

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

By

ABDIFATAH MOHAMED MUSSE

815284

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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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Abdifatah Mohamed Musse,
Universiti Utara Malaysia (UUM)
Master in Islamic Finance and Banking
Islamic Business school, College Of Business

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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

funds in conformity of Islamic paradigm and its pure teachings. Meaning that, all banking operations such as products and services, deposits transactions and financing modes provided by Islamic banks to its respective clients must be carried out in conformity with the Islamic principles (Keong Lee, 2012) . On the other hand, as a growing financial industry, Islamic banking and finance has sharply gained market with non-Muslims in the world because of its attractive principles, which reflects the bank's endeavors to excel religious beliefs to a tangible market.

Thus, Islamic financing is imbued with Islamic oriented economics with modern lending principles in which its products could be offered to both non-Muslims and Muslims. Despite the banks previous interactions with only Muslims who want to reject conventional banks; Islamic financial industry was successfully showed positive steps by attracting and gaining a larger ring of clients in last decades due to petrodollar GCC stakeholders and increasing need for ethically investing banking methods (Abdul Aziz, 2012).

With this point, non-Muslim clients and investors was also looking for risky free substitutes. In the meantime the beginning of the international crisis over years ago which casts a doubt on several Western risk management policies that has been undertaken (Loo, 2010). As for Malaysian case, the spirit of the government's endeavors for promoting Islamic Financial institutions dated back the establishment of famous institution, the *Lembaga Tabung Haji*. At this point, Malaysian government started this institution during the fall of 1963. It was an Islamic financial institution aimed and

developed for the Malaysian's Muslim pilgrims who are going to Hajj in order to perform their *Haj*. Therefore, it aim was to save the Muslims' *Haj* (Pilgrimage) expenses.

Moreover, Malaysia's Islamic Banking Industry has been started in the early of 1983 with the commencement of Bank Islam Malaysia *Berhad* (BIMB). In this stage, the increasing of Muslim populations as well as awareness of Islamic based values in this predominantly Muslim nation has led to better ultimatum for interest free Islamic banking products and services. Hence, since its inception, Bank Islam Malaysia has grown a tangible level that encourages other Islamic Financial institutions to enter the market.

In other words, BIMB was started to meet these demands with full government support. Beyond this, Bank Islam Malaysia *Berhad* has marketed and introduced a multiplicity of interest free concepts and products such as *Mudarabah Musharakah*, *Qard Hassan*, *Ijarah*, *Istithna* and others. Bank Islam Malaysia *Berhad's* financial activities have increased over the last decades. Meaning that, right from the startup wealth fund of RM80 million initials, Bank Islam's shareholders' funds increased up to RM2.5 billion as at December 2010 (Bank Islam, 2015). As for 2015, the bank has 136 branches. Moreover, the bank has also nearly 1200 self-service based terminals across the nation.

More importantly, the bank has almost 70 sophisticated and innovative Islamic banking products and services which are comparable with the products and services provided by its conventional counterparts (Bank Islam, 2015). Moreover, there are 17 licensed Islamic banks in Malaysia; these banks are both local and foreign banks in which the country

attracted through its endeavors and efforts for promoting successful Islamic banking systems (Bank Negara Malaysia , 2010).

However, despite these aforementioned efforts and positive developments, Islamic Finance is still young and not that mature. This is when we compare to its conventional counterpart which is already more advanced, sophisticated and developed. With this, conventional banks was started far earlier than Islamic banking and was growing, developing its systems, products and services since its very beginning. Therefore, although the industry is almost 40 years old, it's still regarded as an infancy stage.

However, the industry's stakeholders and its players have been working for its developments and enhancements to become a global financial alternative to its hot-competitive financial system which is the conventional banking. Hence, there have been several European countries that admired the way that Islamic finance is working and operating. In the fall of 2013, UK's Prime Minister David Cameron announced that his nation is planning to develop Islamic Finance in many sectors such as Islamic bonds or *Sukuk* and other facilities bearing with the concept of *Shariah* principles.

Speaking at world Islamic Economic Forum summit in London, Cameron argued that London is prepared for competing the world's largest Islamic Financial hubs such as Kuala Lumpur and Dubai, he addressed that he want long to stand along-side Kuala Lumpur and Dubai as one of the greatest capitals of Islamic Finance and Banking anywhere in the world.

Depicting that Islamic Finance is growing far more than traditional banking with almost 50 per cent; he said that while global Islamic investments are expected to grow with £1.3 trillion by the year of 2014 and he vowed that he wanted to make sure a big proportion of that newly investments are made there in United Kingdom (Robin Wigglesworth, 2013). With these above indications, it's clear that the industry is growing far more than expected. Therefore, this sheds light on attracting non-Muslim investors and customers across the world.

After all, it is important to highlight that non-Muslims have less understanding and knowledge in terms of Islamic banking products and services. This is the extent that Muslims knew or familiar with the basic principles of Islamic banking and sharia guidelines in particular. This is due to Islamic banking system's derivation from the Sharia perspectives and it is consistent with *Shari'ah* guidelines which are based on the commandments of *Quran* and *Sunnah*. With this, it is clear that non-Muslims are not familiar with the *Shari'ah* and its basic principles.

For instance, Haron and Ahmad (1994) indicated that there is possibility of non-Muslims establishing a relationship with the Islamic banks if they have a complete understanding about the operations of an Islamic banking system. Moreover, it is more challenge and difficult for them to have enough understanding which would ease their usage towards Islamic banking products and services (Bley & Kueh, 2004).

On the degree of the non-Muslims' perception of an Islamic banking, non-Muslims were unsure whether the establishment of Islamic banking will improve the general awareness of Islamic banking products and services or not. Similarly, non-Muslims, were 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 and services in the future (Abdullah, Sidek & Adnan, 2012). Therefore, these above indications illustrate that non-Muslims' perception towards Islamic banking products and services are not that clear and so it needs more clarification whether non-Muslims have positive perceptions towards Islamic banking or not.

According to Lateh, Ismail & Ariffin (2009), Islamic banking users in Thailand have little awareness about the Islamic banking system products and services. Furthermore, Naveed & Kashif (2010) highlighted that most of Islamic banking customers in Pakistan and Turkey are unaware of some of Islamic financial products and services such as *Murabaha* and *Ijara*. On the other hand, Hussain & Ralf (2006) examined the awareness of Muslim Australians of Islamic banking, especially the demand for profit-and-loss sharing agreements. Their findings show that generally there is a lack of awareness in regards to the basic rules and principles of Islamic financing.

In Malaysia, Islamic Banking is being used by both Muslims and non-Muslims, however, although Muslims are more tendency than the non-Muslims when it comes to the industry's customers. Many commentators and Scholars believe that due to Islamic banking terminologies and more non-Arabic terms which have embedded with names of Islamic Banking products and its concepts where many non-Muslim customers have less understanding (Azrin, 2012). With this, Non-Muslim students in Malaysian higher education institutions still need to have more understanding that will ease their loyalty and connection with Islamic banking products and services.

1.3.Problem Statement

Since its inception, Islamic Banking has gained ground in Malaysia and made the nation a hub for one of the largest and best sophisticated Islamic Banking institution centers worldwide and contributed the changes of the Malaysia's financial landscape. Meaning that, Islamic banking industry has produced new phenomenal and dimension in country's banking sector. These scenarios have made customers to change their taste in which they demand for better and highly sophisticated banking products and services.

Likewise, as there were huge financial banks in recent decades, either Islamic or conventionally styled banks, customers, non-Muslims and Muslims have been identically proved with massive selections to choose when it comes to the banking products and services. Hence, banking customers are now focusing as which system to choose and switching to the institutions that satisfied their banking needs before they take any

decisions. Equally, this scenario also exhibits to the products and services which are provided by Islamic banking institutions. Therefore, this is important to note that it is not just to compete with services and products provided by their counterpart. However, this should also contest with the products and services that have been offered by Islamic Bank institution itself. Besides that, it was found that nearly half of Islamic banking clients were non-Muslims (Abdullah et al, 2012).

If that is the case and non-Muslims are using Islamic Banking products and services, then Islamic banking players should consider the idea that these non-Muslim customers still have some difficulties that may restraint their loyalty and usage of Islamic banks. Moreover, it is noted that due to the basic principles of Islamic banking itself and more Arabic terminologies, non-Muslims in Malaysia including young academicians have somehow limited knowledge and awareness.

Islamic Banks therefore should strongly strive to contend with their conventional counterparts through gripping non-Muslims and establishing concrete efforts to make ease those challenges in order for non-Muslims to understand the overall operations and basic principle of Islamic banking system. Although there were previous studies on this issue, such as (Keong, 2012) and so on; however, these studies were general and targeted only to awareness of Muslims towards Islamic banking products and services. However, this study focuses on the awareness of young non-Muslim students in selected higher education institutions in Malaysia.

1.4. Research questions

1. Is there is awareness of non-Muslim students in selected northern Malaysian universities towards Islamic Banking products and services?
2. Is there is relationship between understanding and perception towards awareness of non-Muslim students in selected Malaysian northern universities?
3. What are the differences between demographic factors such as age, religion and level of education and awareness of non-Muslim students in selected northern Malaysian universities towards Islamic banking services and products?

1.5. Research Objectives

- A. To examine the level of awareness of non-Muslim students in selected northern Malaysian universities towards Islamic Banking products and services.
- B. To examine the relationship between understanding, perception and awareness of non-Muslim students in selected Malaysian northern universities.
- C. To examine the differences between demographic factors such as age, religion and level of education and awareness of non-Muslim students in selected northern Malaysian universities towards Islamic banking products and services.

1.6. Significance of study

As this study focuses on the awareness, understanding, perception and demographic factors that influence the awareness of non-Muslim University students in Malaysia towards Islamic banking products and services, we should take into account that Malaysia is a multiracial nation in which Muslims, Buddhists, Hindus, Christians and others are living side by side. With this, as for the percentage distribution of Malaysian population by religion in 2011 census, it's noted that about 61.3 per cent of the population was Muslims, which means nearly 40 per cent of the population are non-Muslims (Malaysian Department of Statistics, 2011). Therefore, Islamic Banking industry is not merely offered for just Muslim clients, but also offered for non-Muslim customers. Thus, non-Muslim's market is similarly potential and vital for the existence of Islamic banks in Malaysian peninsula. Additionally, the market of non-Muslims is more potential and vital for Islamic banks.

Therefore, ignoring Islamic banks by non-Muslims because they have no adequate idea or understanding, Islamic Financial institutions will experience some difficulties to play their role for competing with their conventional banking institutions. Besides, it's for Islamic banking institutions to implement major efforts and steps to attract non-Muslim customers as it could enhance and improve their long term survivals. Henceforth, what is more significant in this study is that as long as the Islamic banking institutions bear in mind in how far non-Muslim customers in Malaysia aware of Islamic banks, the

institutions can come up with concrete plan or design in which they are focusing on marketing policies for non-Muslim customers and match their level of awareness.

Beyond this, if Islamic banking institutions have much enough information as to which level the non-Muslim customers understand Islamic banking operations and its basic principles, bankers could implement policies that may help non-Muslim customers where the bankers would ease the terminologies and use more simple words whenever they are dealing with non-Muslim clients if those said customers have no enough or much understanding in Islamic banking products and services.

Equally, the knowing of non-Muslims perceptions is also vital for assessing how far these customers are inclined towards Islamic Banks. At this point, in case the perception of non-Muslim customers are not favorable or otherwise, the Islamic banking institutions could take any possible actions which favorites them as they are seeking for more customers who loyal to their products and services.

