Perception of Non-Muslims Customers towards Islamic Banks in Malaysia

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Abstract

Islamic banking products and services are gaining popularity among non-Muslims across the globe due to its wider product coverage and ability to traverse the global economic melt-down. However, to what extent this statement is true in Malaysian context.   Hence, this research aims to examine non-Muslim customers' perception of Islamic banking products and services in Malaysia. The analysis of this research involved 152 respondents, all of whom are based in Kuala Lumpur, Malaysia. The result of the study showed that Islamic banking services are making headway among non-Muslims in Kuala Lumpur. Despite this positive trend, more efforts need to be energized   to enhance the level of *understanding for non-Muslim customers on the Islamic banking concepts. Similarly, a more comprehensive research is required to be undertaken to uncover various reasons of Islamic banking selection by non-Muslim customers. For the degree of perception, the link between religion and education could not be established with the perception that the establishment of Islamic banking will improve the overall banking facilities since most of the respondents were unsure of Islamic banking products and services are gaining popularity among non-Muslim. Most respondents strongly thought that Islamic banking would dominate conventional banking in Malaysia, in the near future.*

Keywords: Perception, Islamic banking, products, services, non-Muslim

Introduction

Being one of the most progressive Muslim countries in the world, Malaysia has been promoting the idea of implementing Islamic Banking System (IBS). In general, Islamic banking, by definition of the International Association of Islamic Banks (IAIB), is a banking system which was established to utilise fund in accordance to Islamic Shariah principles. The purpose of IBS is to expand the ring of unity among the Muslims and to ensure a fair distribution and utilisation of fund in compliance with the Islamic principles and teaching. This means that all the banking operations right from the deposits transactions, financing and products offered by the Islamic banks to it customers should be in compliance with Shariah law. Shariah (Arabic: 'شريعةtransliteration: Šarīʿah) is the body of Islamic religious law.

Notwithstanding its name, Islamic banking is fast gaining grounds with non-Muslims worldwide due to its strict lending principles, reflecting industry efforts to transcend religious beliefs to gain greater market share. Since Shariah finance is a blend of Islamic economics and modern lending principles, its products can be sold to Muslims and non-Muslims alike. While it was previously a small segmented market catering only to Muslims who wanted to avoid interest-based conventional banking, Islamic finance has been successful in attracting a wider circle of followers in recent years due to cash-rich Gulf Muslim investors and rising demand for ethical investing. Non-Muslim investors have also been looking for less risky alternatives since the onset of the global credit crisis over a year ago that has cast doubt on many Western risk management practices.

Nonetheless, the Islamic finance sector is still relatively in infancy state as compared to the more established conventional sector. The industry players have been tirelessly working to grow its market share to become a global alternative to conventional banking.

Many leading commercial banks in Malaysia have set up Islamic banking businesses to tap the opportunities in the US$1 trillion industry. In Islamic banking, there are a lot of other governance to be put in place to enhance the confidence and strengthen the risk management through the Shariah governance and framework. Non-Muslims now make up to half of some of Malaysian Islamic banks' customers. Islamic banking products such as home loans and insurance (takaful) have drawn considerable interest from Malaysia's ethnic Chinese and Indian minorities. Globally, Shariah bonds are among the fastest growing Islamic finance instruments, with recent issuers coming from non-traditional Muslim markets such as Japan. There are more than 300 Islamic financial institutions worldwide and the sector is valued at about $1 trillion, but still is just a fraction of the total value of the conventional global banking industry (Business Times, 2008).

Problem Statement

Changes in the Malaysian financial landscape and the introduction of Islamic banking has generated new dimension and phenomenal in banking sector. Such scenario had also led to the changes in the customer's taste and demand for better and high quality banking services. Since the emergence of more financial institutions in recent years, both conventional or Islamic, customers, Muslims and non-Muslims alike have been presented with enormous choices to choose from in term of banking products and services. Rather, customers are now spoilt for choices to choose the ones that meet their needs and wants before making any decisions.

Similarly, this situation also applies to the products and services offered by the Islamic banking system. These products not only have to compete with products offered by the conventional banking but also among the products offered by the Islamic banking itself. Due to this stiff competition, the Islamic banking therefore need to consider several criteria such as bank's image and performance, speed of transaction, channel of delivery system, banking convenience and product diversity to attract Muslims and non-Muslims customers to continuously do banking business with them.

