INTENTION TO ADOPT ISLAMIC BANKING SERVICES AMONG PUBLIC UNIVERSITY STUDENTS IN MALAYSIA

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MASTER IN ISLAMIC FINANCE AND BANKING

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Abstrak

Perbankan Islam telah mengalami perkembangan yang ketara di Malaysia, seperti yang dibuktikan oleh peningkatan jumlah aset dan kelulusan pembiayaan sepanjang tahun. Walau bagaimanapun, meskipun terdapat kemajuan ini, perbankan Islam masih ketinggalan berbanding perbankan konvensional dari segi bahagian pasaran dan jumlah aset, yang menunjukkan keperluan untuk pengembangan dan penerimaan yang lebih luas. Salah satu cabaran utama adalah tanggapan bahawa perbankan Islam hanya memenuhi keperluan pelanggan Muslim, yang mungkin menghadkan jangkauannya dalam kalangan bukan Muslim. Selain itu, faktor-faktor yang mempengaruhi penerimaan perkhidmatan perbankan Islam oleh pelajar masih kurang dikaji, terutamanya dalam konteks universiti awam di Malaysia. Kajian ini meneliti faktor-faktor yang mempengaruhi niat pelajar untuk menerima perkhidmatan perbankan Islam di universiti awam di Malaysia. Kajian ini menganalisis peranan sikap, norma subjektif, kawalan tingkah laku yang dirasakan, pengetahuan, dan harga. Ia juga mengenal pasti faktor paling signifikan bagi pelajar Muslim dan bukan Muslim. Pendekatan kuantitatif digunakan untuk menganalisis perbezaan dalam niat penerimaan antara kedua-dua kumpulan yang berasal dari universiti awam di Malaysia, serta untuk analisis data menggunakan PLS-SEM. Kajian ini melibatkan 400 responden dalam kalangan pelajar universiti awam, yang dikategorikan kepada pelajar Muslim dan bukan Muslim. Dapatan kajian menunjukkan bahawa sikap mempunyai pengaruh yang signifikan terhadap pelajar Muslim tetapi tidak memberi kesan kepada pelajar bukan Muslim. Norma subjektif dan kawalan tingkah laku yang dirasakan adalah penting bagi kedua-dua kumpulan, manakala pengetahuan hanya mempengaruhi pelajar Muslim. Sebaliknya, harga memainkan peranan yang lebih signifikan bagi bukan Muslim, mencerminkan keutamaan mereka terhadap manfaat kewangan. Kajian ini juga menunjukkan bahawa sikap merupakan penentu paling kuat bagi pelajar Muslim, manakala harga merupakan faktor paling berpengaruh bagi pelajar bukan Muslim. Hasil ini mengesahkan kepentingan bagi institusi perbankan Islam untuk melaksanakan strategi pemasaran yang sesuai, dengan menekankan pematuhan Syariah dan nilai-nilai etika bagi pelanggan Muslim, sambil memastikan harga yang kompetitif dan manfaat kewangan bagi pelanggan bukan Muslim.

Kata kunci: Perbankan Islam, Teori Perilaku Terancang, niat pelanggan, Muslim, dan bukan Muslim.

Abstract

Islamic banking has experienced significant development in Malaysia, which is evident from the increase in total assets and financing approvals over the years. However, despite this progress, Islamic banking still lags behind conventional banking in terms of market share and total assets, indicating the need for further expansion and adoption. One of the main challenges is the perception that Islamic banking only caters to Muslim customers, which may limit its reach among non-Muslims. In addition, the factors that influence students' adoption of Islamic banking services remain under-researched, especially in the context of public universities in Malaysia. This study examines the factors that influence students intention to adopt Islamic banking services in Malaysian public universities. The study analyzed the role of attitude, subjective norms, perceived behavioral control, knowledge, and price. It also identifies the most significant factors for Muslim and non-Muslim students. A quantitative approach was applied to analyze the differences in adoption intention between the two groups coming from public universities in Malaysia, as well as for data analysis using PLS-SEM. This study involved 400 respondents from public universities student, categorized from muslim and non-muslim students. The findings showed that attitude had a significant influence on Muslim students, but no impact on non-Muslim students. Subjective norms and perceived behavioral control are important for both groups, while knowledge only affects Muslim students. In contrast, price has a more significant role for non-Muslims, reflecting their preference for financial benefits. The research also shows that attitude is the strongest determinant for Muslim students, while price is the most influential factor for non-Muslims. These results confirm the importance for Islamic banking institutions to implement appropriate marketing strategies, emphasizing Shariah compliance and ethical values for Muslim customers, while keeping in mind competitive pricing and financial benefits for non-Muslims.

