FACTORS AFFECTING THE ADOPTION OF ISLAMIC BANKING PRODUCTS AND SERVICES IN WEST MALAYSIA

CHEW KANG YI
ELEEN WONG
LEW YU SUEN
NG YONG YI

BACHELOR OF FINANCE (HONOURS)

UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF BUSINESS AND FINANCE
DEPARTMENT OF FINANCE

SEPTEMBER 2024

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BY

CHEW KANG YI
ELEEN WONG
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NG YONG YI

A final year project submitted in partial fulfillment of the
requirement for the degree of

BACHELOR OF FINANCE (HONOURS)

UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF BUSINESS AND FINANCE
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SEPTEMBER 2024

DECLARATION

We hereby declare that:

(1) This undergraduate FYP 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 FYP 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 FYP.

(4) The word count of this research report is 16074.

Name of Student:	Student ID:	Signature:
1. Chew Kang Yi	21ABB04014	kang yi
2. Eleen Wong	21ABB03884	
3. Lew Yu Suen	21ABB03886	
4. Ng Yong Yi	21ABB03797	Yong Yi

Date: 29/8/2024

ACKNOWLEDGEMENT

We would like to express our deepest gratitude to everyone who has supported and guided us throughout the completion of this Final Year Project. This achievement would not have been possible without the encouragement, assistance, and contributions of many individuals.

First and foremost, we extend our heartfelt thanks to our supervisor, Puan Siti Nur Amira Binti Othman, for her invaluable guidance and insightful feedback. Her dedication to our academic growth and her willingness to share her knowledge were pivotal in steering us through the complexities of this project. Her continuous support, from the initial stages of idea formulation to the final submission, has been instrumental in our success.

In addition, we would like to acknowledge our team members, whose support and constructive criticism have been vital in refining our work. The collaborative spirit and camaraderie shared during our brainstorming sessions, discussions, and late-night study sessions made this experience more enjoyable and rewarding. Their encouragement during difficult times kept us motivated, and their perspectives helped us approach problems from different angles.

Finally, we thank everyone who has been a part of this journey, directly or indirectly. Your contributions, no matter how small, have played a significant role in the successful completion of this project. We are truly grateful for all the support we have received.

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LIST OF ABBREVIATIONS

AD	Adoption of Islamic Banking Products and Services
AI	Artificial Intelligence
ANOVA	Analysis of Variance
AW	Awareness
BNM	Bank Negara Malaysia
BR	Bank Reputation
CSR	Corporate Social Responsibility
DAGMAR	Defining Advertising Goals for Measured Advertising Results
DW	Durbin-Watson
IDB	International Islamic Development Bank
KCK	Karnival Celik Kewangan
N	Total Number of Observations
PR	Perceived Risk
RL	Religiosity
SI	Social Influence
SPSS	Statistical Product and Service Solutions
TAM	Technology Acceptance Model
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action

UAE   United Arab Emirates

VIF   Variance Inflation Factor

UAE   United Arab Emirates

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PREFACE

Today, the Islamic banking industry has grown globally, representing 79% of the global Islamic finance industry. At the same time, Malaysia's dominance in Islamic finance has been globally recognized, contributing to the rapid development of Islamic banking. Malaysia has proven its excellence by offering a wide range of financial products and services for a variety of needs. However, there are numerous factors that could affect the adoption of Islamic banking.

Therefore, we aim to determine how factors affect the adoption of Islamic banking products and services among West Malaysia in this study. The sampling locations chosen are Selangor, Johor, and Penang as their combined population is around 40% of the total amount of Malaysian.

Lastly, the objective of our study is to provide future researchers a better understanding and clearer insight in this field.

ABSTRACT

To begin with, Malaysia has seen a rise in the popularity of Islamic banking over the years. Hence, this study attempts to look into the effects of awareness, religiosity, bank reputation, social influence, and perceived risk on the adoption of Islamic banking products and services in West Malaysia. Not to mention, the proposed model is constructed based on several theories, including the theory of reasoned action, the theory of acceptance model, the hierarchy of effect, and the signalling theory. Besides, the problem statement, namely the low awareness, and knowledge among the general public on Islamic banking, has been discussed from both domestic and international standpoints and is supported with pertinent statistics. Moreover, a primary data collection method is adopted in the study via the distribution of Google Form to the targeted respondents who are aged 18 years old and above. A total of 429 responses were collected and the SPSS software was employed to perform the data analysis. The findings of the analysis indicate that all of the hypothesis developments are well accepted while every independent variable has a significant impact on the adoption of Islamic banking products and services. Furthermore, the research would contribute to a deeper comprehension of the usage of Islamic banking as well as enable the government, financial institutions, and other relevant authorities to support the industry's continued growth and expansion in Malaysia. Lastly, it would also serve as a valuable resource for further research in any applicable field.

Keywords: Adoption of Islamic banking products and services, Awareness, Religiosity, Bank Reputation, Social Influence, Perceived Risk

CHAPTER 1: INTRODUCTION

1.0   Prelude

This chapter begins by wrapping the background of research. The pertinent issues are then outlined through the problem statement. The research objectives, questions, and hypotheses are then presented in order. Subsequently, the importance of carrying out this research is then discussed. The operational definition of the independent variables is finally summarised.

1.1 Research Background

The banking system undoubtedly played an important role in the socio-economic advancement of both industrialized and developing nations. Studies conducted by Kaushal & Ghosh (2018) discovered that there is a long-standing correlation between the expansion of banking industry and economic progression. The impact of Islamic banking on the economic growth was evaluated by the International Monetary Fund, which depicted that while the financial development degree and other development indicators remain unchanged, Islamic banking countries will undergo faster economic growth than other countries (Naseri & Sharofiddin, 2021). According to Nasser & Muhammed (2013), territories that have embraced Islamic banking have reaped rewards like interest-free loans, equitable loss sharing, and economic development.

Apart from that, Islamic banking is described as the financial institutions managing their banking operations which align with Islamic teachings and Shariah law as well as refraining from generating any revenue that is connected to interest in any manner (Tara et al, 2014; Dusuki and Abdullah, 2007). In addition, Islamic banks offer their clients a variety of Shariah-compliant goods and services, including

IJARAH, MURABAHA, MUSHARAKAH, ISTISNA, SALAM, and so forth (Newell & Osmadi, 2009).

Islamic banking is preferred by Muslim clients over those of other faiths since it satisfies their desire to practice their religion and enables them to fulfill their duty to adhere to the Shariah law in business and transactions (Mariadas & Murthy, 2017). Moreover, it also encourages profit-sharing, the distribution of zakat to be donated to the underprivileged for communal purposes and halal transaction, or business dealings that conform to Islamic law (Mariadas & Murthy, 2017). There is also a strong chance that the proportion of clients of non-believer in Muslim will rise if the advantages are revealed to them, aiding in the globalization of Islamic banks (Amin et al., 2013). Hence, the particular type banks should strive to enhance their brand image and educate the public about Islamic banking through a more capable system to gain a bigger market share.

As cited in Aziz & Afaq (2018), Islamic banking is currently practiced at various scales. First off, there are fully operational Islamic banks that offer exclusively Islamic financial services while the traditional banks are limited to providing traditional banking services. In addition, a dual banking system exists in which certain banks offer services pertinent to both Islamic and conventional banking. As a result, Islamic banks face competition from both a dual banking system and fully operational conventional banks. The intense competition has compelled them to create innovative advertizing plans to cultivate and uphold affiliations with their clients and guarantee the long-term viability and prosperity of their businesses.

In terms of the history of the Islamic banking system, it was initially founded in Egypt in 1963 under the name "MitGhamr Saving Bank" (Tara et al., 2014). Unfortunately, this attempt was futile due to the poor marketing and management approaches. Rather, Malaysia was the first Islamic country that took the lead in supporting the growth of the Islamic banking system in 1980 (Tara et al., 2014). Thanks to this accomplishment, the Islamic banking sector has expanded dramatically and steadily, with an incredible 15 to 20 percent yearly growth rate

(Tara et al., 2014). These initiatives paid off when the International Islamic Development Bank (IDB), the world's first Islamic bank, was founded. Besides, it paved the road for the launching of Islamic banking systems in Saudi Arabia, Bahrain, Sudan, Pakistan, and Iran (Asdullah & Yazdifar, 2016). Furthermore, Islamic banking has expanded globally since its establishment over 40 years ago. Along with the Islamic Financial Services Board (2017), it makes up the majority of this sector with a 79% global share of the Islamic finance industry, demonstrating how crucial Islamic banking is to the overall structure of Islamic finance.

Owing to its noteworthy accomplishments, Islamic banking has gained the respect of both developed and developing countries, as well as Muslim and non-Muslim nations on the international scene. Innovations, Research and Development, and financial deregulations are some of the factors that have facilitated the Islamic banking system's development, not only in Islamic societies but also in several Western nations (Dusuki & Abdullah, 2007). In recent years, it has become more and more well-liked in North Africa, with countries like Morocco, Tunisia, and Libya expressing a strong desire to adopt the practice and stepping up efforts to establish Islamic financial institutions (Obeid & Kaabachi, 2016). In addition to countries with a majority of Muslims, there has been a rise in the application of Islamic banking services and products in non-Muslim countries, such as the United States, Argentina, Australia, India, Philippines, South Africa, Switzerland, Thailand, Denmark, Germany, and Nigeria (Abdullah et al., 2012; Lujja et al., 2016).

In respect of the Islamic banking structure in Malaysia, is undeniably firmly established throughout the country. Pioneering with a single local Islamic bank in 1983, there have grown to sixteen domestic Islamic banks and three international Islamic banks currently (Mariadas & Murthy, 2017). In the meantime, customers in Malaysia are free to opt for the best bank types for their needs with ease. As Islamic banking has emerged as one of the accelerated-mounting sectors in Malaysia, traditional banks ought to contend with it to sustain their market portion (Mariadas & Murthy, 2017). This is because the financial environment has been altered by the advent of Islamic banking into the financial sector, which permits the public to

choose the banking services and products that best suit their needs under the dual banking system in Malaysia.

Aside from that, the Islamic banking and takaful industries has exhibited resilient growth in 2023. Bank Negara Malaysia (2024) and DDCAP Group (2024) describe that the proportion of financing supplied by the Islamic banking sector to the financial system augmented from 44.5% in 2022 to 45.6% in 2023, while the takaful sector's share of overall net contribution enlarged from 23% in 2022 to 23.4% in 2023 (see Appendix 1 and 2).

Despite this, Malaysian customers do not use Islamic banks as frequently as they do conventional banks as they are unaware of the full range of services and amenities that these banks provide. Consequently, Islamic banks should undertake some research to find out the reasons customers choose conventional banks over Islamic banks so that they can gain a deeper understanding of customers' perceptions of Islamic banks and thus entice them to select Islamic banking goods and services (Mariadas & Murthy, 2017).

In light of our research, we discovered that most of the scholars tend to focus their surveys and studies on Asian and African countries instead of European ones. Likewise, it is discovered that the studies are mainly restricted to Islam or countries where Islam is predominant, including Tunisia, Malaysia, Bangladesh, Indonesia, and Pakistan (Tara et al., 2014; Mariadas & Murthy, 2017; Aziz & Afaq, 2018; Kaabachi & Obeid, 2016; Sudarsono et al., 2021; Chowdhury et al., 2019).

Asdullah & Yazdifar (2016) assert that although there are assertions suggesting similarities between the Islamic and conventional banking systems, their fundamental principles are utterly different. To illustrate, as cited in Abdullah et al. (2011); Nawaz & Haniffa (2017); Wulandari et al. (2016), Islamic banks are not permitted to engage in business events that are centred on interest (riba), speculative (gharar), and unlawful (haram). In return, Islamic banking offers modes of payment that in light of trade and without interest along with banking services grounded in

Islamic principles (Rashid et al., 2009). In this respect, it has been observed that the Islamic banking system abides by the profit-sharing policy.

Conversely, the primary source of revenue for the conventional banking system is interest, whereby interest-driven dealings for the creation of assets and liabilities are well-accepted (Ghannadian & Goswami, 2004). Another significant distinction between these two banking systems pertains to the fact that, in contrast to conventional banks, Islamic banks are exempt from accepting funding from any industries that are forbidden by Islam, such as the production of pork products or alcoholic beverages (Dusuki & Abdullah, 2007).

1.2 Problem Statement

Over decades, Islamic banking has come to be as an industry with a history of rapid expansion. Significant support has been gained from numerous Muslim majority nations ever since its founding in 1963 (Conteh & Hassan, 2021). Nevertheless, Islamic banks' capacity to market and advertise their services has failed to keep pace with the rising amount of Islamic financial institutions, particularly Islamic banks. Sudarsono et al. (2021) found that there is low awareness and knowledge among the public regarding the services provided by Islamic banks which causes a significant obstacle to the potential growth and expansion of this financial sector. This is illustrated by Indonesia's low Islamic financial literacy rate of 38.03% (Sudarsono et al., 2021). Thus, the low level of acceptance of Islamic financial services is reflected in the rate of literacy. Furthermore, there is a popular misconception that Islamic banking is simply another kind of conventional banking without the interest component, or that the word "interest" has simply been replaced with "profit" (Saiti, 2015). This is supported by Sonko (2020) saying that there is a deficiency in knowledge and comprehension of Islamic banking goods and operations.

For instance, the Shari'ah financial literacy rate in Indonesia, the nation with the biggest Muslim population globally (Zouiten, 2023; Jawad, 2023), was a painful 9.1% in 2022 (Fitch Ratings, 2024). According to the Emirates Islamic 2021 Islamic Banking Index, 29% of the United Arab Emirates (UAE) population that was surveyed did not know that Islamic banking products were offered (The Asset, 2023; Fitch Ratings, 2023). These events highlight the pervasive problem of low awareness and comprehension of Islamic banking services and products. This study's investigation of Malaysia's low awareness of Islamic banking goods and services was therefore motivated by the country's general lack of awareness.

Islamic banks in Malaysia have been criticized due to low public awareness (Dalhatu et al., 2015). These criticisms come from detractors who are lacking in relevant knowledge and claim that the Islamic financial system does not comply with the core principles of Shariah (Dalhatu et al., 2015). This is due to the fact that most of the customers of Islamic banks misunderstood the differences between Islamic and conventional banks (Maulan, 2016). In addition, lack of understanding by Muslims and lack of willingness by non-Muslims hinders the market development of Islamic products (Ahmad et al., 2019). Zainordin et al. (2016) pointed out that some Malaysians believe that the variance between Islamic and conventional banks is only in the form of different names. This has resulted in inefficient marketing efforts of Islamic banks and has caused Islamic banks to face some difficulties in the development process. Some countries with large Muslim populations such as Indonesia, Turkey, Egypt, Nigeria, Algeria and Morocco have less than 10% market share of Islamic banks (Fitch Ratings, 2023). Moreover, customers with little knowledge of Islamic banking lack confidence in Islamic banks and are unsure whether products are Shariah-compliant. As a result, Islamic banks are exposed to higher reputational and experience risks than conventional banks, as well as additional costs, procedures, reviews and audits (Fitch Ratings, 2023).

In Malaysia, Bank Negara Malaysia (BNM) approved a system that allows Islamic and conventional banks to operate in parallel. With the Islamic banking industry gaining momentum, many conventional banks are rushing to register and obtain full

Islamic licenses to establish Islamic banks in Malaysia (Zainordin et al., 2016). Therefore, one of the fastest-growing businesses now is Islamic banking, which has forced traditional banks to compete with Islamic banks for market dominance (Mariadas & Murthy, 2017). However, even though Islamic banks and other financial organizations have grown quickly in Malaysia, there are still several obstacles in their way. As Dusuki & Abdullah (2007) point out, one of the major problems is the low level of public awareness of the Islamic finance industry. Furthermore, research conducted more than a decade ago highlighted how little knowledge Malaysians have on Islamic banking (Hamid & Nordin, 2001), and surprisingly, a recent study also found similar results (Malarvizhi et al., 2011).

