

**AWARENESS OF ISLAMIC BANKING
PRODUCTS AND SERVICES
AMONG NON-MUSLIMS
IN MALAYSIA**

BY

**KEONG LEE LING
KHOR MAY LING
LOW SHEAU PEY
WONG ZI HUI**

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

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

UNIVERSITI TUNKU ABDUL RAHMAN

**FACULTY OF BUSINESS AND FINANCE
DEPARTMENT OF FINANCE**

APRIL 2012

Copyright @ 2012

ALL RIGHTS RESERVED. No part of this paper may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, graphic, electronic, mechanical, photocopying, recording, scanning, or otherwise, without the prior consent of the authors.

DECLARATION

We hereby declare that:

- (1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.
- (2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
- (3) Equal contribution has been made by each group member in completing the research project.
- (4) The word count of this research report is 16565 words.

Name of Student:	Student ID:	Signature:
1. Keong Lee Ling	09ABB08204	
2. Khor May Ling	09ABB08719	
3. Low Sheau Pey	09ABB08202	
4. Wong Zi Hui	09ABB08198	

Date: 20 April 2012

ACKNOWLEDGEMENT

Our thesis has been successfully implemented by the assistance of various authorities. Therefore, we would like to grasp this opportunity to express our appreciation to them who have involved directly or indirectly in contributing towards our thesis.

First and foremost, we would like to thank our supervisor, Puan Noor Azizah binti Shaari. This work would not be completed on time without her time, guidance, effort, support, and patience. We fervently appreciate her contribution during the meeting as she has given us a lot of constructive comments, sincere advises as well as steady guidance throughout the progression of this research project to achieve our objectives. Besides, we would also like to thank Encik Mohamad Iruwan bin Ghuslan, our second examiner. During our VIVA presentation, he has provided us recommendations to further improve our thesis. In addition, we would also like to draw sincere thanks to all the lecturers and tutors that have taught us and shared with us their valuable information in these four years. Without them, we would not able to reach this stage and complete our thesis.

The credit is also given to our parents and family who have assisted us in terms of morale and financial support. Undeniably, the understanding of our parents has allowed us to carry out our thesis in a free pressure environment. We get to concentrate in our research without worrying for the financial constraints as our parents have given us the full financial support.

We would also like to acknowledge our friends and classmates for their opinions, encouragement and enthusiasm. We would like to thank the respondents of this study as they have participated in our questionnaires surveys. And most importantly, to our group members who are striving together to accomplish this research paper.

Once again, thank you and best regards to all of you!

DEDICATION

Firstly, we would like to dedicate this research project to our supervisor, Puan Noor Azizah binti Shaari, for her sincere guidance and constructive comments to help us to complete this research project.

Besides, this, we would like to dedicate this research project to our family members and friends to share with us our achievement in this research project as an appreciation to their encouragement and support.

Lastly, we would also like to dedicate this research project to the public who has participated in this research project and have given us valuable and supportive information to complete this research project.

TABLE OF CONTENT

	Page
Copyright Page	ii
Declaration	iii
Acknowledgement	iv
Dedication	v
Table of Contents	vi
List of Tables	xiii
List of Figures	xiv
List of Abbreviations	xv
List of Appendices	xvi
Preface	xvii
Abstract	xviii
CHAPTER 1 RESEARCH OVERVIEW	1
1.0 Introduction	1
1.1 Research Background	1
1.1.1 History of Islamic Banking in the Worldwide	1
1.1.2 Islamic Banking in Malaysia	2
1.1.3 Principles of Islamic Banking	3
1.2 Problem Statement	5
1.3 Reseach Objectives	7
1.3.1 General Objective	7
1.3.2 Specific Objectives	7

1.4	Research Questions	8
1.5	Hypotheses of the Study	8
1.5.1	Awareness of Islamic banking products and services among non-Muslims in Malaysia	8
1.5.2	Understanding of Islamic banking products and services among non-Muslims in Malaysia	9
1.5.3	Perceptions of Islamic banking products and services among non-Muslims in Malaysia	10
1.6	Significance of the Study	11
1.7	Chapter Layout	12
1.8	Conclusion	12
CHAPTER 2	LITERATURE REVIEW	13
2.0	Introduction	13
2.1	Review of Literature	13
2.1.1	Awareness of Islamic banking products and services among non-Muslims in Malaysia ...	13
2.1.2	Understanding of Islamic banking products and services among non-Muslims in Malaysia ...	15
2.1.3	Perceptions of Islamic banking products and services among non-Muslims in Malaysia	16
2.1.4	Demographic Factors	17
2.1.4.1	Age	17
2.1.4.2	Religions	18
2.1.4.3	Educational Level	19
2.1.4.4	Occupation	20
2.1.4.5	Monthly Income Level	20
2.1.5	Contracts in Islamic Banking	21

	2.1.5.1	Trading Contracts	21
	2.1.5.2	Participation Contracts	23
	2.1.5.3	Supporting Contracts	24
2.2		Review of Relevant Theoretical Models	25
2.3		Proposed Theoretical/Conceptual Framework	26
2.4		Hypotheses Development	28
	2.4.1	Awareness of Islamic banking products and services among non-Muslims in Malaysia	28
	2.4.2	Understanding of Islamic banking products and services among non-Muslims in Malaysia	28
	2.4.3	Perceptions of Islamic banking products and services among non-Muslims in Malaysia	29
2.5		Conclusion	29
CHAPTER 3		RESEARCH METHODOLOGY	30
3.0		Introduction	30
3.1		Research Design	30
3.2		Data Collection Method.....	31
	3.2.1	Primary Data	31
3.3		Sampling Design	31
	3.3.1	Target Population	32
	3.3.2	Sampling Frame	32
	3.3.3	Sampling Elements	32
	3.3.4	Sampling Technique	33
	3.3.5	Sampling Size	33
3.4		Research Instrument	33
	3.4.1	Questionnaire Survey	33

	3.4.2	Questionnaire Design	34
	3.4.3	Pilot Study	35
3.5		Construct Measurement	35
	3.5.1	Nominal Scale	36
	3.5.2	Ordinal Scale	36
	3.5.3	Interval Scale	36
3.6		Data Processing	37
	3.6.1	Questionnaire Checking	37
	3.6.2	Data Editing	37
	3.6.3	Data Coding	38
	3.6.4	Data Cleaning	38
3.7		Data Analysis	38
	3.7.1	Descriptive Analysis	38
	3.7.2	Reliability Test	39
	3.7.3	Pearson Correlation	40
	3.7.4	One way ANOVA Test	40
3.8		Conclusion	41
CHAPTER 4		DATA ANALYSIS	42
	4.0	Introduction	42
	4.1	Descriptive Analysis	42
	4.1.1	Respondent Demographic Profile	42
	4.1.2	Respondents' Awareness Level towards Islamic Banking in Malaysia	44
	4.1.3	Respondents' Awareness Level towards Islamic Banking Products and Services	45

4.1.4	Respondents' Understanding Level towards Islamic Banking System and Operations	46
4.1.5	Respondents' Understanding Level towards Arabic Terms used in Islamic Banking	47
4.1.6	Respondents' Perception towards Islamic Banks	48
4.2	Scale Measurement	49
4.2.1	Internal Reliability Test	49
4.3	Inferential Analysis	50
4.3.1	Pearson Correlation Analysis	50
4.3.1.1	Awareness	52
4.3.1.2	Understanding (Concept)	53
4.3.1.3	Understanding (Arabic Terms).....	54
4.3.1.4	Perceptions	55
4.3.1.5	Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception	56
4.3.2	One way ANOVA Test	57
4.3.2.1	Age and Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception	57
4.3.2.2	Religion and Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception	58

	4.3.2.3	Educational Level and Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception59
	4.3.2.4	Occupation and Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception60
	4.3.2.5	Monthly Income Level and Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception.....61
4.4		Conclusion62
CHAPTER 5		DISCUSSION, CONCLUSION AND IMPLICATIONS 63
5.0		Introduction 63
5.1		Summary of Statistical Analyses63
	5.1.1	Descriptive Analysis64
	5.1.2	Scale Measurement65
	5.1.3	Inferential Analysis65
5.2		Discussion of Major Finding66
	5.2.1	Awareness of Non-Muslims towards Islamic Banking66
	5.2.2	Level of Understanding of Non-Muslims towards Islamic Banking66
	5.2.3	Perception of Non-Muslims towards Islamic Banking67
	5.2.4	Relationship between Age and Awareness, Understanding and Perception67
	5.2.5	Relationship between Religion and Awareness, Understanding and Perception ... 68

5.2.6	Relationship between Educational Level and Awareness, Understanding and Perception ...	69
5.2.7	Relationship between Occupation and Awareness, Understanding and Perception ...	69
5.2.8	Relationship between Monthly Income Level and Awareness, Understanding and Perception	70
5.3	Implications of the Study	70
5.3.1	Theoretical Implications	70
5.3.2	Managerial Implicationa	71
5.4	Limitations of the Study	74
5.5	Recommendations for Future Research	74
5.6	Conclusion	75
	References	76
	Appendices	80

LIST OF TABLES

	Page
Table 1.1: Total Bank and Total Islamic Bank Deposit	6
Table 4.1: Respondent Demographic Profile	42
Table 4.2: Respondents' awareness level towards Islamic Banking in Malaysia	44
Table 4.3: Respondents' awareness level towards Islamic Banking products and services	45
Table 4.4: Respondents' understanding level (concept)	46
Table 4.5: Respondents' understanding level (Arabic terms)	47
Table 4.6: Respondents' perception towards Islamic Banks	48
Table 4.7: Internal Reliability Test	49
Table 4.8: Pearson Correlation for Awareness	52
Table 4.9: Pearson Correlation for Understanding (Concept)	53
Table 4.10: Pearson Correlation for Understanding (Arabic Terms)	54
Table 4.11: Pearson Correlation for Perceptions	55
Table 4.12: Pearson Correlation for Awareness, Understanding(Concept), Understanding (Arabic Terms) and Perception	56
Table 4.13: ANOVA Results for Demographic Factors against Awareness, Understanding and Perception	57
Table 5.1: ANOVA Results for Demographic Factors against Awareness, Understanding and Perception	65

LIST OF FIGURES

	Page
Figure 1.1: Histogram of Total Bank and Total Islamic Bank Deposit	6
Figure 2.1: The Hierarchy of Effects	25
Figure 2.2: Conceptual Framework	27

LIST OF ABBREVIATIONS

<i>et al.</i>	and others
ANOVA	analysis of variance
BIMB	Bank Islam Malaysia Berhad
BNM	Bank Negara Malaysia
IBA	Islamic Banking Act
IDB	Islamic Development Bank
OCBC	Oversea Chinese Banking Corporation
PAB	Philippine Amanah Bank
SPSS	Statistical Package for Social Science

LIST OF APPENDICES

	Page
Appendix 3.1: Questionnaire Survey Form	80
Appendix 4.1: Demographic Profiles of Respondents	86
Appendix 4.2: Awareness of Respondents towards Islamic Banking Products and Services	88
Appendix 4.3: Understanding (concept) of Respondents	90
Appendix 4.4: Understanding (Arabic Terms) of Respondents	93
Appendix 4.5: Perceptions of Respondents towards Islamic Banking Products and Services	96
Appendix 4.6: Reliability Test (Pilot Test)	98
Appendix 4.7: Reliability Test (Actual Test)	99
Appendix 4.8: One Way ANOVA (Age)	100
Appendix 4.9: One Way ANOVA (Religion)	101
Appendix 4.10: One Way ANOVA (Educational Level)	102
Appendix 4.11: One Way ANOVA (Occupation)	103
Appendix 4.12: One Way ANOVA (Monthly Income Level)	104

PREFACE

Islamic banking is an important banking system that helps to facilitate current financial system. It first gained its appearance in Egypt in 1963 and later in other countries such as Qatar, Sudan, United Kingdom and others. In Malaysia, it makes its debut in 1983 with the establishment of Bank Islam Malaysia Berhad. With Islamic banking, it provides an alternative option for the banking users other than conventional banking.

This research is conducted to enable the Islamic bankers to gain better understanding on the profile of non-Muslims in Malaysia and the non-Muslims awareness, understanding and perceptions levels towards Islamic banking in Malaysia. This study contributes to Islamic banking by enable the Islamic bankers to formulate different strategies and policies to attract more non-Muslims banking users.

The objective of this study is to examine the level of awareness, understanding and perceptions of non-Muslims in Malaysia of Islamic Banking products and services. In addition, this study also aims to investigate if any demographic influence the awareness, understanding and perceptions of Islamic Banking products and services among non-Muslims in Malaysia.

ABSTRACT

Islamic banking is an abstract concept until the first half of the twentieth century. In Malaysia, it has been almost three decades when the first Islamic bank makes its debut. Islamic banks have to compete with its rival, conventional banks which have longer history than Islamic banks. For this competition, Islamic banks have to know the awareness, understanding and perceptions of Malaysians towards it. Islamic banks not only available for Muslims, but it also available for non-Muslims as well. In Malaysia, 40% of the population is non-Muslims and hence non-Muslims market is equally important to Islamic banks. The purpose of this research is to examine the level of awareness, understanding and perceptions of non-Muslims in Malaysia of Islamic Banking products and services. In addition, this study also aims to investigate if any demographic influence the awareness, understanding and perceptions of Islamic Banking products and services among non-Muslims in Malaysia. A total of 280 respondents from different cities in Malaysia are selected for the purpose of this study. For the analysis, one way ANOVA and Pearson Correlation Coefficient was adopted to analyse the results. The results show that more than half of the respondents are aware of the Islamic banking in Malaysia but they do not aware of most of the products and services offered by Islamic banks. Non-Muslims understanding level towards Islamic bank concepts are at average level but they do not understand most of the Arabic terms. The perceptions of non-Muslims towards Islamic banks are varied among themselves. This study also provides theoretical and managerial implications for the Islamic bankers to attract non-Muslims customers and recommendations for future research in Islamic Banking.

CHAPTER 1: RESEARCH OVERVIEW

1.0 Introduction

The first chapter of this study describes the background of Islamic Banking in the worldwide and in Malaysia, and the principles of Islamic Banking. Then it will be continued with the problem statement, research objectives, research questions, hypotheses of this study and significance of the study. At the end of the first chapter, we will present the chapter layout and the conclusion.

1.1 Research Background

1.1.1 History of Islamic Banking in The Worldwide

According to Khir, Gupta and Shanmugam (2008), Islamic banking was an abstract concept until the first half of the twentieth century. However, it has now become a full-fledged system and discipline. Islamic banking first gained its appearance in Egypt at Mit Ghamr by Ahmad El Najjar in 1963.

In the seventies, many political changes have taken place in the Muslim countries which helps to facilitate the establishment of Islamic financial institutions. During this time, some Islamic banks came into existence in the Middle East. Examples are The Islamic Development Bank (IDB), the Dubai Islamic Bank (1975), the Faisal Islamic Bank of Sudan (1977), the Faisal Islamic Bank of Egypt (1977), the Bahrain Islamic Bank (1979), and the

Philippine Amanah Bank (PAB) was set up in 1973, operates two windows for deposit transactions in commercial and Islamic.

Later, Islamic banks and financial houses were established in Qatar, Sudan, Bahrain, Indonesia, Guinea, Denmark, Turkey, England, Jordan and Switzerland. Now, it is estimated that there are more than 250 Islamic banks operating in over 75 countries. Even in non-Muslim majority nations like the UK, Australia, United States of America, they are attempting to set up Islamic Financial Institutions.

1.1.2 Islamic Banking in Malaysia

Malaysian government started the *Lembaga Tabung Haji* or Pilgrimage Fund Board after five years of independence. *Lembaga Tabung Haji* is a financial institution developed for Malaysian Muslims undertaking the pilgrimage to Mecca and Medina. It set up to help Muslims save for their pilgrimage expenses.