Islamic banking is gaining grounds with non-Muslims in Malaysia, where it was reported that half of some of Islamic banks customers in Malaysia are non-Muslims. Why is it so? Is it because of its resilience in the global economic downturn or strong liquidity management or any other reasons?

Purpose of the Study

Based on the statement of problem, the purpose of this study is to investigate the following hypotheses:

H_1 Respondent background will influence customer's perception towards Islamic banking products and service

H_2 Knowledge and understanding on Islamic banking will influence customer's perception towards Islamic banking products and service

H_3 Bank selection criteria will influence customer's perception towards Islamic banking products and service

H_4 Views and general perception of customers will influence Islamic banking products and services.

H_{4a} Establishment of Islamic banking in Malaysia will create more banking opportunity for non-Muslims.

H_{4b} Islamic banking products have great potential in the future.

H_{4c} Islamic banking system is able to dominate conventional banking in Malaysia.

Literature Review

Growth of Islamic Banking in Malaysia

Islamic Banking Act 1983 (IBA) was introduced to allow the establishment of IBS along side the Conventional Banking System (CBS). The IBS offers products and services in accordance to the Shariah law as well as principles and subject to Bank Negara Malaysia regulation (Central Bank of Malaysia, 2006).

Bank Islam Malaysia Berhad (BIMB) which was established in July 1983, was the first Islamic bank in Malaysia established under the IBA 1983 with paid-up capital of RM80 million (Bank Islam, 2011). It operates under tight regulatory regime where it has to fulfill the conventional banking guidelines and regulation as well as IBA. BIMB was allowed to operate without a healthy competition for over 10 years.

The period is considered reasonable for BIMB to introduce and innovate Islamic banking products and services. In its first decade of operation, BIMB experienced a healthy growth with over 80 branches and 1,200 staff (Bank Islam, 2011). After 10 years, the government thought it would be reasonable for the Islamic banking operations to be expanded so that more Muslims and non-Muslims would be able to enjoy Islamic banking facilities. This led to the introduction of a dual banking system called *Skim Perbankan Tanpa Faedah* (Banking Scheme without Interest) (SPTF) in 1993 by the government of Malaysia. The system allows conventional banking to offer Islamic Banking products and services besides their existing conventional products and services. As such, they need to set-up a separate unit called Islamic Banking Unit (IBU) that will be entrusted and responsible for all aspects of Islamic banking products and services. In 2007, the financial landscape saw further liberalisation by the government on the establishment Islamic banking institution with the establishment of several foreign-owned Islamic banking institutions in Malaysia.

Based on the BNM annual report, there were 17 Islamic banks which were registered and given licensed as shown in Table 1:

Table 1: List of Licensed Islamic Banking Institutions in Malaysia

	Islamic	
1	Affin Islamic Bank Berhad	Local
2	Alliance Islamic Bank Berhad	Local
3	AmIslamic Bank Berhad	Local
4	Bank Islam Malaysia Berhad	Local
5	Bank Muamalat Malaysia Berhad	Local
6	CIMB Islamic Bank Berhad	Local
7	EONCAP Islamic Bank Berhad	Local
8	Hong Leong Islamic Bank Berhad	Local
9	Maybank Islamic Berhad	Local
10	Public Islamic Bank Berhad	Local
11	RHB Islamic Bank Berhad	Local
12	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad	Foreign
13	Asian Finance Bank Berhad	Foreign
14	HSBC Amanah Malaysia Berhad	Foreign
15	Kuwait Finance House (Malaysia) Berhad	Foreign
16	OCBC Al-Amin Bank Berhad	Foreign
17	Standard Chartered Saadiq Berhad	Foreign

Source: Central Bank of Malaysia, 2010

Bank Selection Criteria

Among the common factors used to measure customers' selection criteria are cost and benefits of products offered, service delivery (fast and efficient), confidentiality, size and reputation of the bank, convenience (location and ample parking space), friends and families influences and friendliness of personnel Islamic banks (Erol and El-Bdour, 1989; Erol et al., 1990; Haron et al., 1994; Gerrard and Cunningham, 1997; Metawa and Almossawi, 1998; Ahmad and Haron, 2002; Abbas et al., 2003). Additionally, the religious issue is also perceived as one of the important criteria to be considered for the selection of Islamic banking services (Erol et al., 1990; Haron et al., 1994; Metawa and Almossawi, 1998; Naser et al., 1999).