Keywords: Islamic banking, theory of planned behavior, customer intention, muslim, and non-muslim

Acknowledgement

بِسْمِ اللهِ الرَّحْمَنِ الرَّحِيمِ

"In the name of Allah, the Most Gracious, the Most Merciful"

All praises and thanks are due to Allah the Lord of the Worlds, for all His bounties and blessings, May peace and blessings be unto the Holy Prophet Muhammad, his Progeny, and his Companions.

First and foremost, I would like to express my deepest gratitude to my beloved parents, Mr. Arifin bin Hamid and Mrs. Robiatur Rochmah binti Alimin, as well as my dearest siblings who always provide endless support and prayers. May Allah bless them with His infinite mercy in this world and the hereafter, and give them the highest place in Jannah.

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Table of Contents

List of Tables

List of Figures

List of Abbreviations

ATT	:	Attitude
BBMB	:	Bumiputra Malaysia Berhad
BIMB	:	Bank Islam Malaysia Berhad
BNM	:	Bank Negara Malaysia
IFD	:	Islamic Financial Development Report
INT	:	Customer Intention
KN	:	Knowledge
Maybank	:	Malayan Bank
PBC	:	Perceived Behavioural Control
SGIE	:	The State of Global Islamic Economy Report
SN	:	Subjective Norm
TH	:	Lembaga Tabungan Haji
TPB	:	Theory of Planned Behavior
UUM	:	Universiti Utara Malaysia
UMBC	:	United Malayan Banking Corporation

CHAPTER ONE

INTRODUCTION

1.1 Background Study

Banks are vital in aiding economic activity. Acting as intermediaries in economic processes, the banking sector serves as a mediating point. This bridge acts as a catalyst to improve the smoothness, speed, and optimization of economic activities (Chen, Huang & Huang, 2024). Islamic banking has an important intermediary role in the financial ecosystem by channeling funds from those with excess capital to those in need of capital. This system encourages economic growth and promotes a sense of mutual benefit (Junaidi, 2024). Furthermore, the existence and development of Islamic banking in economic activities can produce positive impacts. Islamic banking ensures that economic transactions are carried out with methods that are in accordance with good and Islamic sources (Avdukic & Asutay, 2024). Therefore, the advancement of Islamic banking holds significant importance since its effects reach beyond the banking industry.

In an economic perspective, in general, banking has a very important and vital role given the enormous role of banking. This role is the role of banking as an intermediary as well as a catalyst in economic activity (Caselli, Corbetta, Cucinelli & Rossolini, 2021). Realizing importance of banking existence in the economic circulation of the cou, the development and optimization of banking has become one of the keys to encouraging economic development (Jan, 2018).

Islamic banking also has a crucial intermediary role in the economic activity by channeling funds from those who have excess capital to those who need it (Junaidi, 2024). According to Hati, Wibowo & Safira, (2020), Islamic banking encourages economic growth while providing benefits for all parties involved. Furthermore, in a more Islamic perspective, the existence and progress of Islamic banking also provides positive value in the economy. Where all economic transactions through Islamic banking are carried out in a good way and in harmony with the teachings of Islam. Thus, advancing Islamic banking is an important step to take considering its enormous impact on the economy (Mensi, Hammoudeh, Tiwari & Al Yahyaee., 2020).

The current trend is showing a good growth rate for Islamic banking, both globally and nationally. This statement is based on evidence obtained from many existing reports such as the Islamic Financial Development Report (IFD), The State of Global Islamic Economy Report (SGIE), also in the annual report of Bank Negara Malaysia (BNM). Referring to SGIE Report, (2023), the valuation of financial assets from Islamic banking globally is at USD 3.96 trillion in 2021. And it is predicted that by 2025 this value will increase to USD 5.96 trillion (SGIE Report, 2023).

The IFD report from 2020 until 2023 also shows a similar positive trend and value for the Islamic banking growth in the global scope. Referred to the valuation of Islamic banking financial assets, a significant growth was found from USD 4.0 trillion in 2021 to USD 4.5 trillion in 2021 (IFD Report, 2023). And referring to IFD Report, (2023), it is projected that the Islamic banking industry will continue to grow to USD 6.7 trillion by 2027. It serves as substantial proof for Islamic banking institutions to persist in their innovation and expansion.

The Islamic banking era in Malaysia commenced in 1963, with the establishment of savings institutions aimed at accumulating funds for pilgrims (Muhammed, 2013). The funds accumulated by the pilgrims were utilized for investments in accordance with Shariah law and principles. Recognizing the significant potential of these savings, Malaysia formally introduced the Islamic Banking Act in 1983. Subsequently, Bank

Islam Malaysia Berhad (BIMB) became the first fully functional Islamic bank in Malaysia and is still in operation today (Kunhibava, 2012). Furthermore, Bank Muamalat Malaysia Berhad was founded as the second fully operational Islamic bank by the government. The aim of establishing second bank was to reinforce the status of Islamic banking. Furthermore, there was a growing public demand for Islamic banking services alongside this development. (Othman, Sari, Alhabshi & Mirakhor, 2017).