In other words, Islamic banking institutions can also use the results and the findings of this study in order to improve the knowledge and understanding of Malaysian non-Muslims banking clients and their profile of the potential non-Muslim banking users. On the other hand, this paper can also help Islamic banking institutions for establishing several policies and strategies to grip more non-Muslim customers through identifying the customers' level of understanding, awareness, and perceptions as well as their demographic factors towards Islamic banking systems.

1.7. Scope and limitations of study

The scope of this study only focuses on the awareness of Islamic banking products and services among non-Muslim University students in selected northern Universities in Malaysia. These selected universities are Universiti Utara Malaysia, Universiti Malaysia Perlis and Universiti Sanis Malaysia. With this, this study investigates some of the factors that are aligned with awareness of Islamic Banking products and services. Furthermore, this study's purpose is to determine the level of awareness of non-Muslim students through their perceptions, understandings as well as demographic factors.

1.8. Organization of the Thesis

Chapter one provides a brief introduction, background and the study's research problem. It then outlines the research questions, objectives, the significance of the study, the scope of the study and finally it presents the organization of the study. Chapter two contains the literature review with a focus on previous research. It covers the explanation of awareness on Islamic banking products and services among non-Muslims as a dependent variable, understanding, perception and demographic factors as independent variables.

Chapter three explains the framework of the research and it states the hypothesis. Furthermore, it presents the research methodology and justifies methods that have been used in this study. The chapter then discusses the operational definition of the study.

Then it explains the data collection method, sampling, population and questionnaire design. Techniques of data analysis are also discussed.

Chapter four presents data analysis, profile of respondents, rate of respondents, descriptive analysis. In addition, it presents the application of correlation analysis, independent t-test and one way ANOVA test by using SPSS software (version 20) followed by chapter summary. Lastly, chapter five presents a brief introduction followed by the summary of findings. The chapter also explains the research implications, recapitulation of the entire study and discusses its findings, including the research implications and contributions. It then elaborates the research limitations and recommendations followed by a conclusion.

1.9. Conclusion

This chapter presented a general view about the outline and the direction of the research execution. The focus of this chapter is to define the main question about the research area on the awareness of Islamic banking products and services among non-Muslim students in selected northern universities of Malaysia. This chapter contained a brief introduction, background of study, problem statement and research questions. In addition, limitation and the scope of the study and organization of the study were also discussed in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1.Introduction

As for chapter two, the literatures that are relevant to this study have been explored. According to Sekaran (2003), the literature review can be described as a documentation of an inclusive reviews of the ready and published work in which the researcher can be obtained from the secondary sources of data in the specified areas of that researcher. Therefore, this chapter will particularly discuss on the literature reviews of non-Muslims clients' awareness, understanding, and perceptions of Islamic banking products and services by re-glancing written sources discussed by the previous researchers.

2.2.The awareness of non-Muslim Customers in Malaysia towards Islamic banking products and services

As awareness of non-Muslims customers are vital and more crucial to Islamic financial industries, several researchers tried to investigate and get some clue on how non-Muslims' awareness and perceptions towards Islamic banks are more potential to the industry. A study conducted in Thailand and focused on the client's perception towards the objectives, criteria and characteristics of the selection of Islamic banks. The result shows that the majority of the Thai clients are somehow aware of the differences between conventional banks and Islamic banks; the study also argued that the clients also aware of

unique features of Islamic bank system (Lateh, Ismail & Ariffin, 2009). In this case, the most stronghold point that customers stick to their mind is the prohibition of Interest; however, it was proved that what customers failed to aware of is the overall spectrum of Islamic banking systems as well as its products and services.

On the other hand , Naveed & Kashif (2010) argued that they come to the conclusion of the customer's level of awareness towards Islamic financial institution's products in Turkey and Pakistan is good when it comes to some of the general products like time deposit account and current accounts. Nevertheless, there are still some Islamic financial products and services in which the customers are not aware of such as *Ijarah* and *Murabahah*.

Besides that, Seethaletchumy , Uchenna , Arul , & Kesavan (2011) argued that Islamic banking's concepts i.e. *Bai' Bithman-Ajil*, *Bai al Inah* and *Mudarabah*, are seemed that they are quite less popular among the Islamic banks' clients, this might have credited due to the Arabic terminologies that imbued with Islamic banks products. With this, the above researchers asserted that because of the Arabic dominance in Islamic banking concepts, non-Muslims faced a challenge as they are struggling with the understanding of the non-English termed products and services which are needed more explicitly clarification in order for them to be conscious and mindful of overall system of Islamic banks.

Additionally, a research study conducted by Mohamed , Mohamed , & Abdullah (2008) focused to investigate the usage as well as the awareness of various Islamic banking products and services in Bangladesh among its customers found that there were significant level of cognizance in some products and services i.e. saving accounts as well as current accounts. However, not all customers are fully aware of what and how the products and services are operated and specified.

Moreover, a study done by Keong et al (2012) conducted in Malaysia and intended to non-Muslims in Malaysia was concluded that significant number of the respondents were aware of Islamic Banking products and services. However, the customers did not actually aware of vast majority products and services provided by Islamic Banking Institutions of Malaysia.

In Addition to this, Hussain & Ralf (2006) also conducted a research in Australia where the focus was the awareness of Australia's Muslims towards Islamic banking particularly the need for profit and loss sharing based agreements. In the very general stage, the result was that there is deficiency of awareness when it comes to the foundations and rules of Islamic finance. Further, a tangible number of respondents indicated that they would not interest the options of Halal financing if the facilities of the credit is not exist. This result is approved by Seethaetchumy et al (2011) which is conducted in Malaysia and analyzed about the awareness on the retail of Islamic banking in the rural and urban bank usages among clients in Malaysia. They concluded that there is deficiency of awareness on Islamic banking's retail among urban and rural banking clients.

Conversely, according to another study done by De Run & See lip (2008) focused on non-Muslims in Malaysia's Borneo state of Sarawak found the non-Muslim clients were strongly aware of Islamic banking and financing facilities which seems more positive result when it comes to the awareness of non-Muslim customers in Malaysia. However, it's important to signify that the two studies were conducted in different places in which De Run et al (2008) based their study in Eastern Malaysia while Seethaletchumy (2011) conducted in the Malaysia's Western regions.

Moreover, research conducted by Abdu Halim & Mohd Nordin (2001) and intended to focus on Malaysia's banking consumers concluded their study that there are tangible levels of awareness for Islamic banking products and services, however, the poor knowledge in some products as well as a confusion among the customers i.e. less understanding are existed. This is where clients cannot clearly differentiate conventional and Islamic products and services.

Meanwhile, researchers suggested that a good customer education will contribute for making consumers more aware of Islamic banking products and Services. Nevertheless, Ahmad & Haron (2002) research depicted that merely (40) percent of Muslim clients considered religion as factor when we glance the side of Islamic banking's awareness and its prioritization by the consumers. However, in Singapore, the awareness is not that much and the customers are still lacking awareness whether they are Muslims or non-Muslims (Gerrard & Barton, 1997).

Therefore, these findings could signify that Islamic banking institutions cannot merely depend on religion as a factor of strategy but banks should alternatively compete their counterparts and come up with efficiencies quality based products and services in which non-Muslims can play their role and become a crucial part of their consumer arena.

Besides all these above implications, a study conducted by Metawa & Almosawi (1998) which they intended to examine the customers of two leading Islamic banking in Bahrain which are Faisal Islamic bank and Bahrain Islamic Bank found that the bank's consumers have strong morale for considering Islamic principles and guidelines as the most influential factor in choosing Islamic bank system as their choice. Whereas other factors such as educational level, income and age has a meaningful influence of consumer's preference in Islamic banking.

2.3.perception of non-Muslims customers towards Islamic banking products and services

A study conducted by Mark (2010) and tried to examine the perception of Islamic banking non-Muslims and Muslim clients in Malaysia indicated that there were notable variances among X-generation non-Muslims and X-generation Muslims as well as the non-Muslim baby boomers and Muslim baby boomers on how far they are perceived in Islamic banking products and services. With these findings, researchers concluded that according to their results, Muslim customers see Islamic Banking more advantageous than that of non-Muslims. Nevertheless, according to another study conducted by Bank

Indonesia & Bogor Agricultural University (2004) indicated that perception of non-Muslim customers on Islamic banking has insignificant influence with awareness of Islamic banking products and services. While respondents determined their perceptions on the characteristics of Islamic banking system, the results have implied that there are a significant number of the respondents who were believed the overall characteristics of banks that operate under the Sharia paradigm are distributing profit among participants. Moreover, some of the respondents hinted that Islamic financial institutions are operating under the *Shariah* paradigm in which the products and services are in consistent with the Islamic Sharia guidelines.

Furthermore, another study which was also conducted in Indonesia suggested that despite the perception which implies the idea that Islamic banks operate with the conformity of *Sharia* principles, the study suggested that Islamic banks operated only for the Muslim customers as well as quite limited facility when compared with its conventional counterpart where the researchers also indicated that Islamic banks struggling with lack of good customer bases (Adiwarman & Affif, 2005).

Apart from that, another study which attempts to determine the perceptions of Islamic banking clients in regard to the criteria of selection, characteristics and objectives of the banks that operates under the sharia principles and its products and services was shown that *Siamese* (Thai) banking clients indicated that there are no much differences between Conventional banks and Islamic banks products and services with the exception of the pretext name of Islamic Banking products (Lateh et al, 2009).

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

According to Ahmad & Haron (2002) their study in Malaysia revealed that due to lack of customers' understanding of what the products are and how they are structured, Islamic banking customers in Malaysia specifically non-Muslim consumers were lacking the understanding of how Islamic banking products and services work. With this point, the said researchers indicated that Islamic banking Institution in Malaysia did not done their utmost efforts to educate their customers as well as to marking their products and services. For instance, the researchers found that nearly 65 per cent of the study's survey participants revealed that they have inadequate knowledge and less understanding about the overall system of Islamic banking institutions.

In addition to this, a research studied in United Arab Emirates also indicated that Muslim university students have enough knowledge and understanding in Islamic banking than non-Muslim students. This is in line with the findings of Ahmad & Haron (2002) who also indicated the lack of understanding and knowledge amongst non-Muslims towards Islamic banking products and services (Bley & Kueh, 2004).

Another study which is executed by Loo (2010) concluded that Malaysian non-Muslim are still having difficulties when it comes to e understanding and the basic knowledge of how Islamic banking system works. However, this study suggested that Muslims in Malaysia have Islamic banking knowledge compared to non-Muslim customers.

the study also exhibited that though there were a huge marketing campaign conducted by the Islamic banking institutions in Malaysia, yet the banks fail to implement a more sophisticated and well understandable approach to ease the obstacles and constrains that non-Muslim customers may face when dealing with Islamic banking products and services. With these above indications, we can see that those studies at least indicated the lacking gap that implies the lack of understating and knowledge that Islamic financial institutions experiencing when it come to their non-Muslim customers.

This is because we have to recall our-self that non-Muslim clients are potential and vital for the future developments and expansion of this emerging industry. Despite these negative results posed by the investigations of those aforementioned studies, it important to highlight that these findings and suggestions are for constructive gestures that Islamic banking industry should take in to account.

Hence, implementing a concrete plan that develops the knowledge and understanding of customers will benefit for the industry's competitive market where the institutions will compete with the conventional banks within the Muslims dominated countries but also non-Islamic nations such as i.e. Europe and North America. Thus, this will be a breakthrough for the enhancement and development of Islamic banking products and services.