Malaysia is selected as the sample location because it is a pioneer in implementing a dual-track system in banking and finance (Zainordin et al., 2016). Most traditional financial institutions in Malaysia started to set up fully fledged Islamic subsidiaries when Banking and Financial Institutions Act of 1989 was amended. Furthermore, Malaysia leads the way in the development of Islamic banking, with a resilient and extensive Islamic financial system supported by a strong business-oriented regulatory regime and legal framework (*Insight*, 2022).

As for Malaysia, Kaur (2024) believes that the country will rise to the top of the worldwide Islamic finance sector because of its strong Islamic finance ecosystem and ongoing digital transformation. In 2022, the Securities Commission and Bank Negara Malaysia jointly established the Malaysia International Islamic Financial Center Leadership to coordinate with the development of the ecosystem to promote the next phase of development progress in supporting Malaysia as an international Islamic financial center (Ministry of Finance, 2023). In addition, BNM intends to complete the regulatory framework for digital insurance businesses and takaful operators by the first half of 2024 (Kaur, 2024). Malaysia's dominance in Islamic finance has been globally recognized, maintaining its top spot in the "ICD-Refinitiv Islamic Finance Development Indicator" for ten consecutive years. This highlights the development of a comprehensive and increasingly mature Islamic finance ecosystem in Malaysia, characterized by dynamic and resilient players able to offer diverse products (Ministry of Finance, 2023).

In terms of product diversity, Malaysia has demonstrated excellence by offering a wide array of financial products tailored to various needs. These include fundamental banking services, investment products, and Takaful, which serves as the counterpart to conventional insurance. Besides, Malaysian Islamic banks have adeptly developed appealing, competitive, and Shariah-compliant products to serve the needs of clients who are Muslim and those who are not (Oi, 2023). However, the adoption of Islamic banking will be affected by numerous factors such as awareness, religiosity, bank reputation, social influence, and perceived risk are frequently considered nowadays.

Conversely, there are also opposite results from some research. Kaabachi & Obeid (2016) and Warsame & Ireri (2017) stated that awareness insignificantly affects the adoption of Islamic banking. Besides that, Haron et al. (1994), Alshurafat et al. (2024) and Amin et al. (2011) has pointed out that there is no significant influence of religiosity on the adoption of Islamic banking. Pertaining to bank reputation variable, it is asserted that a bank's reputation has no bearing on a client's intent to utilize Islamic banking services (Sudarsono et al., 2021). Furthermore, the findings of Hamsir et al. (2020) and Charag et al. (2019) found that social influence has no impact on Islamic banking adoption. Lastly, Ali (2021) and Mariadas & Murthy (2017) claims that there is no relationship between perceived risk and the adoption of Islamic banking.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study is to examine adoption of Islamic banking products and services in West Malaysia and identify the factors that affect it.

1.3.2 Specific Objective

To fulfil the general objectives, five specific objectives need to be constructed.

1. To examine whether there is a significant relationship between awareness and the adoption of Islamic banking products and services in West Malaysia.

2. To examine whether there is a significant relationship between religiosity and the adoption of Islamic banking products and services in West Malaysia.

3. To examine whether there is a significant relationship between bank reputation and the adoption of Islamic banking products and services in West Malaysia.

4. To examine whether there is a significant relationship between social influence and the adoption of Islamic banking products and services in West Malaysia.

5. To examine whether there is a significant relationship between perceived risk and the adoption of Islamic banking products and services in West Malaysia.

1.4 Research Questions

To fully understand the objective of the research, five research questions are constructed.

1. Is there a significant relationship between awareness and the adoption of Islamic banking products and services in West Malaysia?

2. Is there a significant relationship between religiosity and the adoption of Islamic banking products and services in West Malaysia?

3. Is there a significant relationship between bank reputation and the adoption of Islamic banking products and services in West Malaysia?

4. Is there a significant relationship between social influence and the adoption of Islamic banking products and services in West Malaysia?

5. Is there a significant relationship between perceived risk and the adoption of Islamic banking products and services in West Malaysia?

1.5 Significance of Study

First and foremost, this study contributes significantly to literature on the determinants of Islamic banks' products and services adoption in the Malaysian Islamic banking sector by focusing on the contribution of internal factors to the variation in the intention to use Islamic banking products and services in West Malaysia. It aims to examine the impact of awareness, religiosity, bank reputation, social influence, and perceived risk on the adoption of Islamic bank's products and services. Moreover, it seeks to determine which factors have the greatest impact and those that have little or no effect. Therefore, this outcome can serve as a basis of reference for future study, enabling other researchers to gain a more comprehensive understanding and clearer insight into the factors that influence the acceptance of products and services offered by Islamic banks.

Furthermore, financial institutions and the economy in Malaysia will benefit by adopting this research. As financial institutions understand the factors that influence customer intention, they can better customize their products, services, and marketing strategies to their target market's requirements and preferences. This tailored strategy improves client satisfaction and loyalty, ultimately increasing Islamic banks' market share and profitability. In terms of the economy, the expansion of Islamic banking promotes total financial sector development and diversification as well as reducing reliance on traditional banking systems. This diversification improves financial resilience and stability while lowering systematic risks and vulnerabilities in the economy. The ethical and socially responsible investing concepts inherent in Islamic finance promote sustainable development projects and responsible financial practices, which help Malaysia's economy expand and stabilize over time.

Lastly, Malaysia's government ought to espouse this paper by bearing the obligation of understanding the elements of influencing Islamic banking products and services adoption among citizens in West Malaysia, enabling them to make informed decisions regarding regulatory frameworks and policies. For instance, if the research identifies that there is a lack of awareness of Islamic principles as a key barrier to adopting their products and services, the government may implement initiatives to enhance public education on Islamic banking principles and products. Additionally, comprehending the influence of religiosity and social factors can assist policymakers, which aimed at promoting financial inclusion and addressing the needs of diverse communities. Moreover, insights into perceived risks can guide the government in developing measures to enhance consumer confidence and assure the stability of the Islamic banking sector.

1.6 Operational Definition

1.6.1 Adoption of Islamic banking products and services

Mariadas & Murthy (2017) denoted adoption as the magnitude to which customer can receive a product or service and the likelihood that they will use it sooner or later. In the interim, "Islamic banking" pertains to the way that financial institutions carry out their banking activities in conformity with Islamic principles (Tara et al, 2014).

1.6.2 Awareness

Awareness refers to knowing that something exists or having an immediate comprehension of a situation or subject based on facts or experience (Naz et al., 2019).

1.6.3 Religiosity

According to Reich et al. (1999) and Wong et al. (2006), religiosity refers to one's connection to a certain religious tradition or teaching on a supernatural force or divine being. Religiosity is described through ideology and religious experience. Huber & Huber (2012) define ideology as a person's persistent faith in God and divine nature.

1.6.4 Bank Reputation

According to Tara et al. (2014), a bank's reputation is determined by the public's perception of it derived from previous events, which is crucial to cultivating a positive reputation. Besides, it can also refer to the established, upheld, supplied, and operational image of a bank (Kaabachi & Obeid, 2016).

1.6.5 Social Influence

Social influence refers to the impact and effect of another person's words, actions, or simply their existence on an individual's mind, feelings, or behaviors. (Charag et al., 2019).

1.6.6 Perceived Risk

Perceived risk is defined as the degree and nature of uncertainty that customers encounter while attempting to use a certain product or service (Yahaya et al., 2014).

1.7 Conclusion

Background of the research is provided in this chapter. Besides, the issue of lack of awareness in Islamic banking is revealed in problem statement. Moving on, the research objectives and questions are constructed. Furthermore, significance of this study is carried out followed by the operational definition.

CHAPTER 2: LITERATURE REVIEW

2.0 Prelude

This chapter will delve deeper into previous studies to examine and verify the explained and explanatory variables. Each variable will be thoroughly explained in the sections that follow.

2.1 Review of Literature

2.1.1 Adoption of Islamic financial products and services

Mariadas & Murthy (2017) denoted adoption as the level to which customer will accept a product or service and their tendency to use it someday. In the interim, "Islamic banking" implies the way that financial institutions carry out their banking activities in conformity with Islamic principles (Tara et al, 2014).

Rehman & Shabbir (2010) assert that customers' perceptions of new products' features, in addition to certain external factors, influence their adoption. Prior research has also demonstrated that a new product has a higher chance of being espoused if it offers a superior relative advantage over rival options, aligns with consumer values, experiences, and needs, and is simpler to use than competing offerings.

Islamic banking, in contrast to the traditional banking system, forbids usury as well as the collection and payment of riba. Instead, it encourages profit and loss sharing, zakat giving, societal service, and the growth of all halal business sectors.

Indeed, several state-of-the-art Islamic banking financial products have been covered in-depth in the Islamic banking writings, including MUSHARAKAH (full equity partnerships); BAI SALAM (advance sale agreements); IJARAH (lease financing); and QUARD HASSAN (charitable loans) (Abedifar et al., 2015; Hassan et al., 2013; Hassan & Lewis, 2014; Nawi et al., 2013).

2.1.2 Awareness

Awareness refers to knowing that something exists or having an immediate comprehension of a situation or subject based on facts or experience (Naz et al., 2019). Naz et al. (2019) explains that customers keen to understand more about any services offered by the bank before choosing to adopt the particular product or service. They are constantly updated and try to acquire the necessary knowledge about a service before finally deciding whether to adopt it or not. Clients are prepared to take up the service or good after they have sufficient knowledge of it (Ahmad & Bashir, 2014).

Studies by Thambiah et al. (2021) revealed that awareness has a significant and positive impact on the uptake of Islamic banking goods and services. For instance, Sudarsono et al. (2021) and Albaity & Rahman (2019) proved that awareness positively affects Islamic banking adoption. Additionally, there is a significant relationship and positive correlation between awareness and the uptake of Islamic banking products and services found in the studies of Ahmad & Bashir (2014) and Naz et al. (2019).

However, some studies found that there is an insignificant relationship between awareness and uptake of Islamic banking products and services. For example, Warsame & Ireri (2017) concluded that the impact of awareness towards the adoption of Islamic banking goods and services is not significant. Likewise, the

research of Kaabachi & Obeid (2016) found no significant influence on awareness and uptake of Islamic banking products and services.

In conclusion, there are different results in the relationship between awareness and uptake of Islamic banking products and services.

2.1.3 Religiosity

According to Reich et al. (1999) and Wong et al. (2006), religiosity refers to one's connection to a certain religious tradition or teaching on a supernatural force or divine being. Religiosity is described through ideology and religious experience. Huber and Huber (2012) define ideology as a person's persistent faith in God and divine nature. Long-term religious practice may lead to emotional reactions, particularly when some events contradict their beliefs. This is referred to as the religious experience component. For example, Muslim customers' beliefs influence their preferences as well as their habits, and they will consider buying products that align with their faith (Rehman & Shabbir, 2010). Furthermore, when comparing conventional with Islamic finance, Bley & Kuehn (2004) discovered that the preference towards Islamic banking is mostly influenced by beliefs in religion rather than financial knowledge.

Studies by Maryam et al. (2019) revealed that religiosity is the most important factor in Islamic banking adoption, which shows a positive and highly significant relationship. Similarly, Sudarsono et al. (2021) found that customers' willingness to use Islamic banking services is significantly influenced by their religious beliefs in Indonesia. Bananuka et al. (2019) found a significant correlation between religious effect and the likelihood that Ugandans will switch to Islamic banking. Unlike Ideology, there are positive association between the intention of Islamic banking adoption and religious experience. For instance, consumers in Uganda rejoice from a religious perspective when their fellow do what is right and what their God commands.

On the contrary, consumers of Islamic banks having an insignificant relationship with their religious beliefs following the research done by Haron et al. (1994). According to Amin et al. (2011), religion has no significant influence on the desire to employ Islamic personal finance. Furthermore, the hypothesis that religiosity would influence the intention of adopting Islamic banking was rejected due to cultural and contextual differences, the variety of religious views, and the change of religious ideas over time (Alshurafat et al., 2024).

Therefore, these contradictory results imply that further research is needed to verify the influence of religiosity on the intention to use Islamic banking, particularly in countries that are not Muslim.

2.1.4 Bank reputation

As cited in Tara et al. (2014), a bank's reputation is shaped by how the public view it after the previous incidents, which is essential to building a positive reputation. Moreover, it can also be denoted as the established, upheld, supplied, and operational image of a bank (Kaabachi & Obeid, 2016).

According to Ismail et al. (2014) and Kaabachi & Obeid (2016), there is a significant affiliation between customers' desire to use Islamic banking services and the reputation of Islamic banks. In addition, the findings of study by Dusuki & Abdullah (2007) and Echchabi & Aziz (2012) demonstrated that a customer's objective to uptake Islamic banking services in Malaysia is influenced by both financial reputation and service quality presented by the bank. Similarly, Chebab & Zribi (2012) found that consumers in Tunisia are highly concerned about the reputation of the banks when choosing which banking services to use.

On the other hand, as cited in Sudarsono et al. (2021), a customer's decision to consume Islamic banking services is unaffected by a bank's reputation.

In conclusion, there are two unparallel outcomes in the liaison between the embracement of Islamic banking goods and services and bank reputation, which are significant and insignificant.

2.1.5 Social Influence

Social influence refers to the impact and effect of another person's words, actions, or simply their existence on an individual's mind, feelings, or behaviors (Charag et al., 2019). Social influences such as socialization and peer pressure arise when a person's mood or behavior is influenced by people surrounding them (Feroz & Siddiqui, 2018).

Numerous studies have identified a notable connection among social influence and adoption of Islamic banking product and services. As highlighted by Sudarsono et al. (2021), their research underlines a positive and significant relationship between social influence and uptake of Islamic banking products and services. Besides, another study conducted by Johar &Suhartanto (2019) as well as Lajuni et al. (2017) describe a significant impact between social influence and adoption of Islamic banking product and services. Moreover, the work of Feroz & Siddiqui (2018) corroborates these findings, revealing a significant effect of social influence on intention to accept Islamic banking products and services.

Nevertheless, certain studies have discovered that there is an insignificant relationship among social influence and the Islamic banking adoption. Research from Hamsir et al. (2020) and Charag et al. (2019) revealed that social influence has no significant effect on the uptake of Islamic banking products and services.

In conclusion, there are two different outcomes in the relationship between social influence and the adoption of Islamic banking products and services, which are significant and insignificant.

2.1.6 Perceived Risk

Perceived risk refers to the degree and nature of uncertainty that customers encounter while attempting to use a certain product or service (Yahaya et al., 2014). According to Mariadas & Murthy (2017), Islamic banks adhere to Islamic principles and laws, which do not include the concept of interest. Consequently, all Islamic banks provide interest-free services because the presence of interest rates might introduce a level of uncertainty about profitability. Unlike conventional banking always implies an interest in saving and deposits, individuals engaging in Islamic banking are eligible to earn trade and investment benefits as a kind of return, but only if they willingly undertake a certain level of risk via the mechanism of risk sharing (Yahaya et al., 2014). In the transaction between Islamic banks and consumers, they will have the same degree of risk (Sudarsono et al., 2021). In spite of this, potential customers also perceive the Shariah-compliant reliability of Islamic banking as a source of uncertainty (Kaabachi & Obeid, 2016).

Most commonly, it has been found that there is a negative and significant relationship between perceived risk and consumer's intention to adopt Islamic banking services (Kaabachi & Obeid, 2016). In addition, perceived risk will significantly affect consumers to have a negative attitude towards Islamic banking products and services, when they are uncertain about Islamic banking products (Aziz & Afaq, 2018). In their research on online banking, Chiou & Shen (2012) observed that the perceived risk has a significant and negative impact on customers' attitudes and might potentially reduce their adoption of Islamic banking products and services unless proactive measures are taken to mitigate it.