In 1993, Bank Negara Malaysia (BNM) permitted conventional banking to set up Islamic windows via the Interest-free Banking Scheme. This initiative sought to develop an Islamic financial and banking system run by cooperative banks by eliminating prohibited elements (Asni, 2019). Initially, Islamic windows were permitted to be operated by the three biggest local conventional banks in the country: Malayan Bank (Maybank), Bumiputra Malaysia Berhad (BBMB), and United Malayan Banking Corporation (UMBC). By the close of 1993, also 21 others conventional banks were offering Islamic windows (Hussain, Shahmoradi & Tur, 2015).

Currently, based on the SGIE Report, (2023), Malaysia ranks first in Islamic banking among all countries globally. Exceeding the Islamic banking achievements of Indonesia, Qatar to Saudi Arabia. Making Malaysia one of the best in the world for Islamic banking based on the report. In Malaysia, the history of Islamic banking commenced in 1963 with the establishment of the Hajj savings management institution, known as Lembaga Tabungan Haji (TH) (Muhammed, 2013). Seeing the great potential gained from the development of TH, in 1983 Malaysia passed the Islamic Banking Act of 1983. Hence, the first full-fledged Islamic banking institution was created in Malaysia, which is Bank Islam Malaysia Berhad (BIMB) (Othman et al., 2017).

The subsequent development took place in 1993 when Bank Negara Malaysia (BNM) amended the Islamic Banking Act, permitting conventional banks to provide

Islamic banking services via Islamic windows. In response to the new regulation, major banks in Malaysia such as Bank Malayan Banking Corp. (BBMB), Malayan Bank (Maybank), and United Malayan Banking Corporation (UMBC) started offering Islamic banking services through Islamic windows. Another impact of this regulation was the increase in demand as well as competition in the Islamic banking sector. Until 1999, Bank Muamalat Malaysia as a way to capture the growing opportunities in the Islamic banking sector (Abdullah, Al Nasser, Datin & Muhammed, 2013).

The current condition of Islamic banking in Malaysia also shows good growth in terms of total assets and market share. And as the largest full fledged Islamic banking in Malaysia, BIMB is representative of the condition of Islamic banking in Malaysia (Balarabe, Abdullah, Gwadabe & Muhammad, 2023). As stated in BIMB's 2023 annual report, it was observed that total assets of Islamic banking in 2021 amounted to RM 80.2 billion, which increased to RM 91 billion in 2023 (BIMB, 2023). Furthermore, based on the number of deposits collected for BIMB itself, it was RM 67.8 billion in 2021 and increased quite drastically to RM 76.1 billion (BIMB, 2023). Then for the market share, it also shows an increase as presented in the Bank Negara Malaysia (BNM) report. Where for the past 3 years, in terms of the market share, Islamic banking has always been on an increasing trend starting in 2021 with a market share of 38% to 45.6% in 2023 (BNM, 2023).

Moreover, Islamic banking has typically demonstrated positive growth in recent years when considering market share, total assets, and overall asset values (Balarabe et al., 2023). Judging from the BNM, (2023) report, the Islamic banking market share continues to increase in the banking sector where in 2021 the Islamic banking market share of 38% grew to reach 45.6% in 2023. Then in terms of assets and total assets there is also an increase. Based on the data from annual report of BIMB, (2023), it was found that in 2021 the total assets owned were at RM 80.2 billion, which increased significantly to RM 91 billion in 2023. Furthermore, based on total deposits, it was also found that the increase from 2021 which amounted to RM 67.8 billion increased to RM 76.1 billion (BIMB, 2023).

Although in general Islamic banking shows good achievements, but actually Islamic banking in Malaysia still has a lot of lagging to catch up (Jan, 2018). Overall, both in terms of market share and total assets, Islamic banking is still lagging behind. In terms of market share, conventional is still the dominant one with a market share of 54.4% (BNM, 2023). Then based on total assets, Islamic banking in Malaysia as a whole was only recorded at RM 632.9 billion in 2023 while for conventional banks it was recorded at Rm 2,370.9 billion (AIBIM, 2024). Thus, Islamic banking in Malaysia still has a lot of room to grow.

1.2 Problem Statement

Based on (BNM, 2024) monthly highlight and statistics, shown that the growth of Islamic banking can be seen, which is evidence that this service is gaining traction. To provide good information, data from two indicators that can show the growth of Islamic banking will be shown, namely the amount of assets and the amount of financing approved.

Figure 1.1 Islamic banking asset growth (BNM, 2023, 2024)

Figure 1.1 shows the increase in the total assets of Islamic banking from 2020 until 2024. According to the report of BNM, (2024), it was found that in 2020 the total assets of Islamic banking valued to RM 871,281 million. From the same data, a significant increase was also found in 2024, it was found that the total assets increased to RM 1,154,797 million (Bank Negara Malaysia, 2024).