The bank selection criteria are expected to affect a customer's overall satisfaction towards his or her bank (Levesque and McDougall, 1996). Many studies have investigated the bank selection criteria or the reasons on the basis of which customers choose to bank with specific banks (Anderson *et al.*, 1976; Denton and Chan, 1991; Erol and El-Bdour, 1989; Erol *et al.*, 1990; Khazeh and Decker, 1992; Kaynak *et al.*, 1991; Laroche and Taylor, 1988; Levesque and McDougall, 1996; Tan and Chua, 1986). These studies have identified a number of such factors: convenience (i.e. the location), friends' recommendations, reputation of a bank, availability of credit, competitive interest rates, friendliness of bank staffs, service charges, adequate banking hours, availability of ATM, special services and the quality of services of checking accounts.

The relative importance of these factors varies from one location to another depending upon the age, gender, income, marital status, occupation and cultural background of customers as well as the type of bank (Islamic or conventional bank). For example, convenient location has been identified as a critical factor influencing the choice of a bank by customers (Anderson *et al.*, 1976; Laroche and Taylor, 1988). However, Tan and Chua (1986) found that convenient location was not a critical factor for the Singapore respondents. Rather, for the Singapore respondents, a courteous personnel was the most dominant factor in the selection of a bank. On the basis of this, Tan and Chua (1986) argued that, in an oriental culture, customers desired to have a more intimate and close interaction with the bank personnel.

Kaynak *et al.* (1991) reported differences in bank selection criteria according to gender, age and educational background of bank customers in Turkey. As an example, they reported that factors like the bank's reputation and its image, business hours, parking facilities, a wide range of services offered, recommendations of friends and relatives, fast and efficient service and availability of financial counseling services were considered as more important by male customers than the female customers in their selection of a commercial bank in Turkey.

Furthermore, the location of a bank played a more important role for bank customers under the age of 40 as compared to other age groups that were studied. Kaynak *et al.* (1991) also reported that bank customers who had more than a primary school education considered friendliness of bank employees, fast and efficient service, the bank location and availability of credit more important than the customers who only had a primary school education.

Meanwhile, in Canada Levesque and McDougall (1996) looked into the major determinants of customer satisfaction in the retail banking sector. They collected information from 325 respondents who rated their respective banks on various aspects such as service quality, service problem recovery, service features, product usage, and satisfaction and future intentions. Their study found that customer satisfaction in retail banking was driven by a number of factors including service quality, the bank's features (like location), the competitiveness of the bank's interest rates, the customers' judgment about the bank employees' skills and the status of the customer (a borrower or not). The study also found that whether the customer was a single or multiple bank users was not a significant factor. The study confirmed and reinforced the idea that unsatisfactory customer service would lead to a drop in customer satisfaction and willingness to recommend the service to a friend. This could result in increased customers' dissatisfaction. Therefore, customer service can be defined as the quality of the personal interactions and relationships between people and customers. It is intangible, but measurable.

Researchers have looked into attitudes towards Islamic banking and the criteria used by customers to select a particular bank (Erol and El-Bdour, 1989; El-Bdour *et al.*, 1990; Shook and Hassan, 1988; and Sudin *et al.*, 1994). Erol and El-Bdour (1989) and Erol *et al.* (1990) have specifically looked into the bank selection criteria used by customers to bank either with Islamic bank or conventional bank. These studies reported that customers who only banked with the Islamic banks chose to do so because of provision of fast and efficient service, bank's reputation and image and bank's confidentiality. However, since these studies were conducted almost a decade ago, it was appropriate to investigate once again the bank selection criteria adopted by Muslims customers using Klang Valley as an illustration.

As far as the Islamic banking system is concerned, no attempt is made to study customer satisfaction. Naser and Moutinho (1997) have recently assessed the marketing effectiveness of the Islamic banks and indicated that the Islamic banking system needs to do more to activate its marketing effectiveness. They concluded that the Islamic banks should put more coherent efforts to improve their long-term competitive position. Another study conducted by Gerrard and Cunningham (1997) investigating the degree of awareness of the Islamic banking system in Singapore revealed that there was a general lack of awareness of the culture of Islamic banking in both Islamic and non-Islamic communities.