Khair *et al.* (2008) stated Islamic banking made its debut in Malaysia in 1983 with the establishment of Bank Islam Malaysia Berhad (BIMB). The increase in Muslim populations and awareness of Islamic values has led to greater demand for Islamic bank interest-free products. Bank Islam Malaysia was established to meet these demands and challenges. BIMB introduced and marketed a variety of interest free products such as Qard Hassan, Mudarabah, Musharakah and others. BIMB business has expanded over the years. From the seed capital of only RM80 million initially, Bank Islam's shareholder funds rose up to RM2.5 billion as at December 2010. Now, BIMB had 117 branches and more than 1000 self-service terminals all over the Malaysia (Corporate Profile).

As for Bank Negara Malaysia (BNM), its long-term objective is to create a dual banking system which means that Islamic banking system and conventional banking system operating on a parallel basis. BNM used a step-by-step approach in order to achieve its long term objective. BNM spread Islamic banking on a nation-wide basis as a way to spread the virtues of Islamic banking. BNM carefully considered a variety of factors and finally decided to allow the existing banking institutions to offer Islamic banking product and service via their existing branches and infrastructures without establishing a new one. To increase the current number of financial institutions that offer Islamic banking services at the lowest cost and within the shortest time frame, this option was the most effective and efficient way.

Until 2012 February, Malaysia has sixteen Islamic Banks, which comprises of nine local Islamic Banks and seven foreign Islamic Banks. Some of them are Affin Islamic Bank Berhad, Alliance Islamic Bank Berhad, Bank Muamalat Malaysia Berhad, Kuwait Finance House (Malaysia) Berhad, OCBC Al-Amin Bank Berhad, Public Islamic Bank Berhad, Standard Chartered Saadiq Berhad and others (Bank Negara Malaysia, 2012).

Islamic Banking Act (IBA) is the legal basis for the establishment of Islamic banks which established on 7 April 1983. The IBA provides BNM with rights to supervise and regulate Islamic banks, similar to the case of other licensed banks.

1.1.3 Principles of Islamic Banking

According to Khir *et al.* (2008), Islamic Banking is the conduct of banking based on Syariah principles and does not allow the existence of interest in its operations while promoting profit-sharing. Its purpose is the same as

conventional banking except that it must comply with the Syariah law. The principles for Islamic banking are as follows:

- a) The first key principle of Islamic banking is the principle of sharing of profit and loss (equity participation). Islam encourages Muslims to invest their money and to become partners in order to share profits and risks in the business instead of becoming creditors. In Islam, profit is the recognized reward for capital. A depositor in an Islamic bank can therefore make earnings on his or her deposit in several ways. First, through return on his capital; through sharing of profit when his capital is part of the capital that is employed in a partnership, and finally through rental earnings on an asset that has been partially financed by his capital.

- b) The second key principle of Islamic banking is principle of prohibition of *Riba*. It is considered as *haram* (non-permissible). In the Islamic terminology, interest means “effortless profit or profit that increases the principal amount without putting any effort.” Any predetermined payment over and above the actual amount of principal is prohibited. Examples of verses that give strong verdict against *riba* are as follows: “Those who devour *riba* will not stand except as one whom the devil hath driven to madness by [his] touch [2:275].”

- c) The third key principle of Islamic banking is the Syariah-approved activities. In Islamic banking, investments should not support practices or yield that are forbidden -or even discouraged- by Islam. Islamic banking operates in accordance with the rules of Shariah, under Islamic Trading transactions. Islamic banking is restricted to Islamically acceptable transactions, which exclude those involving

alcohol, pork, gambling. For example a real-estate loan could not be made for the construction of a Wine bar or nightclub.

- d) The fourth key principle is principle of money as potential capital. Making money from money is prohibited and money is only a medium of exchange. The use of money to gain interest is forbidden and money cannot be simply traded for money and therefore money can be used to buy goods or services, which can then be sold for a profit. Hoarding of money is considered as *haram*.
- e) The fifth principle of Islamic banking is the principle of certainty. This principle states that uncertainty, risk or speculation is also prohibited in Islamic banking. Therefore, options and futures are considered as un-Islamic and so are forward foreign exchange transactions because rates are determined by interest differentials. However, minor uncertainties can be permitted when it is necessary.
- f) The last principle is the sanctity of contracts. In Islam, contractual obligations and the disclosure of information is an utmost important duty. This principle aims to reduce the risk of asymmetric information and moral hazard problem. The contracting parties should know the products that intended to be exchanged well.

1.2 Problem Statement

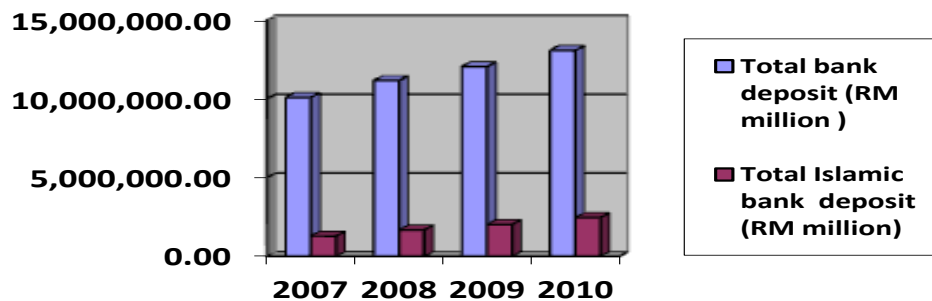
Islamic banking has experienced worldwide acceptance by early 2003. During that period, there were at least 176 Islamic banks around the world, and the deposits exceed \$147billion. (Rammal and Zurbruegg, 2006). Many of the non-Muslims majority nations such as United Kingdom and Thailand have introduced Islamic

Finance into their financial system. In Malaysia, it is almost three decades now since Islamic banking was first gained its appearance in Malaysia, back in 1983, when Bank Islam Malaysia Berhad (BIMB) commenced its operations. Table 1.1 shows the statistic of total bank deposits and total Islamic bank deposits from year 2007 to 2010.

Table 1.1: Total Bank and Total Islamic Bank Deposit

Year	Total Bank Deposit (RM million)	Total Islamic Bank Deposit (RM million)
2007	10094,567.40	1,292,723.50
2008	11,158,348.00	1,668,911.90
2009	12,050,333.20	2,026,824.50
2010	13,072,385.80	2,462,849.80

Figure 1.1: Histogram of Total Bank and Total Islamic Bank Deposit



Source: Bank Negara Malaysia, 2012

From table 1.1 and figure 1.1 shows that the total Islamic bank deposits are increasing over the years. The total Islamic bank deposit is made up from Muslim and non-Muslims deposit. However, the total conventional bank deposits are still higher than Islamic bank deposits. The difference between the total bank deposits and total

Islamic bank deposits will be the total conventional bank deposits. For example in year 2010, total bank deposits is RM13,072,385.80 million and total Islamic bank deposits RM2,462,849.80 million, which means the total conventional bank deposit is RM10,609,536 million. From this statistic, it is very obvious that the gap between conventional banks and Islamic banks are very huge as the difference in total deposits in 2010 is around 8,000,000 million. Even though Islamic bank deposits are increasing over the years, but it is not great enough to catch up with the conventional banks or to smaller the gap between them. This also tells us that a majority of banking users still have not adopted or might not even aware of the Islamic Banking system particularly among the non-Muslims in Malaysia.

1.3 Research Objectives

Islamic banks have started to have marketing campaigns that targeted at non-Muslims market segment so that Malaysia could become a leading Islamic banking centre.

1.3.1 General Objective

To examine the level of awareness of non-Muslims in Malaysia of Islamic banking products and services.

1.3.2 Specific Objectives

- a) To examine the understanding of non-Muslims in Malaysia about the basic Islamic Banking products and services.

- b) To determine the perceptions of non-Muslims in Malaysia towards Islamic banking.
- c) To investigate if any demographic factors (age, religions, education, occupation and income) influence the awareness, understanding and perceptions of Islamic Banking products and services among non-Muslims in Malaysia.

1.4 Research Questions

- a) Are the non-Muslims in Malaysia aware of Islamic Banking products and services?
- b) Are the non-Muslims in Malaysia understood about the basic principles of Islamic banking principles?
- c) What are the perceptions of non-Muslims in Malaysia towards Islamic banking?
- d) Are the demographic factors (age, religions, education, occupation, income) influences the awareness of Islamic Banking products and services among non-Muslims in Malaysia?

1.5 Hypotheses of the Study

1.5.1 Awareness of Islamic banking products and services among non-Muslims in Malaysia

- H₀: There is no significant relationship between age and awareness of Islamic banking products and services among non-Muslims in Malaysia.
- H₀: There is no significant relationship between religion and awareness of Islamic banking products and services among non-Muslims in Malaysia.
- H₀: There is no significant relationship between educational level and awareness of Islamic banking products and services among non-Muslims in Malaysia.
- H₀: There is no significant relationship between occupation and awareness of Islamic banking products and services among non-Muslims in Malaysia.
- H₀: There is no significant relationship between income and awareness of Islamic banking products and services among non-Muslims in Malaysia.

1.5.2 Understanding of Islamic banking products and services among non-Muslims in Malaysia

- H₀: There is no significant relationship between age and understanding of Islamic banking products and services among non-Muslims in Malaysia.

H₀: There is no significant relationship between religion and understanding of Islamic banking products and services among non-Muslims in Malaysia.

H₀: There is no significant relationship between educational level and understanding of Islamic banking products and services among non-Muslims in Malaysia.

H₀: There is no significant relationship between occupation and understanding of Islamic banking products and services among non-Muslims in Malaysia

H₀: There is no significant relationship between income and understanding of Islamic banking products and services among non-Muslims in Malaysia.

1.5.3 Perceptions of Islamic banking products and services among non-Muslims in Malaysia

H₀: There is no significant relationship between age and perceptions of Islamic banking products and services among non-Muslims in Malaysia.

H₀: There is no significant relationship between religion and perceptions of Islamic banking products and services among non-Muslims in Malaysia.

H₀: There is no significant relationship between educational level and perceptions of Islamic banking products and services among non-Muslims in Malaysia.

H₀: There is no significant relationship between occupation and perceptions of Islamic banking products and services among non-Muslims in Malaysia.

H₀: There is no significant relationship between income and perceptions of Islamic banking products and services among non-Muslims in Malaysia.

1.6 Significance of the Study

This study focuses on the awareness, understanding, perceptions and demographic factors that influence the awareness of non-Muslims in Malaysia of Islamic Banking products and services. As we know that, Malaysia is a multi-racial country. Malaysia government statistics in 2000 noted that about 60.4 percent of the population was Muslim, which means that about 40 percent of the population in Malaysia was non-Muslims. Islamic banking not only available to Muslims but also non-Muslims, hence, non-Muslims market is equally vital to the survival of Islamic banks in Malaysia. Non-Muslims market is huge and has substantial potential for Islamic Bank. If non-Muslims keep on ignoring the existence of Islamic banks, Islamic banks will have difficulties to compete with conventional banks. By attracting non-Muslims customers, it can enhance the long term survival of Islamic banks.

By knowing the level of awareness of non-Muslims in Malaysia towards Islamic banks, Islamic bankers could actually design or set up different marketing campaigns for the non-Muslims based on their level of awareness. Besides this, by knowing the level of understanding of non-Muslims towards Islamic banks, the Islamic bankers could use simpler words when approaching non-Muslims potential customers if the non-Muslims customers do not have much understanding towards Islamic banks. In addition, by knowing the non-Muslims perceptions towards Islamic banks, Islamic bankers could maintain the perception if the perceptions are favourable to Islamic

banks or otherwise, change the non-Muslims perceptions towards Islamic banks if the perceptions are not favourable.

In short, Islamic bankers could use the findings from this study to enhance their knowledge on the Malaysia non-Muslims banking users and the profiles of Malaysia non-Muslims potential customers. This study also can assist Islamic bankers in formulating different strategies and policies to attract more non-Muslims banking users by knowing the non-Muslims level of awareness, understanding and perceptions towards Islamic banks.

1.7 Chapter Layout

This paper is organized as follows. The next part of this paper will be the literature review of the previous studies. This is followed by a discussion on the methodology of this study. Results and interpretations of the research survey are then presented. The final section of this paper will conclude with a summary, implication of the findings, limitation of the study and recommendation for future research.

1.8 Conclusion

This chapter lays the foundation of Islamic Banking, problem statement, research objectives, research questions, hypotheses of this study, significance of the study and chapter layout which will be used to analyze the level of awareness of non-Muslims in Malaysia of Islamic Banking products and services.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

In this chapter, it will include the review of relevant articles or journals which are related to awareness, understanding and perceptions of non-Muslims on Islamic banking products and services. In addition, this chapter will also include review of journals that related to demographic factors that influencing the awareness, understanding and perceptions of non-Muslims on Islamic banking products and services. Explanation of different types of contracts used in the products of Islamic banking will be also included in this chapter. Then, this chapter would review the relevant theoretical models and propose conceptual model for this study. After proposing conceptual model, testable hypotheses will be developed for this study.

2.1 Review of Literature

2.1.1 Awareness of Islamic banking products and services among non-Muslims in Malaysia

Lateh, Ismail and Arrifin (2009), Khattak and Rehman (2010), Okumus (2005), Khan, Hassan and Syahid (2008) have similar results in their studies. Lateh *et al.* (2009) have conducted a research in Thailand that examining the perception of the customers towards the objectives, characteristics and criteria of selecting Islamic bank. In their study, it was found that most of the Thai customers were aware of the special characteristics of Islamic banking system and they are different from the conventional banking system, like the

forbidden of interest. But, they have little awareness about the Islamic banking system products and services. Khattak and Rehaman (2010) and Okumus (2005) found out that the customer's awareness level towards Islamic banking products in Pakistan and Turkey is good in some of the general products like current accounts and time deposit account. However, for some of the Islamic financial products such as *Murabahah* and *Ijarah*, most of the customers are unaware of of them. Khan *et al.* interested in examining the awareness and usage of various Islamic bank products and services among Islamic bank customers in Bangladesh. Their results show that there is a high level of customer awareness of some general products such as current account and saving account. According to Thambiah, Eze, Santhapparaj, and Arumugam (2011), Islamic banking terms such as "*Mudarabah*", "*Bai' Bithman Ajil*", and "*Ba Inah*" are appeared to be less popular among the banking customers. The reason for low awareness and usage for individual borrowing products might due to Islamic banking products are named in Arabic terms.

On the other hand, Rammal and Zurbruegg (2006) intended to examine the awareness of Muslim Australians of Islamic banking, especially the demand for profit-and-loss sharing agreements. Their results show that generally there is a lack of awareness in regards to the basic rules and principles of Islamic financing. The results also indicate that a number of respondents would not take up *halal* financing options if credit facilities were taken away. Rammal and Zurbruegg's (2006) results are supported by Thambiah *et. al.* (2011) study which analyse the awareness on Islamic retail banking (IRB), between the urban and rural banking customers in Malaysia and their findings also show that generally there is a lack of awareness on IRB between the urban and rural banking customers. However, according to Run and Yeo (n.d.), non Muslims in Sarawak, Malaysia, are highly aware of Islamic Financing facilities. The difference in findings between Thambiah *et. al* (2011) and Run and Yeo might

due to Thambiah *et. al* (2011) conducted their studies in the West Malaysia while Run and Yeo (n.d.) conducted their study in East Malaysia.

2.1.2 Understanding of Islamic banking products and services among non-Muslims in Malaysia

In Indonesia, the awareness of Islamic Banking is quite high but the understanding about Islamic Banks is still not sufficient (Karim and Affif , n.d.). According to Rammal and Zurbruegg (2006), some respondents who had held a *halal* banking product were not even aware of the profit and loss sharing concept. This show that they do not understand about the concept of their products and this would also indicate that some financial institutions have been guaranteeing profits. This was against the Syariah principles as gains made on investment without risk is merely interest rather than profit.

Bley and Kuehn's (2004) study in UAE also showed that Muslim students are more interested and knowledgeable in Islamic banking as compared to non-Muslims. This was also supported by Ahmad and Haron (2002), their study on Malaysia corporate customers revealed that providers of Islamic banking products and services have not done enough in educating customers and marketing their products. As an example, more than 65 percent of the respondents indicated they had limited knowledge in Islamic banking system. Loo's (2010) study in Malaysia shows that the non Muslims still could not understand the concept of Islamic banking even though there are a lot of advertising campaigns that targeted at them. However, for Muslims, 100% of them agree that they understand the concept of Islamic banking.