On the opposite sides, Ali (2021) found that risk perception has insignificant linkage with the adoption of Islamic banking goods and products. A similar finding was done by Mariadas & Murthy (2017). The hypothesis that risk perception will have a direct significant impact on the adoption of Islamic banking in Malaysia is not supported in that article.

In summary, the relationship between perceived risk and the adoption of Islamic banking products and services gives two different results, which are significant and insignificant.

2.2 Theoretical Framework

2.2.1 Theory of Reasoned Action (TRA)
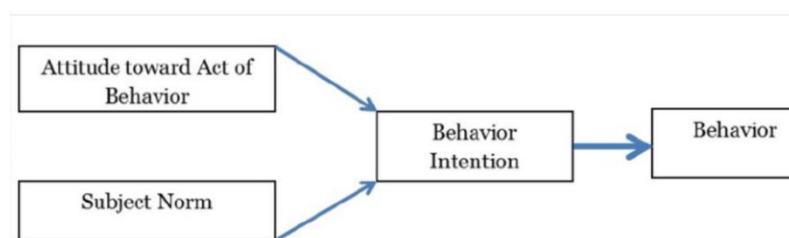
Source: Fishbein & Ajzen (2011)

The theory of reasoned action is used to identify an individual's uptake intention and to meet the needs of social psychology. It implies that an individual's attitude and subjective norms affect how they conduct the action. According to several studies, perceived risk, also known as perceived threat of violence, has a major impact on customer adoption behavior (Rogers, 2003; Ezeh et al., 2015; Jamshidi et al., 2015; Kaabachi & Obeid, 2016; Kiong Kok et al., 2014). Since attitudes are considered to be determined by five factors: knowledge, perceived advantages, perceived innovativeness, the impact of religion and the perception of risk. This has led several studies to examine the public's behavioral intention to embrace Islamic

banking via the framework of the Theory of Reasoned Action (Lujja et al., 2016a, 2016b; Kaawaase & Nalukwago, 2017; Lujja et al., 2018; Bananuka et al., 2019).

2.2.2 Signalling theory

Referring to Spence (2002), the problem of information asymmetry in communication gives rise to signalling theory. Explicitly, a message sent between two parties may not reach its intended recipient immediately. Instead, he or she needs to employ more perceptible indicators to interpret the signals pertaining to non-observable attributes. In fact, Spence, a trailblazing author, was the one who proposed the first signalling model (Spence, 1973), by giving an example of how a candidate's educational background can act as a signal to employers in the job market who may not be fully aware of their qualifications. Owing to the information asymmetry issue, job seekers have to signal their abilities through their educational attainment. Given their superior innate abilities and skills, candidates with higher capacities incur lower costs of higher education than others (Spence, 1973). Higher education is hence a reliable indicator of a person's aptitude.

Likewise, the reputation of a business is an intangible quality. According to Davies et al. (2010), the signalling theory states that a company's reputation functions as a signal to stakeholders about possible future output by reflecting the company's past actions. In addition to this reading, a business's "past actions" will also indicate its reputation, which will reveal its potential for success in the future. More precisely, consumers' purchasing decisions are influenced by the reputation due to the fact that it is perceived as a stand-in for the calibre of the goods and services (Fombrun, 1996).

Aside from that, individuals who open accounts and make deposits with a bank are its clients as well as its investors (Hoang et al., 2022). For this reason, their evaluations of the banks are essential in gauging and assessing bank reputation. Consequently, the recognition or fame of the bank influences the acquisition of Islamic banking goods and services.

2.2.3 Technology Acceptance Model (TAM)
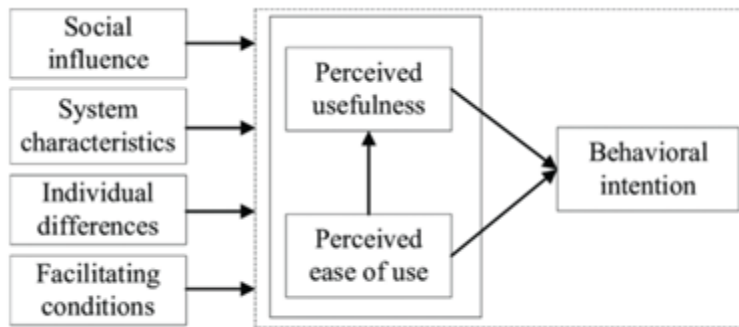
The theoretical framework of the Technology Acceptance Model (TAM).

Source: Ji et al. (1998)

Technology Acceptance Model was established to model the way in which users accept and utilize technologies. This information systems theory successfully operationalizes subjective norm even in the framework of rational points of view such as the TRA and TPB (Venkatesh & Morris, 2000). TAM explores the relationship between social influence and behavioral intentions. A theoretical basis for the TAM model is the definition of subjective norm, which a person's perception on what his social circle think about his behavior. In addition, depending on the individual's response to social influences, the building and maintenance of a good image in the reference group increases the degree of use of new technologies as a consequence of the higher status of the individual in the social system. (Ji et al., 1998). As a result, based on the stated model and previous research, this model is applicable to examine the relationship between social influence and adoption of Islamic banking goods and services.

2.2.4 The Hierarchy of Effect: DAGMAR Model
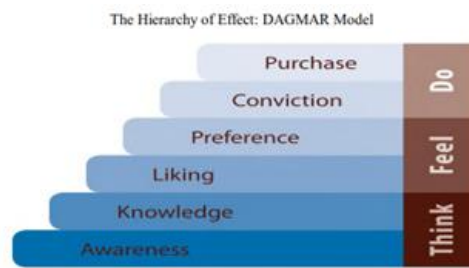
Source: Ahmad & Bashir (2014)

The "Hierarchy of Effects Theory" was introduced in 1898 by a salesman named Lewis, who believed that a salesman must secure the customer's attention, remain the customer's interest, develop the customer's desire, and finally motivate the customer to take action. Along with this, a model was developed in 1910 to integrate the psychological stages of a customer's purchase of any goods or services as `attention', `interest', `conviction' and `action'. Additionally, after a series of modifications, the model was transformed into the DAGMAR model (Defining Advertising Goals for Measured Advertising Results). It offers a reasonable approach to the stakeholders as it progresses from awareness to comprehension, conviction, and action, which deal with various dimensions of the customer's mind in terms of "Thinking", "Feeling", and "Doing". The process begins with various stages of human mindset that relate to the degree of knowledge about goods and services and results in action regarding to the purchase or use of these goods and services. In short, based on the stated model and previous research, this model is applicable to examine the relationship between awareness and adoption of Islamic banking goods and services (Ahmad & Bashir, 2014).

2.3 Conceptual Framework

Independent Variables   **Dependent Variables**
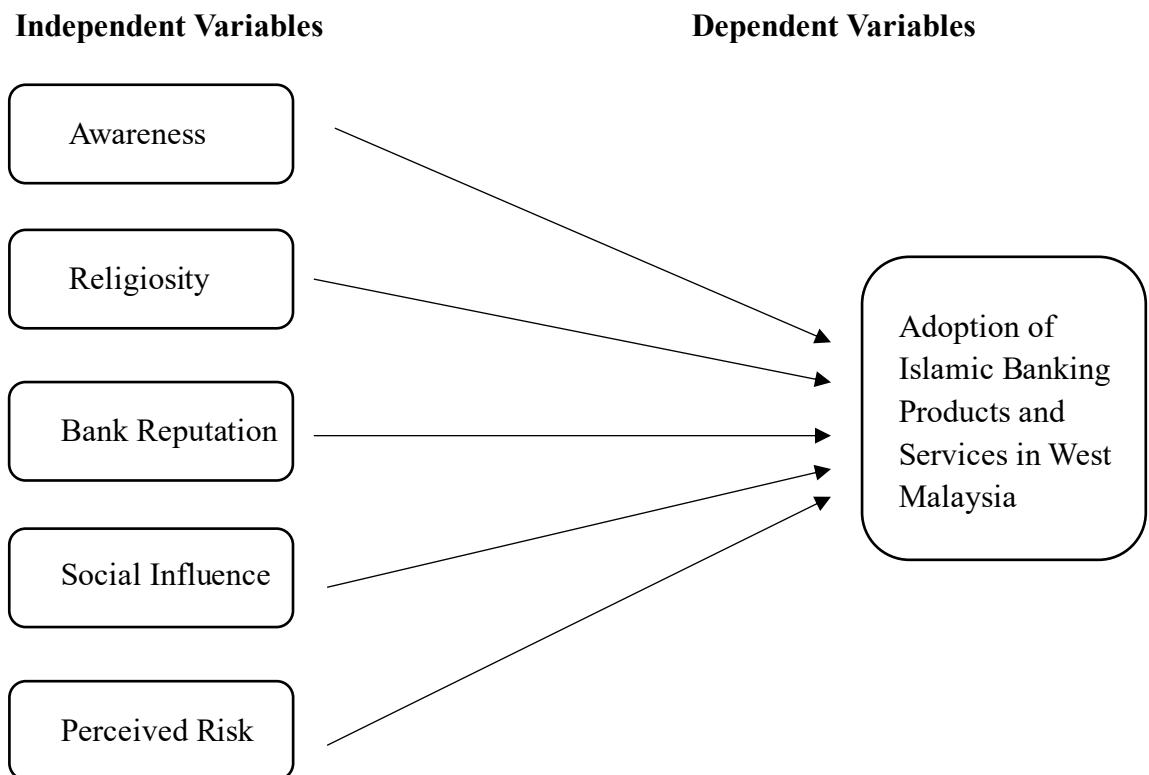
Drawing on the aforementioned theoretical mock-ups that were covered in the preceding section, a conceptual framework is presented to examine the factors that exert influence on the adoption of Islamic banking products and services in West Malaysia. To demonstrate, it consists of five independent variables, namely **awareness, religiosity, bank reputation, social influence, and perceived risk**. Referring to earlier studies, it can be inferred that these independent variables will probably exhibit a major impact on the uptake of Islamic banking products and services. Therefore, this framework will be applied for the purpose of evaluating the reliability of the inference. The hypotheses will then be developed in the upcoming segment.

2.4 Hypothesis Development

2.4.1 Awareness

Awareness refers to knowing that something exists or having an immediate comprehension of a situation or subject based on facts or experience (Naz et al., 2019). Research conducted by Thambiah et al., (2021), Sudarsono et al. (2021), Albaity & Rahman (2019) prove that awareness significantly affects the Islamic banking adoption. Furthermore, the impact of awareness on the uptake of Islamic banking goods and services is proved by Ahmad & Bashir (2014) and Naz et al. (2019).

H1: There is a significant relationship between AW and AD.

2.4.2 Religiosity

Next, religiosity can also significantly impact the uptake of Islamic banking products and services. Jinjiri Ringim's (2014) study found that patronizing Islamic banking is mostly motivated by religious beliefs. Therefore, religiosity can be considered statistically significant to the Islamic banking adoption. Loo (2010) and Butt et al. (2011) found similar findings, demonstrating that religious beliefs have a major effect on consumer attitudes regarding the implementation of Islamic banking in Pakistan. Kaabachi & Obeid (2016) also found a significant relationship between religion and the tendency to use Islamic bank services in Tunisia.

H2: There is a significant relationship between RL and AD.

2.4.3 Bank reputation

Bank reputation may have a significant influence on the embracement of Islamic banking products and services. As cited in the finding of Ismail et al. (2014), it disclosed a statistically significant connection between bank reputation and the acceptance of Islamic banking goods and services. Furthermore, a study carried out by Kaabachi & Obeid (2016) also depicted a same result. Moreover, bank reputation is verified to be significantly associated with the embracement of Islamic banking goods and services, as shown by Dusuki & Abdullah (2007) and Echchabi & Aziz (2012).

H3: There is a significant relationship between BR and AD.

2.4.4 Social Influence

Social influence refers to the impact and effect of another person's words, actions, or simply their existence on an individual's mind, feelings, or behaviors (Charag et al., 2019). As per Sudarsono et al. (2021), Johar & Suhartanto (2019), and Lajuni et al. (2017), there is a significant relationship between social influence and the adoption of Islamic banking products and services. Likewise, Feroz and Siddiqui (2018) revealed the impact of social influence on the adoption of Islamic banking products and services.

H4: There is a significant relationship between SI and AD.

2.4.5 Perceived Risk

Lastly, the adoption of Islamic banking product and services can be significantly affected by perceived risk. Perceived risk is considered as the uncertainty that customers feel before acquiring a product or service (Bauer, 1960; Rattanaburi & Vongurai, 2021). Gerrard & Cunningham (2003), Kholid (2019), and Nguyen (2020) found a there are significant and negative relationship between risk perception and tendency to use Islamic banking services. In addition, Perceived risk is proved that statistically significant to adoption of Islamic banking services and product in Tunisia by Kaabachi & Obeid (2016). Additionally, Kesharwani and Bisht (2012) found that consumers' perceptions of risk influence their intentions to engage in certain behaviors.

H5: There is a significant relationship between PR and AD.

2.5 Conclusion

In this section, the review of literature on the explanatory variables (awareness, religiosity, bank reputation, social influence, and perceived risk) and dependent variable (adoption of Islamic banking products and services) are discussed. Besides, explanations for the theoretical frameworks applied in earlier research are provided. Lastly, the conceptual framework and the hypotheses are elaborated.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Prelude

Chapter three discusses the method adopted for carrying out this study. It recovers research design, design of sampling, research instrumentation, measurement construction, and data analysis.

3.1 Research Design

A research design encompasses the comprehensive plan or methodology employed by a researcher to systematically integrate various elements of a study. Its primary objective is to guarantee that the research topic is conveyed successfully and to act as a manual for collecting, analysing, and interpreting data. Quantitative and qualitative study designs are the two main categories of research designs.

Quantitative research entails a range of methodologies, approaches, and assumptions utilized in analysing psychological, social, and economic phenomena by gathering numerical data. It is primarily employed to generate understanding and insight into social issues. Employing scientific research principles, quantitative research uses measured or observed data to provide insights into the population being studied (Allen, 2017).

Quantitative research is applied in this study. This type of research design was adopted by Kaabachi & Obeid (2016), Mariadas & Murthy (2017), Aziz et al. (2018), Sudarsono et al. (2021) and a few more scholars investigating the variables influencing Islamic banking services and goods uptake in different countries.

3.2 Design of Sampling

3.2.1 Target Population

The objective audience means the specific class of individuals primarily under focus in a particular study, program, or intervention. The target of this study is to investigate the variables impacting the uptake of Islamic banking services and goods in West Malaysia. Thus, the target population includes Malaysians in the three states of West Malaysia: Selangor, Johor and Penang.

3.2.2 Sampling Location

The location of sampling, or the area where data is collected, is indeed selected based on the target population. In this case, as the target population consists of Malaysians in West Malaysia, the sampling locations chosen are Selangor, Johor, and Penang. These areas represent key regions within West Malaysia where data will be collected for the study on the uptake of Islamic banking goods and services. Besides, giving to population statistics released by Department of Statistics Malaysia (2023), the total amount of Malaysians in 2023 is 30,415,300. Selangor, Johor, and Penang are chosen as sampling locations because their combined population is around 40% of the total amount of Malaysian, which amounts to 11,960,300 people.

3.2.3 Elements for Sampling

People in the states of Johor, Selangor, and Penang who are at least eighteen years old were given questionnaires. Each individual serves as a unit of analysis within

the study, with their insights and perspectives contributing to a comprehensive understanding of Islamic banking products and services.

