

ADOPTION ON ISLAMIC BANKS : A STUDY ON
MALAYSIA UNIVERSITY STUDENTS

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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 each group member in completing the research project.
- (4) The word count of this research report is 20786 words.

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PREFACE

The research study that is conducted by our group is basically a part of the requirement by our degree course. It is mandatory for us to conduct this research study to complete our course Bachelor of Business Administration (Hons) Banking And Finance. Our research study topic is —Adoption on Islamic Bank: A Study on Malaysia University Students. The research study that will be conducted could probably prove vital in the field of banking industry.

The main reason we choose banking industry as our area is because we would like to investigate Malaysian Banking nowadays. Furthermore, previous researchers at Universiti Tunku Abdul Rahman (UTAR) did not focus on the which criteria will affect the adoption on Islamic Banks among the university students. Meanwhile, in our research study, we have covered a wider scope since we were looking at banking industry as well as the commitment to the banking sector.

In this research study, we outline the 5 important variables that have most influence towards the adoption on Islamic Bank. The variables include profitabilities, services and facilities, reputation and status, risk associated and Shariah-compliant. These five variables play important roles in determining the possible factors that might influence the adoption on Islamic Banks.

ABSTRACT

This study was designed to investigate the relationship between adoption of Islamic Banks and criteria such profitabilities, services and facilities, reputation and status, risk associated and Shariah-compliant. Specifically, the study sought to achieve the following: (1) To examine the relationship between bank's profitability and the adoption on Islamic banks of Malaysia university students.; (2) To find out the relationship of the bank services and facilities and the adoption on Islamic banks of Malaysia university students; (3) To find out the relationship of bank's reputation and status with the adoption on Islamic banks of Malaysia university students; (4) To examine the relationship of risk associated and the adoption on Islamic banks of Malaysia university students;(5) To examine the relationship of Shariah-compliant and the adoption on Islamic banks of Malaysia university students. Data are collected from primary sources which mean questionnaires were distributed to the respondents. Statistical Package for the Social Science (SPSS) version 16.0 is used to conduct new findings in the relationship of adoption on Islamic Banks and criteria such profitabilities, services and facilities, reputation and status, risk associated and Shariah-compliant.

CHAPTER 1 : RESEARCH OVERVIEW

1.0 Introduction

In the beginning of Chapter 1, the background of Islamic bank will be discussed. Followed by the problem statements reason on why the study is being conducted. The research objectives, research questions and the hypotheses of the study are developed in this chapter. The significance of the study will be briefly explained. Lastly, the chapter layout of each chapter of the study will be reported.

1.1 Research Background

Malaysia is a multi-nation Asian country that has 27 million populations which consist of more than one race like Malay, Chinese and Hindu etc. A study conducted by (Leete, 1996) show that there are 60% Malay, 27% Chinese, 7% Hindu and 6% others (Amin, Isa, & Fontaine, 2011). Different races have different kind of culture and religion like all Malay is Muslim while other citizens are Buddha, Hindu, Christian etc. Thus, Malaysia consist both Islamic banking and conventional banking which the customers can choose among themselves.

The Islamic Bank can be defined as a bank which is applying the banking system that is based on the principle of Islamic law also known as Shariah and will not involve itself in the transaction which prohibited by Shariah (Abdullah, Sidek, & Adnan, 2012). The Islamic bank facilities offer is same with the conventional bank like saving account, current account, credit card, loan and other financial products but it must comply and not prohibited by principles of Shariah. The first Islamic banking system implements since year 1983 when the first Islamic bank which is Bank Islam Malaysia Berhad (BIMB) was operated in Malaysia (Ahmad & Haron, 2002). The

main purpose of developing the Islamic Banking System is to gather among the Muslim and ensure fair distribution and use of fund under the Islamic law and teaching.

In year 1993, Bank Negara Malaysia (BNM) started the Islamic window when the Interest-Free Banking Scheme was introduced. The reason of Bank Negara Malaysia start Islamic window is to allow the conventional bank to introduce the Islamic basis financial product to the public instead establish many new Islamic bank in Malaysia (Ahmad & Haron, 2002). By July in the same year, the Interest-Free Banking Scheme was expanded to all the financial institutions in Malaysia with total 21 Islamic financial products were developed. At the year end of 2000, the Islamic banking system was represented by 2 Islamic banks, 5 merchant banks, 7 discount houses and 17 conventional banks (Ahmad & Haron, 2002).

Although the Islamic banking system widely developed in Malaysia that most of the banks was offered several types of Islamic products but base on the research done by (Haron, Ahmad, & Planisek, 1994) showed that there are 32 percent of non-Muslim and 12% Muslim are believe that the Islamic bank is for Muslim only. This show that there are still many people misunderstand Islamic bank is not just for Muslim but also non-Muslim. Moreover, the researcher also mentions that if there is a chance to let the public to understand more about the Islamic bank, they are willing to establish a relationship with Islamic bank.

1.2 Problem statement

The existing global financial crisis is not only getting rid of doubts on the appropriate execution of conventional banking, but also increased the attention on the Islamic banking. Nowadays, banks are focusing more on developing Islamic Bank due to great competition brought by the conventional banking industries. Among the Muslim countries, Malaysia is one of them which is committed to developing not only an

Islamic banking system, but a complete Islamic financial system. Nonetheless, the government introduced the concept of Islamic windows, which enable the existing conventional banks to introduce Islamic banking products to customers instead of creating many new Islamic banks. However, the Islamic products has not been fully accepted by customers. Therefore, there is a need to understand the students' behavior toward the adoption on Islamic banks to gain deeper understanding about the adoption on Islamic bank of Malaysia university students

According to the research conducted by Ahmad & Haron (2002) stated that conventional bank had total deposit RM381 billion but the total deposit hold by Islamic system was RM31 billion. In the case of loans, there was RM416 billion extended by the conventional banking system while the Islamic system was given out RM21 billion to the public. Based on the statistic figure, we can know that the conventional banking system has captured most of the market share as compare to the Islamic banking system. Beside that, we also know that the conventional Banking system is much more stronger than the Islamic banking system so we need to investigate the reason for affecting this scenario.

The main problem that affecting the adoption on Islamic banks among the university student are, customers are unfamiliar with the Islamic banking system. There are still many people do not understand what is actually the Islamic banking either Muslim or non-Muslim. Customers do not familiar with the products and services offered by the Islamic banks. Thus, Islamic bank needs to be dynamic and innovative in fulfilling customers expectations and requirements.

According to the study conducted by Ahmad & Haron (2002), there is a misconception against Islamic banking. Both the researchers said that many customers have misunderstanding against Islamic banking which the Islamic banking is only for Muslims. Besides that, this study provides as an indicator showing that the provider of Islamic banking products and services have not done enough in educating

customer and marketing their products. Most customers are not aware of the products and services offered by the Islamic banks.

1.3 Objectives

General objectives:

- To examine the adoption on Islamic banks of Malaysia university students.

Specific objectives:

- To examine the relationship between bank's profitability and the adoption on Islamic banks of Malaysia university students.
- To find out the relationship of the bank services and facilities and the adoption on Islamic banks of Malaysia university students.
- To find out the relationship of bank's reputation and status with the adoption on Islamic banks of Malaysia university students.
- To examine the relationship of risk associated and the adoption on Islamic banks of Malaysia university students.
- To examine the relationship of Shariah-compliant and the adoption on Islamic banks of Malaysia university students.

1.4 Research questions

- i. What is the relationship of bank profitability and the adoption on Islamic banks of Malaysia university students?
- ii. What is the relationship of the bank's services and facilities with the adoption on Islamic banks of Malaysia university students?

- iii. What is the relationship of the bank's reputation and status with the adoption on Islamic banks of Malaysia university students?
- iv. What is the relationship of risk associated and the adoption on Islamic banks of Malaysia university students?
- v. What is the relationship of Shariah compliant and the adoption on Islamic banks of Malaysia university students?

1.5 Hypotheses of the study

There are five hypotheses for this research paper which derived from the research objectives. The five hypotheses are as below:

H1₀: There is no relationship between bank profitability and the adoption on Islamic banks of Malaysia university students.

H1₁: There is a significant relationship between bank profitability and the adoption on Islamic banks of Malaysia university students.

H2₀: There is no relationship of the bank's services and facilities with the adoption on Islamic banks of Malaysia university students.

H2₁: There is a significant relationship of the bank's services and facilities with the adoption on Islamic banks of Malaysia university students.

H3₀: There is no relationship of the bank's reputation and status with the adoption on Islamic banks of Malaysia university students.

H3₁: There is a significant relationship of the bank's reputation and status with the adoption on Islamic banks of Malaysia university students.

H4₀: There is no relationship of risk associated and the adoption on Islamic banks of Malaysia university students.

H4₁: There is a significant relationship of risk associated and the adoption on Islamic banks of Malaysia university students.

H5₀: There is no relationship between Shariah compliant and the adoption on Islamic banks of Malaysia university students.

H5₁: There is a significant relationship between Shariah compliant and the adoption on Islamic banks of Malaysia university students.

1.6 Significant of the Study

Practical

Islamic bank is not popular and acceptable as compare with conventional bank by Malaysian. Whereby, this study can further contribute to the Islamic bank and financial institutions like Bank Muamalat Malaysia Berhad by studying what criteria that significantly affecting the adoption on Islamic bank. Thus, the Islamic bank and financial institutions can come out with a new strategy and strengthen their institutions.

Theoretical

The result of this research will also be a valuable reference material for banking students. The research results will be useful for the banking students who wish to understand the criteria that significantly affecting the adoption on the Islamic bank.

1.7 Chapter Layout

Chapter 1 is the research overview which includes the research background, problem statement, research objectives, research questions, hypotheses and significance of our study.

In chapter 2, there are consist of a research literature review of the journals and articles gathered in the relevant research area. This chapter also includes reviews on the relevant theoretical model chosen, prior empirical studies, proposed framework and hypothesis development.

Chapter 3 will illustrates the background of the research design, sample and sampling procedures, data collection method, research instrument, construct measurement, data processing and analysis techniques of this research.

In chapter 4, data analysis is conducted. The empirical information that collected from questionnaires is analyzed in this chapter. SAS is used in the data analysis among the statistical analysis tests which tested the research project that comprises the test of descriptive analyses, scale measurement and inferential analyses.

Chapter 5 will summarize the whole statistical analysis of the research, further discuss on the major findings of the research and also conduct the implications of the study as well. In this chapter, recommendations will also be provided for further research purposes.

1.8 Conclusion

This chapter serves as a guideline for the study by introducing the research background and the problem statement, subsequently justifying the research

objectives, presenting the research question, describing and justifying the hypotheses and finally discussing on the major findings as well as the implications of the study.

CHAPTER 2 : LITERATURE REVIEW

2.0 Introduction

Before the study is conducted, we must first understand the characteristics of Islamic banking. In the studies of Khan (2010), he has explained how “Islamic” in Islamic bank. Islamic banking is commonly synonymous with “interest-free banking” or “risk-sharing banking”. This is because an Islamic banking system is based on equity participation instead of the interest-based conventional banking system. International Banking Facility (IBF) holds that this equity participation financial system would lead to greater equity, allocative efficiency, financial system stability and GDP growth. Once this system is fully implemented into the financial world, it will create a world where there is “no inflation, no unemployment, no exploitation and no poverty exist. Besides, Islamic bank will act as a venture capital provider and invest into worthy firms or industry, looking for exchange for a share of profit. Therefore, it will not force a firm into liquidation to recover the default loan and interest through no fault of the borrower.

According to Sole (2007), Islamic bank has been grown to all over the world over these years. The area covered was not only limited to the nations of majority Muslim populations but also over other countries where Muslim is a minority, such as the United Kingdom and Japan. Despite of the rapid expansion of Islamic bank all over the world, Islamic banks are still being treated as territory for some capitalism countries. This is due to the practices and principle of Islamic banking are conflicted with the practices that have been held by the capitalist for a long time. However, we believe that the trend of penetration of Islamic bank into the conventional banking system will continue. Therefore, it is essential to determine the reasons of customers choosing Islamic Bank instead of the conventional bank that exists for a few centuries. There are few studies have been done by different researchers for the same purposes

before our studies. We believe that by studying the previous studies is able to help us to have a better understanding about the grand pictures of this topic and to lead our works towards the correct direction.

2.1 Review of Literature

Kahf (2004) has discussed the success factors of Islamic banking in his studies. According to his opinions, Islamic banks have to pay great attention on the quality of products and services they offer to the clients even they are monopolizing the market based on the specialties of their services. Besides, they have to expand their base of banking services. Even though Islamic bank is specially for Muslims that are not allowed to patronize into conventional banks, however the services provided should not limited to the preference of Muslims only. They should also provide services like investment funds (Takaful) so that they could attract more customers despite of their religious views. Moreover, Islamic bank must be able to build a high level of trust between customers and team. There is evidence to show that high level of trust is the foundation of success of a bank. In order to achieve this target, effectively supervise of the implementation of standards and collective religious rulings in the actual deals and transactions with customers, depositors and shareholders will become a very important issue to Islamic bank.

Hanif (2011) has explained the difference of Islamic banking with conventional banking in his studies. Before the introduction of Islamic banking, banker was a dealer of money that handles all the money of depositors and also provides loans to borrowers. In this case, interest should be paid to the depositors and received from the borrowers as a reward of using the money according to the capitalist system. However, the practice of Shariah (Islamic Law) has prevented the Islamic banks from applying the same system with the conventional bank. Shariah states that the charging or paying of interest as known as Riba in the Islamic words is forbidden in the Shariah. Therefore, Muslims have no other way but to establish their own bank with

the brand new system. This system challenges the interest based system that has been practiced by the people for few centuries even in the Muslim countries. On the other way, it applies the profit and loss sharing system which fits more to the Shariah. By using this approach, Islamic banks have successfully created trust between depositors and them because the profit or loss is no longer fixed but according to the performance of Islamic banks.

2.1.1: Dependent Variable – Adoption on Islamic bank

Saad (2012) found out that the existence of Islamic banks in Malaysia can be traced back to 1963. It was established based on the religious consciousness of the Muslim community in Malaysia. However, the usage of Islamic bank is no longer limited to Muslims but to other religious group as well. Therefore, the research conducted is to determine the factors that influenced the adoption on Islamic bank of Malaysia university student. Saad (2012) explained that the selection of customer between Islamic bank and conventional bank is based on the customer perception and satisfaction. In the other words, customers will switch their preference if they feel comfortable and satisfied when doing business with the bank. Therefore, he stated that it is important to determine the factors that will affect the perception of customers. These factors will be the independent variables in our studies. The similar research also done by Bhatti, Hussain and Akhbar (2010). Bhatti et al. (2010) were looking for the determinants of customers' satisfaction and bank selection as well, however the target country of this research was Pakistan. The reason of choosing Pakistan as their target country is that Pakistan is an Islamic country and Islamic banks are the main banking services providers in the country. Some other researchers like Awan and Bukhari (2011) also conducted their research on this country. However, the situation of Pakistan is slightly different from our target country which is Malaysia, as Malaysia is a country that applies two banking systems that are Islamic banking and conventional banking system

together. Therefore, researches on Malaysia are extremely vital in conducting this research as well. For example, the researches of Ahmad and Haron(2000) and Haque, Osman and Hj Ismail (2009).

2.1.2: 1st Independent Variable – Profitability

According to the Raza, Saddique, Farooq, Awan and Amin (2012), the Islamic bank must be conducting its businesses on the basis of Shariah principles. The main difference between conventional banking and Islamic banking is the prohibition of Riba (interest) in Islam. This is because Quran clearly stated that a profit must be earned on the exchange of goods and services but not from the exchange of money itself. Therefore, the ways of gaining a return for undertaking the Islamic banking deposits and conventional banking deposits will be different as an Islamic bank provides Hibah while conventional bank provides Riba for their depositors.