2.1.3 Perceptions of Islamic banking products and services among non-Muslims in Malaysia

In a study conducted by Lateh *et al.* (2009) that examining the perception of the customers towards the objectives, characteristics and criteria of selecting Islamic bank, it was revealed that Thai customers perceived that there are no differences between the Islamic bank and the conventional bank products and services, except in the names used to highlight the Islamic Banking products. A study in Indonesia has surveyed 1,047 respondents to determine their perception towards the characteristics of the Islamic bank. The findings revealed that a half of the respondents viewed that the main characteristic of the Islamic bank was profit distribution. In addition, many of them viewed that the Islamic bank was conducted according to the Islamic teachings (Bank Indonesia 2004). Another study was also conducted in Indonesia. According to Karim and Affif (n.d.), in Indonesia, beside the perception that an Islamic bank is a bank that operates under Islamic principles (including avoiding *riba*), other important perceptions are Islamic banks are meant for Islamic consumers only, limited facilities provided compared to conventional banks and do not have a huge customer base.

In Malaysia, according to Loo (2010), with her objectives to investigate the perceptions of Muslims and non-Muslims towards Islamic banking, the results show that there is a significant difference between X-Gen Muslims and X-Gen non-Muslims and similarly between Baby Boomer Muslims and Baby Boomer non-Muslims in how they perceive of Islamic banking. In short, non-Muslims view Islamic banking with a disadvantage more significantly than Muslims.

In addition, Ahmad and Haron (2002) have conducted a study on how the Malaysian corporate customers perceived of Islamic Banking. Their survey which consists of 45 respondents showed that Islamic banking products were

not popular among corporate customers. Their studies also found that most of the respondents disagreed that the Islamic banking products available in Malaysia were similar to the products of the conventional banks except that the Islamic banks used different names for those products. In the study conducted by Thambiah *et. al*, (2011) it shows that perception of urban banking customers on IRB are different with the rural banking customers, about perceived complexity, uncertainty, and observability.

2.1.4 Demographic Factors

2.1.4.1 Age

In a study conducted in Pakistan by Khattak and Rehman (2010), it shows that awareness of the Islamic banking products are varied among different age group people, such as in the current account system and letter of credit. Majority of the customer that aware of Islamic banking are between the age of 21 to 40 years. However a study conducted in Borneo has suggested a different finding from Khattak and Rehman (2010), which is Islamic banks manager may assume that consumers are homogeneous in terms of their “awareness and usage” as corroborated by age. Age and awareness and usage are not statistically significant (Amin, 2007).

According to Loo (2010), non-Muslim X-Gen and Baby Boomers have significant differences in their perceptions. First, Baby Boomers perceived that Islamic banking has disadvantage significantly greater than X-Gen. However, in contrast to the results of Loo (2010), according to Haque, Osman and Ismail, (2009), their results with 95% confidence, shows that among Malaysia customers, age does not have significant relationship or do not influence with overall perception towards Islamic bank. Besides this, X-Gen is significantly more willing to do business with Islamic banks than Baby

Boomers which X-Gen stood at 34% and Baby Boomers only stood at 14% (Loo, 2010).

According to Khan *et al.* (2008), it has been found that the majority of the Islamic banking customers in Bangladesh (58%) are ranged between 25 to 35 years of age. The reason for high concentration in the '25 to 35 years' category might be due to the relatively short history of Islamic banking in Bangladesh which started in 1983. A statistics in the UK show almost half of the UK Muslim population to be below the age of 21. This would suggest that the future customers of Islamic banking are more technologically adept than the older generation (Karbhari, Naser and Shahin, 2004).

2.1.4.2 Religions

So far, religious principles being a very strong reason for customers' adoption of Islamic banking. It was found that religion will be affecting the awareness and understanding for Islamic banking products and services (Run and Yeo, n.d.). This might due to the actuality of Islamic Financing being based on Islam. Hence, Muslims who believe in Islam could understand the Islamic financing easier compared to non-Muslims who have not been exposed to Islam teachings.

According to Haque *et al.* (2009), perception about Islamic banking is also being influenced significantly by religious perspective. This means that religious factors will be influencing the awareness, understanding and perceptions of Malaysians towards Islamic banking products and services. This result was supported by Loo (2010). According to Loo (2010), in Malaysia, there is a significant relationship between religions in the perception of disadvantage. This is because the result in her study shows 100% respondents which are Muslims agree that Islamic banking does not

conflict with their religion. However, around one-thirds of non-Muslims agreed Islamic banking conflict with their religious belief.

2.1.4.3 Educational Level

In a study conducted in Pakistan, it is found that there is significant relationship between the academic qualification and the awareness of different products. (Khattak and Rehman, 2010). Their study also shows that most of the customers of the IBS have high educational level. This result was also supported by the study done in Borneo which also shows that educational level significant relationship with educational level (Amin, 2007).

According to Run and Yeo (n.d.) in a survey done in Sarawak, Malaysia, higher education has a significantly different level of understanding of Islamic Financing. However, there is no significant relationship between level of education and overall perception towards Islamic bank. This is supported by Haque *et al.* (2009) where in their studies show that Malaysians with different educational level did not have too many differences in their perceptions towards Islamic Banks.

According to Khan *et al.* (2008), the respondents have been found to possess a high level of education (29% having a bachelor degree and 44% with either a Master or a PhD degree). Only 17% of the respondents have education at or below high school level. About three fourth of the customers surveyed were either college/bachelor or master/PhD. Such a finding indicates that Islamic bank customers have high formal education.

2.1.4.4 Occupation

According to Khattak and Rehman (2010), occupation and reasons of dealing with Islamic banking has a significant relationship. In Bangladesh, most of the Islamic banks customers are executives and professionals both in the private and public sector (Khan *et al.*, 2008).

In Malaysia, a study also revealed that there is no significant relationship with overall perception towards Islamic bank (Haque *et al.*, 2009). This shows that occupation will be influencing the awareness and usage of Islamic banking products and services but it will not affect the perceptions of Malaysians with different occupation towards the Islamic Banks. In Malaysia, it was found that an employment in the government have a significantly different level of understanding of Islamic Financing. However, these results are contradicted to the study done by Amin (2007) in Borneo, which shows that occupation has no significant relationship with awareness and usage.

2.1.4.5 Monthly Income Level

According to Amin (2007), income will affect the awareness and usage of Islamic financing in Borneo. According to Khattak and Rehman (2010), perception or reasons behind dealing with Islamic banking are varied among the different income group people as there is significant difference in almost all reasons accepted services charges and confidentiality. Most of the Islamic bank customers are of the middle income level.

In Malaysia, seems that those with a RM3000-Rm3999 monthly income have a significantly different level of understanding of Islamic Financing (Run and Yeo, n.d.). Although income will affect the understanding of Malaysian towards Islamic banking, but it did not show significant relationship with

overall perception towards Islamic bank. This means that perceptions towards Islamic Bank are not affected by the monthly income (Haque *et al.*, 2009).

According to Khan *et al.* (2008), about half of the customers under study fall in the income category of BDT10, 000-20,000. Customers' high concentration in this income category is consistent with the findings of age category since entry and mid-level executives and professionals both in the private and public sector of the age category 25-35 years tend to have a similar level of basic monthly income.

2.1.5 Contracts in Islamic Banking

As mentioned by Khir *et al.* (2008) in Islamic banking, mobilisation of deposits and application of funds are through contracts in compliance with the Syariah principles. Contracts can be classified into three board categories which are trading contracts, participation contracts and supporting contracts.

2.1.5.1 Trading Contracts

Trading contract is a sale contract where it can be sale for goods, cash and debt. These contracts are based on the principle of buying and selling of assets (Khir *et al.*, 2008). The most common trading contracts in the Islamic banks are following:

1. Murabahah (cost-plus sale): A sale on mutually agreed profit. Khan (2010) stated that it is a sale contract in which client requests the bank to purchase an item for his or her from third party. Bank resells it to the client on the cost plus profit basis once bank receive it.

2. Bai Bithaman Ajil (deferred payment sale): Sale of goods on a deferred payment basis at a price that includes a profit margin agreed upon by both buyer and seller (Khir *et al.*, 2008).
3. Bai Dayn (sale on debt): Refers to debt financing such as provision of financial resources required for production, commerce and services. It can be traded only if the documents have proven that the real debts arising from bona fide merchant transactions (Khir *et al.*, 2008).
4. Bai Inah: According to Khan (2010) it is a contract of selling an asset by the bank to the customer through deferred payment and repurchases the asset by the bank from the customer on cash terms at a later date.
5. Ijarah (leasing): An arrangement in which bank purchases the equipment or property selected by the customer and then leases it to the customer on a predetermined fixed rate, as agreed by both parties (Nanava, 2007).
6. Ijarah Thumma Bai (leasing followed by purchase): A simple leasing for the leasing period with an option for the lessee to purchase the property at the end of the leasing period through a contract of purchase.
7. Bai Salam (future delivery): A contract where payment is made in advance for a good to be delivered in the future (Khir *et al.*, 2008).
8. Istina (sale by order): A buyer orders an item for manufacture based on period, criteria, terms and conditions earlier agreed. Buyer (customer) can make the payment in installments to the seller (bank) when the goods have been received. At the time of contract, the item does not exist (Khir *et al.*, 2008).

9. Sukuk (bond): As Nanava (2007) stated sukuk are new development Islamic financial product on a market, there is increasingly high demand on an innovation. Besides, Sukuk are asset-backed securities and comply with the Syariah principles. They issued bonds to raise funds and these funds are invested in a project. After that, income from a project is distributed to the holder of the bonds.

2.1.5.2 Participation Contracts

Islam encourages equity based participation where focus is on profit and loss sharing. Banks and lenders become partners in business instead of becoming creditors by investing their money. The objective is the risky investments provide motivation to the economy and encourages entrepreneurs to maximize their efforts. The most common participation contracts in the Islamic banks are following:

1. Musyarakah: Musyarakah is a contract of equity participation which used to finance medium and long-term investment (Khir *et al.*, 2008). Two or more parties entered into the contract and form a joint venture. Each of the parties contributes capital and participates in the management of project. Profit is shared according to the proportion of shares or according to the agreement in fraction, ratio or percentage. The loss should be borne by all partners according to proportion of shares. The profit and loss are cannot be shared in absolute amount.
2. Mudharabah: Mudharabah is a trustee finance contract or passive partnership and providing only profit sharing (Khan, 2010). The profit does not have predetermined profit since the deposit is guaranteed that there is no risk of loss. In this transaction, one party (bank) provides capital and other party (entrepreneur) offers labour and expertise. The

profit from the project is shared between both parties on a pre-agreed basis. While, the loss is borne by the owner(s) of capital only; the liability of entrepreneur is limited to their time and effort.

2.1.5.3 Supporting Contracts

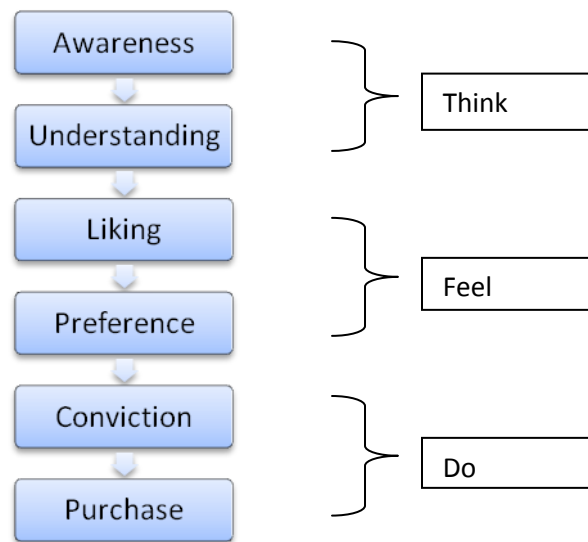
There are other contracts that support and facilitate trading and mobilisation of deposits which compliance with the Syariah principles. The most common supporting contracts in the Islamic banks are following:

1. **Rahnu (mortgages):** An agreement whereby a valuable asset is collateralized for debt (Khir *et al.*, 2008).
2. **Kafalah (guarantee):** A contract of guarantee by the contracting parties. Third party becomes the guarantor of the debtor for the payment of debt (Khir *et al.*, 2008). Third party assures that the debtor will repay the debt to the creditor.
3. **Wakalah (Agency):** A person assigns someone else to carry out a certain task on his or her behalf usually will charge certain fee ((Khir *et al.*, 2008).
4. **Qardh Hassan (benevolent loan):** Refers to a zero- interest loan in which there is no interest charge for the loan (Khan, 2010). The borrower only required to repay the principle amount borrowed from the lender.
5. **Wadiah Yad Dhamanah (savings with guarantee):** Refers to goods or deposits, which have been deposited with another person, for safe-keeping (Khir *et al.*, 2008). The custodian is permitted to use the deposited amount for trading and investment. The profit derived from utilizing the deposits is distributed to the custodian only.

2.2 Review of Relevant Theoretical Models

According to Lavidge and Steiner (1961), The Hierarchy of Effects theory links awareness to sales (as cited in Run and Dick, n.d.). This model is also known as Think-Feel-Do (Heuvel, n.d.). During the cognitive stage, awareness will lead to knowledge which in turn will lead to the preference in the affective (emotional stage). A change in behavior will ultimately lead to the purchase of product or service.

Figure 2.1: The Hierarchy of Effects



Adapted from: Run, E. C. & Yeo, D. S. L. (n.d.). Awareness, understanding and behavior Islamic banking: Results of a special study. *IBBM*.

On the other hand, according to Rogers (1962), innovation-adoption model defines that awareness is the stage when an individual is exposed to innovation but lacks of complete information about it (as cited in Run and Dick, n.d.). The individual is interested in the new idea and seeks more information about it. At the following evaluation stage, the individual will apply the innovation into his present situation then will decide whether to try the innovation. During this trial stage, the individual will make full use of the innovation. Finally, at the adoption stage, the individual will

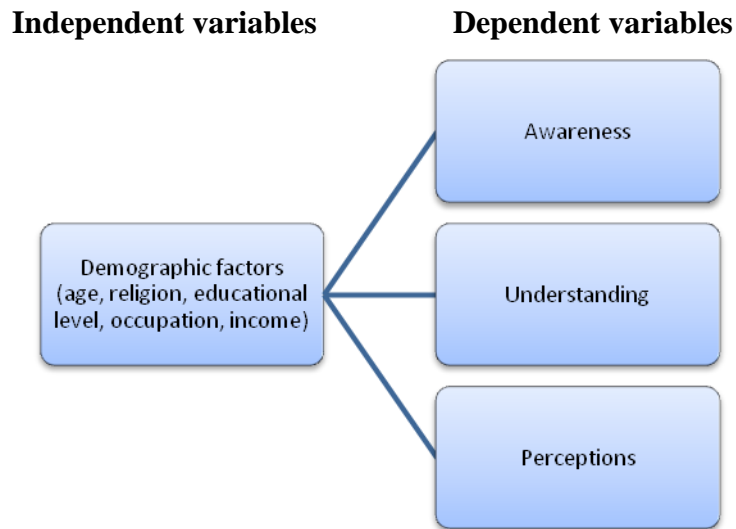
decide whether to continue making full use of innovation. In other words, the chance of a person making use of Islamic banking products and services increases when the person aware and understood the product features. Researchers believe that there is a wide gap between awareness and usage of Islamic banking products, especially financing products (Khattak and Rehman, 2010).

2.3 Proposed Theoretical/Conceptual Framework

In this study, it will not be covering the conviction and purchase stage in the Hierarchy of Effects theory as this study main concern is the awareness, understanding and perceptions of non-Muslims in Malaysia towards Islamic Banking. Based on the literature review above, it was found that most of the non-Muslims are not aware of Islamic banking. Even they are aware of Islamic banking, they do not actually understand the operations of Islamic banks. Clear understanding of consumers' awareness, understanding and perception will help Islamic financial institutions to create appropriate marketing strategies to take a larger share of the financial market. This is because awareness, understanding and perceptions are the foundation of usage of Islamic banking products and services. If the non-Muslims are not aware and do not understand about the Islamic banking products, they would not take the initiative to adopt Islamic banking products.