3.2.4 Sampling Technique

Sampling techniques encompass two primary categories: non-probability and probability sampling. With probability sampling, the likelihood of selection is known, whereas non-probability sampling lacks such probability and typically involves convenience or deliberate selection methods. In this study, a judgmental sampling technique, a type of non-probability sampling, was employed due to its cost-effectiveness, time-saving nature, and convenience (Taherdoost, 2016). Judgmental sampling entails selecting samples based on the researcher's conclusion of who can offer the most relevant knowledge to meet the study purposes (Etikan & Bala, 2017). This technique has been utilized in studies by Aziz & Afaq (2018) and Aziz et al. (2018), further validating its application in research.

3.2.5 Sample Size

Based on the total population of 11,960,300 across the states of Johor, Selangor, and Penang in 2023 (Department of Statistics Malaysia, 2023), and referring to the sample size determination proposed by Glenn (1992), a suggested sample size of 400 is recommended for populations exceeding 100,000 (see Table 3.1). Therefore, for this study, a sample size of 400 participants would be appropriate.

Table 3.1

Sample size for ±3%, ±5%, ±7% and ±10% Precision Levels Where Confidence Level is 95% and P=0.5.

Size of Population	Sample Size (n) for Precision (e) of:			
	±3%	±5%	±7%	±10%
500	a	222	145	83
600	a	240	152	86
700	a	255	158	88
800	a	267	163	89
900	a	277	166	90
1,000	a	286	169	91
2,000	714	333	185	95
3,000	811	353	191	97
4,000	870	364	194	98
5,000	909	370	196	98
6,000	938	375	197	98
7,000	959	378	198	99
8,000	976	381	199	99
9,000	989	383	200	99
10,000	1,000	385	200	99
15,000	1,034	390	201	99
20,000	1,053	392	204	100
25,000	1,064	394	204	100
50,000	1,087	397	204	100
100,000	1,099	398	204	100
>100,000	1,111	400	204	100
a = Assumption of normal population is poor (Yamane, 1967). The entire population should be sampled.				

Note. Adapted from Glenn, D. (1992). *Determining Sample Size*. A series of the Program Evaluation and Organizational Development, p.1

3.3 Data Collection Method

Data collection involves the systematic gathering of knowledge for research and analysis purposes. Ensuring the accuracy of data is crucial for addressing concerns, evaluating results, and predicting variations and probabilities (Simplilearn, 2023). In this study, primary data collection method is utilized.

3.3.1 Primary Data

Simplilearn (2023) states that primary data collecting techniques entail obtaining original data straight from the source, giving researchers access to material that is specifically catered to their goals. Primary data gathering techniques encompass a

range of methods, from formal questionnaires to in-depth talks and real-life scenarios, such as inquiries, conferences, experiments, focus groups, and observation.

Primary data simplifies data presentation and aids in determining the accuracy and validity of received feedback (Prasanna, 2022). This study employs the primary data collection method due to its precision and reliability. For the questionnaire, a list of questions concerning the variables impacting the uptake of Islamic banking goods and services has been developed. This approach has also been employed by Mariadas & Murthy (2017), Aziz et al. (2018), Butt et al. (2018), Echchabi & Aziz (2012), and Bananuka et al. (2019) in their investigations into the elements impacting the uptake of Islamic banking goods and services.

3.4 Research Instrument

3.4.1 Design of Questionnaires

The research apparatus employed in this study is aimed at gathering primary data from Malaysians through a Google Forms survey. According to Hyman & Sierra (2016), close-ended and fixed-alternative questions are utilized in questionnaires due to their higher accuracy, cost-effectiveness, and reliability. As a result, Google Forms is used to disseminate the surveys for this study online.

There are three sections to the questionnaire: Sections A, B, and C. Section A consists of five questions in total which are related to demographic variables which are gender, age, state, race, and religion. Section B comprises five inquiries concerning the response variable, which is the uptake of Islamic banking services and products. Section C contains 21 questions concerning the factors of the adoption, which are awareness, religiosity, bank reputation, social influence, and perceived risk.

3.4.2 Pre-Test

Before the questionnaire was distributed to Malaysians in Penang, Johor, and Selangor, the supervisor, Puan Siti Nur Amira Binti Othman, reviewed it.

3.4.3 Pilot Test

Pilot testing involves an initial evaluation of a larger study or project, a trial run or experiment before wider implementation. This stage enables researchers to better understand the methodology and testing process, ensuring practicality and avoiding costly errors that may affect results (Dovetail Editorial Team, 2023). As noted by Feroz and Siddiqui (2018), a pilot test was conducted before performing the survey in their study. In this study, a pilot test will be conducted on 30 respondents.

3.5 Construct Measurement

Examining constructed measures early helps researchers align data collection methods with the questions corresponding to each measure (Shossain, 2020). Therefore, measurement of constructs is essential to verify the effectiveness of the outcomes.

3.5.1 Measurement of Scale

Variables are categorized and defined based on the scales of measurement, with four common types: nominal, ordinal, interval, and ratio. The unique characteristics of

each scale are pivotal in determining suitable methods for data analysis (Francis, 2013). Nominal and ordinal scales are the two types of measurements used in this research.

In Section A, gender, state, race, and religion are assessed using a nominal scale, while the ordinal scale is employed to assess age. Sections B and C are assessed using five-point Likert scales. Utilizing this method in a survey enables respondents to express their opinions more precisely. Previous studies by Kaabachi & Obeid (2016), Echchabi & Aziz (2012), and Bananuka et al. (2019) also utilized a five-point Likert scale to assess queries related to variables affecting the uptake of Islamic banking goods and services.

3.5.2 Measurement Items for Questionnaire

Dependent Variable		Source
Adoption of Islamic banking products and services	- I will strongly recommend others to use Islamic banking services. - I am likely to adopt Islamic banking in the next few years. - I am determined to patronize Islamic banking products or services. - I predict that I will frequently use Islamic banking in the future. - I will accept the Islamic banking concept.	- Mbawuni & Nimako (2018) - Venkatesh & Davis (2000)

Independent Variables		Source
Awareness	• I am aware of the principles of Islamic banking. • I have a full understanding of Islamic banking principles. • I understand the differences between the conventional banking system and the Islamic banking system. • I am aware of the financial instruments offered by Islamic banks. • I am aware of the benefits of the Islamic banking products and services.	• Bashir (2013) • Aziz & Afaq (2018)
Religiosity	• I have strong beliefs in all the basic ideologies of Islam. • I understand the basic knowledge of my religion. • When I act in alignment with my beliefs, I feel joyful. • I always try to avoid committing small and major guilty.	Feroz & Siddiqui (2018)
Bank Reputation	• Islamic banks have a reputation for being transparent toward consumers. • Islamic banks have a reputation for being honest. • Islamic banks contribute to social welfare. • Islamic banks enhance the standard of living. • Islamic banks are known to be concerned about customers.	Jarvenpaa et al. (2000)
Social Influence	• People who I listen to could influence me to use Islamic banking. • Most people who are important to me, support me in taking Islamic banking. • Most of my friends/colleagues who have taken Islamic banking agreed that Islamic finance is better than conventional.	Feroz & Siddiqui (2018)
Perceived Risk	• Using Islamic banking services may lead to potential financial gains. • Using Islamic banking services offering valuable benefit that meet my expectation. • Using Islamic banking services could improve my self-image.	Laroche et al. (2004)

	• Using Islamic banking services positively influence others' opinions of me.	

3.6 Propose Data Analysis Tool

Data processing involves several crucial steps, including checking, editing, coding, and transcribing, all aimed at transforming unprocessed data into insightful knowledge. The principal objective is to extract useful insights from the data. Data processing methods vary widely based on the strategies and algorithms used to extract information, which in turn depend on the specific information of interest and the type of data being processed. Careful and precise data processing can help minimize errors.

3.6.1 Data Checking

The initial step is to check the data, which, according to Barchard & Verenikina (2013), is essential to avoid situations where a single data point significantly deviates from the mean of a variable or population. Thus, data checking is conducted to verify the validity of all questionnaires in this study. Errors that could render the questionnaire invalid may arise from data omission, missing data, or conflicting responses.

To tackle this issue, thorough data-checking methods were implemented to carefully detect and rectify any instances of missing data, thus minimizing the possibility of flawed analyses. Before disseminating the questionnaires to participants, a pilot test was conducted to confirm the clarity of the survey items. Moreover, various assessments including reliability, multicollinearity, and normality tests were conducted. After collecting responses from participants, a meticulous evaluation process was initiated to identify and rectify any errors.

3.6.2 Data Editing

Next, data editing is performed, which means checking data to ensure consistency and relevance, identifying errors and outliers, and making necessary corrections. The main objective of data editing is to improve the standards, accuracy, and effectiveness of gathered information, making it suitable for the intended purpose. In essence, the process is undertaken to optimize the usefulness of the data for its intended application.

3.6.3 Data Coding

Coding of data is an essential part of managing data, involving the conversion of gathered information into numerical codes for systematic storage. This process not only makes data input more efficient but also helps to prevent errors. In our study, the information provided by participants has been carefully coded using a numerical scale from 1 to 5. This coding system corresponds to the Likert scale responses, such as "Strongly Disagree (1)," "Disagree (2)," "Undecided (3)," "Agree (4)," and "Strongly Agree (5)." Employing this numerical coding method simplifies data organization and management, ensuring effective processing and analysis.

3.6.4 Data Transcribing

The subsequent stage involves data transcription, which converts raw data into valuable insights using Statistical Product and Service Solutions (SPSS) 29.0 for the entire data processing process. This advanced software platform acts as a powerful tool for data management and statistical analysis (Bougie & Sekaran, 2019). During this phase, our main goals include confirming the precise

transcription of coded data and ensuring accurate representation of all question variations in the dataset. SPSS streamlines these essential tasks, largely automating the process and reducing the risk of human error.

3.7 Data Analysis

As per Sekaran & Bougie (2016), once the data has undergone processing, it is scrutinized to evaluate whether the previously formed hypotheses should be approved or denied, aiding in addressing the research questions posed. In this empirical research, analysis of data is conducted using the statistical software SPSS 29.0, similar to the approach taken by Echchabi & Aziz (2012), Feroz & Siddiqui (2018), Zainordin et al. (2016), and Mariadas & Murthy (2017). This software serves as the primary tool for statistical analysis, encompassing descriptive analysis, reliability testing, multicollinearity testing, normality testing, and inferential analysis (Calisir et al., 2013).

3.7.1 Descriptive Analysis

The initial analysis to be conducted is descriptive analysis, considered the most fundamental form of data analysis. According to Aldrich (2019) and Larson (2006), descriptive analysis is a statistical approach that presents collected data succinctly, involving the calculation of frequency statistics, measures of central tendency, dispersion, and other relevant metrics. This analysis often entails creating tables and pie charts illustrating frequency, percentage, mean, and standard deviation.

3.7.2 Measurement of Scales

3.7.2.1 Reliability Test

Subsequently, a reliability test is conducted to assess the reliability and accuracy of the scale. As referenced in Calisir et al. (2013), reliability examines the consistency of each variable within the constructs before assessing its validity. When assessing reliability, Cronbach's alpha coefficient is frequently employed, which involves calculating the average correlation between the scale's items (Pallant, 2020). Reliability is shown by higher values of the Cronbach's alpha coefficient, which consistently lie between 0 and 1 (Pallant, 2020).

Table 3.2

Cronbach's Alpha Rule of Thumb

Cronbach's Alpha Rule of Thumb

Cronbach's Alpha	Level of Reliability
$\alpha < 0.6$	Poor
$0.6 \leq \alpha < 0.7$	Fair
$0.7 \leq \alpha < 0.8$	Good
$0.8 \leq \alpha \leq 0.95$	Excellent

Note. Adapted from Zikmund et al. (2010). *Business research methods* (8th ed,).

As depicted in Table 3.2, scales are considered less reliable when the value is under 0.6. If the value falls between 0.6 and less than 0.7, the scales' dependability is thought to be fair. When a scale's value is more than or equal to 0.7 but below 0.8, it is deemed reliable. Moreover, Cronbach's alpha is regarded as having high dependability when it exceeds 0.8 but is below 0.95. Additionally, Di Gangi & Wasko (2016) note that a Cronbach's alpha value of 0.70 is interpreted as indicating

favourable reliability. Generally, a construct is considered to have adequate convergent validity if its value exceeds 0.50 (Fornell & Larcker, 1981).

3.7.3 Preliminary Screening of Data

3.7.3.1 Multicollinearity

It describes a meaningful relationship between explanatory variables (Sekaran & Bougie, 2016). Regression analysis results become unreliable when explanatory variables have a high degree of correlation, as indicated by an increase in the error term value (Abdulwahab et al., 2011). For this reason, running this test before to running regression analysis is crucial.

Multicollinearity problems can be diagnosed using a variety of methods. Firstly, SPSS can be utilized to evaluate the tolerance value and variance inflation factor. Strong collinearity among independent variables and high multicollinearity are indicated by VIF values greater than 10, while high multicollinearity is also shown by a tolerance value below 0.1 (Sekaran & Bougie, 2016).

3.7.3.2 Normality

Before using inferential statistical methods, it is critical to confirm that the normality assumption is met. This step is critical because if the data are not normally distributed, it becomes challenging to obtain accurate and reliable results from which population parameters can be inferred (Ghasemi & Zahediasl, 2012).

One procedure to assess the assumption of normality is by examining skewness and kurtosis. A variable's distribution asymmetry is measured by skewness, while its peakiness is measured by kurtosis (Kim, 2013). Moreover, Byrne (2010) suggests

that the normality assumption is violated when both skewness and kurtosis coefficients exceed ±2 and ±7, respectively. Another approach is to utilize a histogram to visually inspect the distribution of the data. A bell-shaped and symmetric histogram indicates a normal distribution, while deviations from this pattern suggest otherwise (Pallant, 2020).

3.7.4 Inferential Analysis

This analysis holds significance as it involves drawing conclusions about the population based on the sample data collected (Aldrich, 2019). In this study, the connection between the explained variable and independent variables is examined using the inferential analysis method of multiple linear regression analysis.

3.7.4.1 Multiple Regression Analysis

When a model has many explanatory factors but just one explained variable, this analysis is used to test research hypotheses by allowing the relationship between them to be examined (Aldrich, 2019). Given that our study involves five factors, this methodology is suitable. Additionally, this approach has been employed by Mariadas & Murthy (2017), Echchabi & Aziz (2012), and Feroz & Siddiqui (2018) in their examinations of the adoption of Islamic banking goods and services.

The effects of each explanatory variable on the explained variable are shown in the Coefficients table. A p-value of less than 0.05 indicates a significant connection between the explained and explanatory variables. Furthermore, the F-statistic in the Analysis of Variance (ANOVA) table is utilised to assess if the model sufficiently describes variations in the explained variable; if the F-statistic's p-value is less than 0.05, the model as a whole is considered significant. Additionally, in order to determine how much the explanatory variables contribute to the variance of the

explained variable, an analysis of R-squared (R^2) and adjusted R-squared (adjusted R^2) is conducted (Pallant, 2020).

Lastly, the Durbin-Watson (DW) test, also known as serial correlation, evaluates autocorrelation strength by assessing the correlation between variable values across different data sets in regression analysis residuals (CFI Team, 2020). Autocorrelation issues can lead to underestimated standard errors and distorted results. DW statistics are expected to range between 0 and 4. A DW value of two denotes the absence of autocorrelation; values greater than two imply negative serial correlation, and values less than two denote positive autocorrelation (CFI Team, 2020). Typically, DW should fall within the range of 1.5 and 2.5 (Ooi et al., 2008).

3.8 Conclusion

In short, this section discussed the methodology of this quantitative study. Pre-tests and pilot tests were implemented prior to the actual test. Besides, 400 respondents from Penang, Selangor and Johor were invited for the collection of primary data, followed by processing data. Lastly, both descriptive and inferential analysis are used in the data analysis.