2.5. Demographic factors

2.5.1. Gender

A study conducted by Abdullah, Sidek & Adnan (2012) indicated that there is no relationship between Islamic banking perceptions and gender. The study also cited that though there are some extents where gender for Muslims and non-Muslims differ in terms of awareness of Islamic banking products and services. However, the study asserted that due to unfamiliarity with some Islamic banking products and services, non-Muslims still seem to be no differences in gender when the awareness of Islamic banking system is taken into account.

On the other hand, the outcome of this study presented that Islamic banking facilities are making improvement amongst non-Muslims in Malaysia's federal territory of Kuala Lumpur. In spite of this constructive tendency, more endeavors are essential to be animated to improve the level of thoughtfulness for non-Muslim clientele. In this case, the researchers suggested that Islamic bankers should consider any differences between gender and perception towards Islamic banking and their services and products.

2.5.2. Age

Mohamed, Mohamed, & Abdullah (2008) revealed that the vast mainstream Islamic banks' clients (58) percent in Bangladesh were aged 21 to 35 years. In this case, we can say that the reason why that figures seemed to concentrate those 21 to 35 years group can be because of the Islamic banking industry in Bangladesh which its inception was 1983.

Furthermore, according to another research developed by Karbhari, Nasser & Shahin (2004) indicated that more than half of Britain's Muslim populations were under the age of 21 years old. Hence, this signifies that the Islamic banks' future consumers are more relatively technology oriented or adept than their older generations.

In these above implications, there is no doubt that the interaction and doing business with late generations will have more positive impact on Islamic banks. This is because the industry is still growing stage and yet it needs time as its counterparts gone through the years of its expansion and witnessing the huge global business arenas where the experiences and economic crises play their role of being more sophisticated and well developed banking system. Therefore, Islamic banks should have such policies to implement inclusive endeavors to make sure that the products and services that they provided is well understood by the young generations.

Likewise, in their study of customer's level of awareness towards Islamic financial institution's products in Pakistan, Naveed et al (2010) found that the customers' awareness towards Islamic banking products and services are varied when it comes to their age specially letter of credit and current account systems. In this case, the vast majority of the customers who are having a knowledge and aware of Islamic banking system are those who are between 21 and 40 years of age. Conversely, (Amin, 2007) found that the Islamic banking managers could have the assumption where the consumers are similar in regard to their attentiveness and the usage of Islamic banking products and

services as verified by age. Therefore, the study implied that statistically, usage, awareness as well as the age is not significant.

Besides that, Loo (2010) examined that the perceptions of non-Muslim X-generation and Baby-boomers are different or not, however, the researcher found that the two generations are varied in terms of their perceptions towards Islamic banks. This is to say that the study argued Baby-boomers got the perception that the Islamic banks have no any significantly advantage which is the greater than the one that X-Generations holds.

Nonetheless, Ahasanul , Jamil , & Ismail (2009) revealed a result which was having a 95 percent confidence that the Malaysian banking consumers, their age have no any influence or even significantly relationship with their overall perceptions in regard to Islamic banking products. However, this study exhibited that X-Generation have quite more intention to do business with Islamic banking than the Baby-Boomers where the X-Generation accounted 34 percent while Baby-boomers accounted 14 percent.

2.5.3. Religion

Because of the world's religion diversity, there is no single definition that can be ascribed to the world religion. To some people, religion is regarded as systematized order of worship, practice, beliefs, and ceremonies that is under one single deity or God. However, there are several other people who consider religion something that encompasses a number of deities or gods. Furthermore, there are some religions where

gods or God is not worshiped. Religion is also considered to be collection of world-views that related humankind to devoutness, cultural systems as well as moral values.

Apart from all these religion diversities, vast majority of some forms of religion realizes that this world is formed by a divine power that has impact on their lives. In addition to this, a tangible number of religions share whole or partial features such as believing in God or deity, code of conduct, or ethics, doctrine of salvation, usage of sacred histories and religious acts or rituals and ceremonies (Ogunbado, 2012).

As for religious perspective, several researchers indicated that the religion has direct influence to the perception of Islamic banking. Meaning that, a study conducted by Ahasanul et al (2009) concluded that there are noteworthy differences amongst religion and awareness of Islamic banking products and services. Similarly, Loo (2010) concluded the same result and found that there are significant differences between religion and awareness.

In this case, the study which was revealed that the all respondents who were Muslims all agreed that Islamic banking system and its principles does not contrary to their religion. Nonetheless, almost one third of Non-Muslim customers depicted through the questionnaire provided the researcher that Islamic banking is conflicting or contrary to their religious belief. Though this is surprising, the reason why Islamic banking is conflict with the religion of some non-Muslims is unclear, however, it's important to notice that according to study done by Loo (2010) found that there is significantly

difference among religion and awareness of Islamic banking products and services. Most of the respondent revealed that Islamic banks' concepts do not conflict with their religions.

Within these implications, we can say that the religious aspects have somehow the drive of customers' reason for why they adopt Islamic banking products and services especially Muslim clients' awareness and understanding of the basic Islamic banking principles and guiding concepts (De Run & See Lip, 2008). Broadly speaking, this is the extent where the Islamic banking industry is based and guided by Islamic Sharia principles and guidelines. Therefore, Muslims are more loyalty and adopted than the non-Muslim customers.

This is because it's more easier and understandable for Muslims to catch the main ideology and the very purpose of Islamic banking system whereby non-Muslims have less or even don not have any idea about the religion that its name is attached to this newly emerged industry. With that being said, Islamic banking intuitions should work more inclusively and understand that non-Muslims' attention and adoption of Islamic banking industry may drive them into a competitive advantage and expansion of their business as they are now facing the well developed and sophisticated conventional industry.

2.5.4. Level of education

Khan, Hassan & Shahid (2008) conducted study in Bangladesh and 'concluded that in his study, the respondents' degree of education was quite high. According to his findings, 29 percent of his respondents were bachelor degree holders whereas 44 percent of those respondents was having Master's degree or was a PhD level. Interestingly, merely 17 percent of those respondents were at a level of high school or below. With these figures, it shows that almost three-fourth of Islamic banking consumers studied were PhD, Master, Bachelor or college levels.

Hence, we can say that according to this study, Islamic banking customers are seemed to be more educated formally and that sends a message that higher education institutions who can provide more concrete programs that regards the industry's paradigm and its whole structure to make sure that clients can have deep understanding and awareness when dealing business with Islamic banks.

However, another study conducted by De Run & See Lip (2008) in Malaysian's eastern part of Sarawak indicated that the higher education has importantly varied level in understanding Islamic banks' products and services. Despite this, the research argued that there are no tangible influences between the perceptions and understandings towards Islamic banking system. This study supported by Ahasanul , Jamil , & Ismail (2009) and asserted in their study that Malaysians who have different educational levels do not have tangible differences in regard to their perception on Islamic Banking institutions.

Conversely, Naveed et al (2010) conducted study in Pakistan and found that the academic qualifications, perceptions and awareness are having a positive correlation when it comes to the products and services of Islamic banks.

Additionally, this research hinted out that the customers of Islamic banking institutions have higher educational level and that makes them more loyal and connected with Islamic banking industry. Apart from that, Ahasanul , Jamil , & Ismail (2009) also have a same conclusion in his study depicting that the level of education of customers also has a significant relationship with the adoption and awareness among customers towards Islamic Banks.

2.6.The contracts of Islamic banking

As an alternative of Conventional banking, Islamic banking has emerged and expanded last four decades into one of the world's fastest growing industry. In its unique concepts, the very spirit philosophies of Islamic banking are forbidding or rejecting of *Riba* or excessive interest, avowing ambiguities or *Gharar* when dealing with contracts and agreements, rejecting *Maysir* or gambling as well as the avoidance of any business that imbued with the commodities or products that are not *Halal* in Islamic including liquor, pork, sex, pornography and so on (Hussein Gulzar Rammal, 2007).

With this, the concepts or contracts of Islamic banking are all in line with the Sharia boundaries and guidelines. In this case, Islamic banking contracts are categorized into

several concepts including equity or participation based concept, sale or trade based concepts, lease based concept, benevolent loan based concept, supporting based concept and fee based concept. Hence, the product and services of Islamic banking are driven from those aforementioned principles which all products and services are applied through abiding these principles. However, if not all, most of these concepts are displayed and written in Arabic terms which will cause some difficulties when dealing with Islamic banks.

2.6.1. Sale or trading based concepts

According to Kamal (2008), sale based concepts are trading contracts in which it could be sold for cash, goods, or debts. Henceforth, these concepts are involving about the principles of selling and buying of property or assets. It is popular and useful concepts or contracts in Islamic banking institutions are as follows:

1. *Bai al Inah*

Bai al Inah described as a transaction that evolves the selling and buying contracts where the bank can sell the asset to the consumer via deferred payments while the customer will resell the asset from the bank and receives the cash on the spot. This is because the customers are in need of cash. However, scholars are still criticizing this concept as it seems the bank is taking the advantage of the customers as he consumer is really in need of cash and that makes him/her to sel it back from the bank in a discounted price (Khan, 2010).

2. *Bai Bithaman Ajil*

As described by Khir, Gupta & Shanmugam (2008), this contract is that the payment is deferred and involves selling of goods in which the customer will pay the due in a deferred basis. However, the price in which the bank will sell the asset with the original cost plus the profit margin that agreed by both sides. This is another concept which basis trading contract that Islamic banks use today particularly Southeast Asian Islamic banks.

3. *Murabaha*

As for *Murabah* contract, as Khan (2010) described that it's a sale that the customer will approach the bank and requests from the bank to buy a product from the producer or third part where the bank will resell that item or product to the client in a cost-plus-profit via deferred or cash basis. Nevertheless, it is more important to emphasize that the seller must disclose the original cost of the product to the customer.

4. *Ijarah*

According to Nanava (2007), *Ijarah* or leasing is a contract where the Islamic banking institution will buy or purchase property or an equipment which meets the demand and the specification of the customer where it will be leased to the client while both sides will fix a mutually agreed rate. In other words, the customer will use the usufruct while the bank will get benefit that has been generated by its property.

However, it is important to note that there are two popular *Ijarah* contracts which are *Ijarah Thuma al Bai* and *Ijara wa al Iqtina*. The first one is *Thuma Al bai*, which is the context of a contract that the bank will lease property to customer and with a predetermined price and period. Afterthought, when the first contract expires, both parties will enter another contract where the customer will buy the property at an agreed price. The second *Ijarah* is *Ijarah Iqtina* which involves a concept in which the Islamic banking institution or the bank leases a property to the customer with an agreed rental price and an agreed unilateral responsibility or undertaking the customer or the bank upon the expire of leasing period.

The property's ownership should be transferred to the one that leased or used the usufruct of the asset which may be the bank or the customer. In this case, the unilateral undertaking is the important part of the *Ijarah* concept in making it conditional where the rental and cost price are already fixed for the bank to get its original cost plus the profit during the time of rental.

5. Bay al Dayn

According to Khir et al (2008), Bai al Dayn defined as the sale of a contract where the creditor sells the certificate or a type of a sale contract in which the creditor sells his/her owed right upon the debtor either to the debtor himself or to a third party with discounted price. This means, the certificate that shows debt which is credited to the debtor can be

sell by the creditor if he/she needs. This is because the period of the payment may be longer and creditor needs cash before the specified time expires.