Ahmad and Noor (2011) had determined that the bank's profitability has a positive correlation with technically efficiency level. In the other words, the more efficient banks tend to be more profitable. The reasons are the bank with higher efficiency will have higher market share and lower non-performing loans ratio. In the studies of Ariss (2010), he found out that the profitability aspect of Islamic banking is different from the conventional banking. The reasons why the composition of the portfolio held under the Islamic bank and conventional bank is different based on their strategies. For Islamic banks, they allocate a great significant share of their assets to finance or loans compared to conventional banks, implying a great exposure of credit risk. As a return, Islamic banks are able to balance the high portfolio risk with the low financial risk through the high capitalization levels. This provides an option for the customers to choose either one risk that they prefer to assume.

Therefore, it creates difference of the type of customers between Islamic banks and conventional banks.

Besides, Bhatti et al. (2010) had found out that the preference of customers is affected by the profitability of the bank. As customers nowadays is getting higher and higher educational level, they will be more alert to the profitability that a bank can offer to them. Moreover, Mansour, Abdelhamid, Masood and Niazi (2010) also determined that some customers value the profitability more than religious view of the banking services. The profitability motivation replaces the religious motivation in the bank adoption which will be an important issue to use to investigate.

2.1.3: 2nd Independent Variable – Services and Facilities

Idiab, Haron and Hj. Ahmad (2012) has discussed about the services provided by the Islamic bank. They found out that Islamic banking services can be divided into two major parts which are services that include credit operations and services that do not include credit operations. Services that include credit operations are the services that provided especially for the purpose of investment. However, services that do not include credit operations are the services implemented on the basis of commission or fee is charged over the submissive or recall. Most important, Islamic bank does not offer traditional banking services that are in contravention with the provision of Islamic Law. This has created a difference between the services offered by the Islamic bank and conventional bank, so it helps the customers to choose the services that they prefer more easily.

In the studies of Quresh, Hussain and Rehman (2012), they found out that the important attractions of customer toward the Islamic banking or conventional banking is services and facilities that the bank provide. There are more and

more banks in the market and so the customer can switch their banks easily. In other words, customer will not stay or continue using the same banks unless the bank can offer them the facilities and services that differ itself from other competitors. The facilities and services should also be necessary and able to fit the demands of its customers. They also recommended the bank to put more effort on advertising the products and services that are different from the competitors and the financial benefit that will be provided by these products in order to attract the attention of the customers.

In addition, Saad (2012) has mentioned that besides of the type of services, the quality of services is playing an important role as well. She found out that improve the quality of services and can improve the competitiveness of a bank in the market. Besides, he also found out that improving the physical facilities in a bank will have the same effect as well. Osman, Zainuddin, Rashid and Jusoff (2009) had provided the same inference before Saad. They stated that improving quality of services will entail customers' satisfaction and ultimately customers' loyalty.

2.1.4: 3rd Independent Variable – Bank Reputation and Status

According to Ahmad, Rustam and Dent (2011), they determined that bank reputation and status are the most leading factors of the selection of bank for customers. Although the ideas of Islamic banking are still at the infant stage in some of the countries and yet to be widely understood by other races besides Muslim, however it has been successfully attracted great attention of foreign and local investors. As a brand new idea in the market, there is a great potential for Islamic banking to attract new customers and larger market share in the future.

Furthermore, Chebab and Zribi (2012) have further explained that customers will have positive perception on the bank's reputation and status. This is because they have the strong believe that a bank with a good reputation and status shows that it will have good performance in their products and services. Ahmad & Haron (2000) have studied that the knowledge of customers towards the bank will affect the selection of the customers. This will be more important especially in countries that apply a parallel banking system like Malaysia. In their studies, there is still a majority of people in Malaysia indicates that their knowledge on Islamic banking is still limited. Even though they know that Muslim is not allowed to patronize conventional banks due to the interest is prohibited in Islam, however there is still some misconception among people about the objective and philosophy of the establishment of Islamic bank. People believed that the Islamic bank must adopt the profit maximization principle but it is contradictory with the objective Islamic bank that looking for the combination of moral and profit motives. These conflicts and misunderstandings between the customers and Islamic bank may cause the customers to swap their preference.

In the studies of Hoq, Sultana and Amin (2010), they found out that trust plays a very important role on improving the bank's reputation and status. They recommended that bank should pay great attention to improve the trust of customers towards them as it leads to a positive impact on the reputation of the bank. This will not only assist them to sustain their customers but also help them to develop their customer base. Besides, Awan and Bukhari (2011) has found out the reputation and status of the bank has been the main reason that a customer for joining a new bank. This is because of the reputation and status is the first thing that comes in the mindset of the customers before the customer has any contact with other aspects of the bank.

2.1.5: 4th Independent Variable – Risk Associated

In the studies of Beck, Demirguc-Kunt & Merrouche (2013), they found out that the Islamic banks are always found to have a lower risk as compared to conventional banks. This is because of Islamic banks are more conservative on risk taking because of their principles that they hold. Shariah principles have prohibited the Islamic banks from undertaking any activities that consist of excessive risk which is known as Gharar as well. Besides, Islamic banks are not applying interest on the deposits but with another method called profit and loss sharing method or risk sharing method. The most important feature of this method is the pass through of risk in between of the borrowers and the depositors.

According to Ahmad and Noor (2011), credit risk has been proven to be problematic in the recent past, thus Islamic banks should focus more on the credit risk management. Liquidity problem might happen if there are loopholes on the credit risk management of a bank and it will affect the confidence of customers towards the bank and leads to a bank run. The studies of Ahmad and Dr Pandey (2010) had proven that the Islamic banks had reduced their risk in exchange of their profitability and competency. This is because Islamic banks had given up the interest-based transactions that have been the traditions of banking industries for a few decades or even centuries.

Furthermore, Bourkhis and Nabi (2013) had also conducted a study on the soundness of Islamic banks and conventional bank in the financial crisis in 2007-2008. They found out that the recent financial crisis had caused many failures of conventional bank but less effect on the Islamic banks. The reason will be the different strategies used by these two types of banks made the Islamic banks to be outperforming the conventional banks. Therefore, we could conclude that the risk of Islamic banks in the financial crisis will be partially lower than the conventional banks. However, Cihak and Hesse (2008)

disagreed with the previous studies, they found out that credit risk management will be more difficult when the portfolio of Islamic banks grows. The larger portfolio will cause more complexity for the management and monitoring process. As a result, the risk of Islamic banks will raise and achieve a consistent with conventional banks.

Based on the previous researches done by the researchers before us, we are able to make inferences on the relationship between the dependent variable and the independent variables in our research. Firstly, Shariah Compliances of Islamic banking products and services will have a positive relationship with the selection of students towards the Islamic banks. Besides, the profitability of a bank tends to have a positive relationship with the selection of students. Furthermore, the better reputation and status of a bank, the more students will choose to have business with the bank. Moreover, the facilities and services provided by banks to their customers will have a positive relationship with the selection of students as well. Last but not least, the risk associated with the banks is different with the other variables because it will have a negative relationship with the selection of students. In the other words, the higher the - risk associated, the less likely the students will choose the bank.

2.1.6: 5th Independent Variable – Shariah Compliant

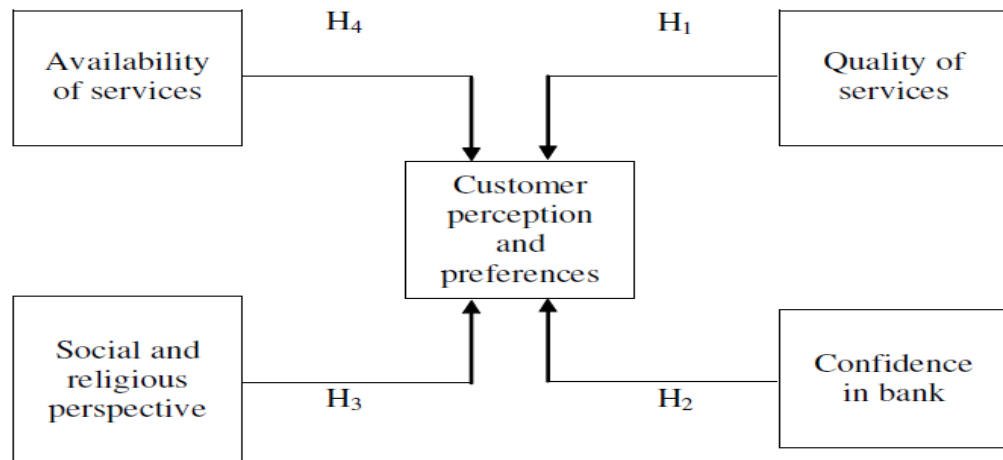
According to Haque, Ahmed and Jahan (2010), Holy Quran act as a life code for all Muslims which Allah has provided them complete ethical guidelines towards their daily life. In between that, Shariah principles are the ethical guides for Muslims when handling businesses and banking activities. Therefore, a follower of Islam must adhere to the Shariah principles, committing to Islamic lifestyle and refrains from crimes committed which has been outlined by the Shariah.

According to Beck et al. (2013), Shariah prohibits the Islamic banks from charging of interest payment (Riba) on the financial products and services provided. In this case, Muslims have no other way but to substitute the existing way of doing business with their own products and services. Therefore, Islamic banking has been introduced and together Shariah compliant products and services have been developed. These products and services resemble the conventional banking products and services by replacing the interest payment with contingency payments or fees. The use of this factor is able to attract the Muslims who are bound to follow the Shariah. This has been further explained by Bhatti et al. (2010). They found out that the most significant reason of customers in dealing with Islamic bank is that Islamic banks are providing the same facility and returns with the benefit of Shariah compliance as were offered by conventional banks but without the benefit of Shariah compliance. However, there are still problems faced by Islamic banking due to these Shariah principles.

V. Sundararajan and Errico (2002) have mentioned that Shariah has not only prohibited the Riba but also the taking of excessive risk (Gharar). In the other words, many risk hedging instruments and techniques used by the conventional banks nowadays are not yet available to Islamic Banks. For example like options, futures and forwards. This will be a problem for those Islamic banking users that want to manage their risks for their businesses. Besides, Awan and Bukhari (2011) has further determined that Shariah principle has also prohibited the businesses associated with the particular sins sectors like alcohol, pornography or gambling. These activities are “Haram” in the aspect of Islam and so Muslims are not allowed to get involved or participate in any part of these activities. Thus, these restrictions are not applied to conventional banks.

2.2 Review of Relevant Theoretical Model

Figure 2.1: Research Model in Haque, Osman and Hj Ismail' Study

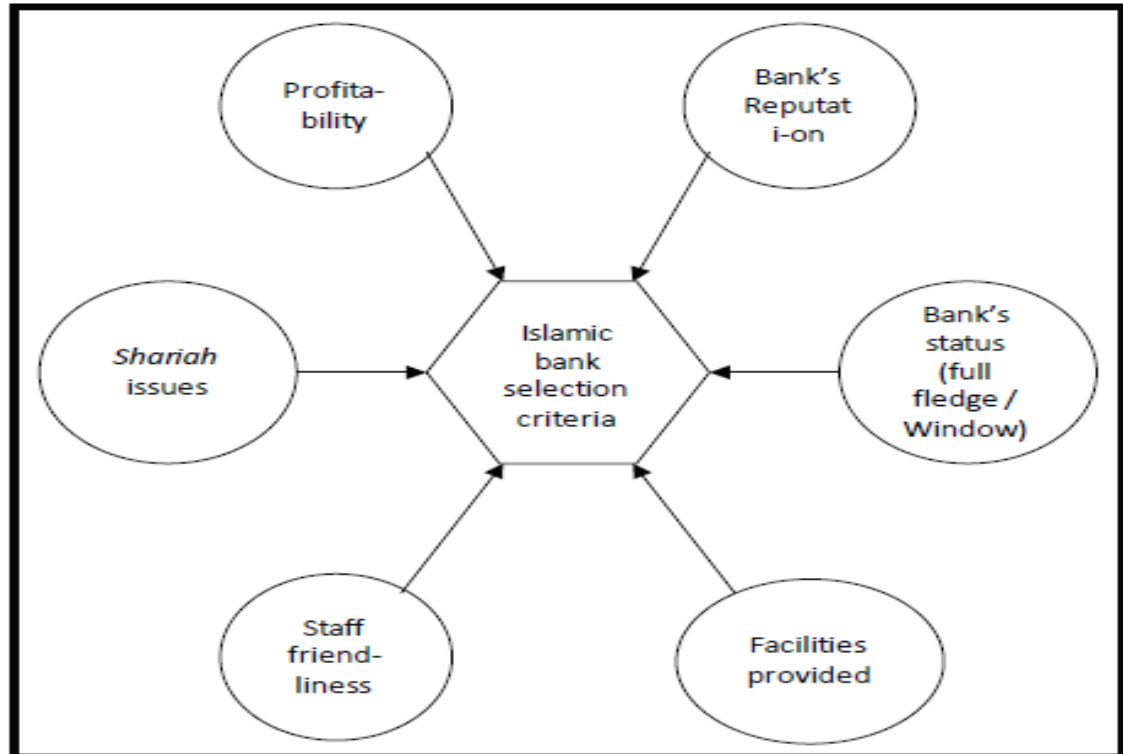


Source: Haque, A., Osman, J., & Hj Ismail, A. Z. (2009). Factor influences selection of Islamic banking: a study on Malaysian customer preferences. *American Journal of Applied Sciences*, 6(5), 922-928.

Based on the diagram above, the factors that influence selection of Islamic Banking have been determined by Haque et al. (2009). In their studies, the factors that will affect the customer's perception and preferences will be the availability and quality of services, social and religious perspective and confidence in banks. First, the better quality of services will lead to a better satisfaction of customers. Therefore, they expect there will be a significant relationship between the quality of services and customer perception and preferences. Second, it will be the confidence in banks. The customers will conduct their business with the bank only if they have enough confidence on the reputation and status of the bank. Next, the social and religious preview will relate to the Shariah principles. Some customers will concern whether the products and services offered are Shariah-compliant or not. The last factors of their studies will be the availability of services which means the products and services that are offered by the banks and readily to be delivered to the customers. In

the other words, high availability of services might lead to high customer perception and preference.