So, in order to attract more non-Muslims to adopt Islamic banking products, it is rational to go back to the root of the problem which is the consumers' awareness, understanding and perception before looking into the usage of Islamic banking products and services by non-Muslims. Islamic banks have to make sure that their customers understand about their principles of operating or else they would have post-purchase dissonance (Heuvel, n.d.).

Figure 2.2: Conceptual Framework



Adapted from: Amin, H. (2007). Borneo Islamic automobile financing: do demographics matter? *Labuan e-Journal of Muamalat and Society*, 1, 73-87.

In this study, the main objectives are to determine the awareness, understanding and perceptions of non-Muslims on Islamic banking products and services. This is because awareness, understanding and perceptions are the foundation of usage of Islamic banking products and services. In addition, this study would also want to find out whether demographic factors (age, religion, educational level, occupation, income) will influence the awareness, understanding and perceptions of non-Muslims on Islamic banking products and services.

2.4 Hypotheses Development

2.4.1 Awareness of Islamic banking products and services among non-Muslims in Malaysia

H₀: There is no significant relationship between age and awareness of Islamic banking products and services among non-Muslims in Malaysia.

H₁: There is significant relationship between demographic factors and awareness of Islamic banking products and services among non-Muslims in Malaysia.

2.4.2 Understanding of Islamic banking products and services among non-Muslims in Malaysia

H₀: There is no significant relationship between demographic factors and understanding of Islamic banking products and services among non-Muslims in Malaysia.

H₁: There is significant relationship between demographic factors and understanding of Islamic banking products and services among non-Muslims in Malaysia.

2.4.3 Perceptions of Islamic banking products and services among non-Muslims in Malaysia

H₀: There is no significant relationship between demographic factors and perceptions of Islamic banking products and services among non-Muslims in Malaysia.

H₁: There is significant relationship between demographic factors and perceptions of Islamic banking products and services among non-Muslims in Malaysia.

2.5 Conclusion

In this chapter, it has reviewed relevant studies done by previous researchers and discussed about the dependent and independent variables that will be used in this study. Besides, this chapter has reviewed relevant theoretical models and proposed conceptual model. This chapter also constructed hypotheses for this study that will be used in the following chapter which is methodology.

CHAPTER 3 : METHODOLOGY

3.0 Introduction

This chapter will clearly introduce all the procedures in carrying out the research in this study in detail manner. It provides a detailed idea about how the research will be conducted in terms of approach, purpose, data collection, sample selection and data analysis.

3.1 Research Design

Research design is the overall plan or structure that is used to conduct an entire study. Since the purpose of this study is to examine the awareness, understanding and perceptions of Islamic banking products and services among non-Muslims in Malaysia, and the relationship of demographic variables and awareness, understanding and perceptions, quantitative research is found to be more appropriate for this study. According to Aliaga and Gunderson (2002), quantitative research is the research that collects numerical data to explain a phenomenon and analyse it by using mathematical method.

The purpose of this research is a descriptive research. This is because descriptive data has been collected through detailed questionnaires which emphasize on studying accurate profile of person to explain the relationship of demographic factors and the awareness, understanding and perceptions of Islamic banking products and services among non-Muslims in Malaysia. It is necessary to have a clear picture of the

phenomenon on which the researcher wishes to collect data prior to the collection of data (Saunders, Lewis & Thornhill, 2009).

3.2 Data Collection Methods

In this research, primary data have been used and the data is collected specifically for a purpose to address the research objective in this study.

3.2.1 Primary Data

Primary data is research information gathered from original sources: the data are gathered and assembled specifically for the result project at hand. (Zikmund, 2003). It is the “first –hand” data communication and interaction with a representative sample of individuals. There are few ways to collect primary data, for example, telephone interviews, face-to-face interviews, and questionnaires. Since the sample size was relatively large, it was impossible to use the personal interview and telephone interview to collect the information needed due to time and cost constraints. Therefore, self-administered questionnaires were the most ideal method used to collect the primary data in this study. According to Zikmund (2003), self-administered questionnaires refer to the survey in which the respondent takes the responsibility for reading and answering the questions.

3.3 Sampling Design

3.3.1 Target Population

Population is defined as the total category of subjects which is the focus of attention in a particular research project. The target population employed in this research was the non-Muslims in Malaysia. By 2011, there were around 40% of non-Muslim in Malaysia.

3.3.2 Sampling Frame

Sampling frame is the source from which sampling units are chosen in this research which consists of a list or a set of directions for identifying the target population. In this research, the sampling units consist of 300 sets of questionnaires and were distributed to the non-Muslims in Malaysia. The sampling locations were within Malaysia such as Kuala Lumpur, Johor, Pahang, and Kedah.

3.3.3 Sampling Elements

Sampling element is the unit of analysis or case in a population. Since the purpose of this research is to identify the awareness, understanding and perceptions of Islamic banking products and services among non-Muslims in Malaysia, and the relationship of demographic variables and awareness, understanding and perceptions, hence the samples were selected based on the following criteria to meet the objective of this study:

- Samples should be the residents from Malaysia.
- Samples should be non-Muslims.

3.3.4 Sampling Technique

The sampling technique that is adopted in this research is non-probability sampling technique. This is because data cannot be collected from the entire population as the population of non-Muslims in Malaysia is too large. In non-probability sampling the selection of elements for the sample is not necessarily made with the aim of being statistically representative of the population. Rather, the researcher based on subjective methods such as personal experience, convenience, expert judgment and so on to select the elements in the sample. As a result, the probability of any element of the population being chosen is not known (Saunders et al., 2009). It is the most suitable sampling design to be used when time and cost is limited and the target sample is large. As mentioned earlier, the samples in this study should from Malaysia and are non-Muslims, hence, the types of non-probability sampling used in this research are convenience and snowball. These two sampling techniques could save up time and cost.

3.3.5 Sampling Size

Sampling size refer to the number of elements to be included in the research. In this study, 300 sets of questionnaires were distributed by hand and email to the respondent throughout Malaysia.

3.4 Research Instrument

3.4.1 Questionnaire Survey

In this study, questionnaire is commonly being used to achieve the objective of this study because questionnaires are the most productive when the researcher needs to reach out a large number of respondents (Denscombe, 2003). In addition, the cost of conducting survey questionnaire seems to be more reasonable as huge amount of information could be gathered with a lower cost compared to face-to-face interview or phone interview. It helps to achieve the objective of this study by having a series of questions that needed to be answered by the respondents. However, there are some problems incurred during the distribution of questionnaire. For example, due to part of the questionnaires are distributed through email and the respondents tend to forget to answer the questionnaire. Thus, we have to remind the respondents for few times only able to collect back the questionnaires. However, for some of the questionnaires, they are unable to collect back as we could not wait any longer as we have to start to analyse the results. The total number of questionnaires being collected back and valid for analysis is 280 which is 93.33%.

3.4.2 Questionnaire Design

Questionnaires used in this present project consist of a cover page and its contents are divided into four section which include Section A, Section B, Section C, and Section D (refer to Appendix 3.1). The cover page contains the inform consent message accompanied by a brief explanation of the aim of research and corresponding details to back to the present researcher. The contents included Section A consists of demographic parts where it will collect the personal profiles of all the respondents. There will be questions requesting for the respondent's age, religions, educational level, occupation and income level as these demographic factors are related to our study. In Section B, there will be questions that aim to examine the awareness of non-Muslims in Malaysia towards the Islamic banking products and services.

Following Section B, Section C contains questions that aim to examine the understanding of non-Muslims in Malaysia about the basic Islamic Banking products and services and Section D consists of questions that aim to determine the perceptions of non-Muslims in Malaysia towards Islamic banking.

3.4.3 Pilot Study

Pilot test is needed to be conducted after the preliminary version of questionnaire has been set up before large scale survey is being carried out. The purpose of pilot study is to pre-test the questionnaires before the real set of questionnaires are distributed. According to Rubin and Babbie (2010), pre-testing is a screening procedure that involves a trial run on a group of respondents to determine whether the research instrument is adequately designed. The group of respondents for pilot study should be the same like the respondents the researchers going to include in their actual study. With pilot study, the researcher will be to rectify any confusion that arises. This is to avoid misinterpretation of questions and to let researcher understand the underlying problems faced by respondents when completing the questionnaires. During the pilot study, 90 sets of the questionnaires are distributed and it is being checked by our supervisor.

3.5 Constructs Measurement

Scale is a tool that individuals are distinguished as to how they differ from one another in the variables of interest of study (Sekaran, 2003). The type of scales that was used in the questionnaires were nominal scale, the ordinal scale and interval scale

3.5.1 Nominal Scale

Nominal scale is the simplest type of scale or measurement which does not have any numerical properties such as gender, marital status occupation. Nominal scale sometimes also called as categorical variables as the data are divided into categories (Jackson, 2011). In section A, there are questions that based on nominal scale. For example, religion variable will group the respondents into four groups which are Buddhist, Christian, Hindu and others. These four groups will be assigned as code1, code 2, code 3 and code 4. These numbers serve as sample and convenient category labels with no intrinsic value.

3.5.2 Ordinal Scale

In an ordinal scale, data are categorized and the categories form a rank order (Jackson, 2011). Ordinal data are often referred as ranked data because they are order from highest to lowest or from biggest to smallest (Jackson, 2011). Ordinal scale enables the researchers to determine if an object has the characteristics of some other objects, but it cannot determine the extent of the characteristics.

3.5.3 Interval Scale

Hair et al. (2007) states that interval scale provides the highest level of measurement. An interval scale allows the performance of certain arithmetical operations in the data collected from respondents and measures the distance between any two points on the scale (Sekaran, 2003). This would help this study to compute mean and standard deviations of responses on the variables.

In Section C and Section D, there are questions based on the interval scale. The interval scale in this study is based on the Likert scale. Respondents are required to answer the questions by choosing one of the five-point scales: 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree) and 5 (strongly agree).

3.6 Data Processing

Once the questionnaire survey was completed, all raw data were edited and recorded with errors filtered (Karweit & Meyers, 1983) and data entered into Statistical Package Social Science (SPSS) for processing (Yiu, Grant & Edgar, 2007). There are 4 steps in data processing: questionnaire checking, data editing, data coding and data cleaning.

3.6.1 Questionnaire Checking

In data collection, researcher must ensure completeness of answers and interviewing quality. The questionnaire checking has a significant impact on the overall research objective. It can help the researcher to detect problems and take corrective actions immediately.

3.6.2 Data Editing

If problems are detected from the questionnaires, editing is necessary depending on whether the data collected is accurate or useful. Sometimes the data obtained may be incomplete or more than one answers which then should be rejected.

3.6.3 Data Coding

Data coding assigns a code, usually a number to represent a specific response to a specific question, along with the data record and column position for code to occupy (Chaleunvong, 2009; Henning, Van Rensburg & Smit, 2004). Coding scheme is needed to develop every variable or question. When answers are well categorized, it will be easier to interpret and can achieve research objective easily (Chaleunvong, 2009; Henning et al., 2004).

3.6.4 Data Cleaning

After data transfer into computer, data cleaning is conducted. Data cleaning is the extensive check for consistency and treatment of missing responses. The consistency check is used to identify data that are out-of-range, logically inconsistent or have extreme values. Furthermore, missing responses may be detected in cleaning process.

3.7 Data Analysis

After data collection, data analysis begins. For quantitative data analysis, statistical tools of Microsoft excel and SPSS are used as keys in all the data input. The data are then analysed and the hypothesis tested. The statistical results are then represented in graphical forms with detailed description.

3.7.1 Descriptive Analysis

Descriptive analysis is used to describe the main features of data collection quantitatively. It quantitatively summarises a set of data that are collected from respondents. Munhurrun and Naidoo (2010) also state that descriptive analysis is used to identify the nature of all responses. By using the SPSS, this study made use of all the data from the section A, B, C and D in the questionnaires to analyze the descriptive statistics. The result will be explained further in Chapter 4 using tables and graphs in illustrations.

3.7.2 Reliability Test

Reliability refers to consistency. It concerns whether the questionnaires will produce consistent findings at different times and under different conditions such as with different samples. In this study, reliability will be tested by using internal consistency. Internal consistency involves correlating the responses to each question in the questionnaire with those to other questions in the questionnaire. It measures the consistency of responses across either all the questions or sub-group of the questions. There are many methods used to calculate internal consistency and the most widely used method is Cronbach's Alpha. The closer the Cronbach's Alpha is to 1 the higher the reliability (Saunders et al., 2009). According Hair, Anderson, Tatham and Black (1998) suggested that the lowest limit for Cronbach's alpha be 0.70. In this study, reliability test has been carried out for both pilot study and actual study.

3.7.3 Pearson Correlation

The Pearson correlation analysis helps to examine whether a relationship exists in the hypothesis and indicates the strength of its relationships. When researcher has assumed that a correlation coefficient is statistically significant, a general rule of thumb is applied on the strength of association. Correlation coefficient that falls between +1.00 and +0.81 or between -1.00 and -0.81 are generally considered to be high (Branch, 1990). Any correlations that fall between the range of ± 0.21 and ± 0.40 are considered very weak associations whereas any correlation that is equal to or less than ± 0.20 are typically uninteresting to marketing researchers because it rarely identify a meaningful association between two variables (Branch, 1990). The value of the Pearson (r) can range from ± 1 though zero to -1. According to Hair et. Al (1998) the correlation coefficient (r value) between each pair of independent variable in the Pearson correlation should not exceeds 0.90. Therefore it can be assumed that there is no multicollinearity problem in the research study.

3.7.4 One way ANOVA test

The one way analysis of variance (ANOVA) is one of the inferential analysis test that carry out to test if any of few variable means are different from each other. To interpret this output, look at the column labeled sig. For the output of the ANOVA analysis, if the significant value is below 0.05, then there will be a statistically significant difference between the group. When there are more than two groups, and would like to compare their performance across a dependent variable, then it is suitable to use ANOVA test. When using ANOVA, researchers are able to set one alpha level and test if any of the groups differ from one another. If the null hypothesis is rejected then there is a difference.

3.8 Conclusion

In this chapter, the research methodology employed to address the research problems and research questions were discussed. The research approach, research purpose, data collection methods, sample selection methods, research strategy and data analysis methods were presented, discussed and justified. The next chapter, chapter four incorporates the empirical presentation of the pattern of data analysis results which is also relevant to research questions and hypotheses.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

The purpose for this chapter is to discuss the finding for this research. Through the data that have been collected, the reliability test will be conducted to examine whether it is dependable and accurately among measurement, then generate all result by using SPSS version 17. While one way ANOVA test also be used to test and examined the relationship between demographic variables and awareness, understanding and perception. The Pearson Correlation Coefficient is also being used to measure the correlation coefficient among the variables.

4.1 Descriptive Analysis

Descriptive analysis in this study consists of age, religion, educational level, occupation and monthly income level.

4.1.1 Respondents Demographic Profile

Table 4.1: Respondents Demographic Profile

		Frequency	Percent
Age	Less than 25 years	163	58.2
	25-35 years	45	16.1

	36-50 years	44	15.7
	50 and above	28	10
Religion	Buddhist	207	73.9
	Christian	39	13.9
	Hindu	18	6.4
	Other	16	5.7
Education level	UPSR/PMR/SRP/SPM	44	15.7
	STPM/A Level/Foundation	49	17.5
	Diploma/Advanced Diploma	50	17.9
	Bachelor Degree	131	46.8
	Master Degree	5	1.8
	PHD Degree	1	0.4
	Other	0	0
Occupation	Senior Management	12	4.3
	Management	31	11.1
	Professional	30	10.7
	Sales Representative	25	8.9
	Support Representative	7	2.5
	Administrative Representative	26	9.3
	Other	149	53.2
Monthly Income Level	Less than RM1000	142	50.7
	RM1000-RM3000	75	26.8
	RM3001-RM5000	53	18.9
	RM5001 and above	10	3.6

Source: Developed for the research

In this study, there are total of 280 respondents. Among these 280 respondents, there are 163 (58.2%) of them are less than 25 years. In other words, more than half of the respondents are less than 25 years. For 50 and above, it only consists of 28 (10%) respondents.