Research Methodology

Population and Sampling

A total of one hundred and eighty (180) sets of questionnaires were prepared and distributed to non-Muslim respondents, all of whom were the customers of Kuwait Finance House (KFH), Kuala Lumpur with with deposits, financing and investment facilities The questionnaires were also distributed to non-Muslim customers of several beauty salons and retail shops in Ampang and KLCC areas in Kuala Lumpur.

For the purpose of this study, the sampling technique used is probability sampling based on simple random sampling. A simple random sample is a subset of individuals (a sample) chosen from a larger set (a population). Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process, and each subset of *k* individuals has the same probability of being chosen for the sample as any other subset of *k* individuals (Yates et. al, 2008).

Measures

This study contains one set of questions with four (4) sections. The questions had been designed by combining open questions and pre-coded questions. The questions are simple, concise and precise to facilitate respondents to answer the questions. Complex questions might lead to confusion and hence would result in respondents not able to answers them accurately or worst still avoid answering them. For open questions, respondents are given freedom to answer them as they wish and this study will attempt to interpret their answers. Through these open questions, it is hope that respondents will be able to provide new input and assist in providing a wealth of information to facilitate this study.

Upon completion of the questionnaire, the pre-test was carried out on a group of prospective respondents as recommended by Dillman (1978). The objective of the pre-test was to assess the content validity and reliability of measurement variables, as well as to rectify any inadequacies, in time, before the full scale study. As a student researcher, due to constraint in time or resources to get the optimum sample size had led to a pilot study as a solution. Forty (40) questionnaires were distributed to the respondents consisting of the manager, executive, executive and clerical of BSN, Central Bank of Malaysia and Kuwait Finance House (M) Bhd. The thirty-two (32) questionnaires from the respondents were returned, one of which was only partially completed and was discarded. The pre-test results showed that the respondents understand the question well but one of the respondents had provided a comment on the benefit of improvements to the questionnaire. For example, one respondent suggested "question no. 6 need to add occupation the Senior Manager and Manager".

Data Analysis

Demographic Profile

The background of respondent based on religion, race, gender, age, occupations, level of education, monthly income and type of banking institution used are as follows:

Table 2: Respondents Demographic Profile

Descriptions	Frequency N=152	Percent	Cumulative Percent
Gender:			
Male	73	48.0	48.0
Female	79	52.0	100.0
Race:			
Indian	58	38.2	38.2
Chinese	91	59.9	98.0
Others	3	2.0	100.0
Religion:			
Hindu	51	33.6	33.6
Buddha	87	57.2	90.8
Christian	14	9.2	100.0
Age:			
19 – 25	59	38.8	38.8
26 – 35	48	31.6	70.4
36 – 45	30	19.7	90.1
46 – 55	13	8.6	98.7
56 & Above	2	1.3	100.0
Marital Status:			
Single	95	62.5	62.5
Married	55	36.2	98.7
Divorced	1	.7	99.3
Widowed	1	.7	100.0
Occupation:			
Senior Manager	1	.7	.7
Manager	22	14.5	15.1
Executive	87	57.2	72.4
Clerical	25	16.4	88.8
Housewife	2	1.3	90.1
Student	5	3.3	93.4
Others	10	6.6	100.0
Education Level:			
Primary	2	1.3	1.3
Secondary	44	28.9	30.3
College/Diploma	16	10.5	40.8
University	90	59.2	100.0
Monthly Income:			
500 - 1,000	12	7.9	7.9
1,001 - 2,000	29	19.1	27.0
2,001 - 3,000	62	40.8	67.8
3,001 - 4,000	11	7.2	75.0
4,001 - 5,000	16	10.5	85.5
Above 5,000	22	14.5	100.0
Period of years in current position:			
Less than 1	24	15.8	15.8
1 - 5	75	49.3	65.1
6 - 10	19	12.5	77.6
11 – 20	20	13.2	90.8
More than 20	14	9.2	100.0

Out of the 180 survey questionnaires distributed, only 152 were returned to the researchers. From the total 152 respondents, 48 percent were male and 52 percent were female. This shows that the ratio between male and female is almost balance.

Majority of the respondent (59.9%) were Chinese, while Indian (38.2%) and others (2.0%) made up the rest. On religion, from 152 respondents, Buddhist made up 57.2%, Hindus 33.6% and Christians 9.2%. Thus, the respondents represented a good mixture of Malaysia's non-Muslims, multi-religion society. The sample was collected from the group ranging between 19 to 56 years old. Nonetheless, the majority of the respondents were young, between the ages of 19 - 25 years old. They represent 38.8 percent of the sample. The result also showed that 62.5 percent of the respondents are single, 36.2 percent married and the balance 14 percent are equally divided between the groups consisting of divorcees and widows. Besides being young and educated, most of the respondents were earning between RM2,001 to 3,000 monthly (48 percent).