Figure 2.2: Research Model in Abduh and Omar' Study



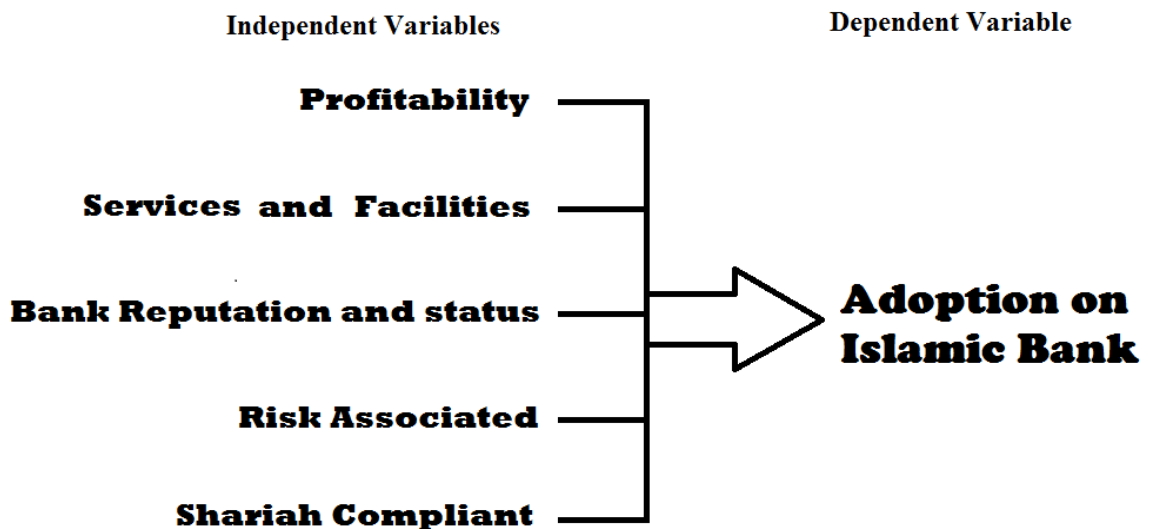
Source: Abduh, M., & Omar, M. A. (2012). Islamic bank – bank selection criteria in Malaysia: an AHP approach. *Business Intelligence Journal*, 5(2), 271-281

According to Abduh and Omar (2012), the factors that will affect Islamic bank selection criteria will be the profitability, bank's reputation, bank's status, facilities provided, staff friendliness and Shariah Issues. First, they found that most of the customers might be profit-oriented. Therefore, the higher profitability of a bank will probably be able to attract more customers. Second, the bank's reputation will relate to the past-performance of the bank. If the bank is having a good evaluation of their past performance, the customers will have more confidence in doing business with them. Next, it will be the bank's status. The banks are referring to the rank of the bank in

the target countries. The higher the rank of the bank will cause the solicitation to be easier. Furthermore, the facilities provided by the bank to its customers. The facilities of bank are highly related to the comfortability of customers when doing the business with the bank. In the other words, the more the facilities are provided, the better the customer relationships. Moreover, the staff friendliness is mentioned by them in their studies as well. The staffs will be the first layer that comes in touch with the customers. In the other way, the staffs represents the quality of the bank. Last but not least, Shariah issues are also included. The researchers believe that the Shariah issues will play an important role on affecting the Islamic Banks criterion.

2.3 Proposed Conceptual Framework

Figure 2.3: Theoretical Framework of Factors That Determine the Adoption on Islamic Bank.



Adapted from:

Haque, A., Osman, J., & Hj 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.

Abduh, M., & Omar, M. A. (2012). Islamic bank – bank selection criteria in Malaysia: an AHP approach. *Business Intelligence Journal*, 5(2), 271-281

In the framework above, the five independent variables are Shariah Compliant, profitability, services and facilities, bank reputation and services, risk associated. The dependent variable is adoption on Islamic Bank.

2.4 Hypothesis Development

2.4.1 Profitability influenced the adoption on Islamic banks of Malaysia university students

H₀: Profitability has an insignificant relationship with the adoption on Islamic banks of Malaysia university students.

H₁: Profitability has a significant relationship with the adoption on Islamic banks of Malaysia university students.

Based on the research by Hanif (2011), the profit and loss of a bank are one of the factors that will influence the students to choose the Islamic Bank. When a bank has a higher profit, the customers will become more also.

2.4.2 Services and Facilities influenced the adoption on Islamic banks of Malaysia university students

H₀: Services and facilities have an insignificant relationship with the adoption on Islamic banks of Malaysia university students.

H₁: Services and facilities have a significant relationship with the adoption on Islamic banks of Malaysia university students.

According to Haque et al. (2009), facilities and services that provided by the bank will influence the selection of students. Generally, customers will always choose the bank that has better facilities and services.

2.4.3 Bank reputation and status influenced the adoption on Islamic banks of Malaysia university students

H₀: Bank reputation and status have an insignificant relationship with the adoption on Islamic banks of Malaysia university students.

H₁: Bank reputation and status have a significant relationship with the adoption on Islamic banks of Malaysia university students.

Quresh et al. (2012) showed that the bank reputation and status will affect the chosen of students toward the Islamic Bank. Since a bank has better reputation and status, it will increase the image of customers to the bank. Thus, it will cause more customers to choose the bank.

2.4.4 Risk associated influenced the adoption on Islamic banks of Malaysia university students

H₀: Risk associated has an insignificant relationship with the adoption on Islamic banks of Malaysia university students.

H₁: Risk associated has a significant relationship with the adoption on Islamic banks of Malaysia university students.

Based on the study by Rasid and Hassan (2009), the level of risk has always been a factor that students will consider when they are looking for a bank. Customers will like to choose the bank that has a lower risk because the lower risk can help to reduce their burdens.

2.4.5 Shariah Compliant influenced the adoption on Islamic banks of Malaysia university students

H₀: Shariah Compliant has an insignificant relationship with the adoption on Islamic banks of Malaysia university students.

H₁: Shariah Compliant has a significant relationship with the adoption on Islamic banks of Malaysia university students.

Rasid and Hassan (2009) showed that the Shariah Compliant will affect the students to choose toward Islamic banks. Some students such as Muslims will more prefer to choose the bank complies with the Islamic Shariah rules.

2.5 Conclusion

In this chapter, the main objective is to show the criteria for students to adopt the Islamic bank, that supported by the findings, information and journals. Since we are found many useful information and journals by previous researchers, we are more clearly to continue our study. In the next chapter, we will like to discuss the research of methodology.

CHAPTER 3: METHODOLOGY

3.0 Introduction

In this chapter, the research methodology carried out will be discussed. Primary and secondary data will be used to elaborate how the research is carried out in term of research design, data collection method, sampling design, research instrument, constructs measurement, data processing and data analysis. The practice of the research will explain further in this chapter. Besides, 278 questionnaires were distributed to targeted respondents and collected back for this research project.

3.1 Research Design

According to Zikmund, Babin, Carr and Giffin (2010), the research design is an overall plan that specifies the methods and procedures for collecting and analyzing the related information. In this research, quantitative research will be conducted. Quantitative research is collecting the numerical data that explain a phenomenon and analyze the data using mathematical methods (Aliaga & Gunderson, 2002). Quantitative data is more efficient to test the hypothesis. Therefore, it can be effectively helped us to measure on the Shariah compliant, profitability, service and facilities, risk associated and also the bank's reputation and status that reflects the adoption on Islamic bank by Malaysia university students.

In this research, we have used descriptive research. Descriptive research involves large samples which used to observe and measure the behavior and opinion in particular condition. We choose descriptive research as we using questionnaire method. Questionnaires have to distribute to respondents and collected back to get

evidence and making conclusions on our research. We want to find out the relationship between the dependent variable and independent variables.

3.2 Data Collection Method

Data collection is how the information is accumulated. The data info can be either statistics, image, idea, figures or words. Data collection is an important element for research study. Inaccuracy data collection will cause the result become invalid. Sources of data are classified into two types, which are primary and secondary data. In this research, both primary and secondary data will be used to do analysis, interpret and elaborate.

3.2.1 Primary Data

Primary data are which the data observed or collected directly from first hand experience. According to Hox and Boeije (2005), primary data are data that are collected for the specific research problem at hand, using procedures that fit the research problem best.

In our research, we are using the questionnaire survey method to collect the primary data. According to Zikmund (2003), survey is a research technique that using a questionnaire to accumulate information from a sample of the population. Questionnaire method is helpful to answer the research question in our study. Besides, develop the hypothesis through the result that collect from relevant respondents.

Our targeted respondent is UTAR Kampar Banking and Finance student. Thus, we distributed 278 questionnaires to the FBF Banking and Finance student in UTAR Kampar. This method provides anonymity, so the feedback of

respondent is kept definite confidentially. We were using 278 samples out of 1000 populations which is based on the population and sample size table as the number of the Banking and Finance in UTAR Kampar is around 1000 students. These primary data are collected and used to conduct our research. The collection taking a long period of time and high cost compared to secondary data. However, the primary data is not being altered by human beings, and are more reliable and authentic, therefore primary data's validity is more than secondary data.

3.3 Sampling Design

3.3.1 Target Population

It is definitely hard to target the market as a whole, therefore we are specifying the target population to banking and finance students from the Universiti Tunku Abdul Rahman (UTAR), Kampar Campus. UTAR banking and finance students are chosen as our target population because they have the potential to affect the banking sector in the future. Besides that they also have knowledge towards banks.

3.3.2 Sampling Frame and Sampling Location

According to the sample size table of Krejcie and Morgan (1970) as shown in appendix 3.1, the sample size should be approximately 278 for the population size 1000. And hence 300 questionnaires were distributed in order to make sure that at least 278 questionnaires are collected. The sampling frame of this research is all the banking and finance students from Universiti Tunku Abdul Rahman. The sampling location will focus on Universiti Tunku Abdul

Rahman (UTAR), Kampar Campus. The purpose of UTAR banking and finance students are chosen is because we want to obtain more precise results.

3.3.3 Sampling Elements

In the research, questionnaires are distributed among students in the different year of academic. The sampling elements used in our research are banking and finance students from UTAR, Kampar. These particular respondents will make our results more reliable and accurate.

3.3.4 Sampling Technique

The two types of sampling techniques are non-probability and probability sampling. In our research, we used non-sampling technique. A non - probability technique is used in selecting target respondent. This is because the sampling frame covers the huge amount of suitable respondents. In our studies, we used convenience sampling. Convenience sampling is one of the non-sampling techniques. Besides that, the subjects are selected because of their convenient accessibility and proximity to the research. In our research we only choose banking and finance students from the Universiti Tunku Abdul Rahman because they have the relationship with the banking industry and the questionnaires was distributed to them.

3.3.5 Sampling Size

The total number of banking and finance students in Universiti Tunku Abdul Rahman are approximately 1000 students. Since the amount is too big, we used Krejcie and Morgan (1970) to determine the sample size population. The

sample size should be approximately 278 for the population size 1000. 300 questionnaires are distributed to the students from Universiti Tunku Abdul Rahman in order to avoid problems, such as incomplete questionnaires and 278 questionnaires were collected back. The sample consists of different academic years of students who have relationship in the banking industry.

3.4 Research instrument

We designed the questionnaire by reference the samples of questionnaires that attached in some journals that we collected. All the journals are investigating the reasons that Islamic Bank will be selected by the customers. The topics are similar with our research but we just focus to the students who studying in course Banking and Finance in Universiti Tunku Abdul Rahman (UTAR).

We send the questionnaire to our respondent in digital form and printed form. These two ways are always a convenient and easy way to collect the data. We separate our questionnaire into three sections. The section A is asking the demographic questions (age, gender, academic year, race and etc) about the respondents. In the section B, our questions are designed in which related to our independent variables (profitability, services and facilities, bank reputation and status, risk associated and Shariah complaint). In the section C, we would like to ask the understanding of respondents to the Islamic law (Shariah compliant).

Before the actual testing, a pilot test must be implemented to make the questionnaire more reliable. For testing the relationship between the dependent variable (bank adoption) and independent variables (profitability, services and facilities, bank reputation and status, risk associated and Shariah complaint), 30 students who studying in Banking and Finance course had been selected by randomly to answer the pilot questionnaires that we set.

The respondents are required to concentrate to answer the questionnaire and express their opinions toward each item. We also provided a clear explanation when the respondents are not very understanding the questions.

The 30 set pilot questionnaires will be collected after the respondents completed all the questions. After that, the data will be arranged and key in into the computer. We will like to use the Statistical Package for Social Science (SPSS) software to process the data. Since the questions become more relative and stability, an actual test will be implemented to examine the relationship between the dependent variable and independent variables.

3.5 Constructs measurement

Our questionnaire is created based on the five main factors that influence the bank's adoption on Islamic Bank. The factors include, profitability, services and facilities, bank reputation and services, risk associated and Shariah compliant.

The primary scale of measurement such as nominal, ordinal and interval scale are used to design our questionnaire. In Section A, nominal scale is applied to questions such as gender, marital status, race, and academic year. In section B, for ascertain the opinions of students toward the factors to select the Islamic Bank, the Likert's 5-point scale is the most suitable to estimate the range. The scale 1 - 5 represents strongly disagree and as strongly agree. One of the journals that we reference: A Comparative Analysis of Bankers' Perceptions on Islamic Banking (Zainol, Shaari, and Ali, 2008), the Likert's 5-point scale also had been used in their questionnaire. In section C, to ascertain the understanding of students toward the Islamic law, the Likert's 5-point scale also is a very suitable scale. In this section, the scale 1 – 5 represents '1' as totally do not have knowledge of the item and '5' as deep understanding of the item.

3.6 Data processing

The questionnaire has been designed and a list of survey questions will be asked to the respondents that are chosen randomly from the target group of people in our research. It has been designed in the format of three sections:

- Section A: Demographic Information
- Section B: Customer Perceptions on Banks
- Section C: Knowledge on Islamic Laws

Different sections of the questionnaire aim to extract distinctive and specific information from the respondents to the use of our research. During the plotting of the questionnaire, few steps have been taken to ensure our questionnaire is designed correctly and functional. Firstly, the questionnaire of previous researches on the similar topic with our research has been found and adopted. Afterwards, the questionnaires are sent to the different lectures and tutors of Faculty Business and Finance in Universiti Tunku Abdul Rahman (UTAR) for their assessments and suggestions. Lastly, amendments are made on the questionnaire to ensure it is more apposite and consistent to our research topic. Important questions are to be included into the questionnaire and irrelevant questions are to be removed. The questionnaires done will be undergoing the data processing phase.

3.6.1 Checking

First, the questionnaires will go through the checking process. All the questionnaires are checked clearly to ensure no errors occurs on the grammar or language that may cause the misunderstanding of the respondents. This is essential because the results gained from the questionnaire might be sabotaged if such errors are critical and biased. Besides, the wordings and sentences used must be simple and clear to the respondents so that they can understand the questions asked clearly. Otherwise, the respondents are unable to provide their

accurate information and opinions for the research. The second phase of checking starts after the collection of questionnaires. All the collected questionnaires need to be checked and make sure no mistake occurs when the respondents answer the questions. The typical mistakes might happen like choosing few choices when the question requires only one and answer the question at the wrong column. These mistakes must be identified so the data will not be affected.

3.6.2 Editing

After the checking process, the data collected needs to be edited. The editing process ensures all the mistakes in the questionnaire are fixed. The reason of editing is to increase the accuracy and precision of the data for our research. Any data that found to be irrelevant, inconsistent, biased and outlying will be edited. Therefore, it allows the researchers to have a more usable and relevant data. Moreover, it also reduces the difficulties for the data analysis.

3.6.3 Coding

At coding process, the data collected will be assigned a numerical score or a code accordingly. The numbers given allows the researchers to arrange the data in a more effective manner. Besides, the numerical data now are more informative as compared to the previous written data. This is because it allows the researchers to undergo the statistical testing on the data and shows the relationships between the dependent variable and the independent variables. In our research, the numerical scores are given accordingly as below:

- Highly Dissatisfied/ Strongly not preferable – 1 point
- Dissatisfied/ Not preferable – 2 points
- Neutral – 3 points

- Satisfied/ Preferable – 4 points
- Highly Satisfied/ Strongly Preferable – 5 points

3.6.4 Transcribing

The data are readily to be transcribed into the computer whenever it is coded. After that, the data are recorded the computer simplifies the data storage and analysis. This is because many programs and applications in the computers can be used for the storing and analyzing purposes.

3.7 Data analysis

Statistical Package for Social Sciences (SPSS) is used in analyzing the data. The major statistical techniques applied include descriptive analysis, scale measurement and inferential analysis.

3.7.1 Descriptive Analysis

Descriptive analysis is used to describe the attributes of a system and also a method of summarizing a given data set, which can either be a representation of the entire population or a sample. Some of the common descriptive analyses include measures of central measure of dispersion, tendency, histogram, scatter plot and etc. The data from the Section A in questionnaire is analyzed by using descriptive analysis. The questions constructed in Section A of the questionnaire which describes the characteristics of the sample are often distributed.

