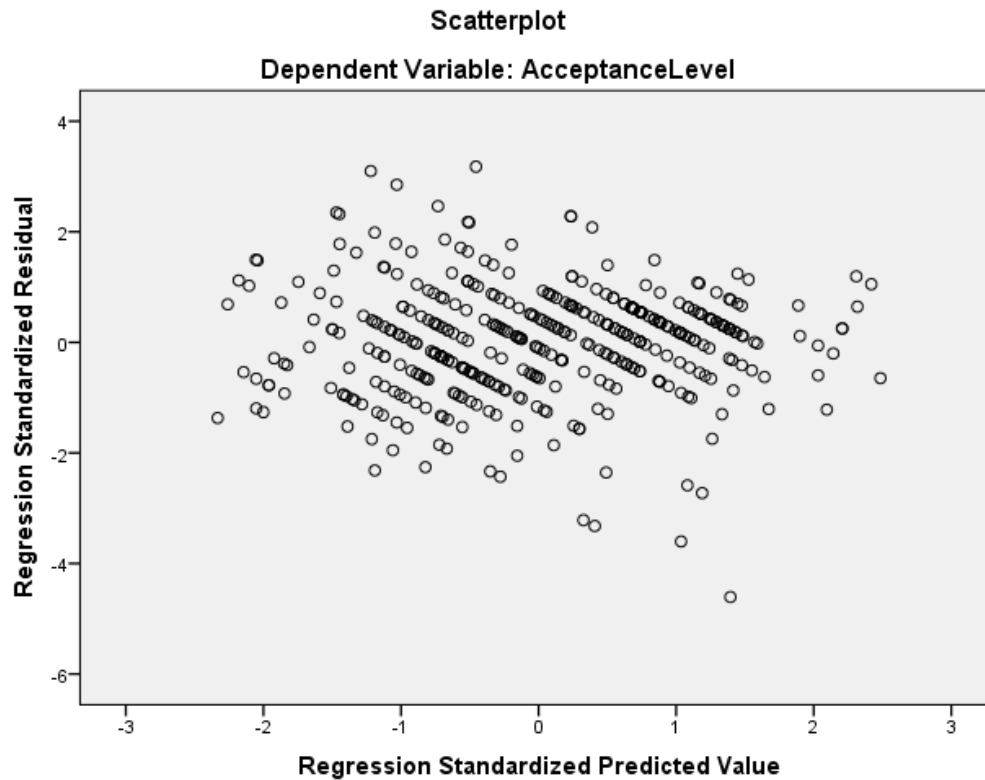

```
DESCRIPTIVES VARIABLES=ZRE_1
  /STATISTICS=MEAN STDDEV KURTOSIS SKEWNESS.
```

Descriptives

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey
results.sav

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Standardized Residual	409	0E-7	.99631675	-.391	.121	1.943	.241
Valid N (listwise)	409						

<u>Appendix G: Collinearity output</u>

```
REGRESSION
  /MISSING LISTWISE
  /STATISTICS COLLIN TOL
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT AcceptanceLevel
  /METHOD=ENTER ProductsServices SocialReligious Confidence
```

Regression

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey results.sav

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	ProductsServices	.447	2.235
	SocialReligious	.564	1.774
	Confidence	.464	2.155

a. Dependent Variable: AcceptanceLevel

Appendix H: Residual auxiliary model (White test) output

```
COMPUTE SQRR=RES_1 * RES_1.
EXECUTE.
COMPUTE SQRPS=ProductsServices * ProductsServices.
EXECUTE.
COMPUTE SQRSR=SocialReligious * SocialReligious.
EXECUTE.
COMPUTE SQRC=Confidence * Confidence.
EXECUTE.
COMPUTE PSSR=ProductsServices * SocialReligious.
EXECUTE.
COMPUTE PSC=ProductsServices * Confidence.
EXECUTE.
COMPUTE SRC=SocialReligious * Confidence.
EXECUTE.
REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT SQRR
  /METHOD=ENTER ProductsServices SocialReligious Confidence SQRPS
SQRSR SQRC PSSR PSC SRC
  /SCATTERPLOT=(*ZRESID ,*ZPRED)
  /SAVE PRED ZPRED RESID ZRESID.




REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT SQRR
  /METHOD=ENTER ProductsServices SocialReligious Confidence SQRPS
SQRSR SQRC PSSR PSC SRC
  /SCATTERPLOT=(*ZRESID ,*ZPRED)
  /SAVE PRED ZPRED RESID ZRESID.
```