For religion, 207 of them are Buddhist, 39 are Christian, 18 are Hindu and 16 are other religions. This also shows that most of the respondents are Buddhist.

As for educational level, the frequency for UPSR or PMR or SRP or SPM, STPM or a level or foundation and diploma or advanced diploma are almost the same which are, 44, 49 and 50. Bachelor degree has the highest frequency which is 131 (46.8%). Only one respondent holds PHD degree and five respondents have master degree.

As for occupation, 149 (53.2%) of respondents are others for which most of them indicate they are student. There are 12 (4.3%) respondents work as senior management, 31 (11.1%) respondents work as management, 30 (10.7%) respondents are professionals, 25 (8.9%) of them are sales representative, 7 (2.5%) of them are support representative and 26 (9.3%) of the respondents are administrative representative.

Most of the respondents, which is 142 (50.7%) respondents monthly income level is less than RM1000, this might due to most of them are students. 75 (26.8%) respondents received RM1000 - RM3000 monthly income. 53 (18.9%) respondents received RM3001 - RM5000 monthly income and only 10 (3.6%) respondents monthly income level higher than RM5000.

4.1.2 Respondents' Awareness Level towards Islamic Banking in Malaysia

Table 4.2: Respondents' awareness level towards Islamic Banking in Malaysia

	Yes		No	
	Frequency	Percent	Frequency	Percent
Awareness of Islamic Banking in Malaysia	179	63.9	101	36.1

Source: Developed for the research

Based on the table 4.2, it shows that 179 (63.9%) of respondents aware of the existence of Islamic Banking in Malaysia however, 101 (36.1%) respondents are not aware Islamic Banking in Malaysia.

4.1.3 Respondents' Awareness Level towards Islamic Banking Products and Services

Table 4.3: Respondents' awareness level towards Islamic Banking products and services

Products and Services	I am aware		I am not aware	
	Frequency	Percent	Frequency	Percent
Deposit Products	213	76.1	67	23.9
Investment Products	157	56.1	123	43.9
Financing Products- Equity Based	86	30.7	194	69.3
Financing Products- Debt Based	126	45	154	55
Trade Finance	73	26.1	207	73.9
Money Market Instruments	108	38.6	172	61.4
Insurance Products	196	70	84	30

Source: Developed for the research

Table 4.3 shows that among the seven products offered by Islamic Banks, deposits products have the highest awareness level which is 213 (76.1%) respondents. The following product that has the second highest level of awareness is insurance product which is 196 (70%) respondents. It followed by investment product, 157 (56.1%) respondents, financing product – debt based, 126 (45%), money market instrument, 108 (38.6%) and financing product –equity product, 86 (30.7%). The product that has lowest level of

awareness from the respondents is trade finance product which is only 73 (26.1%) respondents is aware of it.

4.1.4 Respondents' Understanding Level towards Islamic Banking System and Operations

Table 4.4: Respondents' understanding level (concept)

Value	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	F	%	F	%	F	%	F	%	F	%
Islamic Banking is the conduct of banking operation according to Syariah Law.	1	0.4	14	5	108	38.6	86	30.7	71	25.4
Islamic is available for Muslims as well as non-Muslims.	5	1.8	18	6.4	42	15	104	37.1	111	39.6
Islamic banking prohibits interest in all form of transactions.	3	1.1	28	10	78	27.9	147	52.5	24	8.6
Parties in Islamic Banking cannot predetermine a guaranteed profit.	6	2.1	28	10	99	35.4	121	43.2	26	9.3
Returns on Islamic Banking are based on gift and profit sharing basis instead of interest.	2	0.7	24	8.6	90	32.1	83	29.6	81	28.9
Islamic Banking prohibits major uncertainty in all form of transactions.	4	1.4	36	12.9	95	33.9	67	23.9	78	27.9
Islam Banks only invest in businesses that are not prohibited by Islam or halal businesses.	1	0.4	37	13.2	56	20	81	28.9	105	37.5
Each Islamic Bank should have a Shariah Supervisory Board to ensure that all business activities are in line with Shariah requirements.	2	0.7	16	5.7	84	30	140	50	38	13.6

Source: Developed for the research

Based on the table 4.4, it shows that more than half of the respondents (56.10%) agree that Islamic Banking is the conducts of banking operation

according to Syariah Law. 205 (76.70%) of the respondents agree that Islamic is available for Muslims as well as non-Muslims. 171 (61.15%) of the respondents agreed that Islamic banking prohibits interest in all form of transactions. 147 (52.5%) respondents agreed that parties in Islamic Banking cannot predetermine a guaranteed profit. 164 (58.5%) respondents agreed that returns on Islamic Banking are based on gift and profit sharing basis instead of interest. 145 (51.8%) respondents agree that Islamic Banking prohibits major uncertainty in all form of transactions. 186 (66.40%) respondents agree that Islam Banks only invest in businesses that are not prohibited by Islam or halal businesses. 178 (63.6%) of respondents agree that each Islamic Bank should have a Shariah Supervisory Board to ensure that all business activities are in line with Shariah requirements.

4.1.5 Respondents' Understanding Level towards Arabic Terms used in Islamic Banking

Table 4.5: Respondents' understanding level (Arabic terms)

	Yes		No	
	Frequency	%	Frequency	%
Shariah	157	56.1	122	43.6
Riba	95	33.9	185	66.1
Hibah	56	20	224	80
Wadiah	96	34.3	184	65.7
Takaful	204	72.9	76	27.1
Musyarakah	93	33.2	187	66.8
Mudharabah	94	33.6	186	66.4
Qardh Hassan	45	16.1	235	83.9
Bai Bithaman Ajil	51	18.2	229	81.8
Ijarah	99	35.4	181	64.6

Source: Developed for the research

Based on table 4.5, 204 (72.9%) respondents know the meaning of takaful and 157 (56.1%) respondents know the meaning of Syariah. As for riba, wadiah, musyarakah, mudharabah and ijarah, the number of respondents who know their meaning are almost the same which is 95 (33.9%), 96 (34.3%), 93 (33.2%) and 94 (33.6%) and 99 (35.4%). Number of respondents who know the meaning of hibah stood at 56 (20%) and bai bithaman ajil stood at 51 (18.2%). Only 45 (16.1%) of respondents know the meaning of Qardh Hassan. In other words, 235 (83.9%) of the respondents do not understand the meaning of Qardh Hassan.

4.1.6 Respondents' Perception towards Islamic Banks

Table 4.6: Respondents' perception towards Islamic Banks

Value	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	F	%	F	%	F	%	F	%	F	%
There is very high potential of Islamic Banking products in Malaysia.	5	1.8	47	16.8	72	25.7	91	32.5	65	23.2
Islamic banks are able to compete with conventional banks.	7	2.5	56	20	71	25.4	119	42.5	27	9.6
Islamic Banking products in Malaysia are not similar to the products of conventional banks.	26	9.3	78	27.9	77	27.5	74	26.4	25	8.9
Islamic banks have not done enough in marketing their products to the public.	28	10	81	28.9	73	26.1	81	28.9	17	6.1
Islamic banks could provide lower cost products and services compared to conventional banking.	7	2.5	40	14.3	120	42.9	97	34.6	16	5.7
Returns on Islamic banks deposits account are higher than returns on conventional banks deposits account.	9	3.2	51	18.2	118	42.1	79	28.2	23	8.2

Source: Developed for the research

Based on table 4.6, 156 (55.7%) of the respondents perceive that there is very high potential of Islamic Banking products in Malaysia. 146 respondents (52.1%) agree that Islamic banks are able to compete with conventional banks. 104 respondents (37.2%) disagree that Islamic Banking products in Malaysia are not similar to the products of conventional banks. In other words, they think that Islamic Banking products in Malaysia are similar to the products of conventional banks. 109 (38.9%) of respondents disagree that Islamic banks have not done enough in marketing their products to the public. 113 (40.3%) of respondents perceive that Islamic banks could provide lower cost products and services compared to conventional banking. 102 (36.4%) of respondents perceive that returns on Islamic banks deposits account are higher than returns on conventional banks deposits account.

4.2 Scale Measurement

4.2.1 Internal Reliability Test

Table 4.7: Internal Reliability Test

	Cronbach's Alpha	
	Pilot Test	Actual Test
Awareness	0.831	0.841
Understanding– Concepts	0.728	0.882
Understanding – Arabic Terms	0.850	0.867
Perceptions	0.701	0.705

Source: Developed for the research

Reliability refers to consistency. It concerns with the robustness of the questionnaires and whether it will produce consistent findings at different times and under different conditions such as with different samples. In this study, reliability test is being tested using Cronbach's Alpha. According Hair, Anderson, Tatham and Black (1998) suggested that the lowest limit for

Cronbach's alpha be 0.70. Based on table 4.7, the internal reliability test for the four components are higher than 0.70, hence this shows that the results of questionnaire are reliable.

4.3 Inferential Analyses

Inferential analysis consists of Pearson Correlation analysis and One way ANOVA test. It aims to examine the relationship between variables and the relationship between demographic variables and the dependent variables.

4.3.1 Pearson Correlation Analysis

Below are the full descriptions for the short forms used in the Pearson Correlation tables.

Awareness

Awareness_of_IB = Awareness of Islamic Banking in Malaysia

A1 = Deposit Products

A2 = Investment Products

A3 = Financing Products- Equity Based

A4 = Financing Products- Debt Based

A5 = Trade Finance

A6 = Money Market Instruments

A7 = Insurance Products

Understanding (Concept)

U1= Islamic Banking is the conduct of banking operation according to Syariah Law.

U2 = Islamic is available for Muslims as well as non-Muslims.

U3 = Islamic banking prohibits interest in all form of transactions.

U4 = Parties in Islamic Banking cannot predetermine a guaranteed profit.

U5= Returns on Islamic Banking are based on gift and profit sharing basis instead of interest.

U6 = Islamic Banking prohibits major uncertainty in all form of transactions.

U7 = Islam Banks only invest in businesses that are not prohibited by Islam or halal businesses.

U8 = Each Islamic Bank should have a Shariah Supervisory Board to ensure that all business activities are in line with Shariah requirements.

Understanding (Arabic Terms)

T1 = Shariah

T2 = Riba

T3 = Hibah

T4 = Wadiah

T5 = Takaful

T6 = Musyarakah

T7 = Mudharabah

T8 = Qardh Hassan

T9 = Bai Bithaman Ajil

T10 = Ijarah

Perceptions

P1 = There is very high potential of Islamic Banking products in Malaysia.

P2 = Islamic banks are able to compete with conventional banks.

P3= Islamic Banking products in Malaysia are not similar to the products of conventional banks.

P4 = Islamic banks have not done enough in marketing their products to the public.

P5 = Islamic banks could provide lower cost products and services compared to conventional banking.

P6 = Returns on Islamic banks deposits account are higher than returns on conventional banks deposits account.

4.3.1.1 Awareness

Table 4.8: Pearson Correlation for Awareness

	Awareness _of_IB	A1	A2	A3	A4	A5	A6	A7
Awareness _of_IB	1	.572**	.294**	.355**	.395**	.311**	.274**	.450**
	Pearson Correlation							
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000
	N	280	280	280	280	280	280	280
A1	Pearson Correlation	.572**	1	.381**	.301**	.440**	.219**	.307**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	280	280	280	280	280	280	280
A2	Pearson Correlation	.294**	.381**	1	.449**	.367**	.394**	.480**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	280	280	280	280	280	280	280
A3	Pearson Correlation	.355**	.301**	.449**	1	.487**	.575**	.443**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	280	280	280	280	280	280	280
A4	Pearson Correlation	.395**	.440**	.367**	.487**	1	.526**	.389**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	280	280	280	280	280	280	280
A5	Pearson Correlation	.311**	.219**	.394**	.575**	.526**	1	.515**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	280	280	280	280	280	280	280
A6	Pearson Correlation	.274**	.307**	.480**	.443**	.389**	.515**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	280	280	280	280	280	280	280
A7	Pearson Correlation	.450**	.564**	.347**	.267**	.420**	.336**	.343**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000
	N	280	280	280	280	280	280	280

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

Source: Developed for the research

From table 4.8, it shows that all the variables are significant at the 0.01 level. The highest correlation (p=0.575) is between A3 and A5. The lowest correlation (p=0.219) is between A2 and A5. Although the highest (p= 0.575)

that is exceeded half but it still categories under weak positive associated (Branch, 1990).

4.3.1.2 Understanding (Concept)

Table 4.9: Pearson Correlation for Understanding (Concept)

	U1	U2	U3	U4	U5	U6	U7	U8
U1 Pearson Correlation	1	0.499**	0.428**	0.446**	0.607**	0.516**	0.576**	0.573**
Sig. (2- Tailed)		0	0	0	0	0	0	0
N	280	280	280	280	280	280	280	280
U2 Pearson Correlation	0.499**	1	0.379**	0.381**	0.449**	0.413**	0.556**	0.476**
Sig (2- Tailed)	0		0	0	0	0	0	0
N	280	280	280	280	280	280	280	280
U3 Pearson Correlation	0.428**	0.379**	1	0.315**	0.419**	0.518**	0.343**	0.359**
Sig. (2- Tailed)	0	0		0	0	0	0	0
N	280	280	280	280	280	280	280	280
U4 Pearson Correlation	0.446**	0.381**	0.315**	1	0.403**	0.526**	0.668**	0.450**
Sig. (2- Tailed)	0	0	0		0	0	0	0
N	280	280	280	280	280	280	280	280
U5 Pearson Correlation	0.607**	0.449**	0.419**	0.403**	1	0.561**	0.533**	0.459**
Sig. (2- Tailed)	0	0	0	0		0	0	0
N	280	280	280	280	280	280	280	280
U6 Pearson Correlation	0.516**	0.413**	0.518**	0.526**	0.561**	1	0.589**	0.524**
Sig. (2- Tailed)	0	0	0	0	0		0	0
N	280	280	280	280	280	280	280	280
U7 Pearson Correlation	0.576**	0.556**	0.343**	0.668**	0.533**	0.589**	1	0.592**
Sig. (2- Tailed)	0	0	0	0	0	0		0
N	280	280	280	280	280	280	280	280
U8 Pearson Correlation	0.573**	0.476**	0.359**	0.450**	0.459**	0.524**	0.592**	1
Sig. (2- Tailed)	0	0	0	0	0	0	0	
N	280	280	280	280	280	280	280	280

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

Source: Developed for the research

Based on table 4.9, the highest correlation (p=0.668) is between U4 and U7. The correlations that fall between +0.80 and +0.61 indicate moderate association between the variables (Branch, 1990).The lowest correlation (p=0.315) is between U3 and U4.