3.7.2 Scale Measurement

3.7.2.1 Normality Test

Normality test is used for the purpose to check the whether the data set is distribute in a normality condition or not, or to calculate degree of which an underlying random variable is to be normally distributed. The assumption of normality is a prerequisite for inferential analysis (Coakes, steed, & Ong, 2010). According to Coakes et al., (2010), skewness and kurtosis refer to the shape of the distribution. The closer the skewness and kurtosis to zero value, the more exact normal the observed distribution. In additional, the positive value of skewness and kurtosis represent the distribution is positively skewed and more peaked than a normal distribution. However, the negative value for skewness and kurtosis represent the distribution is negatively skewed and flatter.

3.7.2.2 Reliability Test

The purpose of the reliability test is to examine the degree to which measurement is free from errors and therefore can get the correct result. Cronbach's Alpha is reliability coefficient that shows how well the items of the average intercorrelations among the items measuring the concept.

All the questions that measure the independent and dependent variable which are in Section B and Section C are required to run the reliability test in order to make sure the consistency and reliability of the independent and dependent variable. Besides that, Cronbach's Alpha has scale of measure the reliability of the questionnaire which it varies from 0 to 1 and the closer the Cronbach's alpha value to 1, the higher the internal consistency reliability. According to Nunnally and Berstein (1994)'s study (as cited in (Krishnan & Ramasamy, 2011) mention that an alpha is 0.7 is acceptable reliability coefficient level.

The alpha value which greater than 0.7 is considered good and acceptable in the rules of thumb for Cronbach's Alpha coefficient value, as shown in Appendix 3.2, and thus the questionnaire formed is considered as reliable.

3.7.3 Inferential Analysis

Inferential analysis is used to measure the results obtained from a random sample back to the population from which the sample was drawn.

3.7.3.1 Pearson Correlation Analysis

The Pearson Correlation Analysis measures the relative strength of the linear relationship between two variables and it is typically denoted by r . In the research, the analysis is aimed to explore the relationship between each independent variable (profitability, services and facilities, reputation and status, risk associated and Shariah compliant) and dependent variable (bank adoption) in the banking industry. According to appendix 3.3 the coefficient range table which adapted from Hair, Money, Page, & Samouel (2007), the researcher determined the strength of the relationship between dependent variables and independent variables according to this table.

3.7.3.2 Multiple Linear Regression Analysis

Multiple linear regression analysis is a method which consists more than one independent variable to explain the relationship between a dependent variable. The purpose of this multiple linear regression analysis is to examine the criteria that affect the student to adopt towards the Islamic bank and to

identify which of the criteria that will cause the most significant effect toward a student to adopt toward the Islamic bank.

Through this analysis, R square is very important because the value of the R square will affect the result. The value of R square will be found out to know that how many percentage of the variation in the dependent variable (adoption on Islamic bank) can be explained by independent variables (Profitability, service and facility, bank reputation and status, risk associated and Shariah compliant). R-square can take on any value between 0 and 1, R square near 1.0 indicates that a regression line fits the data well, while an R² closer to 0 indicates a regression line does not fit the data very well. In ANOVA test, F ratio show us whether the regression equation as computed is statistically significant. The t-ratio will also show us respectively whether there is a linear relationship between independent variables and dependent variable. F ratio and t-ratio is significant if their significant level is lower than the alpha level (0.01 or 0.05). The criteria (independent variables) will be rank according to their significant level to adoption on Islamic bank (dependant variable) by comparing their coefficient. The multiple regression equation will also be formed after this analysis conducted

3.8 Conclusion

In conclusion, the research methodology was discussed generally in chapter 3. This chapter had described how the research is conducted in term of research design, sampling design, data collection methods, scale and operational definition, data processing and data analysis. A sample of 278 respondents out of 1000 populations from UTAR Banking and Finance students was chosen as the sampling size in order to conduct a research paper entitled, adoption on Islamic bank of Malaysia university student. Moreover, the construct of the questionnaire is discussed.

SPSS version 16.0 will be used to run and interpret the data after all data had been collected. Through the SPSS, we able to test the hypothesis by multiple regression analysis and determine the correlation of the variables. In addition, we able to know the reliability and significant about the variables. All the results will be further discussed in the following chapter.

CHAPTER 4 : DATA ANALYSIS

4.0 Introduction

In this chapter, the objective is interpreted and analyzed the data collected in the research. This chapter also aimed to examine the hypothesis stated in chapter one. Thus, 278 sets of questionnaires's result were being analyzed. The data obtained will be analyzed and processes by using Statistical Package Social Science (SPSS) software version 16.0. The quantitative data must be edited, coded and transformed before analyzed.

Throughout the chapter, the result and finding will be presented in several parts. Started with descriptive analysis of the respondent demographic profile and central tendencies measurement of constructs. Next is the scale measurement which interprets the result of reliability test. Continue by the inferential analysis with the Pearson correlation coefficient analysis and multiple linear regression analysis. At the end of the chapter, the conclusion will be made.

4.1 Descriptive Analysis

In this section, respondents' demographic information will be analyzed. The result will be interpreted in the form of tables, pie chart and figures. There are eight questions under the demographic profile section, which included gender, age, marital status, race, academic year, have or not an Islamic bank account, prefer or not to open an Islamic bank account and the product and services holding in the bank.

4.1.1 Respondent Demographic Profile

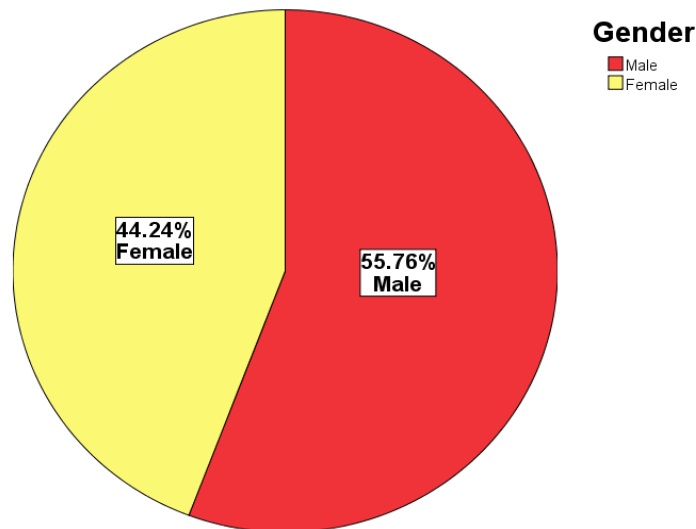
4.1.1.1 Gender

Table 4.1: Statistics of Respondents' Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	156	56.1	56.1	56.1
Female	122	43.9	43.9	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.1: Statistics of Respondents' Gender



Source: Developed for the research

Table 4.1 and figure 4.1 shows the frequency and percentages of male and female respondent of this research. There is 156 male and 122 female was

responding from the 278 set of questionnaires. It also represents that 55.76% of male respondents and 44.24% female respondents who took part in the questionnaire.

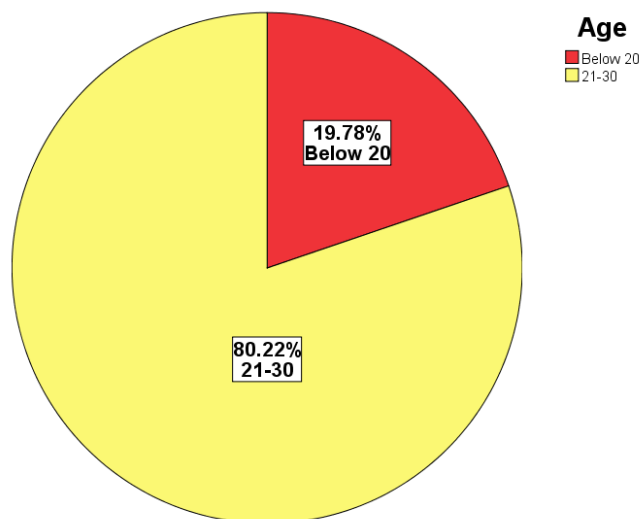
4.1.1.2 Age

Table 4.2: Statistics of Respondents' Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 20	55	19.8	19.8	19.8
21-30	223	80.2	80.2	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.2: Statistics of Respondents' Age



Source: Developed for the research

Table 4.2 and figure 4.2 shows the frequency and percentages of different age group of respondent in this research. There are two groups of age which is under 20 years old and between 21 to 30 years old. In this research, 55 respondents are under 20 years old which is consist only 19.78%. While 223 respondents which represents 80.22% are in the range of 21 to 30 years old. Overall, there are 278 respondents who assist in this survey.

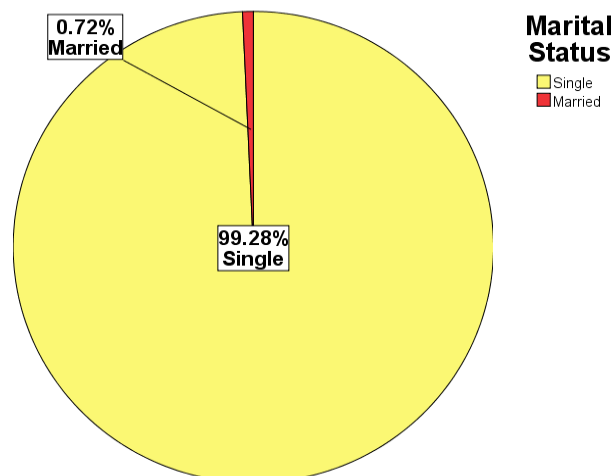
4.1.1.3 Marital Status

Table 4.3: Statistics of Respondents' Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	276	99.3	99.3	99.3
Married	2	.7	.7	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.3: Statistics of Respondents' Marital Status



Source: Developed for the research

Table 4.3 and figure 4.3 shows the frequency and percentages of the marital status of respondents. As show in above, only 2 respondents out of 278 respondents are married, which the percentage has only 0.72%. Almost all the respondent is single which occupied 99.28% that is 276 respondents out of 278 respondents in total.

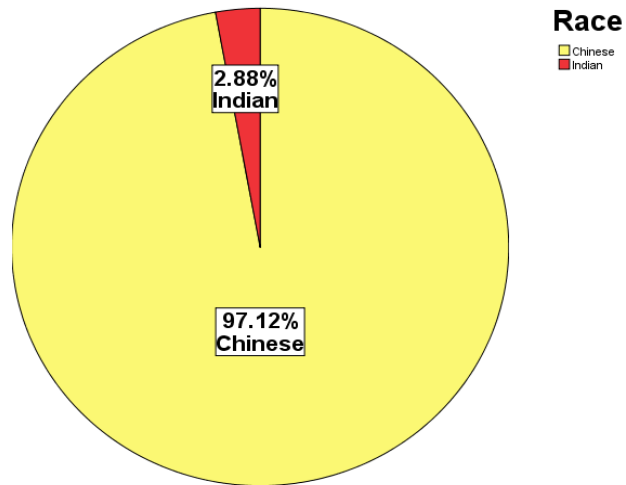
4.1.1.4 Race

Table 4.4: Statistics of Respondents' Race

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Malay	0	0	0	0
Chinese	270	97.1	97.1	97.1
Indian	8	2.9	2.9	100.0
Others	0	0	0	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.4: Statistics of Respondents' Race



Source: Developed for the research

Malay, Chinese and Indian will be the major race in Malaysia. However, in this research, Chinese respondent is the major, Indian respondent is a minority, and there is totally no Malay respondent. Table 4.4 and figure 4.4 shows that 270 respondents which represents 97.12% are Chinese respondents. Indian respondent only occupied 2.88% which is 8 respondents out of 278 respondents.

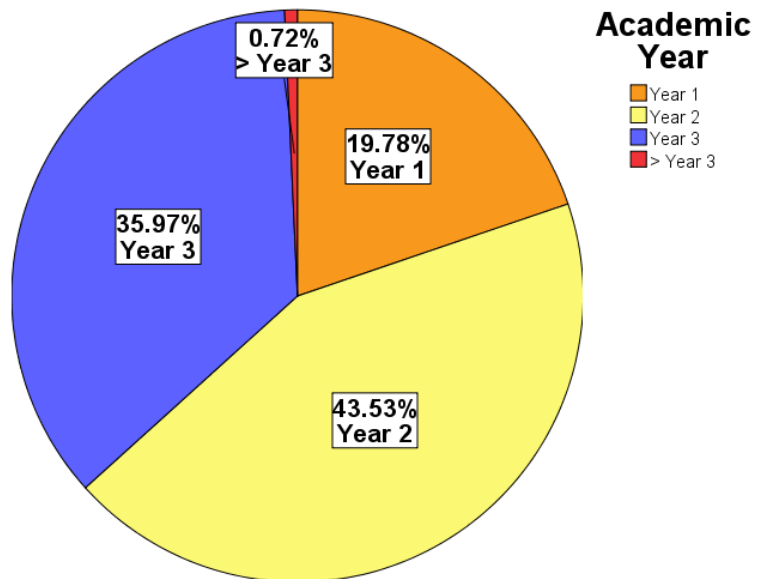
4.1.1.5 Academic year

Table 4.5: Statistics of Respondents' Academic year

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yr 1	55	19.8	19.8	19.8
Yr 2	121	43.5	43.5	63.3
Yr 3	100	36.0	36.0	99.3
> Yr 3	2	.7	.7	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.5: Statistics of Respondents' Academic year



Source: Developed for the research

Table 4.5 and figure 4.5 shows the frequency and percentages of the academic year of respondents. There are 4 categories of the academic year , which included year one, year two, year three and more than year three. Based on the table 4.5, there are 55 respondents is year one student, 121 respondents is year two students, 100 respondents is year three students and there are 2 respondents are more than year three students. Year two students are occupied the most percentages which are 43.53%, followed by year three students which is 35.97% and year one students which is 19.78%. There are only 0.72% of respondent is more than year three.

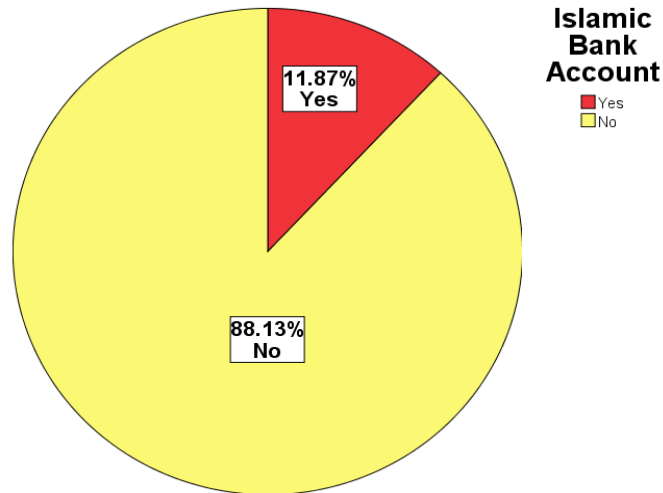
4.1.1.6 Islamic Bank Account

Table 4.6: Statistics of Respondents' Islamic Bank Account

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	33	11.9	11.9	11.9
No	245	88.1	88.1	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.6: Statistics of Respondents' Islamic Bank Account



Source: Developed for the research

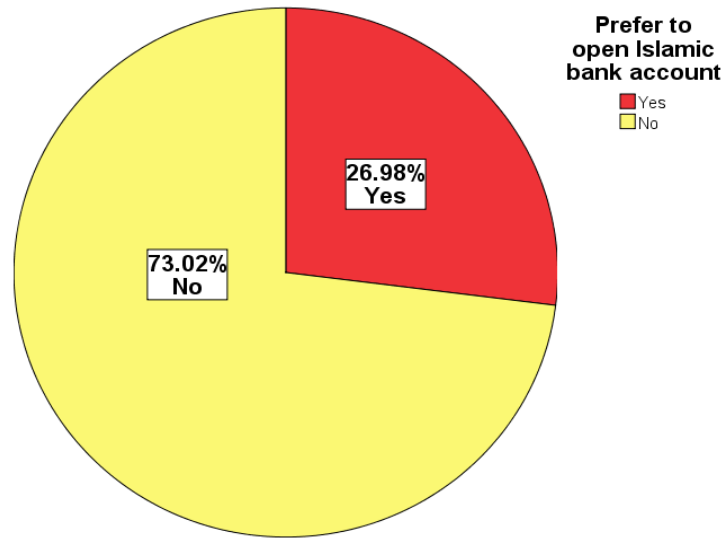
Table 4.6 and figure 4.6 shows that the frequency and the percentage of whether respondents have an Islamic bank account or not. The statistics show that there are only 33 respondents which represents 11.87% have an Islamic bank account. While, 245 respondents out of 278 respondents do not have an Islamic bank account which occupied 88.13%

4.1.1.7 Prefer to open Islamic bank account

Table 4.7: Statistics of Respondents Prefer to Open Islamic Bank Account

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	75	27.0	27.0	27.0
No	203	73.0	73.0	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.7: Statistics of Respondents Prefer to Open Islamic Bank Account

Source: Developed for the research

Table 4.7 and figure 4.7 shows that the frequency and the percentage of either respondents prefer to open an Islamic bank account or not. The statistics above show that there are 75 respondents which represents 26.98% prefer to open an Islamic bank account. While, 203 respondents out of 278 respondents which occupies 73.02% do not prefer to open an Islamic bank account.