Figure 2 shows evidence of the significant Islamic banking growth, especially in the last 4 years. From the data collected from (BNM, 2024) it is found that in 2020 the amount of financing approved by Islamic banking in Malaysia is RM 16,754.95 million. The amount tends to be small considering that that year was the first year of the Covid-19 pandemic which hit the whole world and weakened the economy (Shah, Gherghina, Dantas, Rafaqat, Correia & Mata., 2023). Furthermore, from the same data, in 2023 the increase in demand financing for Islamic banking increased very rapidly to reach RM 82,505.59 million (BNM, 2023, 2024). This shows a substantial growth for Islamic banking in Malaysia.

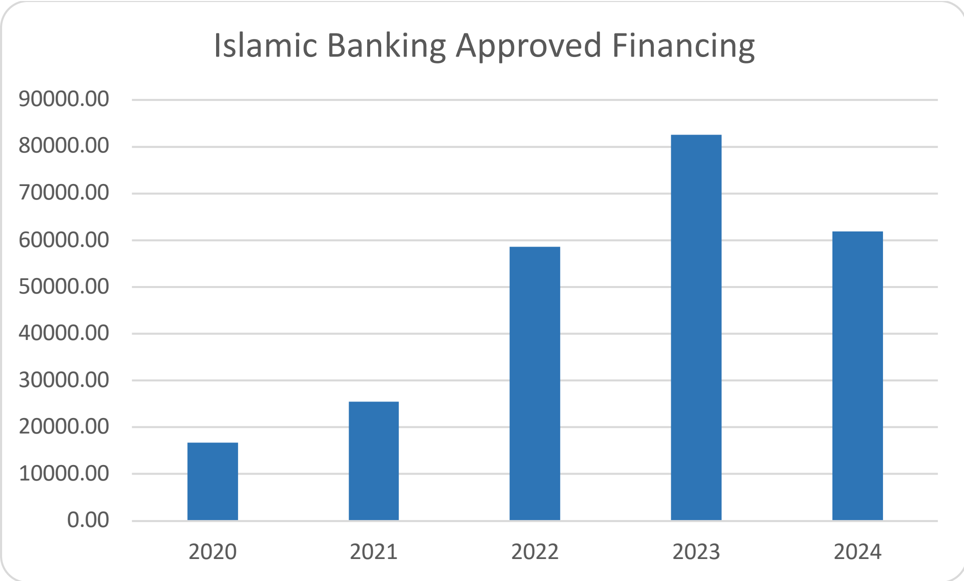

Figure 1.2 Islamic Banking Approved Financing (BNM, 2023, 2024)

Although Islamic banking has made good progress overall, there is still much work to be done before it can catch up in Malaysia (Mahyudin & Seman, 2018). Overall, Islamic banking continues to fall behind in terms of both market share and total assets. According to report of BNM, (2023) the conventional banks hold market share around 54.4%, continues to hold the top spot in Malaysia. In 2023, the total assets of Islamic banking valued to RM 632.9 billion, while conventional banks held total assets of RM 2,370.9 billion (AIBIM, 2024). As a result, there is still much space for Islamic banking in Malaysia to expand.

Furthermore, a comparison between a Islamic banking and a conventional banking in Malaysia highlights that the disparity is even more significant. To provide a better picture, we will compare the current conditions between BIMB and Maybank based on the annual reports of each bank.

Table 1.1 BIMB & Maybank Comparison Table

Indicator	Islamic banking (BIMB)			Conventional banking (Maybank)		
	2021	2022	2023	2021	2022	2023
Market share	38%	41%	45.6%	62%	59%	54.4%
Total asset (RM billion)	80.2	89.9	91.0	888.2	942.1	1027.1
Total deposit (RM billion)	67.8	75.2	76.1	588.9	614.9	670.4

Source: (BIMB, 2023; BNM, 2023; Maybank, 2024)

Table 1.1 shows the comparison between Malaysia's representative Islamic bank BIMB, the first Islamic bank in Malaysia. Then Bank Maybank as one of the anchor banks in Malaysia, a representative conventional bank. From the BIMB side, we can clearly see the growth that has occurred in the last 3 years. Based on annual report BIMB, (2023), this growth can be seen from the growth of total assets and total deposits in the last 3 years. From the report in 2020, BIMB's total assets amounted to RM 80.2 billion growing to RM 91 billion in 2023. Then for total deposits also showed growth from RM 67.8 billion in 2020 to RM 76.1 billion in 2023 IMB, 2023).

The positive results in terms of BIMB as a representative of Islamic banking are certainly a good achievement for BIMB and Islamic banks in general. However, to continue to grow, a business entity such as BIMB must understand its shortcomings compared to market conditions and competitors (Blank, 2007; Ries, 2011). This shortcoming then appears when BIMB is compared with Maybank. There is a clear lack of both in terms of assets and deposits owned by both.