4.3.1.3 Understanding (Arabic Terms)

Table 4.10: Pearson Correlation for Understanding (Arabic Terms)

	T1	T2	T3	T4	T5	T6	T7	T8	T9	T10
T1 Pearson Correlation	1	.465**	.386**	.456**	.468**	.409**	.475**	.250**	.323**	.368**
Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.000	.000	.000
N	280	280	280	280	280	280	280	280	280	280
T2 Pearson Correlation	.465**	1	.603**	.372**	.336**	.327**	.369**	.446**	.502**	.464**
Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000	.000	.000
N	280	280	280	280	280	280	280	280	280	280
T3 Pearson Correlation	.386**	.603**	1	.466**	.305**	.406**	.439**	.413**	.412**	.489**
Sig. (2-tailed)	.000	.000		.000	.000	.000	.000	.000	.000	.000
N	280	280	280	280	280	280	280	280	280	280
T4 Pearson Correlation	.456**	.372**	.466**	1	.407**	.385**	.538**	.278**	.302**	.300**
Sig. (2-tailed)	.000	.000	.000		.000	.000	.000	.000	.000	.000
N	280	280	280	280	280	280	280	280	280	280
T5 Pearson Correlation	.468**	.336**	.305**	.407**	1	.328**	.349**	.158**	.184**	.384**
Sig. (2-tailed)	.000	.000	.000	.000		.000	.000	.008	.002	.000
N	280	280	280	280	280	280	280	280	280	280
T6 Pearson Correlation	.409**	.327**	.406**	.385**	.328**	1	.623**	.414**	.316**	.383**
Sig. (2-tailed)	.000	.000	.000	.000	.000		.000	.000	.000	.000
N	280	280	280	280	280	280	280	280	280	280
T7 Pearson Correlation	.475**	.369**	.439**	.538**	.349**	.623**	1	.348**	.252**	.328**
Sig. (2-tailed)	.000	.000	.000	.000	.000	.000		.000	.000	.000
N	280	280	280	280	280	280	280	280	280	280
T8 Pearson Correlation	.250**	.446**	.413**	.278**	.158**	.414**	.348**	1	.675**	.490**
Sig. (2-tailed)	.000	.000	.000	.000	.008	.000	.000		.000	.000
N	280	280	280	280	280	280	280	280	280	280
T9 Pearson Correlation	.323**	.502**	.412**	.302**	.184**	.316**	.252**	.675**	1	.503**
Sig. (2-tailed)	.000	.000	.000	.000	.002	.000	.000	.000		.000
N	280	280	280	280	280	280	280	280	280	280
T10 Pearson Correlation	.368**	.464**	.489**	.300**	.384**	.383**	.328**	.490**	.503**	1
Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	
N	280	280	280	280	280	280	280	280	280	280

Source: Developed for the research

From table 4.10, it shows that the highest correlation ($p=0.675$) is between T8 (Qard Hassan) and T9 (Bai Bithaman Ajil). The lowest correlation ($p=0.158$) is between T5 (Takaful) and T8 (Qard Hassan). The correlation that is equal to or less than ± 0.20 means that there is rarely a meaningful association between two variables (Branch, 1990).

4.3.1.4: Perceptions

Table 4.11: Pearson Correlation for Perceptions

		P1	P2	P3	P4	P5	P6
P1	Pearson Correlation	1	.683**	.217**	.235**	.428**	.444**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	280	280	280	280	280	280
P2	Pearson Correlation	.683**	1	.187**	.145*	.425**	.375**
	Sig. (2-tailed)	.000		.002	.015	.000	.000
	N	280	280	280	280	280	280
P3	Pearson Correlation	.217**	.187**	1	.660**	.006	.021
	Sig. (2-tailed)	.000	.002		.000	.922	.727
	N	280	280	280	280	280	280
P4	Pearson Correlation	.235**	.145*	.660**	1	-.034	-.061
	Sig. (2-tailed)	.000	.015	.000		.569	.311
	N	280	280	280	280	280	280
P5	Pearson Correlation	.428**	.425**	.006	-.034	1	.630**
	Sig. (2-tailed)	.000	.000	.922	.569		.000
	N	280	280	280	280	280	280
P6	Pearson Correlation	.444**	.375**	.021	-.061	.630**	1
	Sig. (2-tailed)	.000	.000	.727	.311	.000	
	N	280	280	280	280	280	280

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

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research

4.3.1.5: Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception

Table 4.12: Pearson Correlation for Awareness, Understanding (Concept), Understanding (Arabic Terms) and Perception

		awareness	understanding _concept	understanding _arabicterms	perception
awareness	Pearson Correlation	1	-.437**	.585**	-.298**
	Sig. (2-tailed)		.000	.000	.000
	N	280	280	280	280
understanding _concept	Pearson Correlation	-.437**	1	-.464**	.552**
	Sig. (2-tailed)	.000		.000	.000
	N	280	280	280	280
understanding _arabicterms	Pearson Correlation	.585**	-.464**	1	-.322**
	Sig. (2-tailed)	.000	.000		.000
	N	280	280	280	280
perception	Pearson Correlation	-.298**	.552**	-.322**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	280	280	280	280

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

Source: Developed for the research

From table 4.12, it shows that all the variables are significant at the 0.01 level. Awareness and understanding (concept) have negative correlation which is -0.437. Awareness and understanding (Arabic terms) have positive correlation which is 0.585. Awareness and perception have negative correlation which is -0.298. Understanding (concept) and understanding (Arabic terms) have negative correlation which is -0.464. Understanding (concept) and perception have positive correlation which is 0.552. Understanding (Arabic terms) and perception have negative correlation which is -0.332. All the correlations values are lower than 0.60 which means the correlations are weak (Branch ,1990).

4.3.2 One Way ANOVA

Table 4.13: ANOVA Results for Demographic Factors against Awareness, Understanding and Perception

	Awareness	Understanding (concept)	Understanding (Arabic terms)	Perception
Age	0.938	0.104	0.060*	0.000***
Religion	0.394	0.006***	0.655	0.069*
Education	0.000***	0.000***	0.000***	0.000***
Occupation	0.033	0.000***	0.171	0.000***
Income	0.000***	0.071*	0.811	0.053*

Notes:

*** Significant at 1 percent level

** Significant at 5 percent level

* Significant at 10 percent level

Source: Developed for the research

4.3.2.1 Age and awareness, understanding (concept), understanding (Arabic terms) and perception

H₀: There is no significant relationship between age and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

H₁: There is significant relationship between age and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

Based on the table 4.13, it shows that the sig value for awareness is 0.938, understanding (concept) is 0.104, understanding (Arabic terms) is 0.060 and perception is 0.000. This means there is not enough evidence to reject H₀ for awareness and understanding (concept). So it can conclude that there is no significant relationship between age and awareness and understanding (concept) of non-Muslims towards Islamic banking products and services. As for understanding (Arabic terms) it is enough evidence to reject H₀ at 10% significant level and therefore there is enough evidence to conclude that there is significant relationship between age and understanding (Arabic terms), for perception, it is enough evidence to conclude that there is significant relationship between age and perception at 1% significant level.

4.3.2.2 Religion and awareness, understanding (concept), understanding (Arabic terms) and perception

H₀: There is no significant relationship between religion and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

H₁: There is significant relationship between religion and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

Based on the table 4.13, it shows that the sig value for awareness is 0.394, understanding (concept) is 0.006, understanding (Arabic terms) is 0.655 and perception is 0.069. This means there is not enough evidence to reject H_0 for awareness and understanding (Arabic terms). So it can conclude that there is no significant relationship between religion and awareness and understanding (Arabic terms) of non-Muslims towards Islamic banking products and services. As for understanding (concept) it is enough evidence to reject H_0 at 1% significant level and therefore there is enough evidence to conclude that there is significant relationship between religion and understanding (concept). For perception, it is enough evidence to conclude that there is significant relationship between religion and perception at 10% significant level.

4.3.2.3 Educational and awareness, understanding (concept), understanding (Arabic terms) and perception

H_0 : There is no significant relationship between educational level and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

H_1 : There is significant relationship between educational level and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

Based on the table 4.13, it shows that the sig value for awareness is 0.000, understanding (concept) is 0.000, understanding (Arabic terms) is 0.000 and perception is 0.000. It is enough evidence to reject H_0 at 1% significant level and therefore there is enough evidence to conclude that there is significant

relationship between educational level and awareness, understanding (concept), understanding (Arabic terms) and perception of non-Muslims towards Islamic banking products and services.

4.3.2.4 Occupation and awareness, understanding (concept), understanding (Arabic terms) and perception

H₀: There is no significant relationship between occupation and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

H₁: There is significant relationship between occupation and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

Based on table 4.13, it shows that the sig value for awareness is 0.033, understanding (concept) is 0.000, understanding (Arabic terms) is 0.171 and perception is 0.000. This means there is not enough evidence to reject H₀ for understanding (Arabic terms). So it can conclude that there is no significant relationship between occupation and understanding (Arabic terms) of non-Muslims towards Islamic banking products and services. As for understanding (concept) and perception, it is enough evidence to reject H₀ at 1% significant level and therefore there is enough evidence to conclude that there is significant relationship between occupation and understanding (concept) and perception. For awareness, it is enough evidence to conclude that there is

significant relationship between occupation and perception at 5% significant level.

4.3.2.5 Monthly Income Level and awareness, understanding (concept), understanding (Arabic terms) and perception

H₀: There is no significant relationship between monthly income level and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

H₁: There is significant relationship between monthly income level and awareness, understanding (concept), understanding (Arabic terms) and perception of Islamic banking products and services among non-Muslims in Malaysia.

Based on the table 4.13, it shows that the sig value for awareness is 0.000, understanding (concept) is 0.071, understanding (Arabic terms) is 0.811 and perception is 0.053. This means there is not enough evidence to reject H₀ for understanding (Arabic terms). So it can conclude that there is no significant relationship between monthly income level and understanding (Arabic terms) of non-Muslims towards Islamic banking products and services. As for understanding (concept) and perception, it is enough evidence to reject H₀ at 10% significant level and therefore there is enough evidence to conclude that there is significant relationship between monthly income level and understanding (concept) and perception. For awareness, it is enough evidence to conclude that there is significant relationship between monthly income level and awareness at 1% significant level.

4.4 Conclusion

In chapter four there are basically laid down the results of this study such as descriptive analysis, internal reliability and inferential analysis, which all are generated from the questionnaires distributed. The results will be used in chapter five. It will discuss in-depth of the major findings and conclusion of the research project.

CHAPTER 5 : DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

This is the last chapter of the study. Due on the analysis of previous chapter, the summary of statistical analysis and discussion of major finding will be identified for further improvement for Islamic banking and services. At last but not least, this chapter will be ended with recommendation of future research and conclusion in order to achieve better understanding of this research.

5.1 Summary of Statistical Analyses

Since this study is to determine the level of awareness, understanding and perception of Islamic banking product and services among non-Muslims in Malaysia, hence descriptive analysis has been used. In addition, this study also wants to determine the relationship between demographic variables and awareness, understanding and perception, thus, inferential analysis had been used. Questionnaires have been distributed in different states and 280 out of 300 questionnaires have been successfully collected and valid for analysis. In this research, statistical tools of Microsoft excel and SPSS 17 are used for both descriptive analysis and inferential analysis.

5.1.1 Descriptive Analysis

In this study, there are total 280 respondents. Majority of the respondents are less than 25 years old and are Buddhist. Furthermore, 131 respondents' educational level is bachelor degree. 149 respondents have chosen 'other' as their occupation which most of them indicate as 'student'. 142 respondents receive less than RM1000 as their monthly income level.

179 of respondents aware of the existence of Islamic Banking in Malaysia however, 101 respondents are not aware Islamic Banking in Malaysia. The product has the highest awareness among the non-Muslims in Malaysia is deposits products, which followed by insurance product and investment products. Their percentages are 76.1%, 70% and 56.1%.

As for understanding (concept) level, more than 75% of the respondents understand that Islamic is available for Muslims as well as non-Muslims. More than 60% of the respondents agree that Islamic banking prohibits interest in all form of transactions; Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses and each Islamic Bank should have a Shariah Supervisory Board to ensure that all business activities are in line with Shariah requirements. On the other hand, more than half of the respondents only understand two Arabic terms which are 'Syariah' and 'Takaful'.

For perception, 156 of the respondents perceive that there is very high potential of Islamic Banking products in Malaysia. 146 respondents agree that Islamic banks are able to compete with conventional banks. 113 of respondents perceive that Islamic banks could provide lower cost products and services compared to conventional banking. 102 of respondents perceive that returns on Islamic banks deposits account are higher than returns on conventional banks deposits account.

5.1.2 Scale Measurement

Reliability test has been carried out to check for internal consistency and for both pilot test and actual test; the values have passed the thumb of rule which is 0.70. The highest value is 0.882 and the lowest value is 0.705 in the actual test.

5.1.3 Inferential Analysis

After that, Pearson correlation test has been carried out to test the correlation among the variables. The results show that the correlations among the variables are weak as majority of the correlation values are below 0.60 and none of them above 0.70.

To achieve the objective of determining relationship between demographic variables and awareness, understanding and perception, one way Anova test has been used. The results of test are shown in table 5.1.2.

Table 5.1: ANOVA Results for Demographic Factors against Awareness, Understanding and Perception

	Awareness	Understanding (concept)	Understanding (Arabic terms)	Perception
Age	0.938	0.104	0.060*	0.000***
Religion	0.394	0.006***	0.655	0.069*
Education	0.000***	0.000***	0.000***	0.000***
Occupation	0.033	0.000***	0.171	0.000***
Income	0.000***	0.071*	0.811	0.053*

Notes:

*** Significant at 1 percent level

** Significant at 5 percent level

* Significant at 10 percent level

Source: Developed for the research

5.2 Discussion of Major Finding

5.2.1 Awareness of Non-Muslims towards Islamic Banking

The results in chapter four show that more than half of the respondents are aware of Islamic banking in Malaysia. This result was supported by Run and Yeo, (n.d.), which in their study, non-Muslims in Malaysia, is aware of Islamic Financing facilities. In addition, the most common products that the respondents are aware of are deposits products, insurance products and investment products. It was supported by Khan *et al.* (2008) as in their study, there is a high level of customer awareness of some general products such as current account and saving account. As for other different types of borrowing products such as Musharaka, Bai-Salam and Bai-Murabaha, customers do not have a high awareness for any of them.

5.2.2 Level of Understanding of Non-Muslims towards Islamic Banking

According to Loo's (2010) study in Malaysia, it shows that the non Muslims still could not understand the concept of Islamic banking even though there are a lot of advertising campaigns that targeted at them. However in this study, it was found that the level of understanding on the concept of Islamic banking is at the average level. For some basic concept such as Islamic is available for

Muslims as well as non-Muslims, more than 75% of the respondents have chosen 'agree' and 'strongly agree'. This might be due to most of the respondents are university students and they have learnt Islamic banking in their studies. Thus, they have certain basic knowledge about the concept of Islamic banking.

Besides concepts, the respondents were being tested on their level of understanding of the Arabic terms used by Islamic banks. Basically, there is a lack of understanding of the Arabic terms. Most of the respondents only know two terms which are 'Takaful' and 'Syariah'. Other terms, less than 36% of the respondents know their meaning. This result is similar to the results in Thambiah *et. al* (2011) as they found that Islamic banking terms such as "Mudarabah", "Musyarakah", and "Bai' Bithman Ajil" is less popular among the banking customers.

5.2.3 Perception of Non-Muslims towards Islamic Banking

In this study, 35.3% of the respondents perceive that Islamic Banking products in Malaysia are not similar to the products of conventional banks. This result is supported by Ahmad and Haron (2002). In addition, 113 respondents perceive that Islamic banks could provide lower cost products and services compared to conventional banking. 102 of respondents perceive that returns on Islamic banks deposits account are higher than returns on conventional banks deposits account.

5.2.4 Relationship between Age and Awareness, Understanding and Perception

In this study, it shows that age do not have significant relationship with age and understanding (concept). These results are consistent with Amin (2007)

and Run and Yeo, (n.d.). Both of the studies also show that age do not affect the level of awareness of respondents.

On the other hand, age has significant relationship with understanding (Arabic terms) at 10% significant level and perception at 1% significant level. This result is similar Loo (2010), where she found that there are significant differences between non-Muslim X-Gen and Baby Boomers. First, Baby Boomers perceived a disadvantage with Islamic banking significantly higher than X-Gen.

5.2.5 Relationship between Religion and Awareness, Understanding and Perception

In many studies, it was found that religion will be affecting the awareness and understanding for Islamic banking products and services (Run and Yeo, n.d.). However, this study reveals that religion does not have significant relationship with awareness and understanding (Arabic terms). This might due to the respondents from this study are all non-Muslims but the respondents for the other studies comprised of Muslims and non-Muslims. In Loo's (2010) study shows 100% of Muslim respondents agree that Islamic banking does not conflict with their religious belief but only over two-thirds of non-Muslims agreed Islamic banking does not conflict with their religious belief. Hence, there is difference between Muslims and non-Muslims but not non-Muslims itself.

However, perception has significant relationship with religion at 10% significant level. This result is similar to Haque, Osman and Ismail (2009) and Loo (2010). Non-Muslims comprised of different races, thus they might grow up from different backgrounds and hence, influence their perceptions towards Islamic banking.

5.2.6 Relationship between Educational Level and Awareness, Understanding and Perception

Results show that educational level has significant relationship with awareness, understanding and perception at 1% significant level. These results are consistent with Khattak and Rehman, Amin (2007) and Run and Yeo (n.d.). According to Khattak and Rehman, their study shows that most of the customers of the IBS have high educational level. According to Run and Yeo (n.d.) in a survey done in Sarawak, Malaysia, higher education has a significantly different level of understanding of Islamic Financing.