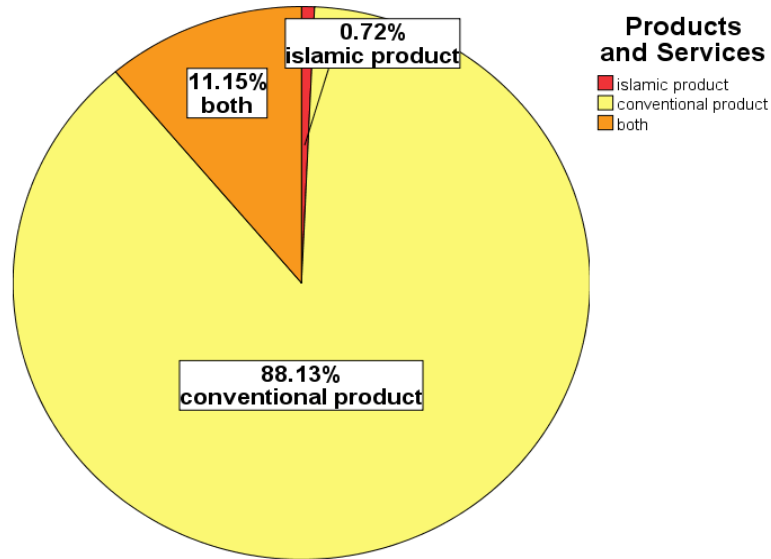
4.1.1.8 Product and Services

Table 4.8: Statistics of Respondents' Product and Services in Bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Islamic product	2	.7	.7	.7
Conventional product	245	88.1	88.1	88.8
Both	31	11.2	11.2	100.0
Total	278	100.0	100.0	

Source: Developed for the research

Figure 4.8: Statistics of Respondents' Product and Services in Bank



Source: Developed for the research

Table 4.8 and figure 4.8 shows that the frequency and the percentage of the respondents' product and services hold on the bank. The statistics above show that 245 respondents are holding conventional product which represent 88.13%. There are 31 respondents which represents 11.15% are holding both Islamic and conventional product. There are only 2 respondents which represents 0.72% are holding an Islamic product.

4.1.2 Central Tendencies Measurement of Constructs

4.1.2.1 Bank Adoption

Table 4.9: Descriptive Statistics of Bank Adoption

No	Statement	Mean	Standard Deviation
BA1	I prefer with the profitability offer by the Islamic bank.	2.9604	0.85515
BA2	I prefer to the reputation and status of the Islamic bank.	3.2878	0.86023
BA3	I prefer with the services and facilities of the Islamic bank.	3.3561	0.77819
BA4	I prefer with the risk associated with Islamic bank.	3.0935	0.64031
BA5	I prefer with Shariah compliant in Islamic bank.	3.0108	0.63861
BA6	I prefer with Islamic bank.	3.3489	0.70878

Source: Developed for the research

Table 4.9 illustrated the central tendencies measurement of bank adoption. As shown in the table above, most of the respondents prefer to the BA3 with the mean value of 3.3561. The second highest is BA6 with a mean value of 3.3489, followed by BA2 with mean value of 3.2878 and BA4 with a mean value of 3.0935. BA1 and BA5 are the lowest which the mean value is 2.9604 and 3.0108 respectively.

Based on the table 4.9, BA2 has the highest value of standard deviation with 0.86023. The second highest is BA1 with the standard deviation value of

0.85515. Third and fourth is BA3 and BA6 which the value is 0.77819 and 0.70878 respectively. BA4 and BA5 are lowest of standard deviation with 0.64031 and 0.63861 respectively.

4.1.2.2 Profitability

Table 4.10: Descriptive Statistics of Profitability

No	Statement	Mean	Standard Deviation
PF1	No interest paid nor taken on savings and loans by Islamic banks	3.0612	0.83679
PF2	Average decent return of Islamic banks. (Saving account)	2.9317	0.64068
PF3	Lower service charge in Islamic banks.	3.1259	0.68663
PF4	High return on investment in Islamic banks	3.0504	0.74875
PF5	High return of deposit in Islamic banks	2.9245	0.72951

Source: Developed for the research

Table 4.10 illustrated the central tendencies measurement of profitability. PF3 is agreed by most of the respondents with the mean value of 3.1259. Second and third highest are PF1 and PF4 which the mean value is 3.0612 and 3.0504 respectively. The PF2 is the fourth with mean value 2.9317. The lowest is PF5 which the mean value is 2.9245.

As shown in the table 4.10, PF1 has the highest value of standard deviation with 0.83679. While PF2 is lowest in standard deviation value with 0.64068. Second, third and fourth is 0.74875, 0.72951 and 0.68663 respectively.

4.1.2.3 Services and Facilities

Table 4.11: Descriptive Statistics of Service and Facilities

No	Statement	Mean	Standard Deviation
SF1	Fast and efficient counter services of Islamic banks	3.3022	0.67074
SF2	Speed and efficiency of transactions in Islamic banks	3.1295	0.81355
SF3	Interior comfort of branches of Islamic banks	3.2302	0.67782
SF4	Sufficient time for transaction of Islamic banks	3.1871	0.74143
SF5	Sufficient time for transaction of Islamic banks	3.1583	0.66646
SF6	A convenient product and services of Islamic banks	3.2302	0.68839
SF7	Uniform services in all branches of Islamic banks	3.3561	0.67910

Source: Developed for the research

Table 4.11 illustrated the central tendencies measurement of service and facilities. SF7 is the highest with the mean value of 3.3561. The second highest is SF1 with the mean value of 3.3022. SF3 and SF6 are third highest with the same mean value, which is 3.2302. Followed by SF4 and SF5 with a mean value of 3.1871 and 3.1583 respectively. The lowest mean value is SF2 with 3.1295.

In terms of standard deviation, highest is SF2 with a value of 0.81355. SF4 is the second highest with the value of 0.74143. Followed by SF6 of 0.68839,

SF7 of 0.67910, SF3 of 0.67782, SF1 of 0.67074 and the lowest is SF5 with the value of standard deviation is 0.66646.

4.1.2.4 Bank Reputation and Status

Table 4.12: Descriptive Statistics of Bank Reputation and Status

No	Statement	Mean	Standard Deviation
BR1	Good reputation of Islamic banks	3.3273	0.66151
BR2	Confidentiality of Islamic banks	3.1799	0.75765
BR3	Bank size in assets and capital of Islamic banks	2.9209	0.76536
BR4	Advanced technology of computerized system of Islamic banks	3.0683	0.69993
BR5	Strong global network of Islamic banks	3.0216	0.81029
BR6	Islamic banks market their product and services in an effective manner	3.1367	0.72800

Source: Developed for the research

Table 4.12 illustrated the central tendencies measurement of bank reputation and status. BR1 has the highest mean value of 3.3273. While BR3 is the lowest with a mean value of 2.9209. Second highest mean value is BR2 of 3.1799, followed by BR6 of 3.1367, BR4 of 3.0683 and BR5 of 3.0216.

In terms of standard deviation, BR5 is the highest with the value of 0.81029. The second highest is BR3 with a value of 0.76536. Followed by BR2, BR6 and BR4 with the value of 0.75765, 0.72800 and 0.69993 respectively. BR1 is the lowest value of standard deviation which is 0.66151.

4.1.2.5 Risk Associated

Table 4.13: Descriptive Statistics of Risk Associated

No	Statement	Mean	Standard Deviation
RA1	Flexibility of risk management policy of Islamic banks	2.9137	0.77861
RA2	Contingency plan of Islamic banks toward the risk faced	2.8633	0.72302
RA3	Islamic banks established a system to capture risk ahead of time	3.0072	0.93852
RA4	Structure of Islamic banks strengthens monitoring and control over risks	2.7734	0.99225
RA5	Islamic banks Standardized procedures for handling credit recovery	2.8921	0.87228
RA6	Islamic banks have a good understanding of borrower's credibility	2.9137	0.86640

Source: Developed for the research

Table 4.13 illustrated the central tendencies measurement of risk associated. The table above shows that the highest mean value is RA3 with 3.0072. Follow by RA1 of 2.9137 and RA6 of 2.9137 which are having the same mean, RA5 of 2.8921, RA2 of 2.8633 and the lowest mean value is RA4 of 2.7734.

For the standard deviation, RA4 is the highest with a value of 0.99225. While the lowest is RA2 with a value of 0.72302. The second highest is RA3, follow by RA5, RA6 and RA1 with the value of standard deviation is 0.93852, 0.87228, 0.86640 and 0.77861 respectively.

4.1.2.6 Shariah Compliant

Table 4.14: Descriptive Statistics of Shariah Compliant (Islamic Principle)

No	Statement	Mean	Standard Deviation
IP1	Prohibited of riba (interest)	3.3633	0.62530
IP2	Provision of Islamic products and services	3.0540	0.69602
IP3	Application of Islamic law and principles	2.9712	0.72043
IP4	Prohibition of Gharah (uncertainty)	2.8921	0.78516
IP5	Halal transaction	3.1906	0.80364
IP6	Islamic term and concept (eg. Ijarah, Murabaha)	2.7626	0.74157

Source: Developed for the research

Table 4.14 illustrated the central tendencies measurement of Shariah compliant. IP1 has the highest mean value of 3.3633. The second highest is IP5 of 3.1906, follow by IP2 of 3.0540, IP3 of 2.9712, IP4 of 2.8921 and the lowest is IP6 with 2.7626.

In terms of standard deviation, IP5 has the highest value of 0.80364. While the lowest is IP1 with the value of 0.62530. The second highest is IP4 with the value of 0.78516. Follow by IP6 of 0.74157, IP3 of 0.72043 and IP2 of 0.69602.

4.2 Scale Measurement

4.2.1 Reliability Analysis

According to Zikmurd (2003), reliability is the degree of error-free and yield consistent result. Reliability measurement is to distinguish the data collected is reliable to produce good and accurate results or not. SPSS software will be used to compute the reliability test and the result is used to evaluate the reliability of the independent variable.

Reliability analysis is measuring the degree of precision of the research study by using the Cronbach's Alpha rule. Cronbach's Alpha rule is reliability coefficient that indicates how well the items in a set are positively correlated to each other. Based on the Cronbach's Alpha rule, scales with coefficient alpha between 0.8 and 0.95 is very good reliability, 0.70 to 0.79 is good reliability, 0.60 to 0.69 is fair reliability, and lower than 0.60 is poor reliability.

4.2.1.1 Bank Adoption (dependent variable)

Table 4.15: Reliability Statistics - Bank Adoption

Cronbach's Alpha	N of Items
.841	6

Based on the table 4.15, the Cronbach's Alpha is 0.841. This means that 84.1% of the question which measure the dependent variables in the research are reliable. Cronbach's Alpha value of 0.841 is falling under the range 0.8 to 0.95, which means the six items measuring the bank adoption are very good reliability.

4.2.1.2 Profitability

Table 4.16: Reliability Statistics – Profitability

Cronbach's Alpha	N of Items
.839	5

Based on the table 4.16, the Cronbach's Alpha is 0.839. Thus, 83.9% of the questions which measure the independent variables - profitability in the research are reliable. Cronbach's Alpha value of 0.839 is considered as very good reliability.

4.2.1.3 Services and Facilities

Table 4.17: Reliability Statistics - Services and Facilities

Cronbach's Alpha	N of Items
.873	7

Based on the table 4.17, the Cronbach's Alpha is 0.873. Thus, 87.3% of the questions which measure the services and facilities are reliable. Cronbach's Alpha value of 0.873 is considered as very good reliability.

4.2.1.4 Bank Reputation and Status

Table 4.18: Reliability Statistics - Bank Reputation and Status

Cronbach's Alpha	N of Items
.869	6

Based on the table 4.18, the Cronbach's Alpha is 0.869. Thus, 86.9% of the questions which measure the bank reputation and status are reliable. Cronbach's Alpha value of 0.869 is considered as very good reliability.

4.2.1.5 Risk Associated

Table 4.19: Reliability Statistics - Risk Associated

Cronbach's Alpha	N of Items
.772	6

Based on the table 4.19, the Cronbach's Alpha is 0.772. Thus, 77.2% of the questions which measure the risk associated are reliable. Cronbach's Alpha value of 0.772 is considered as very good reliability.

4.2.1.6 Shariah Compliant

Table 4.20: Reliability Statistics - Shariah Compliant

Cronbach's Alpha	N of Items
.883	6

Based on the table 4.20, the Cronbach's Alpha is 0.883. Thus, 88.3% of the questions which measure the Shariah compliant is reliable. Cronbach's Alpha value of 0.883 is considered as very good reliability.

4.3 Inferential Analysis

4.3.1 Pearson Correlation Analysis

Pearson's correlation coefficient is known as a method of measuring the correlation and it is based on the method of covariance. Pearson's correlation coefficient will indicate the direction, strength and significant of the bivariate relationship among all the variables that were measured on an interval or ratio level (i.e. Bank's adoption, profitability, services and facilities, reputation and status, risk associated and Islamic law (Shariah). The number representing the Pearson correlation is referred to as a correlation coefficient. Correlations of +1 mean that there is a perfect relationship between two variables.

Table 4.21: Coefficient range table

Coefficient range	Strength
± 0.91 to ± 1.00	Very strong
± 0.71 to ± 0.90	High
± 0.41 to ± 0.70	Moderate
± 0.21 to ± 0.40	Small but definite relationship
± 0.00 to ± 0.20	Slight, almost negligible

4.3.1.1 Bank Adoption and Profitability

Hypothesis 1:

Relationship between bank's profitability and the adoption on Islamic banks of Malaysia university students.