6. *Bay al Istisna'*

Istisna is a contract where the buyer will order product from the manufacturer in a pre-agreed period conditions, terms and criteria. However, the buyer or the customer will make the payment in an installment mode as soon as the products are received from the manufacturer or the bank. However, what's more important here is that the product does not exist at all during the contract. (Mohd Zulkifli Muhammad, 2007).

7. *Bay al Salam*

Istisna is a sale concept is referred to a contract that the buyer will order the item or the product while he/she is paying the amount or the price of the product that he /she ordered but the good will be delivered to the buyer in a later date. (Mohd Zulkifli Muhammad, 2007).

2.6.2. Equity or profit and loss sharing concepts

1. *Musharakah*

Musharakah is referred to a contract that based on profit and loss sharing. This is a contract between two partners contributing capital and participate the project or the management of the business. In addition to that, both sides will share profit with predetermined amount while sharing the lost according to their contributions of the initial capital. This profit and loss sharing concept which actually vital and bedrock for the Islamic banks products have shown low practice among the Islamic financial institutions.

However, as there are two types of *Musharakah*, the aforementioned one is the normal *musharakah* but there is another form of *Musharakah* called *Musharakah al Mutanaqissah* which is widely used by Islamic banks. This is a concept where the bank and the customer will be a partnership for the business venture of project where the bank will pay the largest capital 90 per cent for example while the customer will also pay another 10 percent. However, the customer will undertake a promise that he/she will gradually purchase the property in a diminishing concept where the customer will fully own the property or the project (Mirakhor, 2010).

2. Mudharabah

Similar to Musharakah, Mudharabah is of the bedrocks of Islamic profit and loss sharing contracts. With this, it's a contract between two or more whereby one party will provide the capital while another will contribute with his experience or skilled expertise. In this case, the capital provider is known as *Rabbul Mal* while the entrepreneur is *Mudharib* who will operate the project.

Therefore, in case there is a loss, it will be borne with the capital provider unless the loss is caused by the entrepreneur intentionally. As for the profit, *Rabul mal* and the *Mudharib* should share in a pre-agreed ratio. Additionally, Mudharabah is always used in transactions that related to the products i.e. specific investment accounts as well as general investment accounts within banking industry (Arshad, 2011).

2.5.3. Supporting concepts or contracts in Islamic banking

1. *Waqaf* is dedication of an asset which is immovable or movable and admitted by a person for Islamic purposes under the principles of Islamic law. The person that dedicates property is called *waqif*. This is very important and that plays very crucial role in Muslim socio-economic life as it bridges or boosts the life of the poorer.

2. *Qard Hasan* or benevolent loan is a concept which is based on goodwill while the debtor is merely required to pay back the original amount that he/she taken from the bank. Therefore, this will be interest or profit-free contract. However, the debtor may repay beyond the original amount but that should not be stipulated because it will consider only as a token of appreciation.

3. *Al rahnu* or Mortgage is another contract which is based on collateral basis. Meaning that, the creditor or the bank may hold that collateral or the pledged property till the debtor repays the amount borrowed because in case the debt is not settled within its promised period, then that property can be sold to settle the outstanding debt.

4. *Wakalah* or agency is another supporting contract where the bank can play the role of agency during the trade transactions. For example, the bank can issue a letter of credit which can be granted to customer and bank charges or imposes some fee for the facilitation of that letter of credit.

5. *Wadiah* or safe custody is a contract or concepts that based on trust where the bank and the customer are agreed to sign an agreement which the bank will use this fund and mixes with other funds from other customers. However, the bank should grant that the fund can be collected or withdrawn by the customer at any time needed. While the fund is operating by the bank, any profit that can be

generated from the fund will be used by the bank but that will hold the idea of *Hibah* which is exclusively based on the institution's will and discretion. *Wadiah* is more popular within the banks' products like savings and current accounts.

6. *Kafalah* or guarantee is another contract which is a pledge that will be given to bank by a guarantor that guarantees the liability of the borrower in case of failure to repay back. It's a secure obligation from the debtor when the bank grants financing to him/her under the Islamic Financial contracts.

2.6. Theoretical Review of relevant models

As proposed by Robert Lavidge (1961), the theory of Hierarchy of Effects is more linked to the awareness. The six components of this theory starts with awareness and concluded the last component which is the purchase stage. In this case, the theory depicts that at the very beginning stage, the consumer who knows nothing or unaware about products normally goes through six basic stages prior to their final decision of purchasing the products, the six steps are awareness, understanding, liking, preference, conviction and purchase.

Principally, the theory of hierarchy of effects categorized into three main stages, these are named Think, Feel, and Do. Within these three categories, awareness and

understandings are under “think” category. While liking and preference are under the category of “feel”. Lastly, conviction and purchase are attached to “do” category.

On the other hand, as developed by Rogers (1962), he discussed about five stages of adoption process. These stages are organized as knowledge, persuasion, decision, implementation and confirmation. The Idea of these steps is that at the first stage (knowledge) individuals are firstly exposed to the innovation however they lack the information about that particular innovation. In this stage, individuals are yet to be enthused to get more information about that particular innovation.

As for persuasion, individuals are interested for the innovation while they will clearly seek the relevant information or details. However, the decision stage where the individuals take the idea of the change. In this stage, Rogers emphasized that the individual considers the disadvantages and advantages of using that while weighing if the innovation is to be adopted or not. Because of the individual’s natures, Rogers implied that it’s the most difficulty phase. Moreover, as for the implementation stage, Individuals execute the innovation through a various degrees depend on situations. This is the stage that the individual will determine and know its usefulness. As for last stage, individuals finalize their decisions by continuing their using of innovations.

After looking into those above implications, it's worth to say that the customers or individuals' choice to use Islamic banking products and services will increase and doubled once the person knows more information and have enough understanding about the overall concepts and features of products and services offered by Islamic banking institutions. Hence, researchers like Naveed et al (2010) believe the substantive gap between understanding, usage and products of Islamic banking institutions. This is because non-Muslim customers have limited awareness and understanding towards Islamic banking products and services.

2.7. Conclusion

In this chapter, a relevant literature which regards to awareness of Islamic banking products and services among non-Muslims, understanding, perception, and selected demographic factors has been covered. Moreover, the chapter has also discussed contracts of Islamic banking such sale based contracts and equity based concepts followed by supportive concepts. The method that was used in this will be explained in the next chapter detail.

CHAPTER THREE

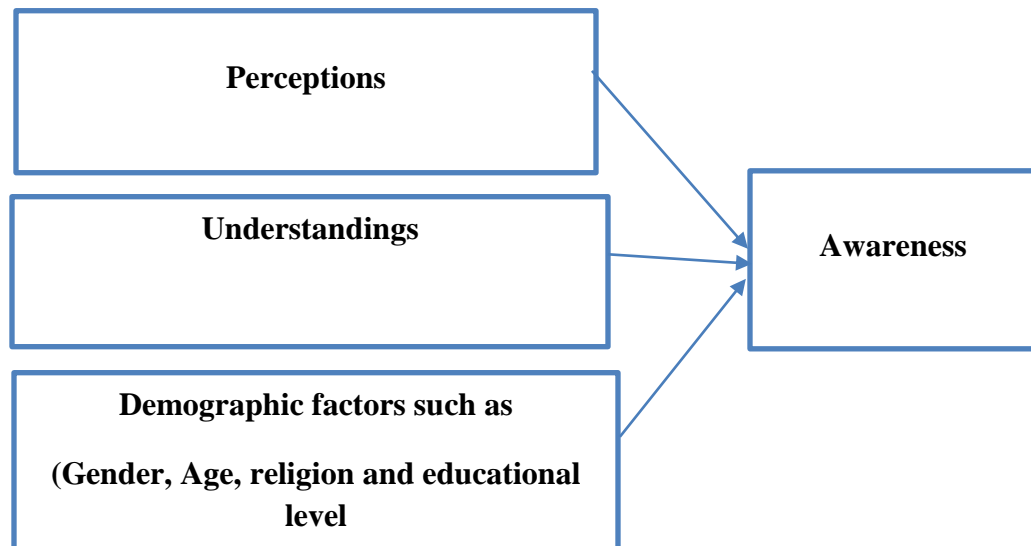
RESEARCH METHEDODOLOGY

3.1. Introduction

This chapter discusses the procedures in which the research is conducted in a detail. Meaning that, it is deeply touching the approaches and the methodologies of the study such as the research's design, operational definition, instrumentation, data collection sampling and techniques of data analysis.

3.2. Theoretical framework

Figure 3.1: Research framework



Adopted from Amin, H. (2007)

In this study, the main idea is to investigate non-Muslim students in selected northern universities of Malaysian towards their understanding, perceptions and demographic factors towards awareness of Islamic Banking products and services. This is because we all know that the awareness is vital and more substantial for Islamic banking industry. Moreover, this research wants to find out whether perceptions, Understanding and demographic factors such as gender, age, religion and level of education.

3.3. Hypothesis

H01: there is no awareness of Islamic banking products and services among non-Muslim students in selected northern Malaysian universities towards Islamic Banking products and services.

H02: There is no significant relationship between understanding, perceptions and awareness of Islamic banking products and services among non-Muslim Students in selected northern Malaysian universities.

H03: there are no significant differences between demographic factors such as age, religion and level of education and awareness of Islamic banking products and services among non-Muslim Students in selected northern Malaysian universities.

3.4. Research Design

Research design is the structure or the plan which we use in order to conduct study. Hence, as our purpose of this study is to scrutinize and investigate the awareness of Islamic banking products and services among non-Muslim students in selected Malaysian Universities and the relationship of perceptions, understanding and demographics, quantitative research is found to be suitable and appropriate for this study. In this study, we used a quantitative research method which we use it to collect the numerical data while analyzing it through using (SPSS software).

According to Given (2008), quantitative research is an empirically systematic investigation of phenomena which is observable through statistical, computational or even mathematical techniques this is because the main objectives of quantitative research is to employ and develop hypothesis theories or models which are all related to a phenomena. Moreover, the methodology that we have chosen for the purpose of data collection in this research is self-administered questionnaire.

The questionnaire is the most easily way as well as the best useful as a data collection type when the researcher wants to investigate or get a data source from a large or huge number of people in different geographical areas. Furthermore, questionnaire is a very popular method in which the most researchers use to collect data because of its easiness obtaining of data and its responses' codifications (Sekaran, 2000).

Additionally, descriptive study of research is also utilized in this study; this is because the data is collected via detailed questionnaire. In this case, we emphasize and highlight on studying the accurate profiles of the respondents to explicate and investigate the relationship between perceptions, understanding, demographic factors and awareness of Islamic banking products and services among non-Muslim students in selected Malaysian northern universities.

3.5. Operational definitions

Awareness is a degree to which a products and services is concerned and recognized by positional consumers where it associates with the products and services. Moreover, it's usually expressed as an extent of the market's target. This is also the main objectives of advertising in the initial months of a service or product (Pham, Goukens, Lehmann & Stuart, 2010). As for Islamic banking products and services, the awareness of customers towards Islamic banking products and services are essential and vital to the industry's performance and its market in general.

Perception is a concept which regards the consumer's impressions awareness and consciousness about the companies or business institutions and their products and services. Clients' perceptions are usually influenced by the company's products and services. This is to say that one aspect which the business entities may compete successfully for today's business is through providing strong consumer service and products which is imbued with quality.

Therefore, successfulness of today's business is depend on how strongly and positively high the perception of clients and how the products and services offered by business companies meet the consumer's expectations (Aspfors, 2010). In this case, the perception of Islamic banking products and services among customers are therefore important. Hence, the more clients have positive perception towards products and services, the better Islamic banks can maintain more and continues customers that could generate more profits as they would have strong and enough customers.