According to table 1.1, it can be seen that Islamic banking is currently still lacking. However, this does not mean that Islamic banking cannot develop. The many challenges and obstacles that Islamic banking in Malaysia has gone through before reaching the current point shows that many things have been successfully passed. However, in order to continue to grow Islamic banking needs to develop itself considering that the opportunity is still very large (Zainordin, Monica, Man & Hoong, 2016).

One area that can be enhanced is the rise in the adoption level of Islamic banking, enabling more individuals to embrace it and reap its advantages (Maryam, Mehmood & Khaliq, 2019). Islamic banking adopting banking system according to Islamic principles and laws (Alharbi, 2015). However, this does not imply that Islamic banking is exclusive to Muslims, but Islamic banking can be used for everyone even for non-Muslims. The reason is, because Islamic banking is based on the teachings of Islam which is rahmatan lil 'alamin and is universal, providing goodness for everyone (Saiti, Ardo & Yumusak, 2022). Therefore, it is essential to undertake studies pertaining to this subject, namely to understand how customer intentions in adopting Islamic banking services in Malaysia. Additionally, the sample in this study will be divided into two groups, which is Muslim and non-Muslim groups. The aim is for this research to get a broader perspective and be able to make comparisons between the two groups.

To optimize the results, this research will utilize a framework theory, namely the Theory of Planned Behavior (TPB) created by Ajzen, (1991) . This theory itself is a theory that was born from the development of the previous theory, namely the Theory of Reasoned Action (TRA) created by Icek Ajzen and Fishbein in 1975. The main purpose of creating the TPB and TRA theories itself is to gain an understanding of the reasons and intentions of a person in acting or choosing an item or service (Conner, 2020). TPB as a framework theory has been widely used in previous studies such as(Ayyub, Xuhui, Asif & Ayyub., 2020; Han, Yeoh & Ahmad, 2018; Mbawuni & Nimako, 2017; Hosseini, Mirzaei & Iranmanesh, 2020; Reni & Ahmad, 2016; Wulandari & Ubaidillah, 2024), where TPB in these studies provides a more in-depth description of the results and findings presented.

Basically, in TPB there are three main independent variables that are tested with one dependent variable. The first independent variable is attitude (ATT), which indicates the degree to which an individual views the behavior favorably or unfavorably (Mbawuni & Nimako, 2017). The second independent variable is Subjective Norms (SN), which pertains to perceptions regarding whether the majority of people approve or disapprove of the behavior (Han et al., 2018). The third independent variable is Perceived Behavioral Control (PBC), which pertains to a person perception of how simple or complex it is to engage in the certain behavior (Wulandari & Ubaidillah, 2024). The dependent variable is customer intention, which pertains to the motivational elements that impact specific behaviors. The greater the intention to engage in the behavior, the higher the likelihood that the behavior will be enacted (Souiden & Rani, 2015).

Examining previous research, Mahdzan, Zainudin & Au, (2017), investigates the elements that affect Malaysians' intention to use Islamic banking services. This study examines six independent variables, including understanding, perceived advantage, observability, bank's professionalism, compatibility, complexity and trialability. This research has a research scope that involves postgraduate students as representatives of the Malaysian community as primary data respondents. The method used in this particular study is partial least square structural equation model (PLS-SEM). The findings from this research identify factors influencing Islamic banking services, such as understanding, perceived benefits, complexity, the professionalism of bank staff, general innovativeness, and personal innovativeness. However, the limitation of this previous research is the absence of a framework theory that better ensures the continuity of research results. And the second is that this research was conducted in 2017 so that the novelty of the data is one of the limitations.

Another study conducted by Mariadas & Murthy, (2017), also examnied the factors that may influence Malaysians intention to adopt Islamic banking services. There are 4 independent variables tested, namely, compability, customer satisfaction, risk perception, and consumer knowledge. The approach in this research employs multiple regression to identify the connection between independent variables and the intention to adopt Islamic banking. The result is that only customer satisfaction and consumer knowledge variables are found to be influential for people to use Islamic banking services. First limitation in the research is that there is no framework theory used such as TRA and TPB which specifically examines customer intentions in adopting Islamic banking services. The second limitation is that the multiple regression method used can be updated using PLS-SEM. And the next is that this research was conducted in 2017 so updates are needed to ensure research that is more in line with the latest conditions.

The next related research was conducted in Indonesia by Reni & Ahmad, (2016), which examined what variables affect the intention of the Indonesian people to adopt Islamic banking services in Indonesia. This study uses primary data as its data source and uses TRA as its framework theory. In addition, this study tested a total of 6 independent variables, namely attitude, subjective norms, religion, knowledge, pricing and government support. The method used in this research is PLS-SEM. The results found in this study are that all independent variables are found to be influential but pricing has been shown to have insignificant effect on customers' intentions to adopt Islamic banking services. The limitation in this research is that this research uses TRA and can be further improved by utilizing TPB as a framework theory. And this research was conducted in 2017 so renewal is needed to ensure the novelty of science.