H0: There is no significant relationship between bank's profitability and the adoption on Islamic banks

H1: There is a significant relationship between bank; profitability and the adoption on Islamic banks

Table 4.22: Pearson Correlation between bank's profitability and the adoption on Islamic banks

Correlations

		BANK ADOPTION	BANK PROFIT
BANK ADOPTION	Pearson Correlation	1	.782**
	Sig. (2-tailed)		.000
	N	278	278
BANK PROFIT	Pearson Correlation	.782**	1
	Sig. (2-tailed)	.000	
	N	278	278

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

Source: Developed from research

Result interpretation from Table 4.22:

Based on table 4.22, there is positive relationship between bank's profitability and bank adoption because of the result show there is a positive value of the correlation coefficient. The bank's profitability variable has a 0.782 correlation with the bank adoption variable. Thus, when the bank's profitability is high, bank adoption is also high. The value of the bank's profitability correlation coefficient 0.782 is fall under coefficient range from ± 0.71 to ± 0.90 . Therefore, the relationship between bank's profitability and bank adoption is high. The relationship between bank's profitability and bank adoption is significant as well. It is because the p-value is equal to 0.000 is less than alpha value equal to 0.01. Therefore, reject the null hypothesis (H0) and accept the alternative hypothesis (H1).

4.3.1.2 Bank's facilities and services and the adoption on Islamic banks

Hypothesis 2:

Relationship between the bank's facilities and services and the adoption on Islamic banks of Malaysia university students.

H0: There is no significant relationship between bank's facilities and services and the adoption on Islamic banks.

H1: There is a significant relationship between bank's facilities and services and the adoption on Islamic banks.

Table 4.23: Pearson Correlation between bank's facilities and services and the adoption on Islamic banks

		Correlations	
		BANK ADOPTION	SERVICE
BANK ADOPTION	Pearson Correlation	1	.796**
	Sig. (2-tailed)		.000
	N	278	278
SERVICE	Pearson Correlation	.796**	1
	Sig. (2-tailed)	.000	
	N	278	278

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

Source: Developed from research

Result interpretation from Table 4.23:

Based on table 4.23, there is positive relationship between bank's services and facilities and bank adoption because of the result show there is a positive value of the correlation coefficient. The bank's services and facilities variable

has a 0.796 correlation with the bank adoption variable. Thus, when the bank's services and facilities is high, bank adoption is also high. The value of the bank's services and facilities correlation coefficient 0.782 is fall under coefficient range from ± 0.71 to ± 0.90 . Therefore, the relationship between bank's services and facilities and bank adoption is high. The relationship between bank's services and facilities and bank adoption is significant as well. It is because the p-value is equal to 0.000 is less than the alpha value equal to 0.01. Therefore, reject the null hypothesis (H0) and accept the alternative hypothesis (H1).

4.3.1.3 Bank's reputation and status with the adoption on Islamic banks

Hypothesis 3:

Relationship between bank's reputation and status with the adoption on Islamic banks of Malaysia university students.

H0: There is no significant relationship between bank's reputation and status with the adoption on Islamic banks.

H1: There is a significant relationship between bank's reputation and status with the adoption on Islamic banks.

Table 4.24: Pearson Correlation between bank's reputation and status with the adoption on Islamic banks.

Correlations

		BANK ADOPTION	REPUTATION
BANK ADOPTION	Pearson Correlation	1	.763**
	Sig. (2-tailed)		.000
	N	278	278
REPUTATION	Pearson Correlation	.763**	1
	Sig. (2-tailed)	.000	
	N	278	278

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

Source: Developed from research

Result interpretation from Table 4.24:

Based on table 4.24, there is positive relationship between bank's reputation and status and bank adoption because of the results show there is a positive value of the correlation coefficient. The bank's reputation and status variable has a 0.763 correlation with the bank adoption variable. Thus, when the bank's reputation and status is high, bank adoption is also high. The value of the bank's reputation and status correlation coefficient 0.782 is fall under coefficient range from ± 0.71 to ± 0.90 . Therefore, the relationship between bank's reputation and status and bank adoption is high. The relationship between reputation and status and bank adoption is significant as well. It is because the p-value is equal to 0.000 is less than the alpha value equal to 0.01. Therefore, reject the null hypothesis (H0) and accept the alternative hypothesis (H1).

4.3.1.4 Risk associated and the adoption on Islamic banks

Hypothesis 4:

The relationship between risk associated and the adoption on Islamic banks of Malaysia university students.

H0: There is no significant relationship between risk associated and the adoption on Islamic banks.

H1: There is a significant relationship between risk associated and the adoption on Islamic banks.

Table 4.25: Pearson Correlation between risk associated and the adoption on Islamic banks.

		Correlations	
		BA	Risk Associated
BA	Pearson Correlation	1	-.552**
	Sig. (2-tailed)		.000
	N	278	278
risk	Pearson Correlation	-.552**	1
	Sig. (2-tailed)	.000	
	N	278	278

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

Source: Developed from research

Result interpretation from Table 4.25:

Based on table 4.25, there is negative relationship between risk associated and bank adoption because of the result show there is a negative value of the

correlation coefficient. The risk associated variable has a -0.552 correlation with the bank adoption variable. Thus, when the risk associated is high, bank adoption is low. The value of the risk associated correlation coefficient -0.552 is fall under coefficient range from ± 0.41 to ± 0.70 . Therefore, the relationship between risk associated and bank adoption is moderate. The relationship between risk associated and bank adoption is significant as well. It is because the p-value is equal to 0.000 is less than the alpha value equal to 0.01. Therefore, reject the null hypothesis (H0) and accept the alternative hypothesis (H1).

4.3.1.5 Shariah-compliant and the adoption on Islamic banks

Hypothesis 5:

Relationship of Shariah-compliant and the adoption on Islamic banks of Malaysia university students.

H0: There is no significant relationship between Shariah-compliant and the adoption on Islamic banks.

H1: There is a significant relationship Shariah-compliant and the adoption on Islamic banks.

Table 4.26: Pearson Correlation between Shariah-compliant and the adoption on Islamic banks.

Correlations

		BANK ADOPTION	SHARIAH
BANK ADOPTION	Pearson Correlation	1	.482**
	Sig. (2-tailed)		.000
	N	278	278
SHARIAH	Pearson Correlation	.482**	1
	Sig. (2-tailed)	.000	
	N	278	278

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

Source: Developed from research

Result interpretation from Table 4.26:

Based on table 4.26, there is positive relationship between Shariah-compliant and bank adoption because of the positive value of the correlation coefficient. The Shariah-compliant variable has a 0.482 correlation with the bank adoption variable. Thus, when the Shariah-compliant is high, bank adoption is also high. The value of this Shariah-compliant correlation coefficient 0.482 is fall under coefficient range from ± 0.41 to ± 0.70 . Therefore, the relationship between Shariah-compliant and bank adoption is moderate. The relationship between Shariah-compliant and bank adoption is significant as well. It is because the p-value is equal to 0.000 which is less than alpha value equal to 0.01. Therefore, reject the null hypothesis and accept the alternative hypothesis.

4.3.2 Multiple Linear Regression Analysis

Multiple linear regression analysis is a method that using more than one independent variable to explain the variance in a dependent variable.

Hypothesis 6

H0: The five independent variables (profitability, services and facilities, reputation and status, risk associated and Shariah) are not significant explain the variance in bank adoption.

H1: The five independent variables (profitability, services and facilities, reputation and status, risk associated and Shariah) are significant explain the variance in bank adoption.

Table 4.27: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.885 ^a	.783	.779	.06593

a. Predictors: (Constant), risknew, SHARIAH, PROFIT, SERVICE, REPUTATION

Source: Developed from research

The R value is explained the correlation coefficient relationship between the dependent variable and the independent variables taken together. According to table 4.27, the value of correlation coefficient (R value) for this study is 0.885. This is a positive and high correlation between the dependent variable (bank adoption) and independent variables (profitability, services and facilities, reputation and status, risk associated and Shariah). The R Square indicates the

amount of percentage the independent variables can be explained by the variations in the dependent variable. In this study, independent variables (profitability, services and facilities, reputation and status, risk associated and Shariah) can explain 78.3% of the variations in the dependent variable (bank adoption). However, it is still leaves 21.7% (100% - 78.3%) cannot be explained in this study. In other words, there are still other additional variables that are important and can be explained the bank adoption but have not been considered in this study.

Table 4.28: ANOVA

ANOVA^p

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.274	5	.855	196.652	.000 ^a
	Residual	1.182	272	.004		
	Total	5.457	277			

a. Predictors: (Constant), risknew, SHARIAH, PROFIT, SERVICE, REPUTATION

b. Dependent Variable: BA

Source: Developed from research

Based on table 4.28 (ANOVA), p-value 0.000 is less than alpha value 0.05. Therefore, the F-statistic is significant. The model for this study is a good descriptor of the relation between the dependent and independent variables. Therefore, the independent variables (profitability, services and facilities, reputation and status, risk associated and Shariah) are significant explain the variance in bank adoption. The alternate hypothesis is supported by the data.

Table 4.29: Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.075	.034		2.173	.031
	PROFIT	.354	.041	.358	8.732	.000
	SERVICE	.376	.050	.357	7.569	.000
	REPUTATION	.143	.051	.146	2.817	.005
	SHARIAH	.102	.033	.106	3.139	.002
	RISK	-.097	.034	-.103	-2.850	.005

a. Dependent Variable: BA

Source: Developed from research

Based on table 4.29, profitability is significant to the dependent variable (bank adoption) for this study. This is because the p-value for profitability is equal to 0.000 which is less than the alpha value equal to 0.05. Services and facilities are significant to the dependent variable (bank adoption) for this study. This is because the p-value for Services and facilities is equal to 0.000 which is less than the alpha value equal to 0.05. Bank reputation and status is significant to the dependent variable (Bank Adoption) for this study. This is because the p-value for Bank reputation and status is equal to 0.005 which is less than the alpha value equal to 0.05. Risk associated is significant to the dependent variable (bank adoption) in this study. This is because the p-value for risk associated is equal to 0.005 which is less than the alpha value equal to 0.05. Islamic law (Shariah) is significant to the dependent variable (bank adoption) in this study. This is because the p-value for Islamic law (Shariah) is equal to 0.002 which is less than the alpha value equal to 0.05.

Multiple Regression equation:

Based on table 4.29,

Regression equation,

$$Y = C + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 + \beta X_5$$

Y = Adoption on Islamic bank

C = Constant value

β = Unstandardized coefficient

X₁ = Profitability

X₂ = Services and facilities

X₃ = Reputation and status

X₄ = Risk associated

X₅ = Shariah

$$\text{Bank Adoption} = 0.75 + 0.354 (\text{Profitability}) + 0.376 (\text{Services and facilities}) + 0.143 (\text{Reputation and status}) - 0.97 (\text{Risk associated}) + 0.102 (\text{Shariah})$$

Table 4.30: Ranking on coefficient of Independent Variables

Independent Variables	Coefficients	Ranking
Profitability	0.358	1
Services and facilities	0.357	2
Reputation and status	0.146	3
Risk associated	-0.103	5
Shariah compliant	0.106	4

Source: Developed from research

Based on table 4.30, the independent variables (profitability, services and facilities, reputation and status, risk associated and Shariah) can rank according from ascending to descending order as to how much contribution they have on the dependent variable (bank adoption).

Highest Contribution

Profitability is the independent variable that contributes the highest to the variation of the bank adoption because the Beta value (under standardized coefficients) for profitability is the largest which is equal to 0.358 if compare to other independent variables (services and facilities, reputation and status, risk associated and Shariah). This means that the profitability makes the greatest unique contribution to explain the variation in the bank adoption, when the variance explained by all other independent variables in the model is controlled for.

Second Highest Contribution

Services and facilities are the independent variable that contributes the second highest to the variation of the bank adoption because the Beta value (under standardized coefficients) for services and facilities is the second largest which is equal to 0.357 if compare to other independent variables (Profitability, reputation and status, risk associated and Shariah). This means that the services and facilities make the second greatest unique contribution to explain the variation in the bank adoption, when the variance explained by all other independent variables in the model is controlled for.

Third Highest Contribution

Reputation and status are the independent variable that contributes the third highest to the variation of the bank adoption because the Beta value (under

standardized coefficients) for reputation and status is the third largest which is 0.146 if compare to other independent variables (Profitability, services and facilities, risk associated and Shariah). This means that the reputation and status make the third strongest unique contribution to explain the variation in the bank adoption, when the variance explained by all other independent variables in the model is controlled for.

Forth Highest Contribution

Shariah is the independent variables that contribute the forth highest to the variation of the bank adoption because the Beta value (under standardized coefficients) for this independent variable is the forth largest which is 0.106 if compare to other independent variables (Profitability, services and facilities, reputation and status and risk associated). This means that the Shariah makes the forth strongest contribution to explain the variation in the bank adoption, when the variance explained by all other independent variables in the model is controlled for.

Lowest Contribution

Risk associated is the independent variable that contributes the lowest to the variation of the bank adoption because the Beta value (under standardized coefficients) for risk associated is the smallest which is -0.103 if compare to other independent variables (Profitability, services and facilities, reputation and status and Shariah). This means that the the risk associated makes the least contribution to explain the variation in the bank adoption, when the variance explained by all other independent variables in the model is controlled for.

4.4 Conclusion

Overall, under this chapter, all the respondent's profile and attitude of each the respondent towards bank adoption have been analyzed using descriptive analysis. All the data were measured under central tendencies and dispersion on all five constructs. All of it was being examined by the internal reliability test. In addition, there were also being tested by inferential analyses which are Pearson correlation analysis and multiple regression analysis. The association between the five constructs were analyzed using Pearson correlation analysis whereas multiple regression analysis being used to examine the relationship between several independent variables and a dependent variable. Next chapter which is Chapter 5 will be providing more discussions of the finding and study.

CHAPTER 5: DISCUSSION, IMPLICATIONS AND CONCLUSION

5.0 Introduction

Chapter five outlines the outcome and conclusion of the conducted study. This chapter provides the summary description of the statistical analysis which includes descriptive analysis, reliability analysis, inferential analysis, and regression analysis presented and discussed in the chapter four. Besides, it includes the discussion of major findings, recommendations for future research and limitation of the study. Lastly, this chapter will conclude the entire research project.

5.1 Summary of Statistical Analysis

5.1.1 Descriptive Analysis

There are few demographic variables we had used to test the descriptive analyses of 278 respondents' profile. The first demographic variable we tested in this descriptive analysis is gender. There are 55.76% or 156 male respondents and 44.24% or 122 female respondents resulted in this descriptive analysis. The second demographic variable we tested is the age of the respondents. Based on the data collected, the results show that 80.22% respondents are in the range of 21 to 30 years old which represents 223 respondents. While 19.78% respondents are under 20 years old which is only consists of 55 respondents out of the overall respondents.

The third demographic variable we tested was marital status. Out of 278 respondents, 2 of them are married and this represents 0.72% while 99.28% or

276 respondents are single. The fourth demographic variable we tested was race. The majority respondents were Chinese, which represents 97.12 or 270 respondents where else Indian respondents only occupied 2.88% or 8 respondents out of 278 respondents. Besides, there is no Malay or other races took part in this study.

The academic year was the fifth demographic variable tested in our study. There are 55 or 19.78% respondents are year one students, 121 or 43.53% is the highest respondents are from year two students, 100 or 35.97% respondents are year three students and 2 or 0.72% respondents are the minorities from more than year three. The sixth test was based on those respondents who have an Islamic bank account. The highest percentage of 88.13% or 245 respondents do not have any Islamic bank account. There are only 33 respondents or 11.87% out of 278 respondents have an Islamic bank account.

The seventh demographic variable tested was whether the respondents prefer to open Islamic bank account. There are 203 respondents which occupies the highest percentage do not prefer to open an Islamic bank account. While the minority of 75 respondents which represents 26.98% prefer to open an Islamic bank account. The final demographic variable tested was product and services hold by respondents. The majority of 245 respondents out of 278 holds conventional products which represent 88.13% and 31 respondents or 11.15% are holding both Islamic and conventional products. There are only two respondents or 0.72% is holding an Islamic product.