Understanding or the knowledge of products and services is another vital and crucial sales skillfulness. This is where the products or the services' features and specifications can allow the consumer to present precisely and credibly with a full understanding of the products and services (Queensland Government, 2014). Having said that, Islamic banking products and services are somehow difficult for some customers to understand especially non-Muslims; the understanding of whole process and operations of Islamic banking system and its basic principles or concepts are really a challenge for them.

Demographic profile or factors are social and economic features of a population which is statistically expressed. These can be age, gender, educational level marital status, religion, race, occupation, income level and so on (Riley, 2012). As for this, the Islamic banking customers and non-Muslims in particular have different demographical backgrounds including religion, race, gender, educational level and age.

Table 3.1 *research instruments*

Variables	Number of Items	Author
Demographic factors	1-4	Amin H. , 2007)
Awareness	5-12	Amin H. , (2007)
Understanding	13-20	Amin H. , (2007)
Perception	21-26	Amin H. , (2007)

As indicated above, the number of items that measures demographic factors is 1-4; these are gender, age, religion and educational level. The awareness which is the dependent variable is also measured through 5-6; while understanding and perceptions are measured 7-18 and 19-24 respectively. Moreover, the variable of demographic factors, understandings and perception are independent variables (IV). As stated earlier, awareness is the dependent variable (DV).

3.6. Data Collection Method

Data collection is a procedure of measuring and gathering information of variables that have been interested by the researchers; this is to establish a manner that helps and enable researchers to answer the raised questions of the research, evaluate outcome and test hypothesis. In this research paper, the quantitative research which is based on primary data is employed. Questionnaires are distributed and the responses from the respondents were collected and analyzed by using SPSS software.

As for this research, primary data was used which is information gathered from first sources. Meaning that, the data is assembled and gathered explicitly for the result of the project at hand (Zikmund, 2003). Moreover, this is an interaction with representative sample of individuals and first hand data communication. In this case, there are several ways to collect primary data such as interviews, telephone interviews, e-mail, face to face interviews as well as questionnaire. With this, this study used questionnaires as the sample size was large and it was impossible to go through other ways such as telephone interviews, face to face interviews and well as e-mail because of cost and time restraints. Hence, the self-administered questionnaire was the most suitable and ideal way which is used to collect the data.

3.6.a. Sampling

Sampling is concerned with the selection of a subset of individuals from within a statistical population to estimate characteristics of the whole population. Meaning that, it's a subset of the population being studied and represents the larger population and is used to draw inferences about that population (Sekaran, 2003).

3.6.b. Sampling technique

In this study, the sampling technique that is adopted is non-probability sampling; this is because the data cannot be collected from the entire population as the population of non-Muslim students in selected northern Malaysian universities is large. As for non-

probability sampling, the selection of elements for the sample is not necessarily made with the aim of being statistically representative of the population; rather, the researcher will base this sample on the objective methods such as personal experience, convenience, expert judgment and so on to select the elements in the sample (Mark, Philip, & Adrian, 2009).

3.6.c. Target population

Population is the general or a complete set of elements that totalizes the total category of the subjects which is the interest of the researcher. In this research, the target population is non-Muslim students in selected Malaysian northern universities such as Universiti Utara Malaysia, Universiti Malaysia Perlis and Universiti Sains Malaysia. Generally, population is defined as the total category of subjects which is the focus of attention in a particular research project (Sekaran, 2003). The target population employed in this research was the non- Muslims in Malaysia.

3.6.d. Sampling Elements

As it is related to the research's unit of analysis or the population, sampling elements are the fundamental units of the population which can be households, individuals, organization, as well as housing units. In this case, the area that this research paper is touching is the awareness of Islamic banking products and services among non-Muslim students in selected northern universities in Malaysia, the researcher is interested in non-

Muslim students of three northern Malaysian universities named Universiti Utara Malaysia of Kedah, Universiti Sains Malaysia of Penang and Universiti Malaysia Perlis of Perlis.

Moreover, this study is set to find out whether non-Muslim students are aware of Islamic banking products and services, understand its basic principles, and assess their perceptions towards Islamic banking products and services as well as to investigate whether some selected demographic factors influence their awareness on Islamic banking institutions' products and services. Hence, the unit of analysis of this research is the individual which is non-Muslim students of those aforementioned universities. Therefore, the researcher treated the responses of individual as a source of individual data while the researcher is also observed the data collected from each individual.

3.6.e. Sample size

According to Sekaran, (2003), the sample size implies the number of the elements that will be included in the research. As for this study, 375 sets of questionnaires were distributed via hand to the respondents throughout the selected northern Malaysian universities named Universiti Sains Malaysia (USM), Universiti Malaysia Perlis (UniMAP) and Universiti Utara Malaysia (UUM). According to Krejcie and Morgan (1970), a population of 15000, sample size of 375 is required. This is based on sample Size table for a Given Population Size that has been developed by Krejcie and Morgan (1970) and cited in Sekaran (2003).

3.6.f. Questionnaire design

Questionnaire is vital and important instrumental processes that take part the achievement of the study's objectives. Questionnaire is most easiest and applicable method when we are dealing with the huge number of respondents. Moreover, when it comes to time and cost, the questionnaire is most suitable when we compare to interviews which is another method of conducting research. Apart from that, this method of conducting research will enable us to get back and collect the completed responses from the respondents in a short period of time. As for this study, the researcher used the existing questionnaire instruments or construct done by previous researcher which is (Amin, 2010). In this case, the researcher adopted those instruments as it is applicable to this research.

Furthermore, the questionnaire of this study consists of four parts which are arranged as part A, B C and D; the first part of this questionnaire is referred to the respondent's demographic profiles which is consist of (4) items. The second part is about the respondents' awareness of Islamic banking products and services which is also consist of (8) items. The third part is concerned the respondents' understanding on Islamic banking products and services while its items are consisted of (8) items. And finally the fourth part is related to respondents' perceptions towards Islamic banking products and services and it consists of (6) items.

In addition to this, the Likert scales were also employed in the questionnaire of this study. There is an indicator for determining the respondent's answer. This scale is consisted of

five (5) values regards the respondents' answer. The value of 5 is denoted strongly agree, where value of 4 is stands for agree value 3 is also representing neutrality, while value 2 is representing disagree and lastly value 1 is denoting strongly disagree.

3.7. Techniques of data analysis

As for data analysis techniques, the collected data from the respondents is analyzed by using several statistical tools. In which the data will be analyzed. In this study, the tools that are used in this study and the interpretations of the results in the quantitative data analysis are used by SPSS software Version 20.

This will be included descriptive statistics, to identify the characteristics of the respondents, normality test to validate the data collected from the respondents. Moreover, in order to describe the differences between the variable as well as the demographic factors, inferential analysis was also employed. Hence, the data were analyzed where the hypothesis is tested.

3.7.1. Data screening

In this research, data screening was cried out in order to make sure that the results of the analysis are valid to be interpreted correctly and explicitly (Lawrence, Glenn , & AJ , 2006). Data screening process contains a number of procedures in order to ensure that the characteristics of data would not negatively affect the results.

3.7.1.1. Missing Data

Missing data is another stage before testing the collected data. This is considered crucial part before data analysis as the data is often imbued with mistakes as well as data entry errors which completely influence the results of the data analysis (Hair , Black, Babin, & Anderson, 2009). Additionally, Variables were tested before examining the research hypothesis for data entry and satisfaction of the assumptions for multivariate analysis and the accuracy of missing values. Missing data refers to the cases where valid values one or more variables are wrongly entered or even not available for data analysis (Hair et al 2010).

3.7.2. Normality test

In quantitative research, we use normality testing in order to define whether the data set is well modeled through a normal distribution as well as to compute how possible reflecting a random variable which is underlying the data to be normally distributed (Hair , Black, Babin, & Anderson, 2009). To some extent, Normality also can be measured through obtaining skewness and kurtosis values. Meaning that, the normal distribution defines the expected distribution of sample means and several other chance accuracies (Hair, Money, Samouel & Page, 2007). Furthermore, it is important to emphasize that normal distribution is crucial as it provides the elemental basis for many of the inferences by the researchers who are collecting data while using sampling. Henceforth, for this research, the research uses normality test in order to make sure the normality of checking and distribution for outliers.

According to Hair et al (2009), the statistically skewed distribution is between +1 to -1 and that implies a substantially skewed. In this study, the skewness values of all variables are between +1 to -1. Additionally, Fabrigar, Wegener and MacCallum (1999) argued that Kurtosis is a normal range if it falls between +1 and -1. In this case, the Kurtosis has been tested and it was evident that all variables are +1 and -1. Table 3.2 exhibits the Skewness and Kurtosis of all variables.

Table 3.2: *Results of normality test*

Variables	Skewness		Kurtosis	
	Statistics	Std.Error	Statistics	Std.Error
Understanding	-.0341	0.141	-0.517	0.281
Perception	0.123	0.141	0.037	0.281
Awareness	-0.366	0.141	0.324	0.281

Please refer Appendix (B)

3.7.3. Descriptive statistic

According to Munhurrun, Lukea-Bhewajee , & Perunjodi (2010), descriptive analysis is employed to define the main features of the quantitative data that that the researcher collected. In this case, this is where its objective is to formulate a set of data in which the researcher collected questionnaires from the respective respondents. By using SPSS software, this research used all the data attained from the sections of A, B, C as well as D in the questionnaires in order to scrutinize and analyze the descriptive statistic.

Furthermore, frequency distribution was also obtained from the personal data of all respondents. Having said that, the result of this analysis is clearly interpreted and explained in chapter four of this study by using illustrations, graphs as well as tables.

3.7.4. Reliability Test

According to Sekaran (2003), the reliability is an important. It's a measure which established through testing both stability and consistency. In this case, the consistency illustrates how well the items are measuring the concept. Further, as there are several methods to calculate internal consistency, the Cronbach's Alpha is the most widely used method which is a coefficient reliability that implies how well the set of items are positively correlated to each other. Having said that, the more Cronbach's alpha is close to 1, the better the internal consistency reliability (Mark, Philip, & Adrian, 2009).

Table 3.3: *Summary of reliability test*

Variables	Items	Cronbach's alpha
Awareness	8	0.909
Understanding	8	0.770
Perception	6	0.771

Please refer Appendix (C)

From the Table 3.3, the results showed that Cronbach's alpha for awareness have the highest level and scored 0.909. Understanding and perception have also scored a close range with 0.770 and 0.770 respectively. Therefore, awareness is the most reliable

variable among other variables; however, other two variables which are understanding and perception are moderately reliable according to (Hair , Babin, & Anderson, 2009).

3.7.5. Independent T-test

According to Gorman & Robert , (2014), T-test is vital and needed when researchers are testing or comparing the differences between two groups' means in relation to detect in case there is a statistical significant differences between the means of different groups. As for this research, t-test is used in order to analyze the difference between gender (male and female) towards their awareness on Islamic banking products and services with other independent variables which are involved in this study. This illustrates and depicts whether the perceived difference is meaningfully distinct between female and male.

3.7.6. One-way ANOVA Test

According to Sekaran (2003), ANOVA which stands Analysis of Variances is part of the inferential analysis which is employed to test the difference between at least three groups or more even more than three groups. It's because the test is attracting or engaging for the case of two groups is covered or dominated by t-test. Hence, since there more than two groups in this study, one-way ANOVA is applicable and appropriate in order to test the hypothesis which is involved the selected demographic profiles.

