

**AWARENESS OF ISLAMIC BANKING PRODUCTS AND SERVICES AMONG
NON-MUSLIM STUDENTS IN SELECTED NORTHERN UNIVERSITIES OF
MALAYSIA**

By

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ABSTRACT

Islamic financial industry has shown a positive growth that attracts many investors and clients worldwide. Malaysia, one of the pioneer members of this emerging industry is also experiencing notable development in operating more than seventeen Islamic banking institutions. However, non-Muslim clients experienced difficulties when it comes to understanding of overall system, principles, features and sophisticated Arabic terms that Islamic banks use. The purpose of this research is to examine the level of awareness, understanding and perceptions of non-Muslims in selected northern universities of Malaysia towards Islamic banking products and services. In addition, this study also aims to investigate if there are any demographic factors influence the awareness, understanding and perceptions of Islamic Banking products and services among non-Muslim students in selected universities. The result showed that the vast majority of respondents generally aware of Islamic banking products and services. Nevertheless, the result also indicated that non-Muslim students do not have enough knowledge and understanding towards Arabic terms that Islamic Banks use in their products and services. The study found that there is significant relationship between understanding and awareness. Furthermore, the result showed that there is no significant relationship between perception and awareness. Moreover, the study found that demographic factors such as age, religion, and level of education show significant differences among respondents, while gender show no significant difference among the respondents. This study contributes to the available literature in Islamic banking Industry in general while imparts in managerial aspects through its recommendations. It suggests that Islamic banking managers should take all necessary steps to adopt marketing policies and other endeavours in order to make sure that all clients of Islamic banks should have a maximum awareness, understanding and positive perception towards the products and services of Islamic banking.

Key Words: Awareness, understanding, perception, non-Muslims, demographic factors

ABSTRAK

Industri kewangan Islam telah menunjukkan perkembangan yang positif yang telah menarik ramai pelabur dan pelanggan di seluruh dunia. Malaysia adalah merupakan perintis di dalam industri yang baru ini dan telah mengalami perkembangan yang ketara yang beroperasi lebih daripada tujuh belas institusi perbankan Islam. Bagaimanapun pelanggan bukan Muslim mengalami kesukaran apabila berhadapan dengan kefahaman keseluruhan sistem, prinsip, ciri-ciri dan penggunaan bahasa Arab terhadap istilah yang tertentu yang telah digunakan oleh perbankan Islam. Tujuan kajian ini adalah untuk mengenalpasti tahap kesedaran, kefahaman dan tanggapan orang bukan Muslim terhadap produk dan perkhidmatan perbankan Islam. Selain itu kajian ini adalah bertujuan untuk mengenalpasti sama ada faktor demografi mempengaruhi kesedaran, kefahaman dan tanggapan terhadap produk perbankan Islam dan perkhidmatan di kalangan pelajar bukan Muslim di universiti yang terpilih iaitu Universiti Utara Malaysia. Keputusan menunjukkan majoriti responden secara umumnya menyedari akan produk dan servis perbankan Islam. Walaubagaimanapun, hasilnya juga menunjukkan pelajar-pelajar bukan Islam tidak mempunyai pengetahuan dan kefahaman yang cukup terhadap istilah Arab yang digunakan oleh produk-produk dan perkhidmatan perbankan Islam. Tambahan pula, hasilnya juga menunjukkan terdapat hubungan yang tidak signifikan antara persepsi dan kesedaran. Walaubagaimanapun, kajian ini mendapati bahawa faktor demografi seperti umur, agama, dan tahap pendidikan menunjukkan signifikansi yang berbeza antara responden, manakala jantina menunjukkan tiada perbezaan yang signifikan di kalangan responden. Kajian ini menyumbang kepada kesusteraan yang ada dalam industri perbankan Islam secara umum, manakala menyampaikan dalam aspek pengurusan melalui cadangan. Adalah disarankan bahawa pengurusan perbankan Islam seharusnya mengambil langkah yang perlu untuk menerima pakai dasar-dasar pemasaran dan usaha lain untuk memastikan bahawa semua pelanggan perbankan Islam mempunyai kesedaran yang maksimum, pemahaman dan persepsi yang positif terhadap produk dan perkhidmatan perbankan Islam.

Kata kunci: Kesedaran, kefahaman, persepsi, bukan Muslim, faktor-faktor demografi

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LIST OF ABBREVIATIONS

BNM	Bank Negara Malaysia
BIMB	Bank Islam Malaysia Berhd
UUM	Universiti Utara Malaysia
USM	Universiti Sains Malaysia
UNIMAP	Univertiti Malaysia Perlis
UK	United Kingdom
INCEIF	International Centre for education in Islamic finance
GCC	Gulf Cooperation Countries
UIA	Universiti Islam Antrabangsa

CHAPTER ONE

INTRODUCTION

1.1. Introduction

This chapter discusses the background of Islamic banking industry in Malaysia as this study is conducted. Moreover, this chapter comprises seven parts. The chapter also emphasizes the background of the study, problem statement, research questions, research objectives significant of the study and scope and limitations of the study. Lastly, this chapter highlights the organization of the thesis.

1.2. Background of Study

Malaysia is moderate Muslim nation which has made tremendous progress in developing Islamic banking system. The nation has been promoting and enhancing Islamic banking industry in general in which many commentators regard as one of the most advanced market of Islamic Financial industry across the globe. As for definition, according to worldwide organization of Islamic Banks, Islamic banking is defined as financial institution that operates under the guidelines of Sharia principles.

Furthermore, the very objective of Islamic banking system is to enhance and develop the unity of Muslim societies as well as to make sure a just distribution and utilization of

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