Reliability Test

The data obtained were checked for reliability using Cronbach α coefficient. The variables that were checked include Selection Criteria of Islamic Banking Services (SEL). After running the reliability test, no items were dropped from SEL. The summary of reliability test was exemplified in Table 3:

Table 3: Reliability Test

Variables	No. of items	No. of item included	Cronbach α
SEL	9	9	0.805

Based on the above finding, the value of α=0.805 is considered to be good as it is more than 0.8 (Sekaran, 2000).
Criteria of Selecting Islamic Banking Product and Services

Efficient and Fast Service

The result from Table 4 shows that the X^2 value is 6.18. It indicates that there is no relationship between bank selection criteria for efficient and fast services and gender with two degrees of freedom' is not significant. Hence hypothesis 3 has not been substantiated. Result showed value of 20.81, with two degrees of freedom' X^2 value of 20.81 is not significance. Hence hypothesis 3 has not been substantiated because there is no relationship between bank selection criteria for efficient and fast services and race. This result also projects that the X^2 value of 26.81, with two degrees of freedom' is not significant such that there is no relationship between bank selection criteria for efficient and fast services and religion. Hence hypothesis 3 has not been substantiated.

Table 4: Demographic * Efficient and fast services (Cross-Tabulation)

Descriptions		Efficient and fast services					
		Strongly Agree	Agree	No View	Disagree	Strongly Disagree	Total
Gender	Male	8	33	20	12	0	73
	Female	8	24	29	15	3	79
	Tota1	16	57	49	27	3	152
Race	Indian	6	20	13	19	0	58
	Chinese	9	37	34	8	3	91
	Others	1	0	2	0	0	3
	Total	16	57	49	27	3	152
Religion	Hindu	6	20	10	15	0	51
	Buddha	6	34	37	7	3	87
	Christian	4	3	2	5	0	14
	Total	16	57	49	27	3	152

5: Result of Chi-Square Tests between Efficient and fast services and Customers' demographic

Demographic	Efficient and Fast Services		
	χ^2	Degree of freedom (DF)	P value
Gender	6.18	4	.186
Race	20.618	8	.008
Religion	26.639	8	.001

Bank's Image and Reputation

From Table 6, out of the 58 Indian and 91 Chinese respondents, 26 and 52 respectively agreed that bank selection criteria for image and reputation. Table 7 shows that the X^2 value of 11.098, with two degrees of freedom is not significant. Thus, there is relationship between bank's image and reputation selection criteria for efficient and fast services and race. Hence hypothesis 3 cannot be rejected. This table also indicates that the X^2 value of 2.472, with two degrees of freedom is not significant which shows there is no relationship between bank's image and reputation selection criteria for efficient and fast services and race. Hence, the hypothesis 3 cannot be rejected.

Table 6: Demographic * Reputation and Image Cross Tabulation

Demography		Reputation and Image					
		Strongly Agree	Agree	No View	Disagree	Strongly Disagree	Total
Gender	Male	14	40	20	12	7	73
	Female	7	38	29	30	4	79
	Total	21	78	49	42	11	152
Race	Indian	7	26	17	17	8	58
	Chinese	13	52	23	23	3	91
	Others	1	0	2	2	0	3
	Total	21	78	42	42	11	152
Religion	Hindu	7	21	10	15	8	51
	Buddha	11	50	37	23	3	87
	Christian	3	7	2	4	0	14
	Total	21	78	49	42	11	152

Table 7: Result of Chi-Square Tests between Reputation and Image and Customers' Demographic

Demographic	Reputation and Image		
	χ^2	Degree of freedom (DF)	P value
Gender	10.697	3	.013
Race	11.098	6	.085
Religion	10.221	6	.116

Facility (Location & Convenient)

From table 8, the X^2 value of 5.487, with two degrees of freedom is not significant. In other words, there is no relationship between bank's facility (location and convenient) and race. Hence hypothesis 3 cannot be substantiated.

Table 9 also shows X^2 value of 6.527, with two degrees of freedom is not significant. In other words, there is no relationship between bank's facility (location and convenient) and religion. Hence hypothesis 3 cannot be substantiated.