According to Blaikie (2003), the one-way ANOVA needs certain assumption to use the value of F statistic so that in order to determine whether the difference means are significant or not. As for the interpretation of the output, the researcher needs to refer to the column labeled significance. However, in case the f-value is under the significance level which is (>0.05) then there are statistically significance differences between the groups that are involved.

3.7.7. Pearson correlation

The Pearson correlation is an important statistical method that measures the strengths among the variables and the relationships between those involved variables. In other words, it measures the linearity association among two metric variables as cited by (Hair , Black, Babin, & Anderson, 2009). Broadly speaking, it's often used to assess the association between dependent variables and independent variables as well as their strength or relationship.

In this case, when the researcher assumes that the correlation coefficient is significance from the test, then the general rule of thumb is applied (Hui, 2012). Furthermore, according to Gliner, (2009), it is illustrated that Pearson correlation method can be vary from (-1.0) which is perfect negative correlation, whereas (0.0) denotes no correlation at all and (+1.0) depicts perfect positive correlation. The researcher should take into account that (+1.0) and (-1.0) are having strong or equal value however, both would come out with different interpretations. For instance, the high positive correlation

between awareness of Islamic banking products and services among non-Muslims with perceptions, understanding and demographic factors ($p < 0.01$) would indicate that the stronger the perception, understanding and demographic factors, the higher the awareness of Islamic banking products and services among non-Muslims (Hair, Black, Babin, & Anderson, 2009).

Apart from that, if there is a high negative correlation between non-Muslims awareness of Islamic banking products and services with perception, understanding and demographic factors, this means that the stronger perception, understanding and demographic factors tended to a low awareness of Islamic banking products and services among non-Muslims.

Table 3.4: *Summary of Statistical tools for data analyzing*

Hypothesis	Test measurement
H₀1: there is no awareness of Islamic banking products and services among non-Muslim students in selected Northern universities of Malaysia	Descriptive
H₀2: There is no significant relationship between understanding, perception and awareness of Islamic banking products and services	Pearson Correlation
H₀3: there are no significant differences between demographic factors such as age, religion and level of education and awareness of Islamic banking products and services.	Independent T test , ANOVA

Based on the above table, descriptive analysis was used to test the level of awareness among the respondents, while the correlation test is used to analyze the relationship between understanding, perception and awareness. Moreover, independent t-test and one way ANOVA test were used in order to test the differences between selected demographic factors.

3.8. Conclusion

This chapter discusses the research design which is based on the quantitative approach by the use of a self-administered questionnaire. In addition, non-probability sampling is used in this study. The research framework, hypothesis, research design and operational definition were discussed in this chapter. Data collection method such as population, sample size, and the survey procedures were discussed along with the minimum sample size requirements. Moreover, techniques of data analysis were also explained followed by the statistical techniques used in the study such as demographic profile, descriptive, correlation, independent-t test and one ANOVA. Moreover, the analysis use SPSS Version 20.0 and the results of the analysis are explained in the next chapter, Chapter 4.

CHAPTER FOUR

FINDINGS

4.1. Introduction

This chapter discusses the findings of data analysis from the collected data. Therefore, the findings of this research will reflect all the criteria required by research hypothesis and objectives that has developed in chapters one and two. In addition, the findings are also based on the research methodologies that were also discussed in chapter three.

In data collection, a total of 375 respondents were participated in the survey. However, only 300 questionnaires were analyzable. The remaining 75 questionnaires that were not properly completed were excluded from the data analysis. A self-administered questionnaires which consisted of four socio-demographic items and other twenty two items using 5 point Likert scale items to measure the research's constructs were also administered to the respondents who are non-Muslim students at selected northern universities of Malaysia namely Universiti Sainis Malaysia, Universiti Utara Malayisa and Universiti Malasysia Perlis. In this chapter, there are several sections which are divided into several subsections. The first section is discusses profile of the respondents and observation of the selected variables.

The second section discussed the differences between selected demographic factors and awareness of Islamic banking products and services; while the third section is also focused on the relationship between independent variables and awareness of Islamic banking products and services among non-Muslim students in selected Malaysian northern universities.

4.2. Profile of Respondents

In this section of the research, the profile of the respondents is important to describe the trend of awareness of Islamic banking products and services among non-Muslim students in selected Malaysian northern universities. The demographic variables analyzed were gender, age, religion and level of education among non-Muslim students in selected Malaysian northern universities. Table 4.1 presents the profile of respondents.

Table 4.1: *Demographic profile*

No	Items	Frequency	Percent
1	Gender		
	Male	155	51.7
	Female	145	48.3
	Total	300	100.0
2	Age		
	21-25	145	48.3
	25-30	116	38.7
	31-40	28	9.3
	41-and above	11	3.7
	Total	300	100.0
3	Religion		
	Buddhist	178	59.3
	Christian	66	22.0
	Hindu	37	12.3
	Others	19	6.3
	Total	300	100
4	Level of Education		
	Diploma/Advanced diploma	28	9.3
	Bachelor degree	164	54.7
	Master degree	76	25.3
	PhD degree	32	10.7
	Total	300	300

Please refer Appendix (D)

Based on the above table, it is indicated that the majority of the respondents are males. Although females are not far less than the males, the results shows that out of total 300 respondents, 155 were males (51.7%), while 145 (48.3%) respondents were female. In terms of respondents age, 21-25 years of age represented 145 (48.3%) of the total number of respondents. The group aged 25-30 consists of 116 (38.7%) of the total respondents' percentages. Another category of respondents that are grouped 31-40 presented 28 (9.3%) of the total respondents and lastly the age of 41-and above consisted 11 (3.7%).

As for religion, the major religion of the respondents is Buddhism with a number of 178 (59.3%). Christians among the respondents are represent by 66 respondents (22.0%) making them second largest group in terms of religion followed by Hindu religion with a total of 37 (12.3%) respondents out of overall participants.

Finally, other respondents who are none of those three religions were also 19 (6.3%) out of 300 total respondents. In educational level, 28 (9.3%) of the total respondents were diploma or advanced diploma students. 164 (54.7%) were studying bachelor's degree, whereas 76 (25.3%) are also master's degree and the other 32(10.7%) were PhD level.

4.3. Rate of respondents

375 questionnaires were distributed in three selected northern universities of Malaysia. 365 (97.4%) questionnaires were returned which amounts response rate. However, only 300 (82.2%) questionnaires were analyzable. The remaining 65 questionnaires were not

properly completed and excluded from the data analysis. The below Table 4.2 shows the usable questionnaires and response rate which are acceptable (Robert & Morgan, 1970).

Table 4.2: *Summary of the Total Questionnaires and the Response Rate*

The sample size of the study	375
Returned questionnaire	72
Returned and usable questionnaire	300
Returned and unusable questionnaire	65
Not returned questionnaire	10
Response rate	97.4%
Usable response rate	82.2%

4.4.Descriptive Statistics

In descriptive statistics were employed as a way of clarification by identifying the situation of each of the construct variables i.e. dependent and independent variables. In this study, the mean value of the variables obtained through measuring on a five point Likert. In this case, the greater the better will be for each and every variable. Broadly speaking, the values that are closer to five are considered better, whereas values closer zero are considered poorer or bad.

While the scores that are equal or even more than four are considered high agreement with particular criterion, while a score equal to two or less than are also considered low; and mean score of three was considered as neutral (Bhatti, Hoe, & Kaliani Sundram, 2012). In this study, a descriptive analysis of three variables named awareness, understanding and perception is shown in Table 4.2.

Table 4.3: *Descriptive Statistics*

N	Variables	Minimum	Maximum	Mean	Standard deviation
300	Awareness	1.63	4.63	3.3800	.50538
300	Understanding	1.88	4.63	3.3667	.62407
300	Perception	1.33	5.00	3.0490	.71266

Please refer Appendix (D)

As can be seen in the above Table 4.2, the minimum, maximum, mean and standard deviation of the variables are illustrated above. In this research, the value of mean is moderate. Meaning that, the mean score between awareness, understanding and perception is ranging from 3.38 to 3.04. Therefore, those values depict some moderate agreements on awareness of Islamic banking products and services.

On the other hand, it is illustrated that the standard deviation is ranging from 0.71 to 0.50. These values reflect that there is variability difference or in answering the questionnaires

among the respondents. Meaning, the answers that the respondent made are different from one to another.

4.5.Awareness of Islamic banking products and services among non-Muslims students in selected northern universities of Malaysia

Awareness of Islamic banking products and services are vital and more important for the industry's future market share. In order to examine the level of awareness of Islamic banking products and services among non-Muslim students in those selected universities, we use frequencies analysis. Following is the hypothesis that was tested:

H₀₁: there is no awareness of Islamic banking products and services among non-Muslim students in selected Northern universities of Malaysia.

H₁₁: there is awareness of Islamic banking products and services among non-Muslim students in selected Northern universities of Malaysia

4.4: results of the awareness of Islamic banking products and services

No. Items	STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE
AWR1	7 (2.3%)	20 (6.7%)	33(11%)	138(46%)	102(34%)
AWR2	5 (1.7%)	40 (13%)	57(19%)	142 (47%)	56 (18.7)
AWR3	1 (%0.3)	43(14.3%)	74(24.7)	166(55.3)	16(5.3%)
AWR4	5((1.7%)	27(9%)	76(25.3%)	174(58%)	18(6.0%)
AWR5	13 (4.3%)	56(18.7)	74 (24.7%)	147(49%)	10(3.3%)
AWR6	2(0.7%)	11(3.7%)	50(16.7)	149(49.7)	88(29.3)
AWR7	0	0	42(14%)	147(49%)	111(37%)
AWR8	0	2(0.7%)	69(23%)	149(49.7%)	80(26.7%)

Please refer Appendix (D)

Based on the above table, 138 (46%) respondents agreed that they are generally aware of Islamic banking products and services. Moreover, 102 (34%) respondents demonstrated that they are strongly aware of Islamic banking products and services. Besides that, 142 (47%) of the respondents are also agree that they are aware of Islamic banking deposit products such as saving accounts and current accounts. However, 57(19 %) of the respondents are neutral in terms of awareness of Islamic banking saving accounts and current accounts.

The above table illustrates that 166 (55.3%) of the survey participants agreed that they are also aware of Islamic bank's investment products such as general and special investment accounts. Furthermore, respondents were also asked if they are aware of Islamic banks' financing products i.e. leasing and joint ventures; 174 (58%) respondents agreed that they are aware of the products. Apart from that, only 9% respondents indicated that they do not aware of those aforementioned products, whereas 25.3% were in a moderate position.

Nevertheless, 49% of the respondents showed that they are aware of Islamic banking debt based products such as credit cards, home financing and automobile financing. In this case, 18.7% of the total respondents were exhibited that they are not aware of Islamic banking debt based products. However, 49.7% respondents agreed that they do not aware Islamic Insurance (*Takaful*).