5.1.2 Central Tendencies Measurement of Constructs

Based on the central tendencies measurement discussed in the previous chapter, there are total of 36 questions stated in the questionnaire to examine

the dependent variable which is bank adoption and five independent variables which is profitability, services and facilities, bank reputation and status, risk associated and Shariah compliant. We used the SSPS software to summarize the descriptive statistic data of five independent variables which include the mean and standard deviation.

In the bank adoption variable, the results for the statement BA3 (“I prefer with the services and facilities of the Islamic bank”) shows the highest mean of 3.3561 among the six bank adoption questions. The statement of BA1 (“I prefer with the profitability offer by the Islamic bank”) obtained the lowest mean which is 2.9604. The highest value of standard deviation is obtained from the statement of BA2 (“I prefer to the reputation and status of the Islamic bank”) which is 0.86023. And the lowest standard deviation is for the BA5 (“I prefer with Shariah compliant in Islamic bank”) which is 0.63861.

The highest ranking mean for the profitability variable is for the statement PF3 (“Lower service charge in Islamic banks”) with the mean value of 3.1259. In contrast, the mean for the statement PF5 (“High return of deposit in Islamic banks”) scored the lowest mean value of 2.9245. The highest value of standard deviation is obtained from the statement PF1 (“ No interest paid nor taken on savings and loans by Islamic banks”) which is 0.83679 and the lowest standard deviation value was obtained from the statement PF2 (“Average decent return of Islamic banks.-Saving account”) which is 0.64068.

In the service and facilities variable, the highest ranking mean is for the statement SF7 (“Uniform services in all branches of Islamic banks”) with the mean value of 3.3561 where else the lowest mean value is for the statement SF5 (“Sufficient time for transaction of Islamic banks”) with the value of 3.1583. The highest value of standard deviation is obtained from the statement SF2 (“Speed and efficiency of transaction in Islamic banks”) with the value of 0.81355 and the lowest value of standard deviation was obtained from the

statement SF5 (“Sufficient time for transaction of Islamic banks”) with the value of 0.66646.

BR1 (“Good reputation of Islamic banks”) form the bank reputation and status variable has the highest value of mean of 3.3273 and the lowest mean was from the statement BR3 (“Bank size in assets and capital of Islamic banks) with the value of 2.9209. In term of standard deviation, BR5 (“Strong global network of Islamic banks”) has the highest value of 0.81029 and BR1 (“Good reputation of Islamic banks”) has the lowest standard deviation of 0.66151.

The highest ranking mean for the risk associated variable is RA3 (“Islamic banks established a system to capture risk ahead of time”) with the value of 3.0072 while the highest standard deviation for the risk associated variable is RA4 (“Structure of Islamic banks strengthens monitoring and control over risk”) with the value of 0.98243 respectively. The lowest mean is for the statement RA4 “Structure of Islamic banks strengthens monitoring and control over risk”) with the value of 2.7734. The lowest value for the standard deviation was obtained from the statement RA2 (“Contingency plan of Islamic banks toward the risk faced”) with the value of 0.72302.

The Shariah compliant variable has the highest mean for the statement IP1 (“Prohobited of riba- interest”) with the value of 3.3633 and the lowest mean was obtained from the statement IP6 (“Islamic term and concept- eg.Ijarah, Murabaha”) with the value of 2.7626. The highest standard deviation was obtained from statement IP5 (“Halal transaction”) with the value of 0.80364 while the lowest standard deviation was obtained from the statement IP1 (“Prohibited of riba-interest”) with the value of 0.62530.

5.1.3 Scale Measurement

5.1.3.1 Reliability Analysis

Reliability Analysis has been performed on the 278 questionnaires distributed. This is to ensure the reliability and consistence of the variables. Table 4.15 shows the reliability statistics for bank adoption. The six items measuring the bank adoption are very good reliability as it falls under the Cronbach's Alpha 0.841. Besides that, table 4.16 shows the reliability statistics for profitability. It shows that profitability has a Cronbach's Alpha of 0.839 is considered as very good reliability which indicate the questions which measure the independent variables are reliable. Table 4.17 shows the reliability statistics for services and facilities. This table shows a very good reliability with the Cronbach's Alpha value of 0.873. Besides that, table 4.18 shows the reliability statistic for bank reputation and status. Bank reputation and status obtained 0.869 Cronbach's Alpha and is considered as very good reliability. The risk associated reliability statistics can be seen in the table 4.19. The Cronbach's Alpha is 0.772. Thus, the questions which measure the risk associated are reliable and the Cronbach's Alpha value is considered as very good reliability. Lastly is the Shariah compliant reliability statistics which show a Cronbach's Alpha value of 0.883 in table 4.20. The questions which measure the Shariah compliant is reliable and as a very good reliability.

5.1.3.2 Inferential Analysis

5.1.3.2.1 Pearson Correlation Analysis

Pearson's correlation coefficient only provides information about the direction and strength of the linear relationship between the two variables. Table 4.21 shows the coefficient range. The relationship between bank's profitability and

the adoption on Islamic banks of Malaysia university students shows a positive relationship with the positive value of correlation coefficient of 0.782 and the p-value is 0.000. These changes move in same direction because higher the bank's profitability will lead to higher adoption on Islamic banks of Malaysia university students and vice versa. Bank's facilities and services have a correlation of 0.796 with the adoption on Islamic banks. This indicates there is a positive relationship between bank's facilities and services with bank adoption variable since the correlation value falls under the coefficient range from ± 0.71 to ± 0.90 . The relationship between bank's facilities and services with bank adoption is high. This relationship is significant because the p-value 0.000 is less than the alpha value 0.01. Bank's reputation and status have a correlation of 0.763 with the adoption on Islamic banks. This indicates the positive correlation coefficient between bank's reputation and status with the bank adoption variable. When the bank's reputation and status is high, the bank adoption will also be high. The value of this correlation coefficient falls under coefficient range from ± 0.71 to ± 0.90 which is categorized under moderate range. In addition, there is a negative relationship between risk associated and bank adoption because of the negative value of the correlation coefficient. It has a -0.552 correlation with the bank adoption variable. Consequently, when the risk associated is high, bank adoption is also low and vice versa. Shariah-compliant and the adoption on Islamic banks have a positive value of correlation of 0.482. This 0.482 fall under coefficient range from ± 0.41 to ± 0.70 which indicates the relationship between risk associated and bank adoption is moderate. Therefore, when Shariah-compliant is high, bank adoption is high.

5.1.3.2.2 Multiple Linear Regression Analysis

The purpose of multiple linear regression analysis is to examine which of the five independent variables will cause the most significant effect towards bank

adoption. Based on the result stated in chapter 4, table 4.27, the R square value is 0.783 and it indicates approximately 78.3% of the variation of the bank adoption is explained by the five independent variables (profitability, services and facilities, bank reputation and status, risk associated and Shariah-compliant).

The ANOVA table 4.28 in chapter 4, shows the F-statistic is significant based on the p-value 0.000 is less than alpha value 0.05. In this study, the dependent and independent variables show a good relation with at least one independent variable can explain the dependent variable. However the independent variables (profitability, services and facilities, bank's reputation and status, risk associated and Shariah-compliant) are significant to bank adoption because their Sig. is lower than the alpha level 0.05.

Multiple Linear Regression Equation:

$$Y = C + \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 + \beta X_5$$

Where,

Y = Adoption on Islamic bank

C = Constant value

β = Unstandardized coefficient

X1 = Profitability

X2 = Services and facilities

X3 = Bank's reputation and status

X4 = Risk associated

X5 = Shariah compliant

Bank Adoption = 0.75 + 0.354 (profitability) + 0.376 (services and facilities) + 0.143 (reputation and status) - 0.97 (risk associated) + 0.102 (Shariah)

5.2 Discussion of Major Findings

Hypothesis	Findings
<p>H₀: Profitability has an insignificant relationship with the adoption on Islamic banks of Malaysia university student.</p> <p>H₁: Profitability has a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>	<p>H₁: Profitability has a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>
<p>H₀: Services and facilities have an insignificant relationship with the adoption on Islamic banks of Malaysia university student.</p> <p>H₁: Services and facilities have a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>	<p>H₁: Services and facilities have a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>
<p>H₀: Bank reputation and status have an insignificant relationship with the adoption on Islamic banks of Malaysia university student.</p> <p>H₁: Bank reputation and status have a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>	<p>H₁: Bank reputation and status have a significant relationship with adoption on Islamic banks of Malaysia university student.</p>
<p>H₀: Risk associated has an insignificant relationship with the adoption on Islamic banks of Malaysia university student.</p> <p>H₁: Risk associated has a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>	<p>H₁: Risk associated has a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>

<p>H₀: Shariah Compliant has an insignificant relationship with the adoption on Islamic banks of Malaysia university student.</p> <p>H₁: Sharia Compliant has a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>	<p>H₁: Shariah Compliant has a significant relationship with the adoption on Islamic banks of Malaysia university student.</p>
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5.2.1 Profitability

Profitability has a positive relationship with the adoption on Islamic Bank. From our findings in chapter 4, profitability variable has a 0.782 correlation with the bank adoption variable. In the Multiple Linear Regression Analysis, this factor has a coefficient of 0.358 that means is a positive relationship between the profitability and the bank adoption.

Our result is consistent with the study of Bhatti et al. (2010). They said that customers always prefer the bank that can provide them higher profit. In nowadays, most of the university students will emphasize the profit that offered by the bank.

5.2.2 Services and Facilities

Facilities and services have a positive relationship with the bank adoption. From our research, facilities and services variable has a 0.796 correlation with the bank adoption variable. Besides, bank reputation and status have a coefficient of 0.357 which indicated that there is a positive relationship between the profitability and the bank adoption in the Multiple Linear Regression Analysis.

Our result is consistent with the findings of Quresh et al. (2012), the facilities and services are the important issues to attract the customers. The facilities and services should be focused by bankers and they must can fulfill the needs and demands of customers. If not, the customers can switch and adopt another bank easily.

5.2.3 Bank Reputation and Status

Bank reputation and status have a positive relationship with the adoption Islamic Bank. Based on our findings, the bank reputation and status variable have a 0.763 correlation with the bank adoption variable. Besides, bank reputation and status have a coefficient of 0.146 which indicated that there is a positive relationship between the profitability and the bank adoption in the Multiple Linear Regression Analysis.

Our result is consistent with Ahmad et al. (2011). In their study, the bank reputation and status are the most leading factor to attract the customers. It is because the Islamic banking is a brand new idea in the market, so it has the potential to attract more university students to adopt. Besides, the market of Islamic banking in the future also will become larger.

According to the study of Chebab and Zribi (2012), customers believe a bank can provide the satisfactory products and services if it has good conditions in the reputation and status. Thus, Awan and Bukhari (2011) mentioned that the bank reputation and status are the main factor that will cause customers to adopt.

5.2.4 Risk Associated

Risk associated has a positive relationship with the bank adoption. Based on our findings in chapter 4, risk associated has a correlation of -0.552 with the bank adoption variable. In the Multiple Linear Regression Analysis, this factor has a coefficient of -0.103 that means is a negative relationship between the risk associated and the bank adoption.

Our result is consistent with the findings of Beck et al. (2013). They mentioned that the Islamic Banks always have a lower risk when compared with conventional banks because the Islamic Banks need to hold the Shariah principles so they will more monitoring of the risk associated.

Based on the studies of Bourkhis and Nabi (2013), they said that the recent financial crisis is not very influence the Islamic Banks if compare with conventional banks because the strategies that they used are different. So the risk that faced by Islamic Banks in financial crisis also will be lower.

5.2.5 Shariah Compliant

Shariah Compliant has a positive relationship with the adoption on Islamic Bank. Based on our findings in the previous chapter, Shariah Compliant variable has a 0.482 correlation with the bank adoption variable. By using the Multiple Linear Regression Analysis, the Shariah Compliant has a coefficient of 0.106 that means is a positive relationship between the Shariah Compliant and the bank adoption.

Our result is consistent with Bhatti et al. (2010). They found out that the most significant reason of customers in dealing with Islamic bank is that Islamic banks are providing the same facility and returns with the benefit of Shariah

compliance. So it will help to attract more customers especially the Muslims who need to follow the Shariah Compliant.

5.3 Implication of the Study

Based on the study above and previous chapters, we can find that the five factors: profitability, services and facilities, bank reputation and services, risk associated, and Shariah Compliant have a significant relationship with the adoption on Islamic Banks. From the findings, the comparison between the five factors and adoption on Islamic Banks is done. The purpose is to ensure that the need of students and the reasons that why they will choose the Islamic Bank. So, these five factors are very important to the bank. If the Islamic Banks can improve the five factors, it will cause more university students to select the Islamic Banks.

5.3.1 Managerial Implication

Firstly, we can see that the profitability is the most significant factor that the Islamic Bank should put priority focus in order to improve in students satisfaction and increase the quantity of students who will select the Islamic Bank due to it has the highest coefficient of 0.358 in the Multiple Linear Regression Analysis. Generally, all the customers always wish the bank can give them higher interest rate of deposit and return of mutual fund. So we can ensure that the profitability is an important issue to cause students selects the Islamic Bank. From the result in chapter 4, profitability has the means of 2.9604 which lowest ranked in bank adoption by students. As the result, profitability is the most important factor but Islamic Bank cannot satisfy the need of some students. Thus, Islamic Banks can try to allocate a greater significant share of their assets to finance or loans to increase the profitability. And it will help to attract more university students to select Islamic Banks.

The second significant factor that the Islamic Bank should put priority focus in order to improve in students satisfaction and increase the quantity of students who will select the Islamic Bank is facilities and services which has coefficient of 0.357 in the Multiple Linear Regression Analysis. With the good facilities and services, students can feel more comfortable and convenience when they are processing the transactions in the bank. So, Islamic Bank should pay attention to improve their facilities and services to increase the customers (students). As the result in chapter 4, the facilities and services have preferred by the most respondents with the mean value of 3.3561. So we can conclude that the students are very satisfied facilities and services that provided by Islamic Bank. So, the Islamic Bank should maintain their quality of facilities and services because it can help to maintain customer satisfaction and attract more university students to select it.

Reputation and status is the third significant factor that the Islamic Bank should put priority focus in order to improve in students satisfaction and increase the quantity of students who will select the Islamic Bank. In the Multiple Linear Regression Analysis, reputation and status has the third highest coefficient which is 0.143. The students only will invest or save their money in the bank that has good reputation and status is stabile. According to the previous chapter, the bank reputation and status is the second most factor that preferred by the respondents with the mean value of 3.2878. So, the banker should avoid including in something that illegal or will destroy the image.

Risk associated is the fourth significant factor that the Islamic Bank should put priority focus in order to improve in students satisfaction and increase the quantity of students who will select the Islamic Bank. Risk associated has a coefficient of -0.103 in the Multiple Linear Regression Analysis and it is rank five which is the lowest if compare with another factors. Every student always

wish the risk associated can be lower to avoid them to loss the money in the bank transaction. Based on the study in chapter 4, the risk associated is the third most factor that preferred by the respondents with the mean value of 3.0072. If the Islamic Banks can strengthen their abilities to monitor and control over risks, more university students will confidence toward them and adopt Islamic Banks.

Shariah Compliant is the least significant factor that the Islamic Bank should put priority focus in order to improve in students satisfaction and increase the quantity of students who will select the Islamic Bank. It is because its coefficient value in the Multiple Linear Regression Analysis is the lowest and just 0.103 only. Since Islamic Banks need to follow the Shariah Compliant rules in their products and services. So, they will comply with the Islamic lifestyle and refrains from committing sins which has been outlined by the Shariah. So, the students will feel more reliable since Islamic Banks will never include in the illegal activities. Based on the study in chapter 4, the Shariah Compliant has the mean value of 3.0935 which is the fourth rank. Therefore, if Islamic Banks are continuing to provide the facility and returns with the benefit of Shariah compliance, more university students will adopt Islamic Banks because conventional banks just provide the facility and returns without benefits with Shariah compliance.