Regression


```
[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey
results.sav
```

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	SRC, ProductsServices, SocialReligious, Confidence, SQRPS, SQRC, SQRSR, PSSR, PSC^b	.	Enter

a. Dependent Variable: SQRR

b. All requested variables entered.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.200^a	.040	.019	.01678

a. Predictors: (Constant), SRC, ProductsServices, SocialReligious, Confidence, SQRPS, SQRC, SQRSR, PSSR, PSC

b. Dependent Variable: SQRR

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.005	9	.001	1.856	.057^b
1	Residual	.112	399	.000		
	Total	.117	408			

a. Dependent Variable: SQRR

b. Predictors: (Constant), SRC, ProductsServices, SocialReligious, Confidence, SQRPS, SQRC, SQRSR, PSSR, PSC

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.017	.016		1.095	.274
	ProductsServices	-.005	.042	-.041	-.110	.913
	SocialReligious	-.034	.042	-.276	-.810	.418
	Confidence	.018	.038	.172	.458	.647
	SQRPS	.021	.048	.223	.437	.663
	SQRSR	.091	.053	.910	1.696	.091
	SQRC	.059	.039	.707	1.506	.133
	PSSR	-.020	.074	-.189	-.268	.789
	PSC	-.024	.071	-.250	-.333	.739
	SRC	-.120	.054	-1.200	-2.218	.027

a. Dependent Variable: SQRR

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.0039	.0497	.0086	.00340	409
Residual	-.02295	.17670	.00000	.01659	409
Std. Predicted Value	-1.366	12.126	.000	1.000	409
Std. Residual	-1.367	10.531	.000	.989	409

a. Dependent Variable: SQRR

Charts

Scatterplot
Dependent Variable: SQRR
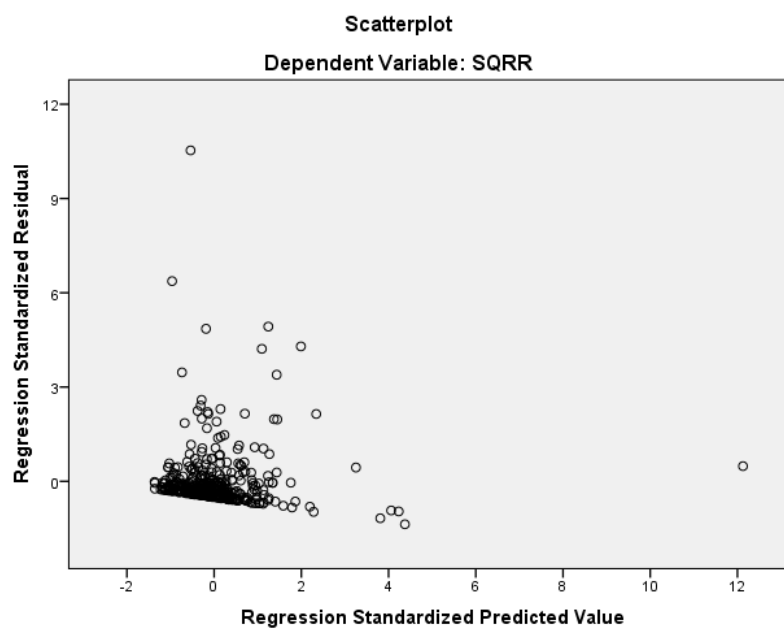
Appendix I: Multiple linear regression model output

```
GET
  FILE='C:\Users\Dell 1464\Desktop\latest combined_survey
results.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT AcceptanceLevel
  /METHOD=ENTER ProductsServices SocialReligious Confidence
  /RESIDUALS DURBIN.
```

Regression

[DataSet1] C:\Users\Dell 1464\Desktop\latest combined_survey
results.sav

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Confidence, SocialReligious, ProductsServices[b]	.	Enter

a. Dependent Variable: AcceptanceLevel

b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.794[a]	.631	.628	.09298	1.838

a. Predictors: (Constant), Confidence, SocialReligious, ProductsServices

b. Dependent Variable: AcceptanceLevel

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.977	3	1.992	230.448	.000[b]
	Residual	3.501	405	.009		
	Total	9.478	408			

a. Dependent Variable: AcceptanceLevel

b. Predictors: (Constant), Confidence, SocialReligious, ProductsServices

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.101	.022		4.596	.000
	ProductsServices	.223	.045	.222	4.923	.000
	SocialReligious	.126	.045	.113	2.820	.005
	Confidence	.497	.041	.543	12.236	.000