4.6. Understanding of Islamic banking products and services among non-Muslim students in selected northern universities of Malaysia

Table 4.5: *Understanding of Islamic banking products and services*

Scale	UNDR1	UNDR2	UNDR3	UNDR4	UNDR5	UNDR6	UNDR7	UNDR8
SD	5 (1.7%)	7(2.3%)	10(3.3%)	26(8.7%)	22(7.3%)	38(12.7%)	41(13.7%)	185(62%)
DA	25(8.3%)	27(9%)	43(14.3%)	35(11.7)	35(11.7%)	42(14%)	61(20.3%)	23(7.7%)
N	35/11.7%	57/19%	66/22%	63/21%	55/18.3%	38/12.7%	45/15%	35/11.7%
A	105/35%	133/44.3%	140/46.7%	127/42.3%	151/50.3%	130/43.3%	98/32.7%	35/11.7%
SA	130/43.3%	76/25.3%	41/13.7%	49/16.3%	37/12.3%	52/17.3%	55/18.3%	21/7%
Total	300	300	300	300	300	300	300	300

Please refer Appendix (D)

Out of 300 respondents, the above table showed that 185 (62%) respondents are extremely do not understand the Arabic terms that Islamic banks use for their services and products such as *Shariah, Takaful, Wadiah, Ribah, Hibah, Ribah, Ijarah, Bai Bithaman Ajil, Qardh Hassan, Mudharabah and musharakah*. However, only 35(11.7%) understood the said Arabic terms followed by 21(7%) who also understand those terms well. Based on table above, 98(32.7%) respondents believe that Islamic banks only invest *Halal* businesses.

Moreover, nearly 209 (69%) are agree or strongly agree that Islamic banking is available not just Muslims but both Muslims and non-Muslims. Nonetheless, 151(50.3%) out of total of 300 respondents agreed that Islamic banks are profit sharing basis and gifts in lieu

of interest. Whereas 130 (43.3%) and 52 (17.3%) are agreed and strongly agreed that Islamic banking institutions avoid major risks and uncertainty in their financial transactions.

4.7. The relationship between understanding perception and awareness

In this study, correlation analysis has been used to test the nature of relationship between independent variables which are understanding and perception and dependent variable which is awareness. In this study, Pearson correlation has also been used to analyze the data collected from the respective respondents. In Pearson correlation analysis, it is stated that the higher the correlation coefficient, the stronger the relationship between independent variables and dependent variables (Dancey & Reidy, 2004). According to these authors, if the value of the correlation coefficient is 1, it signifies the perfect correlation, between 0.70-0.90, it implies a strong correlation, whereas 0.40-0.60, 0.10-0.30 and 0 shows moderate, weak and zero respectively. The following are the proposed hypothesis for Pearson correlation test:

H₀₂. There is no significant relationship between understanding and awareness of Islamic banking products and services among non-Muslim students in selected northern Malaysian universities.

H₀₂. There is no significant relationship between perception and awareness of Islamic banking products and services among non-Muslim students in selected northern Malaysian universities.

Table 4.6: *Correlation among variables constructs*

Variables		DV	IV	IV
Awareness	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	300		
Understanding	Pearson Correlation	.728**	1	
	Sig. (2-tailed)	.000		
	N	300	300	
Perception	Pearson Correlation	-.054	.145*	1
	Sig. (2-tailed)	.353	.012	
	N	300	300	300

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

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

Please refer Appendix (E)

In the above table 4.3, the results show that the correlation conducted on the two dimensions which are the understanding and perceptions are positively correlated. However, it is evident that the independent variable (understanding) have a positive correlation with the awareness of Islamic banking products and services at the confidence level of 99% ($p < 0.01$) and has correlated with awareness by 0.728. It is also evident that the independent variable (perception) has negatively correlated with the dependent variable at the confident level of 99% ($p > 0.01$) and correlation with awareness of Islamic banking products and services by -0.05.

Therefore, the result implies that the understanding of Islamic banking products and services shown the most highest correlated with the awareness of Islamic banking products and services since it satisfies John and Christine categorization for Pearson correlation and falls under the category of (0.7-0.90). In this case, it can be briefly interpreted as the stronger the understanding, the greater the non-Muslim student's awareness of Islamic banking products and services is at high level.

In aforementioned hypothesis, the correlation analysis proved that there is significant relationship between understanding and awareness of Islamic banking products and services at the level of 99% ($p > 0.01$). Therefore, the null hypothesis is rejected (**H₀₂**). However, there is no significant relationship between perception and awareness of Islamic banking products and services. In this case, the study failed to reject the null hypothesis (**H₀₂**).

4.8. Differences between Gender towards awareness of Islamic banking products and services

The researcher used independent t-test in order to compare the means between male and female as they are two unrelated groups on the same continuous dependent variable. In this research, independent t-test was used to analyze the differences between these two groups (male and female) towards awareness of Islamic banking products and services. The proposed hypothesis for variable is as follows:

H03: there are no significant differences between gender and awareness of Islamic banking products and services.

H13: there are significant differences between gender and awareness of Islamic banking products and services. Table 4.5 illustrates more detail.

Table 4.7: *results of Independent t-test analysis*

Variables	Mean	Std. deviation	t	Sig.
Gender				.182
Male	3.4177	.52715	1.339	
Female	3.3397	.47955	1.343	

Please refer Appendix (F)

Based on Table 4.5, the independent group t-test analysis is utilized in order to test the aforementioned hypothesis. Therefore, the results showed that the mean of male respondents who are aware of Islamic banking products and services is 3.41 with the standard deviation of 0.527 whereas mean of the female respondents is 3.33 with the standard deviation of 0.479; however, the male respondents' mean is slightly higher than their female counterparts. Moreover, the significant level of this group is (P=0.182) which is higher than the standard level of 0.05. In this case, this study fails to reject the above stated null hypothesis (**H03**).

4.9. The differences between age, religion and level of education

Analysis of variances (ANOVA) is statistically used to assess the differences between the means of two or more variables (Hair, Bush, & David, 2003). In this study, the researcher used One Way ANOVA test in order to examine the differences between three groups or more than two groups such as age, religion and level of education towards awareness of Islamic banking products and services. The proposed hypothesis for this variable is as follows:

H₀₃: there are no significant differences between age, religion and level of education and awareness of Islamic banking products and services.

H₁₃: there are significant differences between age, religion and level of education and awareness of Islamic banking products and services. Table 4.6 illustrates further detail.

Table 4.8: *results of One Way ANOVA analysis*

Items	Mean	Std. Deviation	F Value	Significant
Age			7.948	0.000
21-25	3.43	0.455		
26-30	3.28	0.489		
31-40	3.66	0.494		
41-above	2.95	0.814		
Religion			7.084	0.000
Buddhist	3.34	0.507		
Christian	3.26	0.441		
Hindu	3.56	0.559		
Others	3.76	0.305		
Level of Education			2.978	0.032
Diploma/advanced diploma	3.12	0.597		
Bachelor degree	3.39	0.477		
Master Degree	3.39	0.459		
PhD degree	3.47	0.609		

Please refer Appendix (G)

Table 4.6 illustrates the mean and standard deviation between three variables, age, religion and level of education. In terms of age, the result reveal that the mean of respondents who are 21 to 25 years who are aware of Islamic banking products and

services is 3.43 with the standard deviation of 0.455 while the mean of the respondents who are 26 to 30 years is 3.28 with the standard deviation of 0.489. The mean of other categories is 31 to 40 and 41 and above are 3.66 and 2.95 years with the standard deviations of 0.494 and 0.814 respectively.

In terms of religion, the mean of Buddhist is 3.34 with the standard deviation of 0.507 whereas mean of Christian is 3.26 with the standard deviation of 0.441 and the mean of Hindu religion is 3.56 with the standard deviation of 0.559. Moreover, other respondents who are none of these religions are having a mean ranged 3.76 and standard deviation of 0.305.

As for level of education, the data shows that diploma/advanced diploma, bachelor degree, and master degree and PhD degree are having mean between 3.12, 3.39, 3.39 and 3.47 respectively; and the standard deviations of these categories are 0.597, 0.477, 0.459 and 0.609 respectively. The ANOVA analysis showed among the other levels of education that PhD has the highest mean and that could portray the awareness of PhD holders in Islamic banking products and services.

Moreover, the F values of age and religion are 7.948 and 7.084 respectively. In terms of significance, both age and religion has same positive significant value ($p < 0.05$) In this

case, both factors are most significant factors towards awareness of Islamic banking products and services. For the level of Education, the F value is 2.978 with a positive significant value of 0.032.

Therefore, since p-value of all variables is less than the standard average of ($p < 0.05$), there are significant differences between age, religion and level of education towards awareness of Islamic banking products and services. However, age and religion are the most significant factors among these socio-demographic factors. Hence, we reject the null hypothesis (**H03**).

4.10. Conclusion

In this chapter, the researcher discusses the analysis of data collected. In data analysis, SPSS V.20 was used. Whereas the analyzing process involves the profile of respondents, descriptive analysis, correlation test, Independent t-test and One Way ANOVA test. These tools we used accordingly. The hypothesis was tested in accordance with aforementioned statistical tools. Meaning that, the correlation test were used in order to test the relationship between understanding, perception and awareness and the result shows that there are significant relationship between understanding and awareness.

The descriptive statistics were also used to analyze the level of understanding and awareness of Islamic banking products and services among non-Muslim students in selected northern universities of Malaysia. The result shows that the majority of the respondents are aware of Islamic banking products and services, however, they don not much aware of Islamic *takaful*. The results also show that the non-Muslim students have understanding or some knowledge on Islamic banking products and services; however, they do not understand the meaning and concepts or Arabic terms that Islamic banking institutions use for their transactions and contracts.

However, there is no statistically significant relationship between perception and awareness. Furthermore, the study also tested the different between selected demographic factors and awareness using independent t-test and one way ANOVA test. The result shows that there is no significant difference between gender and awareness but there are significant differences between age, religion and level of education towards awareness.

CHAPTER FIVE

DISCUSSION AND CONCLUSIONS

5.1. Introduction

This chapter focuses and discusses more on the research findings and analyses the results in accordance with the objectives of this research. Furthermore, this chapter also answers the questions posed in chapter one. Moreover, this chapter starts with summary of study, discussions regards to findings, implications, and contributions of the research followed by limitations and recommendations and lastly conclusion of the research.

5.2. Summary of Findings

This research paper attempted to determine the level of awareness, the relationship between independent variables and dependent variable, and the differences between independent variables which are understanding, perception and selected demographic factors such as gender age, religion as well as level of education and the dependent variable which is awareness. In addition to that, data were collected for non-Muslim students from three leading Malaysian public universities in northern states namely Universiti Utara Malaysia of Kedah, Universiti Malaysia Perlis of Perlis and Universiti Sains Malaysia of Penang.

As mentioned earlier, three hundred seventy five (375) questionnaires were distributed and three hundred (365) 97.3% questionnaires were returned. However, following the thorough checking of the received questionnaires, it revealed that merely 300 (80%) were usable and fit for data analysis. Apart from that, this study were also arranged to execute the following objectives:

1. To examine the level of awareness of non-Muslim students in selected northern Malaysian universities towards Islamic Banking products and services.
2. To examine the relationship between understanding and perception towards awareness of non-Muslim students in selected Malaysian northern universities.
3. To examine the differences between the demographic factors such as age, religion and level of education and awareness of non-Muslim students in selected northern Malaysian universities towards Islamic banking products and services.

The first objective of this study is to examine the level of awareness of Islamic banking products and services among non-Muslim students in selected universities of Northern Malaysia. According to the result illustrated in the descriptive analysis, the vast majority of respondent were aware of Islamic banking products and services. However, most of the respondents do not aware of Islamic Insurance or *takaful*. Koeng et al (2012) found a similar result when she conducted a research on the awareness of non-Muslims in Malaysia.

The second objective of this research is to examine the relationship between underrating and perception and awareness of Islamic products and services among non-Muslim

students in selected northern Malaysian universities. Therefore, the factors that have been analyzed are understanding and perception. It is evident that understanding is positively correlated and significant with awareness of Islamic banking products and services by 0.728 at the confidence level of 99% ($p < 0.01$). It is also evident that the relationship between perception and awareness is negatively correlated and not significant with awareness by -0.054 at the level of 99% ($p > 0.01$).