Table 8: Demographic * Facility (Location & convenient) Cross Tabulation

Descriptions		Reputation and Image					
		Strongly Agree	Agree	No View	Disagree	Strongly Disagree	Total
Gender	Male	8	47	13	4	1	73
	Female	10	35	25	18	1	79
	Total	18	82	38	12	2	152
Race	Indian	6	32	14	5	1	58
	Chinese	11	50	22	7	1	91
	Others	1	0	2	0	0	3
	Total	18	82	38	12	2	152
Religion	Hindu	6	27	14	3	1	51
	Buddha	9	50	21	6	1	87
	Christian	3	5	3	3	0	14
	Total	18	82	38	12	2	152

Table 9: Result of Chi-Square Tests Facility (Location & convenient) and Customers' Demography

Demographic	Reputation and Image		
	χ^2	Degree of freedom (DF)	P value
Gender	6.875	4	.143
Race	5.487	8	.704
Religion	6.527	8	.588

Staff Friendliness

From Table 10, the X^2 value of 24.912, with two degrees of freedom' is not significant. In other words, there is no relationship between the staff friendliness and gender. Hence hypothesis 3 cannot be substantiated. Likewise it indicates from this table that the X^2 value of 12.932, with two degrees of freedom' is not significant. In this case, there is no relationship between bank's staff friendliness and race. Hence hypothesis 3 cannot be substantiated. It is also seen from the table that the X^2 value of 34.053, with two degrees of freedom' is not significant. In other words, there is no relationship between bank's staff friendliness and religion. Hence hypothesis 3 cannot be substantiated.

Table 10: Result of Chi-Square Tests Staff friendliness and Customers' Demography

Demographic	Reputation and Image		
	χ^2	Degree of freedom (DF)	P value
Gender	24.912	3	.000
Race	12.932	6	.044
Religion	34.053[a]	6	.000

Reliability / Confidentiality

Table 11 indicates that the X^2 value of 7.437, with two degrees of freedom' is not significant. In other words, there is no relationship between bank's reliability / confidentiality and gender. Hence hypothesis 3 cannot be substantiated. It is also indicates from this table that the X^2 value of 11.986, with two degrees of freedom' is not significant. In other words, there is no relationship between bank's reliability / confidentiality and race. Hence hypothesis 3 cannot be substantiated. From this table the X^2 value of 19.033, with two degrees of freedom' also indicates it is not significant. In other words, there is no relationship between bank's reliability / confidentiality and religion. Hence, hypothesis 3 cannot be substantiated.

Table 11: Result of Chi-Square Tests Reliability / Confidentiality Customers' Demography

Demographic	Reputation and Image		
	χ^2	Degree of freedom (DF)	P value
Gender	7.437	3	.059
Race	11.986	6	.062
Religion	19.033	6	.004

Speed of Transaction

Result from Table 12 shows that the X^2 value of 23.468 (gender), X^2 value of 8.950 (race), X^2 value of 12.840 (religion), with two degrees of freedom' is not significant. In other words, there is no relationship between bank's speed of transaction and gender, race and religion. Hence hypothesis 3 cannot be substantiated.

Table 12: Result of Chi-Square Tests Speed of Transaction and Customers' Demography

Demography	Reputation and Image		
	χ^2	Degree of freedom (DF)	P value
Gender	23.468	3	.000
Race	8.950	6	.176
Religion	12.840	6	.046

Bank Size

Result from Table 13 indicates that the X^2 value of 2.472, with two degrees of freedom is not significant. In other words, there is no relationship between Bank Size and gender. Hence hypothesis 3 cannot be substantiated.

Table 13 : Result of Chi-Square Tests Bank Size and Customers' Gender

Demographic	Bank Size		
	χ^2	Degree of freedom (DF)	P value
Gender	2.472	3	.480

General Perception on Islamic Banking System

Establishment of Islamic Banking

Table 14 indicates the X^2 value of 13.368, with two degrees of freedom is not significant. In other words, there is no relationship between the perception of establishment of Islamic banking will improve banking facility and religion. This table also highlights that the X^2 value of 31.381, with two degrees of freedom is not significant. In other words, there is no relationship between perception on the establishment of Islamic banking will improve banking facility and education.