Further research such as that conducted in Ghana by Mbawuni & Nimako, (2017), the objective is to determine the elements that might affect the inclination of individuals in Sub-Saharan Africa to use Islamic banking services. By using primary data from 975 respondents from Muslim and non-Muslim groups. This research uses PLS-SEM and multiple regression methods for data analysis. The variables tested are knowledge, perceived of the benefits, perceived religion effect, perceived innovativeness, perceived threat on customer attitude towards Islamic banking. Then use multiple regression to test the correlation between attitude and readiness to comply with sharia lawa on customer intention. The initial finding shows that both Muslims and non-Muslims exhibit a positive attitude also willingness to comply with sharia principles and law, which correlates with their intention to adopt Islamic banking. And all independent variables on attitude were found to have a positive effect except perceived threat. The limitation of this study is the use of framework theory that can provide more consistency in research results such as TPB or TRA has not been used. And differences in demographic and geographic conditions are one of the major differences from this study

The implementation of this research will be carried out by targeting respondents from among Muslims and non-Muslims. In this research, separate tests will be carried out on the two groups. This research will also provide results that explain the intentions and behavior of both groups of respondents. For the Muslim group, this kind of research will be very relevant and commonly conducted to find out the variables that will affect their intention in adopting Islamic banking services. What is different is taking a dedicated point of view from non-Muslims, and the perspective of this group is different from many previous studies. Thus, this research will present results that come from the perspectives of both groups.

In particular, there are no specific reports or figures showing the number of non-Muslims who use Islamic banking services (A. Aziz et al., 2012; Omar & Rahim, 2015). However, the perception among non-Muslims is that Islamic banking services are used and designed specifically for Muslims (A. Aziz et al., 2012; Mahdzan et al., 2017; Nasir et al., 2024). Based on previous research conducted by (Mohamad & Majid, 2016; Mustapha et al., 2023; Thaker et al., 2020), it was found that it is now important for Islamic banking institutions to start expanding their market share to the non-Muslim segment. The non-Muslim segment has been an untapped segment, given that the initial perception is that Islamic banking services are made exclusively for Muslims. Empirically and theoretically, the non-Muslim segment has started to look at other options for banking services that they will use. Thus, Islamic banking institutions must be responsive in addressing these changes in order to maximize customer acquisition and revenue earned.

To ensure that this research gets optimal results, the TPB research framework will be used in this study. TPB is used as a framework for this research to be able to get more coherent and more comprehensive results with previous research. Furthermore, related to the previous research such as that conducted by (Han et al., 2018; Mbawuni & Nimako, 2017; Reni & Ahmad, 2016) several additional independent variables will also be examined in this study, namely knowledge and product pricing variables. The purpose of adding this variable is to add a more in-depth discussion dimension to the results obtained in this study.

1.3 Research Questions

1. Do attitude, subjective norms, perceived behavioral control, knowledge, and price significantly influence students intention towards Islamic banking services adoption?
2. Which factor has the strongest influence on the intention to adopt Islamic banking services among Muslim and Non-Muslim students?

1.4 Research Objectives

1. To assess the relation between attitude, subjective norms, perceived behavioral control, knowledge, and price towards students intention to adopt Islamic banking services.
2. To identify the strongest influencing factor on the intention to adopt Islamic banking services among Muslim and Non-Muslim students.

1.5 Research Significancy

1. Academic

   Builds upon current research by utilizing the TPB framework in the context of Islamic banking in Malaysia. This study explores elements like attitude, subjective norms, and perceived behavioral control, offering an enhanced insight into the aspects that may affect customers' decisions to select Islamic banking services. Analyzing the impact of knowledge and price as separate independent factors offers fresh insight into how these two variables can affect customer choices related to Islamic banking.
2. Practical Use

By knowing what influences customers' decisions to use Islamic banking services, Malaysian Islamic banks can use the study's findings to enhance their marketing and customer care initiatives. This study highlights the significance of knowledge and pricing, which allows Islamic banks to effectively cater to clients who value these aspects in their financial choices. Moreover, policy makers can utilize this research to edict policies also awareness campaigns that will promote the adoption of Islamic banking.

1.6 Scope of research

This quantitative research will examine the intentions of students of higher education institutions in Malaysia towards Islamic banking services. This study focuses its research and takes its research population within the scope of public higher education institutions. Based on the prior study of Shome, Jabeen & Rajaguru, (2018), which states that higher education institutions are a representation of the country. This is because the diversification of society in higher education institutions is diverse and reflects the condition of a country (Maryam et al., 2019; Shome et al., 2018). This research divides the focus population into two groups of respondents, namely Muslim and non-Muslim population groups. The aim is to get a broader perspective dimension.