5.2.7 Relationship between Occupation and Awareness, Understanding and Perception

In this study, it shows that occupation has significant relationship with awareness at 5% significant level. This result is similar to the results in the study done by Haque, Osman and Ismail (2009).

Occupation has significant relationship with understanding (concept) and perception at 1% significant level. This is similar to the results of Run and Yeo (n.d.) as they found that employment will affect the level of understanding. However, according to Haque, Osman and Ismail (2009), occupation will not affect the perceptions of Malaysians with different occupation towards the Islamic Banks. This might due to most of the respondents from this study are students and hence students will have a different perception from those who are working.

However, occupation has no significant relationship with the level of understanding on the Arabic terms. This may due to most of the occupations

in Malaysia seldom deal with Arabic terms and hence, although the respondents are from different fields, they still lack of understanding about the Arabic terms.

5.2.8 Relationship between Monthly Income Level and Awareness, Understanding and Perception

Monthly income level has a significant relationship with awareness at 1% significant level. This result is supported by Amin (2007), as he found that income will affect the awareness and usage of Islamic financing. In addition, monthly income level has significant relationship with understanding (concept) at 10% significant level. This was also supported by Run and Yeo (n.d.) and Haque, Osman and Ismail (2009).

At 10% significant level, perception has significant relationship with monthly income level. This result is contradicted to the results in Haque, Osman and Ismail (2009). This is due to most of the respondents in this study are students and they have different perceptions as mentioned above. Most of the students' monthly income level is less than RM1000, which cause the difference in results from the previous researchers.

5.3 Implications of the Study

5.3.1 Theoretical Implications

The main objective of this study is to determine the level of awareness, understanding and perception of Islamic banking product and services among non-Muslims in Malaysia. Previous relevant researchers have done most of

the research which the respondents are both Muslims and non-muslims. This study limited the scope of respondents to non-Muslims only so that the Islamic bankers could have a more specific view on the non-Muslims profiles. It helps to enhance the understanding of Islamic bankers towards non-Muslims in Malaysia for their awareness, understanding and awareness. In addition, the research on Islamic banking is not as many as conventional banking. In Malaysia, there is lack of research on Islamic banking. Hence, this research could contribute to the research papers in Malaysia and the future researchers who are interested to study on the Islamic banking could use this study as a reference.

5.3.2 Managerial Implications

In this study, it shows that 63.9% of respondents aware of the existence of Islamic Banking in Malaysia. Although more than half of the respondents aware of the existence of Islamic Banking, but this is not sufficient. This is because even though non-Muslims are aware of Islamic banking in Malaysia, this does not guarantee they will use Islamic banking products and services. In the study conducted by Khattak and Rehman (2010), the percentage of respondents who are aware of Islamic Banking and do not use it stood at 19.9%. So, the Islamic bankers have to ensure that non-Muslims aware of Islamic banking so that the usage of Islamic banking by non-Muslims will be higher.

Based on the results in Chapter four, it indicates that the respondent's awareness level towards Islamic banking products is good in some of the general products such as deposits product and insurance products. The top three Islamic banking products that gain highest awareness from the respondents are deposit, insurance and investment products. These three products could be the main products that Islamic bankers use to attract non-Muslims. By attracting non-Muslims to use these products, Islamic banker

could cross sell other products which are not so popular among the respondents such as financing products- equity based, financing products- debt based and money market instruments.

In addition, this study examines the level of understanding of non-Muslims towards the basic concept of Islamic banking. Loo's (2010) study in Malaysia shows that the non Muslims still could not understand the concept of Islamic banking even though there are a lot of advertising campaigns that targeted at them. However, in this study, more than half of the respondents understand the basic concept of Islamic banking operations as they choose 'agree' or strongly agree' for the statements fall under understanding variable. This shows that as time pass by, the level of understanding of Islamic banking have improved. This is definitely a good sign because in Run and Yeo, (n.d.), the study shows that the gap between awareness and usage is due to their respondents are lack of understanding of the Islamic financing products features. So when non-Muslims are making progress towards their level of understanding of Islamic banking, this will help to boost up the usage of Islamic banking products and services among non-Muslims.

Apart from this, this study also examines the level of understanding of non-Muslims of the Arabic terms used by Islamic banking. More than half of the respondents only understand two Arabic terms which are 'Syariah' and 'Takaful'. For other Arabic terms, less than 35% respondents know their meaning. This result is supported by Thambiah *et. al.* (2011). According to their study, Islamic banking terms such as "*Mudarabah*", "*Musyarakah*", "*Bai' Bithman Ajil*", are less popular among the banking customers. The reason for low awareness and usage for individual borrowing products might due to Islamic banking products are named in Arabic terms. Bley and Kuehn (2004) in their study recommend that the use of Arabic language terms for naming Islamic finance products and services might prevent the non-Arabic speaking parties from understanding the products. Hence, it might be better for the Islamic bankers not to use Arabic terms when they are approaching

non-Muslims customers. Non-Muslims customers will feel more comfortable with the language they familiar with such as English and Malay.

Another objective of this study is to determine the perception of non-Muslims towards Islamic banking products and services. 55.7% of the respondents perceive that there is very high potential of Islamic Banking products in Malaysia. 52.1% respondents agree that Islamic banks are able to compete with conventional banks. This shows that Islamic banking has a high potential growth in the non-Muslims market as they do not resist Islamic banking. 35% of respondents agree that Islamic banks have not done enough in marketing their products to the public. The study conducted by Loo (2010) stated that even Muslims feel that the Islamic banking promotion are ineffective and this might be one of the reasons why the banking users still prefer to use conventional banking. These results show that Islamic bankers have to put more effort in marketing their products to the non-Muslims. They should advertise their products not only in English newspapers but also in Chinese and Tamil newspapers such as Sin Chew Jit Poh, Nanyang Xiang Pau and Vanakkam Malaysia to let the Chinese and Hindu know that they could use Islamic banking as well.

This study revealed that some of the demographic variables influence the respondents' awareness, understanding and perceptions towards Islamic banking. Educational level has significant relationship with all the variables. Thus, Islamic bankers could use education as one of their tools to attract non-Muslims potential customers. They could have campaign or collaborate with different universities. For example, in UTAR, students have to pay their bills through Public bank services such as bank in, debit card or pay through Public bank e-banking. Islamic banker could adopt this strategy as well by collaborating with the universities which the majority of the students are Chinese, Hindu or other races. Furthermore, they could employ non-Muslims fresh graduates to work with them in the hope that they will promote Islamic

banking products to their relatives and friends when they understand more about Islamic bank.

5.4 Limitations of the Study

This study has a few limitations. Firstly, the population sample is skewed towards the Chinese, Buddhist and students so the result that get may not be the most accurate. It is because the perspective of these respondents does not mean that is same with the remaining population.

Secondly, the difference backgrounds of respondents in different research will show a different result. For example, in this study, majority of the respondents are students, students will have different perceptions from those who are workings, thus, resulted that perception has significant relationship with occupation and income level which are inconsistent with results of previous researchers.

In addition, the sample population in this study is all from West Malaysia instead of East Malaysia. Thus, the results might not be applicable for the Islamic banks in East Malaysia as the population in East Malaysia is different from the West Malaysia.

5.5 Recommendations for Future Research

The scope of this study is limited to the awareness, understanding and perception of Islamic Banking among non-Muslims in Malaysia. The potential research area is on the satisfaction and selection criteria towards Islamic banking. This is because satisfaction would lead to higher patronage and by knowing the selection criteria; Islamic bankers can put more effort in these criteria to attract more customers. The future researchers could also include Muslims as their target respondents in order to find out whether the Muslims in Malaysia are aware of Islamic banking as the

previous studies show that there are still Muslims that not aware of Islamic banking in Malaysia.

In addition, the demographic variables in this study is limited to five variables, in the future research, the future researcher could include more demographic variables in order to have a more complete overview of the profiles of the respondents.

Furthermore, to have a complete view of the non-Muslims in Malaysia, it would be ideal for the sample population to include respondents from East Malaysia in the future research.

5.6 Conclusion

The main objective of this research is to determine the level of awareness, understanding and perception of Islamic banking product and services among non-Muslims in Malaysia. This study has a total of 280 respondents and data collected was being analysed by using SPSS 17.

The level of awareness towards Islamic banking is considered as high however the level of understanding is just at moderate level. As for perception, it is varied among the respondents. Some of the demographic variables have significant relationship with awareness, understanding and perceptions. Educational level has the most significant relationship with all the variables.

The summary of statistical analysis, discussion of major findings and implications of the study have included in this chapter. Limitation faced during the whole research and recommendations for future research have been discussed in this chapter as well. Lastly, this research has met its objective by knowing the level of awareness, understanding and perception of Islamic banking product and services among non-Muslims in Malaysia.

References

- Ahmad, N, & Haron, S. (2002). Perceptions of Malaysian corporate customers towards Islamic banking products and services. *International Journal of Islamic Financial Services*, 3(1), 13-29.
- Aliaga, M. & Gunderson, B. (2005). *Interactive statistics* (3rd ed.). New Jersey: Pearson Prentice Hall.
- Amin, H. (2007). Borneo Islamic automobile financing: do demographics matter? *Labuan e-Journal of Muamalat and Society*, 1, 73-87.
- Bank Indonesia. (2004). Potency, Preference and Community's Attitude Toward It in South Kalimantan. Executive Summary. Retrieved December 27, 2007. <http://www.bi.go.id/NR/rdonlyres/5AEA0615-00F1-46EB-A511-7FD648152033/13300/executivesummkalsel.pdf>
- Bank Negara Malaysia. (2012). *Monthly Statistical Bulletin February 2012*. Retrieved 1 March, 2012, from <http://www.bnm.gov.my/index.php?ch=109&pg=294&mth=2&yr=2012&eId=box1>
- Bley, J., & Kuehn, K. (2004). Conventional versus Islamic finance: student knowledge and perception in the united Arab emirates. *International Journal of Islamic Financial Services*, 5(4).
- Branch, M. C. (1990). *Planning Universal Process* (1st ed.). New York: Praeger
- Cooper, D. R. & Schindler, P. S. (2006). *Business research methods*. New York: McGraw –Hill.
- Corporate profile*. (n.d.). Retrieved June 25, 2011, from <http://www.bankislam.com.my/en/Pages/CorporateProfile.aspx?tabs=1>
- Denscombe, M. (2003). *The good research guide: for small-scale social research projects* (2nd ed.). Open University Press.

- Hair, J. F., Anderson, R. E., Tatham, R. L. & Black, W. C. (1998). *Multivariate data analysis with reading*. New Jersey: Prentice Hall
- Hair, J. F. Jr. Black, W. C., Babin, B. J. Anderson, R. E. & Tatham, R. L. (2006). *Multivariate data analysis* (6th ed). New Jersey: Prentice Hall
- Haque, A., Osman, J. & Ismail A. Z. H. (2009). Factor influences selection of Islamic banking: A study on Malaysian customer preferences. *American Journal of Applied Sciences* 6 (5), 922-928
- Henning, E., Rensburg, W.V. & Smit, B. (2004). *Finding your way in qualitative research*
- Heuvel, D. V. (n.d.). *The hierarchy of effects*. Retrieved 2 August, 2011 from http://www.marketingsavant.com/docs/ebooks/Hierarchy_of_Effects_Briefing_Paper.pdf
- Jackson, S. L. (2011). *Research methods and statistics: A critical thinking approach* (4th ed). USA
- Karbhari, Y., Naser, K. & Shahin, Z. (2004). Problems and challenges facing the Islamic banking system in the West: the case of the U. *Thunderbird International Business Review*, 46(5), 521-543
- Karim A.A. & Affif A. Z. (2005). Islamic banking consumer behaviour in Indonesia: A qualitative approach. *International Journal Islamic Finance*, 5
- Karweit, N. and Meyers, E.D. Jr (1983). *Handbook of survey research*. New York: Academic Press
- Khan, F. (2010). How 'Islamic' is Islamic anking? *Journal of Economic Behavior & Organization* 76, 805–820
- Khan, M. S. N., Hassan M. K. & Shahid A. I. (2008). Banking behavior of Islamic bank customers in Bangladesh. *Journal of Islamic Economics, Banking and Finance*, 159 – 194.

- Khattak, N. A., Rehman, K. U. (2010). Customer satisfaction and awareness of Islamic banking system in Pakistan. *African Journal of Business Management* 4(5), 662-671.
- Khair, K., Gupta, L. & Shanmugam, B. (2008). *Islamic banking: A practical perspective*. Malaysia: Pearson.
- Lateh, N., Ismail, S. & Ariffin, N. M. (2009). Customers' perceptions on the objectives, characteristics and selection criteria of Islamic bank in Thailand. *Gadjah Mada International Journal of Business*, 11(2), 167-189
- Loo, M. (2010). Attitudes and perceptions towards Islamic banking among Muslims and non-Muslims in Malaysia: implications for marketing to baby boomers and x-generation. *International Journal of Arts and Sciences* 3(13): 453-485
- Muniurrun, R. P. & Naidoo L. B. S.y. P. (2010). Service quality in the public service. *International Journal of Management and Marketing Research*, 3(1), 37-50.
- Nanava. R. (2007). Islamic banking and Islamic financial products: comparative study of UK, US and Malaysia. Unpublished thesis, Central European University.
- Okumus, H. S. (2005). Interest-free banking in Turkey: a study of customer satisfaction and bank selection criteria. *Journal of Economic Cooperation* 26 (4), 51-86.
- Rammal, H. & Zurbruegg, R. (2007). Awareness of Islamic banking products among Muslims: The case of Australia. *Journal of Financial Services Marketing*, 12(1), 65-74.
- Rubin, A. & Babbie, E.,R. (2010). *Research Methods for Social Work (7th ed.)*. U.S.: Brooks Cole
- Run, E. C. & Yeo, D. S. L. (n.d.). Awareness, understanding and behaviour of islamic banking: Results of a special study. *IBBM*.

- Saunders, M., Lewis, P. & Thornhill, A. (2009). *Research methods for business students* (5th ed.). New Jersey: Prentice Hall
- Sekaran, U. (2000). *Research Methods for Business: A Skill Building Approach* (4th ed.). NY: John Wiley & Sons.
- Thambiah, S., Eze, U. C., Santhapparaj, A. J., & Arumugam, K. (2011). Customers' perception on Islamic retail banking: A comparative analysis between the urban and rural regions of Malaysia. *International Journal of Business and Management*, 6(1), 187-198.
- Yiu, C., Grant, K., & Edgar, D. (2007). Factors affecting the adoption of Internet Banking in Hong Kong—implications for the banking sector. *International Journal of Information Management*, 27(5), 336-351.
- Zikmund, W. G. (2003). *Business research method* (7th ed.). Mason: Thomson South-Western.

Appendix 3.1: Questionnaire Survey Form



UNIVERSITI TUNKU ABDUL RAHMAN
FACULTY OF BUSINESS AND FINANCE
BACHELOR OF BUSINESS ADMINISTRATION (HONS)
BANKING AND FINANCE

Awareness of Islamic Banking Products and Services among non-Muslims in
Malaysia

Dear respondents,

We are undergraduate students of Bachelor of Business Administration (Hons) Banking and Finance, from Universiti Tunku Abdul Rahman (UTAR). We are currently doing our final year research project and we hope that you could make us a favour by helping us to fill up our questionnaire.

This questionnaire consists of four parts. There are Section A which referring to the respondents' demographic profiles, Section B is referring to the respondents' awareness of Islamic banking products and services, Section C is referring to the respondents' understanding on Islamic banking products and services and Section D is referring to the respondents' perceptions towards Islamic banking products and services. This questionnaire might take about 5-10 minutes to complete.

Your answer will be kept **PRIVATE AND CONFIDENTIAL** and used solely for academic purposes. Thank you for your participation.

NAME	STUDENT ID
KEONG LEE LING	09ABB08204
KHOR MAY LING	09ABB08719
LOW SHEAU PEY	09ABB08202
WONG ZI HUI	09ABB08198

Section A: Demographic Profile

The following questions refer to the demographic profile of the respondents. Please provide the appropriate information by placing a (✓) in the bracket provided to represent your answer.