Table 14: Result of Chi-Square Tests The perception of establishment of Islamic banking will improve banking facility and Customers Religion, Education

Demography	Perception of Establishment of Islamic Banking		
	χ^2	Degree of freedom (DF)	P value
Religion	13.368[a]	8	.100
Education	31.382	12	.002

Potential of Islamic Banking Products

Table 15 indicates that the X^2 value of 7.151, with two degrees of freedom is not significant. In other words, there is no relationship between the potential Islamic banking products in future and religion. This table also indicates the X^2 value of 35.101, with two degrees of freedom is not significant. In other words, there is no relationship between perception on the potential Islamic banking products in future and education.

Table 15: Result of Chi-Square Tests Potential Islamic banking products in future and Customers' Demography

Demography	Potential Islamic banking Products		
	χ^2	Degree of freedom (DF)	P value
Religion	7.151[a]	8	.520
Education	35.101[a]	12	.000

Islamic Banking Dominate Conventional Banking

Based on Table 16, it indicates that the X^2 value of 4.099, with two degrees of freedom is significant. In other words, there is relationship between the perception of Islamic banking system dominates conventional banking in Malaysia and religion.

This table also shows that the X^2 value of 10.963, with two degrees of freedom is not significant. In other words, there is no relationship between perception on the Islamic banking system dominates conventional banking in Malaysia and education.

Table 16: Result of Chi-Square Tests Perception Islamic banking system dominate conventional banking in Malaysia and Customers' Demography

Demography	Reputation and Image		
	χ^2	Degree of freedom (DF)	P value
Religion	4.099	4	.393
Education	10.963	6	.090

Looking at all the above findings, Islamic banking services and products are apparently popular among non-Muslims in Kuala Lumpur. The result indicates a mean of 2.76 out of 152 total respondents, where these respondents either have both Islamic and conventional banking accounts or only Islamic banking accounts. This indicated that Islamic banking products and services are gaining popularity in Malaysia and the level of acceptance by non-Muslims on services now is high. This phenomenon is also in line with the wide support worldwide on Islamic banking. Further, this result is consistent with a study by Haron (1994) which indicated that 75% of non-Muslims are aware of the existence of Islamic banking in Malaysia.

On the criteria of selecting Islamic banking products and services, the study on the gender, race and religion of the respondent against the criteria of Islamic bank's efficient and fast services, facility (location and convenient), staff friendliness, reliable services and speed transaction indicated that there exist no relationship. The study is not consistent with the many studies done by other scholars. Kaynak (1991) study on gender of bank's customers in Turkey, reported that banks' fast and efficient services, staff friendliness, facility, reliable service and speed of transaction were considered important by male customers than female customers in the selection of a bank. There may exist some constraints in the study which had resulted in the inconsistency of the study which can be listed below:

- Respondent surveyed are within the Kuala Lumpur city center where most banks, Islamic and conventional. are located. within vicinity.
- Most banks, Islamic and conventional, provide the same level of services in terms of fast and efficient, staff friendliness, facility, reliable services and speed of transaction.

However, the survey result on the gender, race and religion of the respondent against the criteria of Islamic bank's image and reputation does exist. The finding indicated that to the male respondents, the bank's image and reputation is important when selecting an Islamic bank. This is consistent with Kaynak (1991) study on gender of bank's customers in Turkey against bank's reputation and image where it was reported that reputation and image is considered more important by male customers than female customers in the selection of a bank.

On the degree of the non-Muslim's customer perception of various aspects of an Islamic banking, the findings on the study of religion and education against the perception that the establishment of Islamic banking will improve banking facility and products, and the potential of Islamic banking products in the future indicated that there is no relationship existed. The findings indicated that most respondents were unsure that the establishment of Islamic banking will improve banking facility and products, and what are the potential of Islamic banking products in the future. This may be due to lack of information provided by the banking fraternity to the public on what improvement the Islamic banking system had offered to improve the banking facility on the whole. Also, not much had been written on what are the potential of Islamic banking products in the future to help alleviate any misunderstanding of the Malaysian public.

However, the findings on the study of religion and education against the perception indicated that Islamic banking will dominate conventional banking in Malaysia, it does exist a relationship. Non-Muslim respondents with higher education level strongly thought that Islamic banking will dominate the banking scenario in Malaysia. This is due to their easy access to information on Islamic banking.