CHAPTER 4: RESEARCH FINDINGS

4.0 Prelude

To conduct the data analysis, 429 questionnaires will be collected from individuals in Johor, Selangor, and Penang. SPSS software will be utilized, and the outcomes will be examined in more detail in Chapter four.

4.1 Descriptive Analysis

The responses collected in the three parts of the questionnaire are first examined by descriptive analysis, with tables and pie charts used to better describe and illustrate the results.

4.1.1 Demographic Information

4.1.1.1 Gender

Table 4.1

Gender

Gender	Frequency	Cumulative Frequency	Percent	Cumulative Percentage
Male	141	141	32.9%	32.9%
Female	288	429	67.1%	100%

Figure 4.1

Gender
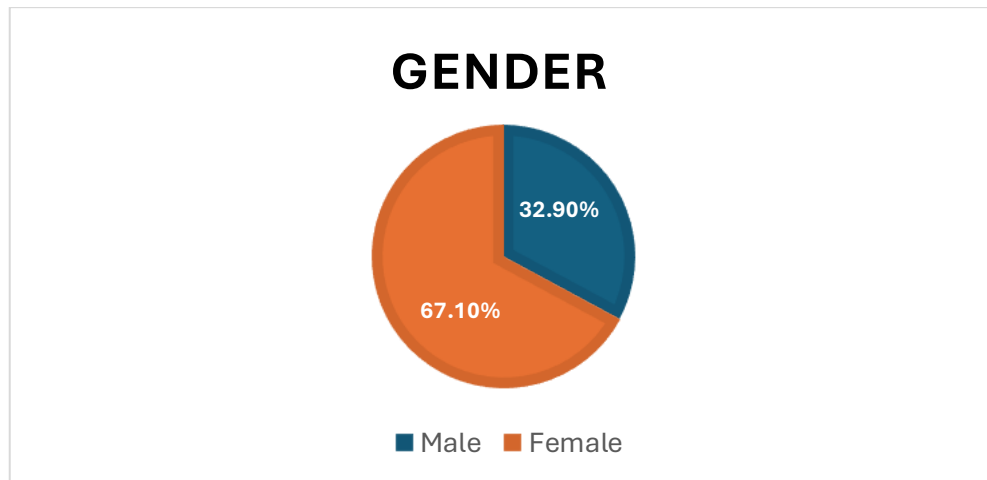
Table 4.1 and figure 4.1 depict the survey's gender ratio. A total of 429 people participated in the survey. Among them, 288 respondents are female, making up 67.10% of the total, and 141 respondents are male, making up the remaining 32.90%.

4.1.1.2 Age

Table 4.2

Age

Age	Frequency	Cumulative Frequency	Percent	Cumulative Percentage
18-27	273	273	63.6%	63.6%
28-43	84	357	19.6 %	83.2%
44-59	63	420	14.7 %	97.9%
>60	9	429	2.1 %	100%

Figure 4.2

Age
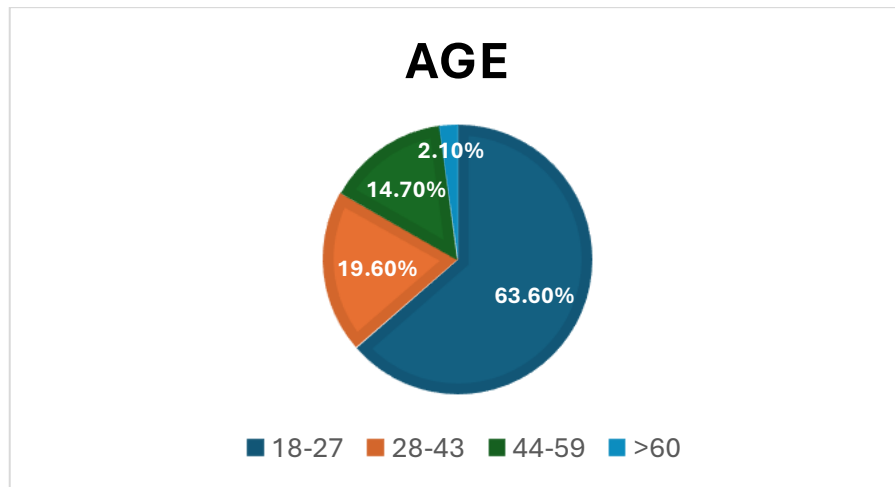
Table 4.2 and Figure 4.2 illustrate the age groups of the participants. Out of the four survey age groups, the most popular age range is 18 to 27 years old, with 273 respondents (63.60%) falling into this category. A total of 84 respondents, aged 28 to 43, represent the second-highest percentage (19.60%) across all categories. Subsequently, 63 respondents (14.70%) are between the ages of 44 and 59, while 9 respondents (2.10%) are above 60.

4.1.1.3 State

Table 4.3

State

State	Frequency	Cumulative Frequency	Percent	Cumulative Percentage
Johor	141	141	32.9%	32.9%
Penang	162	305	37.8%	70.6%
Selangor	126	429	29.4%	100%

Figure 4.3

State
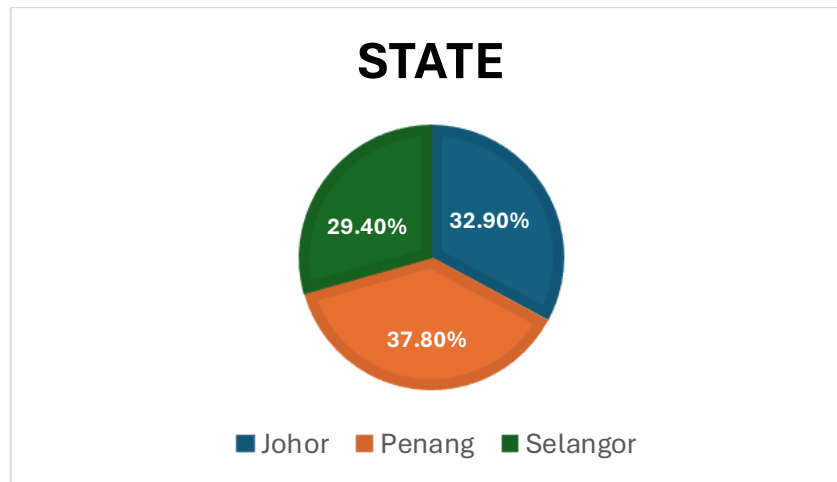
Table 4.3 and Figure 4.3 present the respondents' distribution per state. A total of 162 respondents, or 37.80% of all participants, are from Penang. Johor is represented by 141 respondents, accounting for 32.90% of the total, while the remaining 126 respondents, or 29.40%, are from Selangor.

4.1.1.4 Race

Table 4.4

Race

Race	Frequency	Cumulative Frequency	Percent	Cumulative Percentage
Chinese	228	228	53.1%	53.1%
Malay	181	409	42.2%	95.3%
Indian	20	429	4.7%	100%
Others	0		0%	

Figure 4.4

Race
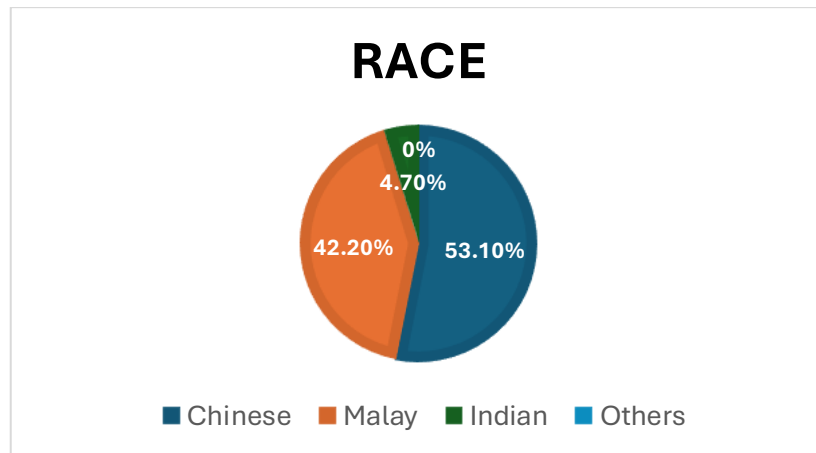
Table 4.4 and Figure 4.4 present the racial composition of the study participants. Out of 429 participants, 228 respondents (53.10%) are Chinese, 181 respondents (42.20%) are Malay, and 20 respondents (4.70%) are Indian.

4.1.1.5 Religion

Table 4.5

Religion

Religion	Frequency	Cumulative Frequency	Percent	Cumulative Percentage
Islam	186	186	43.4%	43.4%
Non - Islam	243	429	56.6%	100%

Figure 4.5

Religion
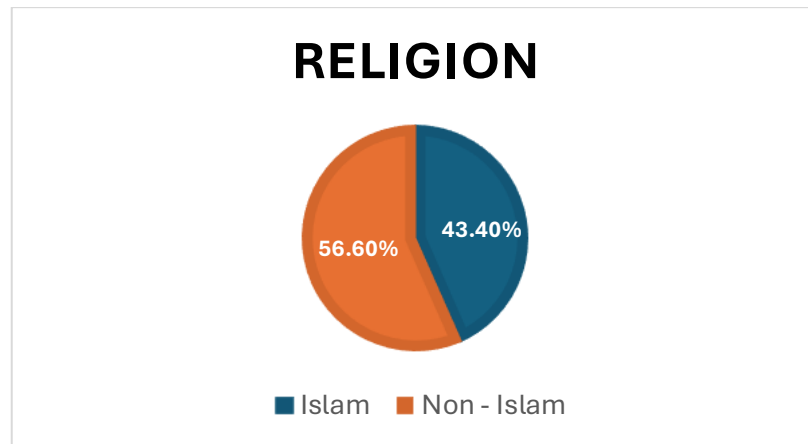
Table 4.5 and Figure 4.5 depict the religiosity of the study's participants. A total of 56.60% of respondents (243 respondents) are not Muslims, while the remaining 43.40% of respondents (186 respondents) are Muslims.

4.1.2 Central Tendencies and Dispersion Measurement of Constructs

The mean and standard deviation of each explanatory and explained variable will be shown in a table format in this section.

4.1.2.1 Adoption of Islamic banking products and services

Table 4.6

Central Tendencies Measurement for Adoption of Islamic Banking Products and Services (AD)

Question	Statement	Sample Size	Mean	Ranking	Standard Deviation	Ranking

AD 1	I will strongly recommend others to use Islamic banking services	429	3.92	2	1.029	4
AD 2	I am likely to adopt Islamic banking in the next few years	429	3.91	3	1.171	2
AD 3	I am determined to patronize Islamic banking products or services	429	3.87	5	1.127	3
AD 4	I predict that I will frequently use Islamic banking in the future	429	3.90	4	1.219	1
AD 5	I will accept the Islamic banking concept	429	4.12	1	0.972	5

Table 4.6 demonstrates the central tendency measurement for the uptake of Islamic banking goods and services. With a standard deviation of 0.972, the statement "I will accept the Islamic banking concept" possesses the greatest average value, 4.12. Furthermore, with standard deviations of 1.029, 1.171, and 1.219, correspondingly, the mean values of the statements "I will strongly recommend others to use Islamic banking services," "I am likely to adopt Islamic banking in the next few years," and "I predict that I will frequently use Islamic banking in the future" are 3.92, 3.91, and 3.90. The statement "I am determined to patronize Islamic banking products or services" has the lowest standard deviation (1.127) and mean value (3.87).

4.1.2.2 Awareness

Table 4.7

Central Tendencies Measurement for Awareness (AW)

Question	Statement	Sample Size	Mean	Ranking	Standard Deviation	Ranking
AW 1	I am aware of the principles of Islamic banking	429	3.90	3	1.142	5
AW 2	I have a full understanding of Islamic banking principles.	429	3.67	5	1.283	1
AW 3	I understand the differences between the conventional banking system and the Islamic banking system	429	3.88	4	1.184	4
AW 4	I am aware of the financial instruments offered by banks	429	3.91	2	1.187	3
AW 5	I am aware of the benefits of the Islamic banking products and services	429	3.96	1	1.209	2

Table 4.7 shows the awareness-related central tendency measurement. With a standard deviation of 1.209, the statement "I am aware of the benefits of the Islamic banking products and services" gives the greatest mean value of 3.96. The contribution from the statement "I am aware of the financial instruments offered by banks" is 3.91 on average, with a 1.187 standard deviation. The statements " I am aware of the principles of Islamic banking" and " I understand the differences between the conventional banking system and the Islamic banking system" then add to the mean values of 3.90 and 3.88 with standard deviations of 1.142 and 1.184,

accordingly. Finally, the statement " I have a full understanding of Islamic banking principles " with a 3.67 mean value and a 1.283 standard deviation.

4.1.2.3 Religiosity

Table 4.8

Central Tendencies Measurement for Religiosity (RL)

Question	Statement	Sample Size	Mean	Ranking	Standard Deviation	Ranking
RL 1	I have strong beliefs in all the basic ideologies of Islamic	429	3.71	4	1.289	1
RL 2	I understand the basic knowledge of my religion	429	4.36	2	0.786	4
RL 3	When I act in alignment with my beliefs, I feel joyful	429	4.24	3	0.820	2
RL 4	I always try to avoid committing guilty	429	4.37	1	0.812	3

Table 4.8 displays the central tendency measurement for religiosity. At 4.37 and 0.812, respectively, for mean and standard deviation, the statement "I always try to avoid committing guilty" has the greatest mean value. In addition, the mean values of 4.36, 4.24, and 3.71 with standard deviations of 0.786, 0.820, and 1.289 are contributed by the statements "I understand the basic knowledge of my religion," "When I act in alignment with my beliefs, I feel joyful," and "I have strong beliefs in all the basic ideologies of Islamic."

4.1.2.4 Bank Reputation

Table 4.9

Central Tendencies Measurement for Bank Reputation (BR)

Question	Statement	Sample Size	Mean	Ranking	Standard Deviation	Ranking
BR 1	Islamic banks have a reputation for being transparent toward consumers	429	4.06	5	0.953	2
BR 2	Islamic banks have a reputation for being honest	429	4.11	4	0.949	4
BR 3	Islamic banks contribute to social welfare	429	4.17	1	0.952	3
BR 4	Islamic banks enhance the standard of living	429	4.12	3	0.996	1
BR 5	Islamic banks are known to be concerned about customers	429	4.13	2	0.928	5

In Table 4.9, the statement " Islamic banks contribute to social welfare " has the highest mean value, 4.17, with a standard deviation of 0.952. Additionally, the statements " Islamic banks are known to be concerned about customers," "Islamic banks enhance the standard of living," and " Islamic banks have a reputation for being honest " all contribute to the mean values of 4.13, 4.12, and 4.11 with standard deviations of 0.928, 0.996, and 0.949. The statement " Islamic banks have a reputation for being transparent toward consumers" contributes mean value 4.06 and a standard deviation 0.953.

4.1.2.5 Social Influence

Table 4.10

Central Tendencies Measurement for Social Influence (SI)

Question	Statement	Sample Size	Mean	Ranking	Standard Deviation	Ranking
SI 1	People who I listen to could influence me to use Islamic banking.	429	3.88	2	1.225	2
SI 2	Most people who are important to me, support me in taking Islamic banking	429	3.90	1	1.276	1
SI 3	Most of my friends/colleagues who have taken banking agreed that Islamic finance is better than conventional	429	3.85	3	1.203	3

Table 4.10 shows the central tendency measurement for social influence. "Most people who are important to me, support me in taking Islamic banking" and "People who I listen to could influence me to use Islamic banking" yields a mean of 3.90 and 3.88 with the standard deviation of 1.276 and 1.225. The statement "Most of my friends/colleagues who have taken banking agreed that Islamic finance is better than conventional" yields the lowest mean rating 3.85 and a standard deviation rating 1.203.