a. Dependent Variable: AcceptanceLevel

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.3272	.9102	.6095	.12103	409
Residual	-.42829	.29558	.00000	.09264	409
Std. Predicted Value	-2.333	2.485	.000	1.000	409
Std. Residual	-4.606	3.179	.000	.996	409

a. Dependent Variable: AcceptanceLevel

Appendix J: Chi square distribution table

Chi-square Distribution Table

d.f.	.995	.99	.975	.95	.9	.1	.05	.025	.01
1	0.00	0.00	0.00	0.00	0.02	2.71	3.84	5.02	6.63
2	0.01	0.02	0.05	0.10	0.21	4.61	5.99	7.38	9.21
3	0.07	0.11	0.22	0.35	0.58	6.25	7.81	9.35	11.34
4	0.21	0.30	0.48	0.71	1.06	7.78	9.49	11.14	13.28
5	0.41	0.55	0.83	1.15	1.61	9.24	11.07	12.83	15.09
6	0.68	0.87	1.24	1.64	2.20	10.64	12.59	14.45	16.81
7	0.99	1.24	1.69	2.17	2.83	12.02	14.07	16.01	18.48
8	1.34	1.65	2.18	2.73	3.49	13.36	15.51	17.53	20.09
9	1.73	2.09	2.70	3.33	4.17	14.68	16.92	19.02	21.67
10	2.16	2.56	3.25	3.94	4.87	15.99	18.31	20.48	23.21
11	2.60	3.05	3.82	4.57	5.58	17.28	19.68	21.92	24.72
12	3.07	3.57	4.40	5.23	6.30	18.55	21.03	23.34	26.22
13	3.57	4.11	5.01	5.89	7.04	19.81	22.36	24.74	27.69
14	4.07	4.66	5.63	6.57	7.79	21.06	23.68	26.12	29.14
15	4.60	5.23	6.26	7.26	8.55	22.31	25.00	27.49	30.58
16	5.14	5.81	6.91	7.96	9.31	23.54	26.30	28.85	32.00
17	5.70	6.41	7.56	8.67	10.09	24.77	27.59	30.19	33.41
18	6.26	7.01	8.23	9.39	10.86	25.99	28.87	31.53	34.81
19	6.84	7.63	8.91	10.12	11.65	27.20	30.14	32.85	36.19
20	7.43	8.26	9.59	10.85	12.44	28.41	31.41	34.17	37.57
22	8.64	9.54	10.98	12.34	14.04	30.81	33.92	36.78	40.29
24	9.89	10.86	12.40	13.85	15.66	33.20	36.42	39.36	42.98
26	11.16	12.20	13.84	15.38	17.29	35.56	38.89	41.92	45.64
28	12.46	13.56	15.31	16.93	18.94	37.92	41.34	44.46	48.28
30	13.79	14.95	16.79	18.49	20.60	40.26	43.77	46.98	50.89
32	15.13	16.36	18.29	20.07	22.27	42.58	46.19	49.48	53.49
34	16.50	17.79	19.81	21.66	23.95	44.90	48.60	51.97	56.06
38	19.29	20.69	22.88	24.88	27.34	49.51	53.38	56.90	61.16
42	22.14	23.65	26.00	28.14	30.77	54.09	58.12	61.78	66.21
46	25.04	26.66	29.16	31.44	34.22	58.64	62.83	66.62	71.20
50	27.99	29.71	32.36	34.76	37.69	63.17	67.50	71.42	76.15
55	31.73	33.57	36.40	38.96	42.06	68.80	73.31	77.38	82.29
60	35.53	37.48	40.48	43.19	46.46	74.40	79.08	83.30	88.38
65	39.38	41.44	44.60	47.45	50.88	79.97	84.82	89.18	94.42
70	43.28	45.44	48.76	51.74	55.33	85.53	90.53	95.02	100.43
75	47.21	49.48	52.94	56.05	59.79	91.06	96.22	100.84	106.39
80	51.17	53.54	57.15	60.39	64.28	96.58	101.88	106.63	112.33
85	55.17	57.63	61.39	64.75	68.78	102.08	107.52	112.39	118.24
90	59.20	61.75	65.65	69.13	73.29	107.57	113.15	118.14	124.12
95	63.25	65.90	69.92	73.52	77.82	113.04	118.75	123.86	129.97
100	67.33	70.06	74.22	77.93	82.36	118.50	124.34	129.56	135.81