1.7 Study Organization

This study is divided into five chapters. The first chapter covers the research background, problem statement, research questions, research objectives, significance, scope, and a summary of the research. The second chapter reviews the theoretical framework of earlier studies on variables and the formulation of hypotheses. The third chapter details the research methodology. Next on the fourth chapter showcases the analysis and findings of the research. Lastly, the fifth chapter provides conclusions and recommendations based on the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The relationship between this study and the existing literature will be the main focus of this second chapter. Islamic banking services are the subject of numerous research projects. Customers' intents, both Muslim and non-Muslim, with regard to using Islamic banking services will be the specific focus of this study. Additionally, the theoretical framework and research background will be described in this particular chapter.

2.2 Islamic Banking History in Malaysia

The progression of Islamic banking on a worldwide scale has been a lengthy and difficult path. The contemporary Islamic banking system has existed for approximately 40 years. Initially, Islamic banking was viewed as a supplementary financial service offering new choices in a marketplace largely ruled by traditional financial institutions (Othman et al., 2017). It was considered unique compared to the established and widely accepted conventional financial system. The primary characteristic that propelled Islamic banking is defined by its compliance to Sharia law and principles. This unique point is viewed as new choice, particularly for the Muslims (Muhammed, 2013).

The idea of Islamic banking initially emerged with the founding of the Mit-Ghamr Savings Bank in 1963. The creator of the first Islamic bank in Egypt, Ahmed Al-Naggar, played a crucial role in leading the worldwide Islamic banking movement (Othman et al., 2017). Originally, Mit-Ghamr Bank was founded as a trial project aimed at initiating the advancement of more advanced Islamic banks later on. The bank's main focus was Egypt's largely Muslim demographic. Consequently, it was expected that Mit-Ghamr Bank would provide banking services in accordance with Sharia law. The bank operates similarly to a traditional bank, collecting and distributing funds while ensuring a fair profit in alignment with Sharia regulations (Korkut & Özgür, 2017).

The idea of contemporary Islamic banking was effectively launched in Saudi Arabia on the 1975, marked by the founding of the Dubai Islamic Bank and the Islamic Development Bank (IDB) in Jeddah (Islahi, 2018). Both represented important developments in the Islamic banking sector. These two groups were viewed at the time as fulfilling a long-standing need and desire, specifically for Muslims throughout the Middle East area and beyond (Waemustafa, 2013). Establishment of contemporary Islamic banking addresses the necessity for a banking system that prioritizes Islamic principles and steers clear of practices like usury (interest). This pivotal moment spurred the rise of numerous new bank that based on shariah principles during that time (Hussain et al., 2015).

In Malaysia, the roots of Islamic banks trace back to 1963, a pilot program in Islamic banking and finance known as Tabung Haji. It is officially called Lembaga Urusan dan Tabung Haji (TH). This institution was created to assist Malaysian Muslims in saving for the Hajj (Balarabe et al., 2023). The organization oversees and invests the funds, making certain that the investments adhere to Islamic law forbids any business operations that do not follow Shariah standards, including riba (interest). This program established the groundwork for Malaysia's Islamic banking industry to grow (Islahi, 2018).

In the subsequent years, TH maintained strong performance and emerged as a success story in Malaysia. This achievement acted as a significant catalyst for Malaysians to pursue an entirely autonomous and devoted Islamic bank. The 1970s witnessed the rise of the Islamic economic movement in the Middle East, as noted earlier, which brought about a pressing necessity to create a solid Islamic banking system in Malaysia (Balarabe et al., 2023). In reply, the Bumiputera Economic Congress requested government assistance for the creation of a bank that adhere shariah principles. The bank's objective is to gather money from the Muslim community and use it to invest in profitable and halal industries in accordance with sharia law (Asni, 2019).

To enhance these initiatives, a forum named “The Concept of Development in Islam” took place at UKM in March 1981. Following this event, a resolution was adopted urging the Malaysian government to promptly implement regulations regarding the creation of IFB institutions. In addition, a study was carried out in 1981 by 20 specialists to assess the advantages of creating an Islamic bank. Positive findings were reported in July 1983, leading to the enactment of the Islamic Banking Act 1983 within the same year. This also coincided with the establishing of Bank Islam Malaysia Berhad (BIMB), the first Islamic bank in Malaysia. Since then, Malaysia's Islamic banking sector has expanded significantly, emerging as one of the premier systems globally (Abdullah et al., 2013; Balarabe et al., 2023).

2.3 Theory of Planned Behavior

The Theory of Planned Behavior (TPB), introduced by Ajzen through his reseaech in 1991, is recognized psychological framework employed to comprehend also forecast human behavior across diverse situations (Ajzen, 1991). This theory suggests that a person's intention to engage in a specific behavior is the key factor in determining if they will actually carry out that behavior. TPB highlights three key factors that influence behavioral intention. These factors consist of several factors such as attitude towards the behavior, subjective norms, also perceived behavioral control. It has been demonstrated that these three variables can assess and clarify customer intentions, shedding light on their product choices (Ajzen, 1985).