4.1.2.6 Perceived Risk

Table 4.11

Central Tendencies Measurement for Perceived Risk (PR)

Question	Statement	Sample Size	Mean	Ranking	Standard Deviation	Ranking
PR 1	Using Islamic banking services may lead to potential financial gains	429	3.95	2	1.033	4
PR 2	Using Islamic banking services offering valuable benefit that meet my expectation	429	3.98	1	1.062	3
PR 3	Using Islamic banking services could improve my self-image	429	3.84	4	1.167	2
PR 4	Using Islamic banking services positively influence others' opinions of me	429	3.88	3	1.190	1

Table 4.11 shows the perceived risk related central tendency measurement. The statement "Using Islamic banking services offering valuable benefit that meet my expectation" and "Using Islamic banking services may lead to potential financial gains" provide 3.98 and 3.95 as the mean values, and 1.062 and 1.033 as the standard deviations. Besides, the remaining two statements "Using Islamic banking services positively influence others' opinions of me" and "Using Islamic banking services could improve my self-image" contribute 3.88 and 3.84 as the mean values, and 1.190 and 1.167 as the standard deviations.

4.2 Measurement of Scale

4.2.1 Reliability Test

Table 4.12

Result of Cronbach's Alpha

No	Type of variables	Name of variables	Number of items	Cronbach's Alpha	Reliability
1	Dependent Variable	Adoption of Islamic banking products and services	5	0.922	Very Good
2	Independent Variable	Awareness	5	0.941	Good
3	Independent Variable	Religiosity	4	0.748	Very Good
4	Independent Variable	Bank Reputation	5	0.902	Very Good
5	Independent Variable	Social Influence	3	0.884	Very Good
6	Independent Variable	Perceived Risk	4	0.910	Very Good
7	Overall		26	0.942	Very Good

The findings indicate that awareness, with a Cronbach's alpha of 0.941, has the highest value. Thus, it demonstrated that, out of all the variables, awareness is the most dependable. Conversely, out of all the variables, religiosity has the lowest value, at 0.748. In addition, the values of uptake of Islamic banking products and services, perceived risk, bank reputation, and social influence are 0.922, 0.910, 0.902, and 0.884, accordingly. Overall, every variable receives a value of more than 0.7, indicating a fair level of reliability for each of them.

4.3 Preliminary Data Screening

Preliminary data analysis, including the multicollinearity and normalcy tests, is carried out before inferential analysis to ensure the reliability of all results.

4.3.1 Multicollinearity Test

The inflation factor for variances (VIF) and the tolerance value are two methods that should be used to detect multicollinearity. To elaborate, according to Sekaran and Bougie (2016), a substantial multicollinearity problem is present in the model when the VIF is larger than 10 whereas the tolerance value is lower than 0.1.

Table 4.13

Result of Multicollinearity Test

Independent Variable	Collinearity Statistics	
	VIF	**Tolerance**
Awareness	3.061	0.327
Religiosity	2.193	0.456
Bank Reputation	3.780	0.265
Social Influence	3.643	0.274
Perceived Risk	4.391	0.228

All the independent variables in Table 4.13 have the results with a VIF less than 10 and a tolerance greater than 0.1. Therefore, the absence of multicollinearity among the independent variables has been proven.

4.3.2 Normality Test

Histogram, skewness, and kurtosis measurements were employed to evaluate the assumptions of normality. The range of skewness and kurtosis values that George

and Mallery (2010) considered acceptable, indicating a normal distribution, was ±2 to ±7.

Table 4.14

Result of Normality Test

Variables		Skewness	Kurtosis
Dependent Variable	Adoption of Islamic banking products and services	-0.992	-0.101
Independent Variable	Awareness	-1.256	0.527
Independent Variable	Religiosity	-1.283	1.927
Independent Variable	Bank Reputation	-1.277	1.254
Independent Variable	Social Influence	-1.012	-0.021
Independent Variable	Perceived Risk	-1.143	0.420

As figures shown in Table 4.14, all value of the variables' skewness and kurtosis were within the acceptable range, the normality requirements for the variables were satisfied in this research. Adoption of Islamic banking products and services has the greatest skewness value at -0.992, while religiosity has the lowest at -1.283. On the other hand, adoption of Islamic banking products and services has the lowest kurtosis score at -0.101, while religiosity has the highest at 1.927.

Figure 4.6

Histogram of Adoption
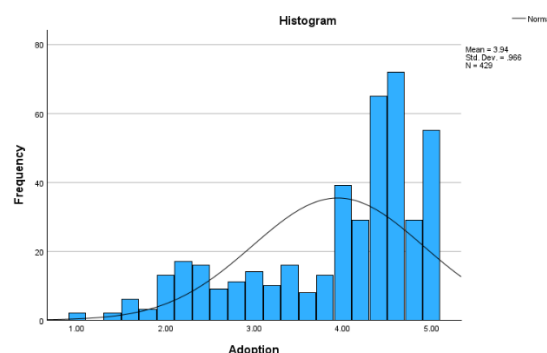
A histogram is also applied to determine if the data satisfies the normality theory. According to Kaplan et al. (2014), a histogram is a conventional approach for

summarizing quantitative data in research articles, newspapers, and other publications. Referring to Figure 4.6, a histogram is constructed based on information from our research's dependent variable, the uptake of Islamic banking services and products. This histogram shows that the distribution plot is determined, and a normal distribution curve is drawn over the plot.

Despite the normal distribution curve being slightly skewed to the right, the distribution plot is still considered to follow the general style of the regular distribution curve. The data frequency is greatest at the center, which is just off to the right, and it drops off sharply as it moves to the left and right. Consequently, it is said to be bell-shaped and generally symmetrical, and the data is said to be regularly distributed.

The histogram shows that the majority of scores are clustered between 3.00 and 5.00, with a notable peak around the score of 4.00 to 5.00. The mean adoption score is 3.94, with a standard deviation of 0.966, and the total number of observations (N) is 429.

This distribution indicates that most respondents have a relatively high adoption score, with fewer respondents in the lower adoption score range.

4.4 Inferential Analysis

4.4.1 Multiple Regression Analysis

Table 4.15

Result of Multiple Regression Analysis

	Unstandardized Coefficient Beta	Coefficient Standard Error	Standardized Coefficient Beta	T-statistics	P-value
(constant)	0.028	0.141		0.201	0.841
Awareness (AW)	0.232	0.037	0.260	6.354*	<0.001*
Religiosity (RL)	0.188	0.047	0.140	4.035*	<0.001*
Bank Reputation (BR)	0.143	0.054	0.120	2.641*	0.009*
Social Influence (SI)	0.257	0.039	0.296	6.633*	<0.001*
Perceived Risk (PR)	0.166	0.048	0.170	3.470*	<0.001*

R-squared	0.7703
Adjusted R-squared	0.767
F-test	282.141*
P value (F-test)	<0.001*
Durbin – Watson Test	1.970

Note: *Indicate the result significant at 95% confidence level

From Table 4.15, the association between the explained variable, uptake of Islamic banking products and services in West Malaysia, and the five explanatory variables,

namely awareness, religiosity, bank reputation, social influence and perceived risk is investigated.

Awareness is significant at a 95% confidence level as its p-value is less than 0.001, does not exceed the 0.05 level of significance whereby this outcome is consistent with what Thambiah et al. (2021) and Albaity & Rahman (2019) have discovered. **Religiosity** has also been shown to be significant at a 95% confidence level in account of its p-value is less than 0.001, surpasses the 0.05 level of significance. The result aligns with the findings of Maryam et al. (2019) and Sudarsono et al. (2021).

Meanwhile, **bank reputation** is also proved to have significant relationship with the dependent variable at the 95% level of confidence as its p-value recorded as 0.009, which is smaller than 5% level of significance. The result in line to the conclusions made by Ismail et al. (2014) and Kaabachi & Obeid (2016).

Last but not least, **social influence** and **perceived risk** are also making a major influence on the uptake of Islamic banking services and products across West Malaysia. P-value of them, which is less than 0.001, no more than the 5% level of significance. Result of social influence conforms to the conclusions made by Johar and Suhartanto (2019) as well as Lajuni et al. (2017) while result of perceived risk aligns with the findings of Chiou & Shen (2012) and Aziz & Afaq (2018).

In conclusion, all of the independent variables, which are awareness, religiosity, bank reputation, social influence and perceived risk are significant with p–value < 0.05 and support the hypothesis that independent variables significantly influence West Malaysian's adoption of Islamic banking products and services.

Furthermore, the coefficient of determination, or R-squared, is a statistical measure that shows the extent to which a change in the dependent variable accounts for a change in the independent variables (Filho et al., 2011). According to results from table above, there will be 77.03% the variation in AD in West Malaysia can defined

by the variation of the awareness, religiosity, bank reputation, social influence and perceived risk. Bonate (2005) states that an R-squared value greater than 0.25 is deemed acceptable. The remaining 22.97%, however, are factors that were not included of our analysis.

In respect of the **adjusted R-squared**, indicates that only 76.7% of the variation in adoption of Islamic banking products and services in West Malaysia is explained by the variation of the awareness, religiosity, bank reputation, social influence and perceived risk jointly after taking into account the degree of freedom.

The **p–value** is of the F-test is smaller than 0.001, which is below the level of 0.05. The result thus revealed that the means are significantly unique, and the explanatory variables, namely awareness, religiosity, bank reputation, social influence and perceived risk able to predict the explained variable which is uptake of Islamic banking products and services in West Malaysia.

As a test statistic, the **Durbin-Watson (DW) statistic** is used to find out whether the residuals of a regression analysis have autocorrelation (CFI Team, 2020). Following the table above, Durbin-Watson statistic is 1.970. Since it falls within the range of 1.5 to 2.5, the model may be considered to have no autocorrelation issue, which is in agreement with general rules in reference to (Ooi et al., 2008).

Applying the equation, all the explanatory variables which included awareness, religiosity, bank reputation, social influence and perceived risk are positive relationship to the uptake of Islamic banking goods and services in West Malaysia. When each of the independent variables such as awareness, religiosity, bank reputation, social influence and perceived risk increase by one unit, this indicate that the uptake of Islamic banking products and services will be increase by 0.232 (AW), 0.188 (RL), 0.143 (BR), 0.210(SI), and 0.257(PR), respectively. This relationship holds true while keeping other variables constant.

4.5 Conclusion

To sum up, SPSS 29.0 is employed to implement the aforementioned data analysis. It helps to conclude and scrutinize the information gathered from the respondents. Moreover, it was discovered that all of the questionnaire's scales are trustworthy and free from multicollinearity and non-normality issues. In addition, the outcomes of the multiple regression analysis disclosed that the explanatory variables, involving awareness, religiosity, bank reputation, social influence and perceived risk have a significant impact on uptake of Islamic banking products and services in West Malaysia.

CHAPTER 5: DISCUSSION AND CONCLUSION

5.0 Prelude

Within this section, the results garnered in Chapter 4 are explored in a thorough way. Firstly, the underlying reasons for these outcomes are examined. Moving on, the implications of the research are discussed. Lastly, the study's constraints and recommendations for prospective research are also examined and explored.

5.1 Summary of Statistical Analysis

Table 5.1

Summary of Regression Analysis Results

Independent Variables	T-statistics	P-value	Results
Awareness	6.354	<0.001 *	Significant
Religiosity	4.035	<0.001 *	Significant
Bank Reputation	2.641	0.009 *	Significant
Social Influence	6.633	<0.001 *	Significant
Perceived Risk	3.470	<0.001 *	Significant

Notes: * indicates p-value is significant at 95% confidence level

As presented in Table 5.1, all the explanatory variables, namely awareness, religiosity bank reputation, social influence and perceived risk have significant relationship with the dependent variable, which is the AD at 95% confidence level. Therefore, they are strong indicators of the uptake of Islamic banking in West Malaysia. Additionally, every research question and hypothesis put forth in Chapters 1 and 2 has been accepted.

5.2 Discussion on Major Findings

The main conclusions from previous section are examined in greater detail in this section.

5.2.1 Key Determinants of adoption of Islamic banking products and services in West Malaysia

5.2.1.1 Awareness and the adoption of Islamic banking products and services

The results of this study showed that there is significant relationship between awareness and the adoption of Islamic banking products and services in West Malaysia. This result is consistent with the conclusions of Thambiah et al., (2021), Sudarsono et al. (2021) and Albaity & Rahman (2019). This means that awareness will influence the Islamic banking adoption. In other words, they have either positive or negative relationships with each other. Since the Table 5.1 had showed a positive sign in the result, we can conclude that in our study, the awareness has a positive relationship towards the adoption of Islamic banking. According to Naz et al. (2019), the customer will confirm that they have a comprehensive understanding of the service or product to ensure a smooth process before adopting one. Furthermore, Thambiah et al. (2021) point out that the level of awareness will affect customer's intention and decision making on adoption.

5.2.1.2 Religiosity and the adoption of Islamic banking products and services

In this study, there is significant relationship between religiosity and the adoption of Islamic banking products and services in West Malaysia. Likewise, the studies

by Sudarsono et al. (2021) and Maryam et al. (2019) also impose that religiosity have significant effect on the uptake of Islamic banking products and services. In other words, they have either positive or negative relationships with each other. Since the Table 5.1 had showed a positive sign in the result, we can conclude that in our study, the religiosity has a positive relationship towards the adoption of Islamic banking. Bananuka et al. (2019) disclosed that religiosity should be emphasized strongly in the innovation and promotion of new Islamic banking services. For example, Muslim customers' beliefs influence their preferences as well as their habits, and they will consider buying products that align with their faith (Rehman & Shabbir, 2010).

5.2.1.3 Bank reputation and the adoption of Islamic banking products and services

The results also reveal a significant relationship between bank reputation and the adoption of Islamic banking products and services among West Malaysia. This result is similar to the findings of Ismail et al. (2014), Dusuki & Abdullah (2007) and Echchabi & Aziz (2012). These studies indicated that bank reputation influences the adoption of Islamic banking. Since the Table 5.1 had showed a positive sign in the result, we can conclude that in our study, the bank reputation has a positive relationship towards the Islamic banking adoption. Findings of Chebab & Zribi (2012) claims that banks are encouraged to operate ethically as bank image is one of the key determinants that influence consumer's option. Moreover, a positive bank image increases the customer's trust and confidence.

5.2.1.4 Social influence and the adoption of Islamic banking products and services

In our study, there is significant relationship between social influence and the adoption of Islamic banking products and services in West Malaysia. Similarly,

research of Johar and Suhartanto (2019) as well as Lajuni et al. (2017) claim that social influence is the important factor affecting Islamic banking adoption. In other words, they have either positive or negative relationships with each other. Since the Table 5.1 had showed a positive sign in the result, we can conclude that in our study, the social influence has a positive relationship towards the uptake of Islamic banking. According to Ji et al. (1998), the adoption behavior of a person with a good image impacts his social circle, increasing the level of adopting the new product.

5.2.1.5 Perceived risk and the adoption of Islamic banking products and services

Significant relationship between perceived risk and the uptake of Islamic banking products and services in West Malaysia is revealed in our study. The same goes for results in Chiou & Shen (2012) and Kaabachi & Obeid (2016), which claimed that perceived risk significantly affects the adoption of Islamic banking. Since the Table 5.1 had showed a positive sign in the result, we can conclude that in our study, the perceived risk has a positive relationship towards Islamic banking adoption. Unlike interest-based conventional bank, investors in Islamic banking receive a return on their investment on the premise of voluntarily bearing a certain amount of risk level under risk-sharing mechanism (Yahaya et al., 2014). Hence, perceived risk has impact on consumer's intention to adopt Islamic banking services (Kaabachi & Obeid, 2016).

5.3 Implications of Study

The managerial implications are discussed in this section, which mainly emphasis on the suggested steps taken by relevant authorities, including universities, the government, religious organizations, and the banking sector to encourage the adoption of Islamic banking goods and services considering the findings from data analysis.