1. Age:

less than 25 years

25 – 35 years

36 – 50 years

50 and above

2. Religion:

Buddhist

Christian

Hindu

Other: _____

3. Highest Educational Level:

UPSR/ PMR/ SRP/ SPM

STPM/ A- Level/ Foundation

Diploma/ Advanced Diploma

Bachelor Degree

Master Degree

PHD Degree

Other: _____

4. Occupation:

- Senior management
- Management
- Professional
- Sales Representative
- Support Representative
- Administrative Support
- Others: _____

5. Monthly income level:

- less than RM1000
- RM1000 – RM3000
- RM3001 – RM5000
- RM5001 and above

Section B

For the following questions, please answer by placing a (✓) in the box provided.

Awareness of Islamic Banking Products and Services

1. Are you aware of Islamic Banking in Malaysia?

Yes

No

2. Which of the following Islamic banking products and services are you aware of?

Products and Services	I am aware	I am not aware
Deposit Products (eg: saving account, current account)		
Investment Products (eg: general and special investment account)		
Financing Products – equity based (eg: Ijarah – Leasing)		
Financing Products – debt based (eg: credit cards, home financing)		
Trade Finance (eg: letter of credit, banker acceptance)		
Money Market Instruments (eg: government investment issues – Treasury Bills)		
Insurance Products (eg: takaful)		

Section C

Please CIRCLE one number according to the following 5-point Linkert scale, with 1- Strongly Disagree and 5- Strongly Agree that best describe your level of argument with the following statements.

SD= Strongly Disagree D= Disagree N= Neutral A= Agree SA= Strongly Agree

(1) Understanding on Islamic Banking System and Operations

No.	Statement	SD	D	N	A	SA
1.	Islamic banking is the conduct of banking operations according to <i>Syariah</i> Law.	1	2	3	4	5
2.	Islamic banking is available for Muslims as well as non-Muslims.	1	2	3	4	5
3.	Islamic banking prohibits interest in all forms of transactions.	1	2	3	4	5
4.	Parties in Islamic banking cannot predetermine a guaranteed profit.	1	2	3	4	5
5.	Returns on Islamic banking are based on gift and profit sharing basis instead of interest.	1	2	3	4	5
6.	Islamic banking prohibits major uncertainty in all form of transactions.	1	2	3	4	5
7.	Islamic banks only invest in businesses that are not prohibited by Islam or <i>halal</i> businesses.	1	2	3	4	5
8.	Each Islamic bank should have a <i>Syariah</i> Supervisory Board to ensure that all business activities are in line with <i>Syariah</i> requirements.	1	2	3	4	5

(2) Please choose **YES** for each of the following Arabic terms if you understand the meaning and **NO** if you do not understand the meaning of the following Arabic terms.

No.		Yes	No	No.		Yes	No
1.	Syariah			6.	Musyarakah		
2.	Riba			7.	Mudharabah		
3.	Hibah			8.	Qardh Hassan		
4.	Wadiah			9.	Bai Bithaman Ajil		
5.	Takaful			10.	Ijarah		

Section D

Please **CIRCLE** one number according to the following 5-point Linkert scale, with 1- Strongly Disagree and 5- Strongly Agree that best describe your level of argument with the following statements

Perceptions towards Islamic Banking

No.	Statements	SD	D	N	A	SA
1.	There is a very high potential of Islamic banking products in Malaysia.	1	2	3	4	5
2.	Islamic banks are able to compete with conventional banks.	1	2	3	4	5
3.	Islamic banking products in Malaysia are not similar to the products of conventional banks except that the banks use different names in highlighting those products.	1	2	3	4	5
4.	Islamic banks have not done enough in marketing their products to the public.	1	2	3	4	5
5.	Islamic banks could provide lower cost products and services compared to conventional banking.	1	2	3	4	5
6.	Returns on Islamic banks deposits account are higher than returns on conventional banks deposits account.	1	2	3	4	5

~ End of Survey ~

Appendix 4.1: Demographic Profiles of Respondents

Statistics

		age	religion	educationallevel	occupation	income
N	Valid	280	280	280	280	280
	Missing	0	0	0	0	0

age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 25 years	163	58.2	58.2	58.2
	25 - 35 years	45	16.1	16.1	74.3
	36 - 50 years	44	15.7	15.7	90.0
	50 and above	28	10.0	10.0	100.0
	Total	280	100.0	100.0	

religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	buddhist	207	73.9	73.9	73.9
	christian	39	13.9	13.9	87.9
	hindu	18	6.4	6.4	94.3
	other	16	5.7	5.7	100.0
	Total	280	100.0	100.0	

educational level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	upsr/pmr/srp/spm	44	15.7	15.7	15.7
	stpm/a level/foundation	49	17.5	17.5	33.2
	diploma/advanced diploma	50	17.9	17.9	51.1
	bachelor degree	131	46.8	46.8	97.9
	master degree	5	1.8	1.8	99.6
	phd degree	1	.4	.4	100.0
	Total	280	100.0	100.0	

occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	senior management	12	4.3	4.3	4.3
	management	31	11.1	11.1	15.4
	professional	30	10.7	10.7	26.1
	sales representative	25	8.9	8.9	35.0
	support representative	7	2.5	2.5	37.5
	admistrative representative	26	9.3	9.3	46.8
	other	149	53.2	53.2	100.0
	Total	280	100.0	100.0	

income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than RM1000	142	50.7	50.7	50.7
	RM1000 - RM3000	75	26.8	26.8	77.5
	RM3001 - RM5000	53	18.9	18.9	96.4
	RM5001and above	10	3.6	3.6	100.0
	Total	280	100.0	100.0	

Appendix 4.2: Awareness of Respondents towards Islamic Banking Products and Services

Statistics

	Awareness_of_IB	A1	A2	A3	A4	A5	A6	A7
N Valid	280	280	280	280	280	280	280	280
Missing	0	0	0	0	0	0	0	0

Awareness_of_IB

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	179	63.9	63.9	63.9
no	101	36.1	36.1	100.0
Total	280	100.0	100.0	

A1

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	213	76.1	76.1	76.1
no	67	23.9	23.9	100.0
Total	280	100.0	100.0	

A2

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	157	56.1	56.1	56.1
no	123	43.9	43.9	100.0
Total	280	100.0	100.0	

A3

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	86	30.7	30.7	30.7
no	194	69.3	69.3	100.0
Total	280	100.0	100.0	

A4

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	126	45.0	45.0	45.0
no	154	55.0	55.0	100.0
Total	280	100.0	100.0	

A5

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	73	26.1	26.1	26.1
no	207	73.9	73.9	100.0
Total	280	100.0	100.0	

A6

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	108	38.6	38.6	38.6
no	172	61.4	61.4	100.0
Total	280	100.0	100.0	

A7

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	196	70.0	70.0	70.0
no	84	30.0	30.0	100.0
Total	280	100.0	100.0	

Appendix 4.3: Understanding (concept) of Respondents

Statistics

		U1	U2	U3	U4	U5	U6	U7	U8
N	Valid	280	280	280	280	280	280	280	280
	Missing	0	0	0	0	0	0	0	0

U1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	1	.4	.4	.4
	disagree	14	5.0	5.0	5.4
	neutral	108	38.6	38.6	43.9
	agree	86	30.7	30.7	74.6
	strongly agree	71	25.4	25.4	100.0
	Total	280	100.0	100.0	

U2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	5	1.8	1.8	1.8
	disagree	18	6.4	6.4	8.2
	neutral	42	15.0	15.0	23.2
	agree	104	37.1	37.1	60.4
	strongly agree	111	39.6	39.6	100.0
	Total	280	100.0	100.0	

U3

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	3	1.1	1.1	1.1
	disagree	28	10.0	10.0	11.1
	neutral	78	27.9	27.9	38.9
	agree	147	52.5	52.5	91.4
	strongly agree	24	8.6	8.6	100.0
	Total	280	100.0	100.0	

U4

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	6	2.1	2.1	2.1
disagree	28	10.0	10.0	12.1
neutral	99	35.4	35.4	47.5
agree	121	43.2	43.2	90.7
strongly agree	26	9.3	9.3	100.0
Total	280	100.0	100.0	

U5

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	2	.7	.7	.7
disagree	24	8.6	8.6	9.3
neutral	90	32.1	32.1	41.4
agree	83	29.6	29.6	71.1
strongly agree	81	28.9	28.9	100.0
Total	280	100.0	100.0	

U6

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	4	1.4	1.4	1.4
disagree	36	12.9	12.9	14.3
neutral	95	33.9	33.9	48.2
agree	67	23.9	23.9	72.1
strongly agree	78	27.9	27.9	100.0
Total	280	100.0	100.0	

U7

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	1	.4	.4	.4
disagree	37	13.2	13.2	13.6
neutral	56	20.0	20.0	33.6
agree	81	28.9	28.9	62.5
strongly agree	105	37.5	37.5	100.0
Total	280	100.0	100.0	

U8

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	2	.7	.7	.7
disagree	16	5.7	5.7	6.4
neutral	84	30.0	30.0	36.4
agree	140	50.0	50.0	86.4
strongly agree	38	13.6	13.6	100.0
Total	280	100.0	100.0	

Appendix 4.4: Understanding (Arabic Terms) of Respondents

Statistics

		T1	T2	T3	T4	T5	T6	T7	T8	T9	T10
N	Valid	280	280	280	280	280	280	280	280	280	280
	Missing	0	0	0	0	0	0	0	0	0	0

T1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	157	56.1	56.1	56.1
	no	122	43.6	43.6	99.6
	3	1	.4	.4	100.0
	Total	280	100.0	100.0	

T2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	95	33.9	33.9	33.9
	no	185	66.1	66.1	100.0
	Total	280	100.0	100.0	

T3

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	56	20.0	20.0	20.0
	no	224	80.0	80.0	100.0
	Total	280	100.0	100.0	

T4

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	96	34.3	34.3	34.3
	no	184	65.7	65.7	100.0
	Total	280	100.0	100.0	

T5

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	204	72.9	72.9	72.9
no	76	27.1	27.1	100.0
Total	280	100.0	100.0	

T6

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	93	33.2	33.2	33.2
no	187	66.8	66.8	100.0
Total	280	100.0	100.0	

T7

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	94	33.6	33.6	33.6
no	186	66.4	66.4	100.0
Total	280	100.0	100.0	

T8

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	45	16.1	16.1	16.1
no	235	83.9	83.9	100.0
Total	280	100.0	100.0	

T9

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	51	18.2	18.2	18.2
no	229	81.8	81.8	100.0
Total	280	100.0	100.0	

T10

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	99	35.4	35.4	35.4
no	181	64.6	64.6	100.0
Total	280	100.0	100.0	

Appendix 4.5: Perceptions of Respondents towards Islamic Banking Products and Services

Statistics

		P1	P2	P3	P4	P5	P6
N	Valid	280	280	280	280	280	280
	Missing	0	0	0	0	0	0

P1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	5	1.8	1.8	1.8
	disagree	47	16.8	16.8	18.6
	neutral	72	25.7	25.7	44.3
	agree	91	32.5	32.5	76.8
	strongly agree	65	23.2	23.2	100.0
	Total	280	100.0	100.0	

P2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	2.5	2.5	2.5
	disagree	56	20.0	20.0	22.5
	neutral	71	25.4	25.4	47.9
	agree	119	42.5	42.5	90.4
	strongly agree	27	9.6	9.6	100.0
	Total	280	100.0	100.0	

P3

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	26	9.3	9.3	9.3
	disagree	78	27.9	27.9	37.1
	neutral	77	27.5	27.5	64.6
	agree	74	26.4	26.4	91.1
	strongly agree	25	8.9	8.9	100.0
	Total	280	100.0	100.0	

P4

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	28	10.0	10.0	10.0
disagree	81	28.9	28.9	38.9
neutral	73	26.1	26.1	65.0
agree	81	28.9	28.9	93.9
strongly agree	17	6.1	6.1	100.0
Total	280	100.0	100.0	

P5

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	7	2.5	2.5	2.5
disagree	40	14.3	14.3	16.8
neutral	120	42.9	42.9	59.6
agree	97	34.6	34.6	94.3
strongly agree	16	5.7	5.7	100.0
Total	280	100.0	100.0	

P6

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly disagree	9	3.2	3.2	3.2
disagree	51	18.2	18.2	21.4
neutral	118	42.1	42.1	63.6
agree	79	28.2	28.2	91.8
strongly agree	23	8.2	8.2	100.0
Total	280	100.0	100.0	

Appendix 4.6: Reliability Test (Pilot Test)

Awareness

Cronbach's Alpha	N of Items
.831	8

Understanding (Concept)

Reliability Statistics

Cronbach's Alpha	N of Items
.728	8

Understanding (Arabic Terms)

Reliability Statistics

Cronbach's Alpha	N of Items
.850	10

Perceptions

Reliability Statistics

Cronbach's Alpha	N of Items
.701	6

Appendix 4.7: Reliability Test (Actual Test)

Awareness

Reliability Statistics

Cronbach's Alpha	N of Items
.841	8

Understanding (Concept)

Reliability Statistics

Cronbach's Alpha	N of Items
.882	8

Understanding (Arabic Terms)

Reliability Statistics

Cronbach's Alpha	N of Items
.867	10

Perceptions

Reliability Statistics

Cronbach's Alpha	N of Items
.705	6

Appendix 4.8: One Way ANOVA (Age)

Awareness

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.044	3	.015	.137	.938
Within Groups	29.169	276	.106		
Total	29.212	279			

Understanding (Concept)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.187	3	.062	2.072	.104
Within Groups	8.307	276	.030		
Total	8.494	279			

Understanding (Arabic terms)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.681	3	.227	2.501	.060
Within Groups	25.037	276	.091		
Total	25.717	279			

Perception

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.617	3	.206	8.425	.000
Within Groups	6.739	276	.024		
Total	7.356	279			

Appendix 4.9: One Way ANOVA (Religion)

Awareness

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.313	3	.104	.997	.394
Within Groups	28.899	276	.105		
Total	29.212	279			

Understanding (concept)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.373	3	.124	4.220	.006
Within Groups	8.122	276	.029		
Total	8.494	279			

Understanding (Arabic terms)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.150	3	.050	.540	.655
Within Groups	25.567	276	.093		
Total	25.717	279			

Perception

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.186	3	.062	2.387	.069
Within Groups	7.170	276	.026		
Total	7.356	279			

Appendix 4.10: One Way ANOVA (Educational Level)

Awareness

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.042	5	.608	6.379	.000
Within Groups	26.128	274	.095		
Total	29.169	279			

Understanding (concept)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.561	5	.512	23.646	.000
Within Groups	5.934	274	.022		
Total	8.494	279			

Understanding (Arabic terms)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.479	5	.896	11.557	.000
Within Groups	21.238	274	.078		
Total	25.717	279			

Perception

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.719	5	.144	5.932	.000
Within Groups	6.637	274	.024		
Total	7.356	279			

Appendix 4.11: One Way ANOVA (Occupation)

Awareness

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.422	6	.237	2.331	.033
Within Groups	27.748	273	.102		
Total	29.169	279			

Understanding (concept)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.734	6	.122	4.305	.000
Within Groups	7.760	273	.028		
Total	8.494	279			

Understanding (concept)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.832	6	.139	1.522	.171
Within Groups	24.885	273	.091		
Total	25.717	279			

Perception

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.799	6	.133	5.543	.000
Within Groups	6.557	273	.024		
Total	7.356	279			

Appendix 4.12: One Way ANOVA (Monthly Income Level)

Awareness

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.876	3	.625	6.325	.000
Within Groups	27.293	276	.099		
Total	29.169	279			

Understanding (concept)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.213	3	.071	2.364	.071
Within Groups	8.282	276	.030		
Total	8.494	279			

Understanding (Arabic terms)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.089	3	.030	.319	.811
Within Groups	25.628	276	.093		
Total	25.717	279			

Perception

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.202	3	.067	2.596	.053
Within Groups	7.154	276	.026		
Total	7.356	279			