In this case, the result revealed that the stronger the understanding the greater awareness of Islamic banking products and services among non-Muslim students in selected northern Malaysian universities. In terms of understanding, this study supported by pervious study done by Amin (2007) who investigated Borneo Islamic automobile financing and found that understanding of basic products and services is related to awareness of Islamic banking products and services.

Conversely, the relationship between perception and awareness of Islamic banking products and services is not significant and negatively correlated. With this, the correlation between perception and awareness of Islamic banking products and services is negative means, the higher the misperception, the lower the awareness of Islamic banking products and services.

The third objective of this study is to examine the differences between the demographic factors such as gender, age, religion and level of education and awareness of non-Muslim students in selected northern Malaysian universities towards Islamic banking products and services. The objective compared the awareness of Islamic banking products and services among non-Muslim students in selected northern Malaysian universities on their selected demographic factors.

In this study, the gender was analyzed either female or male while age was categorized as 21-25 years, 26-30 years, 31-40 years and 41 and above. The religion was also analyzed by sub-categorizing Buddhist, Christian, Hindu and others, whereas level of education of the respondents were also analyzed under the categories of diploma/advanced diploma, Bachelor degree, Master degree and PhD degree. The interpretation of the result was already explained in chapter four.

The researcher found that there is no significant differences between gender (male and Female) and awareness of Islamic banking products and services. It indicates that whether female non-Muslim students or male non-Muslim students, both groups are likely to aware of Islamic banking products and services. A previous study conducted by Amin (2007) found statistically significance differences between gender (male and female) and awareness of Islamic automobile financing in Malaysia's Borneo region.

The different findings between Amin's study and this research might be because of the Amin's study was based in Malaysia's Borneo Island while this study was based in Malaysia's northern region. Another reason could be the socio-demographics factors of these different regions. The previous study focused on all customers without considering their religions but this study targeted non-Muslims only.

Besides that, there are significant differences between age, religion and level of education with awareness of Islamic banking products and services. As it can be seen in chapter four, the researcher found that age and religion are the most significantly different towards awareness of Islamic banking products and services. This implies that financial institutions must consider the religion and age factors.

Therefore, since p-value of all variables is less than the interval level of ($p < 0.05$), there are significant differences between age, religion and level of education towards awareness of Islamic banking products and services. The result showed that age is significantly different in terms of awareness in Islamic banking products and services with a significant different level of ($P=0.000$). Similarly, the results of the ANOVA analysis in chapter four also indicated that religion has same significant different with that of age ($P=0.000$).

However, in terms of F values, age = (7.948) has higher value than religion = (7.084). Apart from that, the result of analysis shows that level of education is also significant at interval level of ($P < 0.05$), in this finding, the significant differences of level of education is ($P = 0.0032$) which means, there is significant difference towards awareness of Islamic banking products and services. The F value of level of education is lower than that of age and religion (2.978).

As depicted in chapter four, the study found non-Muslim students who are aged of (21-25) are more aware of Islamic banking products and services compared to other categories followed by another category aged 26-30 and 31-40, 41-above respectively. This may be the reason that most of the students in higher education institutions are undergraduates who are mostly not above 25 years of age.

The current study supported by Mohamed et al (2008) study which found that the vast majority of Islamic banking customers are 58 percent in Bangladesh were aged 21-25 years. Another study that was conducted by Naveed et al (2010) also concluded that customers' awareness on Islamic banking products and services are significantly varied or different in terms of age.

However, another study conducted by Keong (2012) that investigated the awareness of Islamic banking products and services among non-Muslims in Malaysian peninsula found no significant differences between age and awareness of Islamic banking products

and services. The different findings between Koeng's study and current research could be the sample matter and socio-demographic differences as this study is targeting only non-Muslim university students. Furthermore, present study also supported by Loo (2010) who found that there is significant differences between religions and awareness of Islamic banking products and services.

Moreover, the result of ANOVA showed significant differences among religions. The result further reveals that there is a significant difference between Buddhist, Christian, Hindu and others on their awareness of Islamic banking products and services. The mean of Buddhist is 3.34 with the standard deviation of 0.507 whereas mean of Christian is 3.26 with the standard deviation of 0.441 and the mean of Hindu religion is 3.56 with the standard deviation of 0.559.

Consequently, the respondents who belong to none of these religions are having mean ranged 3.76 and standard deviation of 0.305. The findings of this study towards religious aspects were supported by Ahsanul et al (2009) who found that there are significant differences between religion and awareness of Islamic banking products and services.

However, in previous study, Islamic religion was included other religions. This may differ from current study at one point as Muslims could have different from other religions when it comes to the awareness of Islamic banking products and services.

In this case, Buddhist who are mostly Chinese and Indians have most significantly different from other faiths. This can imply that these two religions are the main faiths among other religious variables.

Apart from that, the analysis indicated that the level of education has also significant different towards awareness of Islamic banking products and services. The result of ANOVA depicted that the mean of the holders of Diploma/Advances, Bachelor, Master and PhD have significant different with the mean of 3.12, 3.39, 3.39 and 3.47 respectively. This sheds light on how the level of education has varied in terms of awareness of Islamic banking products and services.

Meaning, it seems that the PhD holders have the most significant different towards awareness of Islamic banking products and services. The reason may be PhD holders have more experience and awareness than other levels of education since they are quite older than other bachelor and master holders.

This result is supported by Keong Lee (2012) who concluded that there are significant differences between educational level and awareness of Islamic banking products and services among non-Muslims in Malaysia. This is also consistent with another previous studies Amin (2007) and Naveed et al (2010) who are their result showed statistically significant references when the level of education is taken into account.

5.3. Research implications

The implications of current research are divided into two parts. The first part is theoretical perspective while the second part is managerial perspective. These implications are discussed below:

From the theoretical standpoint, the main objective of this study is to determine the level of understanding, perception and demographic factors towards awareness of Islamic banking products and services among non-Muslim students in selected northern Malaysian universities. The results of this study contributed to the existing literature relevant to Islamic banking. The study contributed by providing comprehension on awareness of Islamic banking products and services. Previous relevant researchers have conducted most of the studies which the respondents are both Muslims and non-Muslims.

This study also sheds light on that respondents were understand the basic operations and principles of Islamic banking products and services, however, the study found that the vast majority of the non-Muslim students who were the respondents of this research do not have a knowledge or familiarity with the *Arabic* terms that most if not all Islamic institutions use in regard to their financial concepts. Therefore, it is well effective implication that setting policy on these issues by Islamic bankers is more needed.

As this study only targeted non-Muslims, this is to demonstrate that Islamic banking institution could have more specific standpoint on non-Muslims profiles. Furthermore, this will contribute to enhance the understanding of Islamic banking institution towards non-Muslims in Malaysia for their underrating and perceptions. The researches in Islamic banking towards non-Muslims are not as many as on Muslims. Therefore, studying on the awareness and perception of non-Muslims has positive contribution for identifying the non-Muslims perspectives on Islamic banking products and services.

More specifically, as the study targeted non-Muslims students who are in higher education institutions, it is better for Islamic banking industry to view how these academicians would see their products and services. This is where business oriented Chinese community and other non-Muslims in the country could have enough understanding and knowledge about the basic and overall operations of Islamic banking system. Besides that, to foster and create young academicians who are trained and skilled with Islamic banking knowledge, Malaysian higher institutions need to take their part and promote Islamic banking programs for non-Muslims students who can be part of these developments and efforts for better financial system.

From the managerial perspective, the results provided that Islamic bankers could have implement policies that can attract non-Muslims to consume Islamic banking products and services. With this, Islamic banking institutions must adjust their marketing policies towards non-Muslims by considering the differences between selected demographic

factors such as gender, age, religion and level of education. Having said that, a different method or approach to build Islamic banking products and services' awareness towards non-Muslims will help this emerging industry to grab more potential markets and attract non-Muslims into their financial system.

Besides that, Islamic banking institutions could have promotion or collaboration with different higher institutions. For example, UUM, or USM which have sizable population of non-Muslims such as Chinese, Indians and others. Additionally, Islamic banking institutions could employ non-Muslim fresh graduates to work with them. In return, they will endorse Islamic banking products and services which will also allow them to mingle with their families and community at large through spreading the usefulness of Islamic banking products and services. This will motivate them to adopt Islamic banking products to their fellow relatives, families and friends when they understand more about Islamic bank.

Furthermore, it is important to imply that according to the findings in chapter four, the results indicated that there are significant relationship between understanding and awareness of Islamic banking products and services. The result of analysis also showed that though non-Muslims are aware of Islamic banking products and services, but there is still thirsty for having full awareness.

These illustrations indicated the implication that Islamic bankers should also put their utmost efforts in establishing programs and initiatives that will help non-Muslim

customers to understand more on Islamic banking products and services. The bankers can also consider easing their non-English terminologies Arabic words in particular to make sure their products and services are familiar and explicitly understandable among non-Muslims. This is because the study revealed that the respondents have limited understanding towards those said terminologies.

5.4. Limitations and recommendations for future research

Regarding the limitations of this study, it is obviously clear that all studies have limitations. This study has several limitations, first limitation is that the population sample was quite skewed towards Chinese who are mostly Buddhists compared to Indian Hindus and Christians. Another limitation is that this study employed non-probability sampling; the selection of elements for the sample is not necessarily made with the aim of being statistically representative of the population.

Rather, the researcher based the sample on the objective methods such as personal experience, convenience, expert judgment and so on to select the elements in the sample (Mark et al, 2009). Therefore, this implies a lack of generalizability of respondents towards whole non-Muslim communities. In addition to this, the researcher only focuses on the specific participants in certain locations in order to collect the data. This is because the data was only confined to non-Muslims students in three main public universities in northern Malaysia. Because of that, the results and findings of this study cannot be generalized to other non-Muslims in other geographical regions in Malaysia.

In this research, it's important to take into account that the scope of this study is limited to the awareness, understanding and perception and demographic factors of Islamic Banking among non-Muslims in selected northern universities of Malaysia. Therefore, the researcher recommended that the potential research area is on the satisfaction of non-Muslims towards Islamic banking products and services and their selection criteria.

This is because satisfaction would lead to higher Islamic banking patronage and by knowing the selection criteria; Islamic bankers can put more effort in these criteria to attract more customers. It is also recommended that this area of research could be good if it would be conducted in eastern Malaysia where there are more non-Muslims communities who may have different perception and awareness on Islamic banking products and services.

In addition, the demographic variables in this study is limited to five variables, in the future research, the future researcher could include more demographic variables in order to have more complete overview of respondents' profiles. Furthermore, to have a complete view of the non-Muslims in Malaysia, it would be ideal for the sample population to include professionals such as bankers and other working classes.

5.5. Conclusion

The main objective of this research is to determine awareness, understanding, perception and demographic factors of Islamic banking product and services among non-Muslim students in selected northern Malaysian universities. This study has a total of 300 respondents and data collected were analyzed by using SPSS 20.

It can be concluded that the result of correlation test indicates no relationship between perception and awareness of Islamic banking products and services. However, it was evident that there is significant relationship between understanding and awareness of Islamic banking products and services. All demographic variables have significant differences towards awareness except gender. Age and religion has the most significant different towards awareness of Islamic banking products and services.

However, level of education has moderate significant differences compared to other demographic variables. Lastly, this research has met its objectives by identifying the level of understanding, perception and demographic factors of Islamic banking product and services among non-Muslims in selected northern universities of Malaysia.

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