5.3.1 Awareness

The findings of this study show that awareness has impact on the adoption of Islamic banking products and services in West Malaysia. As such, Islamic banks should provide ethical banking products and service in order to attract potential customers and retain loyalty of remaining customers. These products and services will effectively raise public awareness in Islamic banking by conveying the values and objectives of Islamic banks that differentiate them from conventional banks while complying with ethical values. In addition, bank regulators should conduct training for their employees to more concern and assess the understanding of customers about Islamic banking products. As a results, employees have the ability to more accurately deliver product information and help customers to have a better understanding, thereby increasing the adoption of the Islamic banking. Furthermore, government can collaborate with banking industry to organize workshops and campaign to raise public awareness on banking sectors, including Islamic Banks. For example, Karnival Celik Kewangan (KCK) was organized in Pahang, Malaysia by Bank Negara Malaysia to promote financial knowledge to the public (Bank Negara Malaysia, 2024).

5.3.2 Religiosity

This study revealed the significant impact among religiosity and the uptake of Islamic banking products and services in West Malaysia. Therefore, Islamic banks are responsible for ensuring that the services they provide comply with Islamic law. By offering products and services that are aligned with customers' values, banks are able to establish a unique brand positioning in a competitive marketplace, while also gaining the trust of customers who demand a high level of ethical and religious compliance. A clear regulatory framework for Islamic banking should be established by the government and authorities to make sure that Islamic banks

comply to it. Additionally, governments and religious organizations encourage for the engagement of religious leaders on the Islamic banking's adoption as they have a significant influence on followers' beliefs. Same goes for the non-Muslim leaders to attract non-Muslim to adopt Islamic banking products and services. Believers have an extremely high level of trust in religious leaders, which is due to the fact that religious leaders are the most respected people in the community and therefore have an influence on their behaviors and perspectives (Health Communication Capacity Collaborative, n.d.).

5.3.3 Bank reputation

In our study, there is a significant relationship between bank reputation and the uptake of Islamic banking products and services in West Malaysia. Hence, Islamic banks should set maximizing social welfare as one of their objectives rather than focusing on maximizing profits. Banks should demonstrate their commitment to the well-being of society by actively participating in community development projects and Corporate Social Responsibility (CSR) initiatives that are Shariah compliance, such as funding educational programs, supporting the development of underprivileged communities, or participating in environmentally friendly projects. These initiatives which comply with Islamic teachings (Maqasid al-Shariah) contribute to the maximization of social welfare, result in enhancement of public confidence on Islamic banks (Securities Commission Malaysia, 2023).

Furthermore, regular staff training should be conducted to improve employees' service quality and attitude for enhancing the banks' image. Through the trainings, employees will have better understanding with the core values and service philosophy of Islamic banks, ensuring that they are able to serve their customers in a professional and friendly manner. This favorable service experience will not only increase customer satisfaction, but also further expand the influence of Islamic banks. Additionally, banks can collaborate with universities in organizing career fairs to guide university students towards careers in the banking sector and provide internships opportunities through professional consultants. By providing job

opportunities for university students, the banks manage to develop industry professionals and implement recruiting plans, as well as build a positive reputation among the younger generation.

5.3.4 Social Influence

The findings of this study show that social influence has positive effect towards the adoption of Islamic banking products and services in West Malaysia. As such, Islamic banks may influence public attitudes towards Islamic banking through mass publicity. Instead of traditional forms of advertising, mass publicity can be done through social media platforms, public speaking and community events to deepen the public's understanding of Islamic banking. Public shares their acquired knowledge, attitudes and preferences on Islamic banking with their social circles, further extending the popularity and acceptance of Islamic banks. This can be carried out through social media, family reunions, religious gatherings and many other forms. Besides that, universities and religious organizations create booklets, short videos, and other materials that highlight the concepts and advantages of Islamic banking. They then promote it to their students and believers during classroom and religious events. This enables them to convey their knowledge and perspectives towards Islamic banking when communicating with others, thereby reaching out to the people they met.

5.3.5 Perceived risk

In our study, there is a significant relationship between perceived risk and the uptake of Islamic banking products and services in West Malaysia. Therefore, banks should prioritize cybersecurity and data protection, thereby reducing perceived risk. Banks should monitor transaction activities over 24 hours by utilizing artificial intelligence technologies to quickly identify suspicious or fraudulent activity and avoid any misleading information. According to Zahid (2024), over 80% of banks in Malaysia

have utilized at least one Artificial Intelligence (AI) application, with the most popular AI role in fraud detection. These practices not only protect customers' assets, but also enhance their trust in the banking system. Additionally, banks emphasized the transparency in operations, ensuring that clear and assessable financial statements, fees, and policies. By providing clear financial statement, customers gain a better understanding of the bank's operational performance, thereby reducing customers' concerns when using bank services. Besides, the government strengthens the regulations to ensure the banks operate transparently and ethically, increasing customer's trust and confidence. For example, the government regularly review the operational behavior of banks and disclose the results to enhance credibility in the banking sector.

5.4 Limitations of Study

There are a few study constraints have been disclosed in this section. First off, only three states in West Malaysia, namely Selangor, Johor, and Penang, which account for roughly 40 percent of the total population in Malaysia, were encompassed in the study (Department of Statistics Malaysia, 2023). Henceforth, it might be intriguing to extrapolate the research's findings to the thorough population, considering that different people may adopt Islamic banking services and products at different rates. Cultural differences, prevailing economic conditions, and varying degrees of awareness and education regarding Islamic finance could all be contributing factors to this disparity. Moreover, the narrow geographical focus on this study might introduce regional biases, rendering it less representative of the behaviour and attitudes of the general public towards Islamic banking in the country. Merely concentrating on these three states could also potentially overlook the diverse financial practices and inclinations found in other states, especially in East Malaysia, where cultural norms and socioeconomic circumstances may differ substantially. Therefore, there may be insufficient statistical power to detect the meaningful correlations between the variables, which could mask the significance of the results. Besides, this limitation could make it challenging for the model to identify the

important patterns in the data, which would weaken the robustness and generalisability of the research.

Second, the quantitative method is employed in this study by collecting data through the dissemination of questionnaires as a means to characterize the relationship between the predictor variables (awareness, religiosity, bank reputation, social influence, and perceived risk) and the dependent variable (adoption of Islamic banking products and services). Bulmer (2004) claimed that the survey questionnaire is applied in account of it is a favoured technique for discovering attitudes, social traits, and behavioural patterns of the respondents as well as enhances the efficacy and efficiency of gathering large amounts of data. However, since the survey questionnaire restricts the respondents' viewpoints on the study variables and occasionally leaves out crucial information, it is demanding for us to fully absorb the participants' perspectives (Bananuka et al., 2019). Furthermore, self-application surveys increase the likelihood that respondents' answers may have been impacted by their feelings or other circumstances at the time the survey was administered. Consequently, the outcomes might not be precise and dependable.

Last but not least, the variables contained in this study are not all-inclusive for the reason that the model was restricted by a small number of predictor variables while other potentially noteworthy factors that could have an impact on the model were not taken into account. For instance, the economic climate, legal systems, and marketing initiatives conducted by Islamic banks could influence the clients' preferences. As a result, it is plausible that the research unheeded the influence of driving and supplementary variables such as familiarity with Islamic finance, which may provide a more profound comprehension of the rationale behind customers' selection of Islamic banking products (Rehman & Shabbir, 2010). Additionally, the study may also provide an inadequate overview of the factors shaping the adoption of Islamic banking by flouting other variables.

5.5 Recommendations for Future Research

Referring to the previous section, it is detected that certain aspects of the research that look at the variables influencing the uptake of Islamic goods and services have room for improvement. Thus, some suggestions are offered in this part.

First and foremost, impending research should endeavour to cover a wider range of Malaysian areas and regions for the purpose of generalising the findings, improve the applicability of the results and acquiring a thorough grasp of the uptake of Islamic banking goods and services among Malaysians. In addition, it is advisable to increase the sample size beyond the nation as well so as to obtain comparative national results and boost the study's statistical power. By doing so, this research can be approached from a global angle, enabling the researchers to compare the conclusions and outcomes from various regional perspectives, and contribute to enhancing the dependability of research outcomes (Mariadas & Murthy, 2017). In addition to capturing regional differences in consumer behaviour, a more inclusive study would have a higher chance of spotting important relationships and patterns as well as yield more accurate and trustworthy results. Furthermore, it can help to lessen the possibility of missing essential patterns in the data. This strategy would eventually aid in obtaining a more thorough comprehension of the elements influencing Malaysia's adoption of Islamic banking services, allowing for the development of more targeted and operative national marketing campaigns for these services.

Secondly, an intricate dynamic surrounding the acceptance of Islamic banking merchandise and services may be obtained by coupling a quantitative method with a qualitative approach. By integrating these two approaches, researchers are able to capture both the quantifiable characteristics and the individuals experiences that the respondents have with the Islamic banking. Researchers are thus encouraged to implement surveys, involving in-person, focus group interviews, and observations to get around the drawbacks of solely adopting quantitative practice in the study. These qualitative methods can result in deeper and more thorough insights into the

underlying attitudes and behaviours of the participants where the statistics might not be able to convey alone. To illustrate, the answers obtained from the initial survey can be clarified and expanded upon by conducting follow-up interviews. Meanwhile, minimising confusions by the respondents through explicit instructions and question formulation can give rise to more precise and insightful data.

Thirdly, future studies are recommended to broaden the scope of the model by incorporating a wider range of variables, such as corporate image, promotional activities, service quality, and more in the research model so as to better understand the complicated roles of the factors that drive the clienteles to select Islamic banking products (Obeid & Kaabachi, 2016). Adding in more variables will undoubtedly create a more inclusive model that takes into account of the various influences on the variable being explained, and more precisely depict the range of customer motivations and obstacles to uptake the Islamic banking. For example, identifying the function and purpose of the promotional undertakings can assist in the implementation of marketing plans that effectively appeal to target customers while evaluating the service quality can help to point out the areas in need of operational improvement. This broader knowledge could also guide the development of new products and marketing programs, and legislative schemes to support the expansion and the uptake of Islamic banking across a wide variety of markets.

5.6 Conclusion

To conclude, this study aims to investigate the factors that affect the adoption of Islamic banking services and products in West Malaysia. The results demonstrate that there is a significant correlation between the adoption of Islamic banking products and services and all the factors which are awareness, religiosity, bank reputation, social influence, and perceived risk. Meanwhile, all of the hypotheses are accepted as well. Besides, the results are extensively discussed along with some implications along with a summary of the study's shortcomings and suggestions for

further investigation. Aftermath, this study may prepare future scholars with insightful information regarding the variables chosen, data collection methods, and respondent selection.

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Appendices

Appendix A: Market Share of Islamic Financing
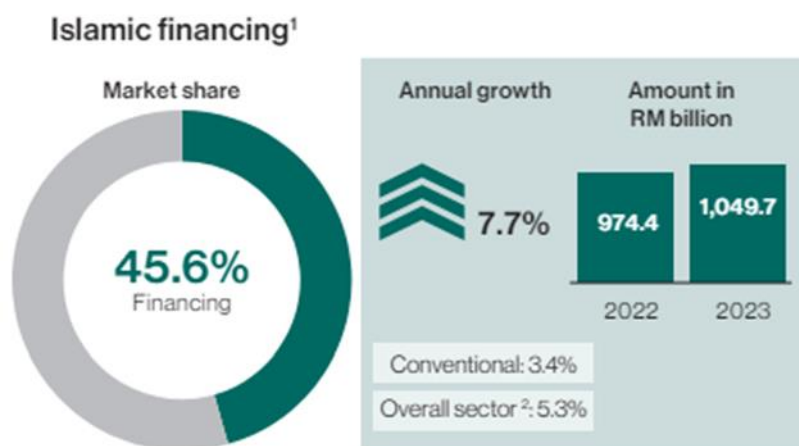
Source: Bank Negara Malaysia, 2024

Appendix B: Net Contribution of Takaful

Takaful net contribution
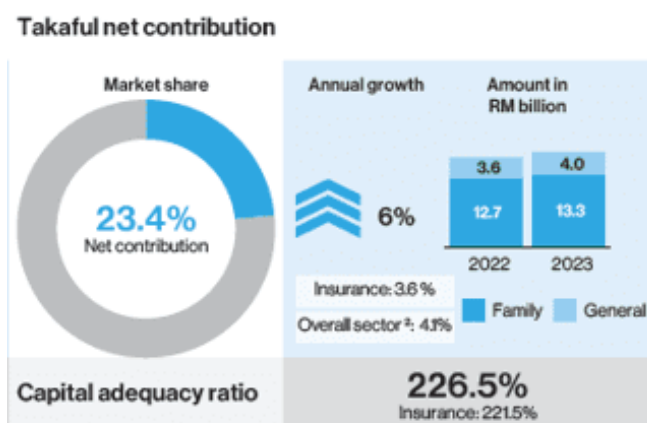
Source: Bank Negara Malaysia, 2024

Appendix C: Certification Letter from UTAR

UNIVERSITI TUNKU ABDUL RAHMAN DU012(A)

Wholly owned by UTAR Education Foundation (200201010564(578227-M))

Faculty of Business and Finance
Jalan Universiti, Bandar Barat, 31900 Kampar, Perak
Phone: 05-468-8888
https://fbf.utar.edu.my/

2 May 2024

To Whom It May Concern

Dear Sir/Madam,

Permission to Conduct Survey

This is to confirm that the following students are currently pursuing their Bachelor of Business Administration (Honours) Banking and Finance program at the Faculty of Business and Finance, Universiti Tunku Abdul Rahman (UTAR) Perak Campus.

I would be most grateful if you could assist them by allowing them to conduct their research at your institution. All information collected will be kept confidential and used only for academic purposes.

The students are as follows:

Name of Student	Student ID
Chew Kang Yi	21ABB04014
Eleen Wong	21ABB03884
Lew Yu Suen	21ABB03886
Ng Yong Yi	21ABB03797

If you need further verification, please do not hesitate to contact me.

Thank you.

Yours sincerely,

....
Dr Wei Chooi Yi
Head of Department
Faculty of Business and Finance
Email: weicy@utar.edu.my

Appendix D: Ethical Approval for Research Project

UNIVERSITI TUNKU ABDUL RAHMAN *DU012(A)*

Wholly owned by UTAR Education Foundation *Co. No. 578227-M*

Re: U/SERC/78-300/2024

1 July 2024

Dr Wei Chooi Yi
Head, Department of Finance
Faculty of Business and Finance
Universiti Tunku Abdul Rahman
Jalan Universiti, Bandar Baru Barat
31900 Kampar, Perak.

Dear Dr Wei,

Ethical Approval For Research Project/Protocol

We refer to your application for ethical approval for your students' research project from Bachelor of Finance (Honours) programme enrolled in course UBFZ3026. We are pleased to inform you that the application has been approved under <u>Expedited Review</u>.

The details of the research projects are as follows:

No.	Research Title	Student's Name	Supervisor's Name	Approval Validity
1.	Factors Affecting the Adoption of Digital Banking Among Malaysian	1. Sean Lee Qing Yang 2. Goh Kai Hen 3. Loh Meng Hao 4. Jocelyn Beh Jia Xin	Pn Siti Nur Amira Binti Othman	1 July 2024 – 30 June 2025
2.	Factors Affecting the Adoption of Islamic Banking Products and Services in West Malaysia	1. Chew Kang Yi 2. Eleen Wong 3. Lew Yu Suen 4. Ng Yong Yi		

The conduct of this research is subject to the following:

(1) The participants' informed consent be obtained prior to the commencement of the research;

(2) Confidentiality of participants' personal data must be maintained; and

(3) Compliance with procedures set out in related policies of UTAR such as the UTAR Research Ethics and Code of Conduct, Code of Practice for Research Involving Humans and other related policies/guidelines.