5.4 Limitation of Study

In our studies, we aim to determine the factors that affect the adoptions of university students on Islamic Banking in Malaysia. The target group of respondents for our research will be the students that are still studying in any one of the university in Malaysia. Questionnaires have been sent to the students of University Tunku Abdul Rahman , HELP University, UCSI University, Taylor's University, Sunway University and Tunku Abdul Rahman University College. However, the responses

from the some of the university students are lower than the expectation. Therefore, the main sources of respondents for our research are the students from University Tunku Abdul Rahman at Kampar. This situation has limited the accuracy and reliability of our research as the target group of our studies should be the university students from the whole Malaysia. Lack of response from the respondents of other university may cause the final results of our research to be slightly biased.

Besides, the questionnaires that had been sent out were 500 in total. The final responses received before the pre informed due date was 307. After the filtering process, the total number of usable questionnaires is 278 and this will be the sample size of our research. Though, the total amount of university students is more than 500,000 people and is growing year by year. According to this number, the sample size of our research is relatively small and the final result will be less reliable in this case. It is very important because the small sample size might cause that our research is not strong enough to represent the opinions of all university students in Malaysia. However, short period of time provided for our research does not allow us to take many actions in order to improve the sample size. Therefore, we have made the final decision to keep this amount of respondents as our final sample size.

Moreover, we have made all the questions in our questionnaires in the form of either the level of confidence or the level of satisfaction of respondents on the various factors of Islamic Bank. However, there is no certain ruler for the levels above and it is based on the respective feeling of the respondents. As a result, problems arise when every respondent is providing us their responses according to their own standards. Besides, the questions asked are putting all the Islamic Banks in Malaysia as a major group. As we all know, there are so many Islamic Banks in Malaysia and conventional banks are allowed to offer the similar Islamic Banking services as well. These situations might create the differences between the quality of products and services based the different banks. It might lead to the complexity during the interpretations of our results.

5.5 Recommendation for Future Research

In our research, there are still few limitations that are yet to be solved. Therefore, we have a few recommendations that might help the researchers that intend to conduct researches which are similar to our topic. At first, the target group of respondents must be stated clearly before the research being conducted. When making the decision of respective respondents for the researches, make sure that the respondent is available and easy to be accessed. Therefore, it will prevent the problem of having insufficient respondents at the end of the researches. If the problem does happen, it will cause the whole researches to lose the accuracy and reliability of the final results. Besides, the targeted respondents must have adequate knowledge on the topic chosen. As results, the opinions of respondents with basic knowledge will be more useful to the researches as compared to the respondents without any basic knowledge. The final results obtained from these respondents will also be more reliable.

Furthermore, sample size is a very essential element for a research. The larger the sample size will allow us to have better chance to get a significance difference between the independent variables. The reason will be the sample mean are more reliably reflect the real population mean. In the other words, we can say that the final results of our research are closer to the actual results in the reality. In our research, the sample size is relatively small as compared to the amount of our research target. Therefore, the final results might have greater probability to be driven away from the actual results. For the future research, it is very important to have a bigger sample size according to the number of research target. To achieve this target, different methods of investigation can be used other than the questionnaire. For example, the methods recommended are interview, street access and home visit.

Moreover, the questions asked in the questionnaire are the key factors that allow the researchers to acquire important information from the respondents. In this case, the way of setting the questions must be very clear and easy to be understood. Thence, no confusion that might affect the respondents and so they are able to answer the questions more fluently and provide their opinions precisely. In order to achieve this

target, the separation of the questions must not be messy but simple enough for the respondents. Besides, the language used in the questionnaire should not be too abstruse and incomprehensible. As a result, the respondent might not get the meaning of the questions well and answer it wrongly. It will lead to the corruption of the final results. The length of the question should be too long as well, or else the respondents might feel irritated to read the lengthy questions. To solve the problems, the questions must be brief and straight to the point.

Lastly, there are 18 Islamic Banks in Malaysia in total. Each of the banks might offer the similar products and services but the qualities and management of the banks will never be the same. Therefore, it will be important for us to identify the differences between the Islamic banks because it might have an effect on the adoptions of Islamic banking as well. Our research has left out this points but this seems to be a very good independent variables for our research. Therefore, we recommend that the future research should conduct their researches based on this direction. Having all the Islamic banks as the research objects and acquiring the perceptions of university students towards these banks. The results obtained might be able to show the relationships of these banks to the adoptions of Islamic Banking. Some problems that cannot be found and explained by our research might then be resolved.

5.6 Conclusion

The aim of our research is to determine the factors that affect the adoptions of university students on Islamic Banking in Malaysia. The factors that have been included into our research will be bank's profitability, bank's reputation and status, bank's facilities , risk associated with the bank and the Shariah-compliant products and services. Studies have been done on the factors mentioned above via the former studies done by the previous researchers. After that, the factors have been converted into few questions and have been asked in the questionnaire prepared. To draw the

conclusion of our research, we must first review the research questions of our research.

The research questions of the research are as the following:

- i. What is the relationship of bank profitability and the adoption on Islamic banks of Malaysia university students?
- ii. What is the relationship of the bank's services and facilities with the adoption on Islamic banks of Malaysia university students?
- iii. What is the relationship of the bank's reputation and status with the adoption on Islamic banks of Malaysia university students?
- iv. What is the relationship of risk associated and the adoption on Islamic banks of Malaysia university students?
- v. What is the relationship of Shariah compliant and the adoption on Islamic banks of Malaysia university students?

According to the statistical results obtained, the bank's profitability is having a high relationship with the adoption on Islamic Banking. This is proven because the correlation between bank's profitability and the adoption of Islamic Banking is 0.782. As a conclusion, the university students are seeking for greater profitability that can be offered by the banks. If the Islamic Banks are able to do so, the university student will be more willing to use their products and service. Therefore, Islamic Banks should be improving their payoff to their customer in order to attract more university students to be their customers.

Besides, the bank's facilities and services offered are also having a high relationship with the adoption on Islamic Banking. Based on the statistical results, the bank's facilities and services and adoption of Islamic Banking are found out to have 0.7896 as the correlation between them. To conclude this, the university students care about the facilities and services that a bank can offer to them. If the Islamic banks can offer better facilities and services than their competitors, the university student might turn into a customer of the banks. Therefore, Islamic Banks should have put more time

and effort into the development and research of new facilities and services. As a result, the banks will be able to expand their customer bases.

Furthermore, the correlation of bank's reputation and status with the adoption of Islamic Banking is 0.763. In the other words, the bank's reputation and status is having a high relationship with the adoption of Islamic Banking. From this, a conclusion can be made that university students are paying close attention on the bank's reputation and status as well. The Islamic Banks with a good reputation and status are able to attract more customers. Therefore, the Islamic Banks should start plotting a plan to get involved into the activities that might improve their reputation and status. For example like the charity activities, nature preservation and development of the poor regions. By doing so, the reputation and status will be getting better and so to the customer relationships.

Moreover, the correlation of the risk associated with the banks with adoption of Islamic Banking is -0.552. As compared to the other factors mentioned above, the relationship of the risk associated and the adoption of Islamic Banking are negative relation and relatively lower. Therefore, the risk associated with the banks is meant to be less important if compared to the other factors. However, the correlation is still higher than 0.4 which means that the relationship between the risk associated and the adoption of Islamic Banking is still moderate. In the other words, university students are still concern about the risk associated with the banks. Therefore, Islamic banks will have to take action to lower down the risk associated in order to attract the university students using their products and services. The best way of doing so will be lowering down the ratio of high risk investment of the banks.

Last but not least, the factor will be the Shariah-compliant products and services. The correlation between Shariah-compliant products and services and adoption of Islamic Banking is 0.482. Similar to the risk associated with the bank, the Shariah-compliant products and services is having a moderate relationship with the adoption of Islamic Banking. The Islamic Banks will have to pay more attention on the working of

Shariah-compliant products and services. This is because the university students are choosing the Islamic Banking as their financial service providers based on this reason as well. Maintaining a good management on the products and service abide by the Shariah principles will be the main option for the Islamic Banks.

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APPENDIX

Appendix 3.1: Table for Determining Sample Size from a Given Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size.

S is sample size

Source:

Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational And Psychological Measurement*, 30, 607-610.

Appendix 3.2: Rules of thumb about Cronbach's Alpha coefficient size

Alpha Coefficient Range	Strength of association
Less than 0.6	Poor
0.6<0.7	Moderate
0.7<0.8	Good
0.8<0.9	Very good
0.9 and above	Excellent

Source:

Hair, J. F., Money, A. H., Page, M., & Samouel, P. (2007). *Research Methods for Business*. Australia: John Wiley & Sons.

Appendix 3.3: Coefficient range table

Coefficient range	Strength
± 0.91 to ± 1.00	Very strong
± 0.71 to ± 0.90	High
± 0.41 to ± 0.70	Moderate
± 0.21 to ± 0.40	Small but definite relationship
± 0.00 to ± 0.20	Slight, almost negligible

Source:

Hair, J. F., Money, A. H., Page, M., & Samouel, P. (2007). *Research Methods for Business*. Australia: John Wiley & Sons.

Appendix 3.4: Questionnaire Survey Form



UNIVERSITI TUNKU ABDUL RAHMAN
Faculty of Business and Finance

BACHELOR OF BUSINESS ADMINISTRATION (HONS)
BANKING AND FINANCE
FINAL YEAR PROJRCT
TITLE OF TOPIC: Adoption on Islamic Banks: A study on
Malaysia University Students.

Survey Questionnaire

Dear respondent,

We are undergraduate students of Bachelor of Business Administration (HONS) Banking and Finance, from Universiti Tunku Abdul Rahman (UTAR). The **purpose** of the survey is to identify the adoption on Islamic bank of Malaysia university students.

The information in response will be used solely for the academic study purpose only.

Thank you for your participation.

Instructions:

1. There are Three (3) sections in this questionnaire. Please answer ALL questions in ALL sections.
2. Completion of this form will take you approximately 10 to 15 minutes.
3. Please read the instruction carefully before answering the question. The results of the survey will be reported only in the form of summary and your individual responses will be kept strictly confidential.

Group Members:		
	Name	Student ID
1.	Lee Shi Hao	10ABB01461
2.	Ngo Kah How	12ABB00295
3.	Shavitra a/p Ravindran	10ABB00719
4.	Simon Lee Sei Mun	09ABB03703
5.	Su Ling Hie	11ABB00020

Section A: Demographic Information

[Please tick (✓) next to the answer of your choice.]

1. Gender

- () Male
- () Female

2. Age

- () Below 20 years old
- () 21 – 30 years old

3. Marital status

- () Single
- () Married

4. Race

- () Malay
- () Chinese
- () Indian
- () Others

5. Academic year

- () Year One
- () Year Two
- () Year Three
- () > Year Three

6. Do you have an Islamic bank account?

- () Yes
- () No

7. Do you prefer to open an Islamic bank account?

- () Yes
- () No

8. What is/ are the product or services you currently holding? (You can tick more than one)

Islamic Bank		Conventional Bank	
	Saving account-i		Saving account
	Current account-i		Current account
	Credit card-i		Credit card
	Loan (car, house)		Loan (car, house)
	Fixed deposit-i		Fixed deposit
	Islamic Mutual Fund		Mutual funds
	Others		Others

Section B :

1. Bank's adoption preferable

1 = Strongly Not Prefer (SNP), 2 = Not prefer (NP), 3 = Neutral (N), 4 = Prefer (P), 5 = Strongly Prefer (SP)

Bank's adoption preferable		Level of preferable				
		SNP	NP	N	P	SP
BA1	I prefer with the profitability offer by the Islamic bank.	1	2	3	4	5
BA2	I prefer to the reputation and status of the Islamic bank.	1	2	3	4	5
BA3	I prefer with the services and facilities of the Islamic bank.	1	2	3	4	5
BA4	I prefer with the risk associated with Islamic bank.	1	2	3	4	5
BA5	I prefer with Shariah compliant in Islamic bank.	1	2	3	4	5
BA6	I prefer with Islamic bank.	1	2	3	4	5

2. Profitability

1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

Profitability		Level of perception				
		SD	D	N	A	SA
PF1	No interest paid nor taken on savings and loans by Islamic banks	1	2	3	4	5
PF2	Average decent return of Islamic banks. (Saving account)	1	2	3	4	5
PF3	Lower service charge in Islamic banks.	1	2	3	4	5
PF4	High return on investment in Islamic banks	1	2	3	4	5
PF5	High return of deposit in Islamic banks	1	2	3	4	5

3. Services and facilities

1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

Services and facilities		Level of perception				
		SD	D	N	A	SA
SF1	Fast and efficient counter services of Islamic banks	1	2	3	4	5
SF2	Speed and efficiency of transactions in Islamic banks	1	2	3	4	5
SF3	Interior comfort of branches of Islamic banks	1	2	3	4	5
SF4	Sufficient time for transaction of Islamic banks	1	2	3	4	5
SF5	Efficient online banking system of Islamic banks	1	2	3	4	5
SF6	A convenient product and services of Islamic banks	1	2	3	4	5
SF7	Uniform services in all branches of Islamic banks	1	2	3	4	5

4. Bank reputation and status

1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

Bank reputation and status		Level of perception				
		SD	D	N	A	SA
BR1	Good reputation of Islamic banks	1	2	3	4	5
BR2	Confidentiality of Islamic banks	1	2	3	4	5
BR3	Bank size in assets and capital of Islamic banks	1	2	3	4	5
BR4	Advanced technology of computerized system of Islamic banks	1	2	3	4	5
BR5	Strong global network of Islamic banks	1	2	3	4	5
BR6	Islamic banks market their product and services in an effective manner	1	2	3	4	5

5. Risk associated

1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

Risk associated		Level of perception				
		SD	D	N	A	SA
RA1	Flexibility of risk management policy of Islamic banks	1	2	3	4	5
RA2	Contingency plan of Islamic banks toward the risk faced	1	2	3	4	5
RA3	Islamic banks established a system to capture risk ahead of time	1	2	3	4	5
RA4	Structure of Islamic banks strengthens monitoring and control over risks	1	2	3	4	5
RA5	Islamic banks Standardized procedures for handling credit recovery	1	2	3	4	5
RA6	Islamic banks have a good understanding of borrower's credibility	1	2	3	4	5

Section C:**Knowledge of Islamic law (Shariah compliant)**

The following set of statement regarding to the knowledge of the customer regarding the Islamic principle that apply in Islamic bank. The number 1 to 5 represents a continuum with 1 being totally do not have knowledge of Islamic law and 5 represents a deep understanding of Islamic law. Based on your experience as a bank customer, please circle the number that best reflects your opinion about the statement.

* Notes: 1 = Totally do not have knowledge of the item, (NK)

2 = Only have a little knowledge of the item, (LN)

3 = Moderate , (M)

4 = Good understanding of the item, (GU)

5 = Deep understanding of the item. (DU)

Knowledge of Islamic principle (Shariah)		Level of understanding with the Islamic principle				
		NK	LN	M	GU	DU
IP1	Prohibited of riba (interest)	1	2	3	4	5
IP2	Provision of Islamic products and services	1	2	3	4	5
IP3	Application of Islamic law and principles	1	2	3	4	5
IP4	Prohibition of Gharah (uncertainty)	1	2	3	4	5
IP5	Halal transaction	1	2	3	4	5
IP6	Islamic term and concept (eg. Ijarah, Murabaha)	1	2	3	4	5

*Thank you for your time, opinion and comments.
~ The End ~*