Conclusions and Recommendations

Based on the findings, it could be concluded that Islamic services and products are well-received by non-Muslims population especially in the Klang Valley (city area), Malaysia. They are fast gaining popularity and more widely accepted by the society at large, in particular the non-Muslims. The results also indicated that majority of the respondents have both Islamic and conventional banking accounts. This phenomenon is also in line with the wide support worldwide on Islamic banking.

Meanwhile, the respondents were unsure if   the establishment of Islamic banking will improve the overall banking facility and products. They were also unsure about the customer's perception and the potential of Islamic banking products in the future. This may be due to lack of information provided by the banking fraternity to the public. Also, not much has been written on the potential of Islamic banking products that could alleviate any misunderstanding of the Malaysian public.

The study also revealed that non-Muslims of the age group between 19 – 35 years old and with higher education possessed better knowledge and understanding on Islamic banking products and services. This is due to a wider exposure to news and information from various sources. This result is consistent with the study done by Metawa and Almossawi which indicated that social demographic such as age and education level is important in the bank selection criteria by a customer. They states that the higher the age level, the more possibility people will engage Islamic products and services, while educated people have better understanding of the concept of Islamic banking operations. The survey result is also consistent with Haron (1994) study which indicated that non-Muslim respondents will consider establishing a banking relationship with Islamic bank if they have sufficient information of banking operations.

On the criteria of selecting Islamic banking products and services, the study revealed that there is no specific demographic profile of non-Muslim customers and also the criteria used for selection of Islamic banking products and services. Nonetheless, the study is not consistent with the many studies done by other scholars. Kaynak (1991), in a study on gender of bank's customers in Turkey, reported that in the selection of a bank, fast and efficient services, staff friendliness, facility, reliable service and speed of transaction were considered important by male customers but less so by female customers. However, there may exist some constraints in the study which had resulted in the inconsistency of the results as the respondent surveyed are within the Kuala Lumpur where most banks, including Islamic and conventional are within vicinity and most banks, be it Islamic and conventional provides the same level of services.

However, the finding indicated that male respondents are more particular on the bank's image and reputation when selecting an Islamic bank. This is consistent with Kaynak (1991) study on gender of bank's customers in Turkey against bank's reputation and image where it had been reported that reputation and image is considered important by male customers. In addition, the finding indicates the relationship between the religion and education with perception towards Islamic banking do exist. Therefore this study developed certain perception of non-Muslim on Islamic banking although conventional banking is more dominant than Islamic banking in Malaysia. Non-Muslim respondents, especially those with higher education level strongly believed that Islamic banking would dominate conventional banking in Malaysia. This is due to their easy access to information on Islamic banking.

On the degree of the non-Muslim's customer perception of an Islamic banking, most respondents are unsure whether the establishment of Islamic banking will improve the general banking facility and products. Similarly, most respondents are unsure on the potential of Islamic banking products in the future despite many optimistic promises, such as envisioning Malaysia to be the Islamic financial hub of the world being made by the authority. This may be due to lack of public information on knowledge and news of Islamic banking since not much had been widely and publicly written on the potential of Islamic banking products in the future. Nevertheless, most respondents strongly agree that Islamic banking will dominate the banking industry   in Malaysia.

Limitations of the Study and Future Research

There are few limitations to the study. The most notable is a small sample size. This was the result of time and financial constraint. Secondly, due to banking confidentiality issue, some information of the Islamic banks such as   type of accounts and the respective customer's profile could not be obtained to facilitate a more balanced conclusion. Based on the above research findings, it is recommended that more studies focusing on demographic of non-Muslims and the relationship in their criteria of selecting Islamic banking studies need to be carried out.

Further Research

Further research should also be undertaken in a more comprehensive manner to analyse non-Muslim perception towards Islamic banking since this study only concentrated in Kuala Lumpur, Malaysia with limited number of respondents.

In addition, more publication on Islamic banking subject should be made publicly available in order to raise the level of understanding and awareness as well as to enhance the level knowledge regardless of age and level of education amongst non-Muslims on Islamic banking concept and operations. In a nutshell, the Islamic banks themselves, which has been in existence for more than 20 years in Malaysia, should take a more proactive and aggressive effort such as frequent product campaign and collaboration with schools to promote their banking products and services to non-Muslims. With Malaysia's growing population, targeting non-Muslims at an early age would augurs well with the objective to promote Islamic banking and could result in a positive long term effect on the benefit as well as avoid any negative perception on Islamic banking.

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