(4) Written consent be obtained from the institution(s)/company(ies) in which the physical or/and online survey will be carried out, prior to the commencement of the research.

Should the students collect personal data of participants in their studies, please have the participants sign the attached Personal Data Protection Statement for records.

Thank you.

Yours sincerely,

Professor Ts Dr Faidz bin Abd Rahman
Chairman
UTAR Scientific and Ethical Review Committee

c.c   Dean, Faculty of Business and Finance
        Director, Institute of Postgraduate Studies and Research

Appendix E: Personal Data Protection Act Statement

<u>PERSONAL DATA PROTECTION STATEMENT</u>

Please be informed that in accordance with Personal Data Protection Act 2010 ("PDPA") which came into force on 15 November 2013, Universiti Tunku Abdul Rahman ("UTAR") is hereby bound to make notice and require consent in relation to collection, recording, storage, usage and retention of personal information.

<u>Notice:</u>
1. The purposes for which your personal data may be used are inclusive but not limited to:-
    - For assessment of any application to UTAR
    - For processing any benefits and services
    - For communication purposes
    - For advertorial and news
    - For general administration and record purposes
    - For enhancing the value of education
    - For educational and related purposes consequential to UTAR
    - For the purpose of our corporate governance
    - For consideration as a guarantor for UTAR staff/ student applying for his/her scholarship/ study loan

2. Your personal data may be transferred and/or disclosed to third party and/or UTAR collaborative partners including but not limited to the respective and appointed outsourcing agents for purpose of fulfilling our obligations to you in respect of the purposes and all such other purposes that are related to the purposes and also in providing integrated services, maintaining and storing records. Your data may be shared when required by laws and when disclosure is necessary to comply with applicable laws.

3. Any personal information retained by UTAR shall be destroyed and/or deleted in accordance with our retention policy applicable for us in the event such information is no longer required.

4. UTAR is committed in ensuring the confidentiality, protection, security and accuracy of your personal information made available to us and it has been our ongoing strict policy to ensure that your personal information is accurate, complete, not misleading and updated. UTAR would also ensure that your personal data shall not be used for political and commercial purposes.

<u>Consent:</u>
1. By submitting this form you hereby authorise and consent to us processing (including disclosing) your personal data and any updates of your information, for the purposes and/or for any other purposes related to the purpose.

2. If you do not consent or subsequently withdraw your consent to the processing and disclosure of your personal data, UTAR will not be able to fulfill our obligations or to contact you or to assist you in respect of the purposes and/or for any other purposes related to the purpose.

3. You may access and update your personal data by writing to us at Lew Yu Suen (yslew0709@1utar.my).

<u>Acknowledgment of Notice</u>

[√] I have been notified by you and that I hereby understood, consented and agreed per UTAR above notice.

[   ] I disagree, my personal data will not be processed.

....
Name: Lew Yu Suen
Date: 29 - 4 – 2024

Appendix F: Questionnaire

Factors Affecting the Adoption of Islamic Banking Products and Services in West Malaysia

Dear respondent,
We are undergraduate students from Universiti Tunku Abdul Rahman (UTAR) conducting research on the topic of "Factors affecting the adoption of Islamic banking products and services in West Malaysia."

This questionnaire consists of three (3) sections:
Section A: Demographic Information
Section B: Adoption of Islamic banking products and services
Section C: Factors Affecting the Adoption of Islamic Banking Products and Services

Please answer **ALL** questions in **ALL** sections. The contents of this questionnaire will be kept strictly confidential.

Your participation in this questionnaire is highly appreciated.

Sign in to Google to save your progress. Learn more

* Indicates required question

PERSONAL DATA PROTECTION STATEMENT
Please be informed that in accordance with Personal Data Protection Act 2010 ("PDPA") which came into force on 15 November 2013, Universiti Tunku Abdul Rahman ("UTAR") is hereby bound to make notice and require consent in relation to collection, recording, storage, usage and retention of personal information.

Notice:
1.The purposes for which your personal data may be used are inclusive but not limited to:-

- For assessment of any application to UTAR
- For processing any benefits and services
- For communication purposes
- For advertorial and news
- For general administration and record purposes
- For enhancing the value of education
- For educational and related purposes consequential to UTAR
- For the purpose of our corporate governance
- For consideration as a guarantor for UTAR staff/ student applying for his/her scholarship/study loan

2.Your personal data may be transferred and/or disclosed to third party and/or UTAR collaborative partners including but not limited to the respective and appointed outsourcing agents for purpose of fulfilling our obligations to you in respect of the purposes and all such other purposes that are related to the purposes and also in providing integrated services, maintaining and storing records. Your data may be shared when required by laws and when disclosure is necessary to comply with applicable laws.

3.Any personal information retained by UTAR shall be destroyed and/or deleted in accordance with our retention policy applicable for us in the event such information is no longer required.

4.UTAR is committed in ensuring the confidentiality, protection, security and accuracy of your personal information made available to us and it has been our ongoing strict policy to ensure that your personal information is accurate, complete, not misleading and updated. UTAR would also ensure that your personal data shall not be used for political and commercial purposes.

Consent:
1.By submitting this form you hereby authorise and consent to us processing (including disclosing) your personal data and any updates of your information, for the purposes and/or for any other purposes related to the purpose.

2.If you do not consent or subsequently withdraw your consent to the processing and disclosure of your personal data, UTAR will not be able to fulfill our obligations or to contact you or to assist you in respect of the purposes and/or for any other purposes related to the purpose.

 3.You may access and update your personal data by writing to us at Lew Yu Suen (yslew0709@1utar.my).

Acknowledgment of Notice *

○ I have been notified by you and that I hereby understood, consented and agreed per UTAR above notice.

○ I disagree, my personal data will not be processed.

Next   Clear form

Section A: Demographic Information

Gender *

○ Male

○ Female

Age Group *

○ 18 - 27

○ 28 - 43

○ 44 - 59

○ > 60

State *

○ Johor

○ Penang

○ Selangor

Race *

○ Chinese

○ Malay

○ Indian

○ Others

Religion *

○ Islam

○ Non- Islam

Section B: Adoption of Islamic banking products and services

AD1- I will strongly recommend others to use Islamic banking services. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AD2- I am likely to adopt Islamic banking in the next few years. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AD3- I am determined to patronize Islamic banking products or services. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AD4- I predict that I will frequently use Islamic banking in the future. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AD5- I will accept the Islamic banking concept. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

Section C : Factors Affecting the Adoption of Islamic Banking Products and Services

Section C: Awareness

AW1- I am aware of the principles of Islamic banking. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AW2- I have a full understanding of Islamic banking principles. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AW3- I understand the differences between the conventional banking system and * the Islamic banking system.

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AW4- I am aware of the financial instruments offered by Islamic banks. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

AW5- I am aware of the benefits of the Islamic banking products and services. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

Section C : Religiosity

RL1- I have strong beliefs in all the basic ideologies of Islam. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

RL2- I understand the basic knowledge of my religion. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

RL3- When I act in alignment with my beliefs, I feel joyful. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

RL4- I always try to avoid committing guilty. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

Section C : Bank Reputation

BR1- Islamic banks have a reputation for being transparent toward consumers. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

BR2- Islamic banks have a reputation for being honest. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

BR3- Islamic banks contribute to social welfare. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

BR4- Islamic banks enhance the standard of living. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

BR5- Islamic banks are known to be concerned about customers. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

Section C : Social Influence

SI1- People who I listen to could influence me to use Islamic banking.   *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

SI2- Most people who are important to me, support me in taking Islamic banking. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

SI3- Most of my friends/colleagues who have taken Islamic banking agreed that   *
Islamic finance is better than conventional.

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

Section C : Perceived Risk

PR1- Using Islamic banking services may lead to potential financial gains. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

PR2- Using Islamic banking services offering valuable benefit that meet my expectation. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

PR3- Using Islamic banking services could improve my self-image. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

PR4- Using Islamic banking services positively influence others' opinions of me. *

	1	2	3	4	5	
Strongly Disagree	○	○	○	○	○	Strongly Agree

Back   Next   Clear form

Appendix G: Demographic Information

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	141	32.9	32.9	32.9
	Female	288	67.1	67.1	100.0
	Total	429	100.0	100.0	

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-27	273	63.6	63.6	63.6
	28-43	84	19.6	19.6	83.2
	44-59	63	14.7	14.7	97.9
	>60	9	2.1	2.1	100.0
	Total	429	100.0	100.0	

State

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Johor	141	32.9	32.9	32.9
	Penang	162	37.8	37.8	70.6
	Selangor	126	29.4	29.4	100.0
	Total	429	100.0	100.0	

Race

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Chinese	228	53.1	53.1	53.1
	Malay	181	42.2	42.2	95.3
	Indian	20	4.7	4.7	100.0
	Total	429	100.0	100.0	

Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Islam	186	43.4	43.4	43.4
	Non Islam	243	56.6	56.6	100.0
	Total	429	100.0	100.0	

Appendix H: Descriptive Statistic

Statistics

	N Valid	Missing	Mean	Std. Error of Mean	Std. Deviation	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
Gender	429	0	1.67	.023	.470	-.732	.118	-1.471	.235
Age Group	429	0	1.55	.039	.818	1.222	.118	.312	.235
State	429	0	1.97	.038	.789	.062	.118	-1.390	.235
Race	429	0	1.52	.028	.586	.640	.118	-.550	.235
Religion	429	0	1.57	.024	.496	-.269	.118	-1.937	.235
AD1- I will strongly recommend others to use 1ic banking services.	429	0	3.92	.050	1.029	-.913	.118	.131	.235
AD2- I am likely to adopt 1ic banking in the next few years.	429	0	3.91	.057	1.171	-.994	.118	.003	.235
AD3- I am determined to patronize 1ic banking products or services.	429	0	3.87	.054	1.127	-.847	.118	-.251	.235
AD4- I predict that I will frequently use 1ic banking in the future.	429	0	3.90	.059	1.219	-.933	.118	-.284	.235
AD5- I will accept the 1ic banking concept.	429	0	4.12	.047	.972	-1.294	.118	1.445	.235
AW1- I am aware of the principles of 1ic banking.	429	0	3.90	.055	1.142	-1.094	.118	.385	.235
AW2- I have a full understanding of 1ic banking principles.	429	0	3.67	.062	1.283	-.902	.118	-.370	.235
AW3- I understand the differences between the conventional banking system and the 1ic banking system.	429	0	3.88	.057	1.184	-1.215	.118	.609	.235
AW4- I am aware of the financial instruments offered by 1ic banks.	429	0	3.91	.057	1.187	-1.059	.118	.132	.235
AW5- I am aware of the benefits of the 1ic banking products and services.	429	0	3.96	.058	1.209	-1.140	.118	.242	.235
RL1- I have strong beliefs in all the basic ideologies of 1.	429	0	3.71	.062	1.289	-.814	.118	-.510	.235
RL2- I understand the basic knowledge of my religion.	429	0	4.36	.038	.786	-1.539	.118	3.310	.235
RL3- When I act in alignment with my beliefs, I feel joyful.	429	0	4.24	.040	.820	-1.231	.118	1.927	.235
RL4- I always try to avoid committing guilty.	429	0	4.37	.039	.812	-1.590	.118	3.142	.235
BR1- 1ic banks have a reputation for being transparent toward consumers.	429	0	4.06	.046	.953	-1.040	.118	.773	.235
BR2- 1ic banks have a reputation for being honest.	429	0	4.11	.046	.949	-1.257	.118	1.597	.235
BR3- 1ic banks contribute to social welfare.	429	0	4.17	.046	.952	-1.255	.118	1.397	.235
BR4- 1ic banks enhance the standard of living.	429	0	4.12	.048	.996	-1.191	.118	1.006	.235
BR5- 1ic banks are known to be concerned about customers.	429	0	4.13	.045	.928	-1.073	.118	.814	.235
SI1- People who I listen to could influence me to use 1ic banking.	429	0	3.88	.059	1.225	-.973	.118	-.147	.235
SI2- Most people who are important to me, support me in taking 1ic banking.	429	0	3.90	.062	1.276	-.944	.118	-.360	.235
SI3- Most of my friends/colleagues who have taken 1ic banking agreed that 1ic finance is better than conventional.	429	0	3.85	.058	1.203	-.920	.118	-.184	.235
PR1- Using 1ic banking services may lead to potential financial gains.	429	0	3.95	.050	1.033	-1.072	.118	.646	.235
PR2- Using 1ic banking services offering valuable benefit that meet my expectation.	429	0	3.98	.051	1.062	-1.049	.118	.403	.235
PR3- Using 1ic banking services could improve my self-image.	429	0	3.84	.056	1.167	-.999	.118	.108	.235
PR4- Using 1ic banking services positively influence others' opinions of me.	429	0	3.88	.057	1.190	-1.037	.118	.133	.235

Appendix I: Reliability Test Analysis Results for Pilot Test

Overall

Case Processing Summary

		N	%
Cases	Valid	429	100.0
	Excluded[a]	0	.0
	Total	429	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.942	6

Adoption of Islamic banking product and services

Case Processing Summary

		N	%
Cases	Valid	429	100.0
	Excluded[a]	0	.0
	Total	429	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.922	5

Awareness

Case Processing Summary

		N	%
Cases	Valid	429	100.0
	Excluded[a]	0	.0
	Total	429	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.941	5

Religiosity

Case Processing Summary

		N	%
Cases	Valid	429	100.0
	Excluded[a]	0	.0
	Total	429	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.748	4

Bank Reputation

Case Processing Summary

		N	%
Cases	Valid	429	100.0
	Excluded[a]	0	.0
	Total	429	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.902	5

Social Influence

Case Processing Summary

		N	%
Cases	Valid	429	100.0
	Excluded[a]	0	.0
	Total	429	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.884	3

Perceived Risk

Case Processing Summary

		N	%
Cases	Valid	429	100.0
	Excluded[a]	0	.0
	Total	429	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.910	4

Social Influence

Appendix J: Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.028	.141		.201	.841		
	Awareness	.232	.037	.260	6.354	<.001	.327	3.061
	Religiosity	.188	.047	.140	4.035	<.001	.456	2.193
	BankReputation	.143	.054	.120	2.641	.009	.265	3.780
	SocialInfluence	.257	.039	.296	6.633	<.001	.274	3.643
	PerceivedRisk	.166	.048	.170	3.470	<.001	.228	4.391

a. Dependent Variable: Adoption

Appendix K: Normality Test

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Adoption	429	3.9431	.96641	-.992	.118	-.101	.235
Awareness	429	3.8657	1.08087	-1.256	.118	.527	.235
Religiosity	429	4.1684	.71678	-1.283	.118	1.927	.235
BankReputation	429	4.1175	.80998	-1.277	.118	1.254	.235
SocialInfluence	429	3.8749	1.11263	-1.012	.118	-.021	.235
PerceivedRisk	429	3.9126	.98910	-1.143	.118	.420	.235
Valid N (listwise)	429						

Appendix L: Multiple Regression Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.877[a]	.769	.767	.46690	.769	282.141	5	423	<.001	1.970

a. Predictors: (Constant), PerceivedRisk, Religiosity, Awareness, SocialInfluence, BankReputation

b. Dependent Variable: Adoption

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.028	.141		.201	.841		
	Awareness	.232	.037	.260	6.354	<.001	.327	3.061
	Religiosity	.188	.047	.140	4.035	<.001	.456	2.193
	BankReputation	.143	.054	.120	2.641	.009	.265	3.780
	SocialInfluence	.257	.039	.296	6.633	<.001	.274	3.643
	PerceivedRisk	.166	.048	.170	3.470	<.001	.228	4.391

a. Dependent Variable: Adoption