Attitude towards a behavior pertains to how much a person assesses that behavior as positive or negative. This evaluation is shaped by the person's convictions regarding the results of the action and the importance they attach to those results. For instance, convictions on the ethical and religious advantages of utilizing these financial services may give birth to a favorable viewpoint in the context of Islamic banking (Mbawuni & Nimako, 2017).

Subjective norms refer to the social pressure that perceived to engage in or avoid specific behaviors. This aspect takes into account the impact of significant individuals in a person's life, like friends, family and partners. When it comes to Islamic banking, people are more likely to decide to use Islamic financial services if they think their community or peers will support them (Mbawuni & Nimako, 2017).

Perceived behavioral control pertains to individuals' beliefs regarding their capacity to execute a behavior. This encompasses the perceived ease or challenge of variable a certain behavior, shaped by prior experiences also expected challenges. This feature is has similarity to the idea of self-efficacy. Perceived behavioral control in the context of Islamic banking may be linked to people's assessments of their financial literacy or ability to efficiently access and utilize Islamic banking services (Reni & Ahmad, 2016).

The TPB has been extensively utilized across different domains, encompassing financial decision-making, environmental behavior, and health psychology. Its strong framework aids practitioners and scholars in comprehending the fundamental elements of behavior and creating plans to change behavioral intentions. Researchers can gain important insights into why people prefer Islamic banking to traditional banking by using the TPB to examine Islamic banking in Malaysia. This will help with the creation of focused efforts that will boost the expansion of Islamic banking services.

2.4 Dependent Variable

Customer Intention (INT)

Based on the first literature of intention research which is TRA by Fishbein & Ajzen, (1975), it is said that intention possibly can be interpreted as a people position in the subjective probability dimension that links them to various actions. Afterwards, according to the Ajzen, (1991), the first factor or variable of this TPB is behavioral intention, which intepreted as a motivational element that influences action. The stronger the intention to participate in a particular behavior, the higher the likelihood of carrying out that behavior (Ajzen, 1991; Bramantoro, Karimah, Sosiawan, Setijanto, Berniyanti, Palupi & Wening, 2018). Referring to the Conner & Norman, (2022), definition of intention can be interpreted as a self-direction that reflects an underlying motivation or commitment to act.

According to the Ajzen, (1991), the variables that may affect a person intention to take a particular action are divided into three main Islamic banking services rather than conventional banking. factors that include perceived behavioral control, subjective norms, and attitude toward action. In the context of business such as in Islamic banks adoption perspective, customers' intention to use Islamic bank products is an important element in understanding the dynamics of the Islamic financial sector (Mariadas & Murthy, 2017). Customer intention in this context pertains to a customer's motivation or decision to select Islamic banking services rather than conventional ones (Shome et al., 2018).

Various variables may affect intention, also grasping all these factors can offer important perspectives for Islamic banks to successfully adapt their strategies. According to Reni & Ahmad, (2016), the attitude towards Islamic banking significantly influences customer intentions. Attitude denotes an evaluation of Islamic banking services as either positive or negative. Moreover, Customers will be more inclined to utilize Islamic banking if they believe it to be advantageous, moral, and consistent with their values. Clear communication about the benefits and moral principles upheld by Islamic finance can foster positive sentiments (Mbawuni & Nimako, 2017).

Secondly, referring to Ayyub et al., (2020) subjective norms significantly influence customer intentions. Additionally, social pressure to participate in or abstain from a particular action can be referred to as subjective norms. The usage of Islamic banking services is more likely to be adopted by others when prominent individuals, including friends, family, and religious authorities, advocate for it. Customers are greatly motivated by this social effect, which leads them to adopt the banking habits of their social networks (Ayyub et al., 2020; Aziz, Aziz, Aris & Aziz, 2015).

Perceived Behavioral Control (PBC) is a significant factor as well. It pertains to the perceived simplicity or challenge by executing a certain behavior, shaped by previous experiences and predicted obstacles (Mariadas & Murthy, 2017). Customers will be more inclined to use Islamic banking services if they believe that doing so is easy and convenient. Perceived behavioral control is enhanced by elements like readily available branches, user-friendly web platforms, and attentive customer service (Ayyub et al., 2020).

Furthermore, another that may influence intention is knowledge. The more knowledge customer have regarding the product or services will likely increase their intention to adopt that product or services (Elsya & Indriyani, 2019). By ensuring that knowledge related to Islamic banking services is accessible to the general public, enabling them to have a higher intention to adopt Islamic banking services (Sayuti & Amin, 2020).

According to previous research by (Hatta et al., 2018; Wulandari & Ubaidillah, 2024), price also plays pivotal role on influence customer intention to adopt Islamic banking services. Price serves as indicator than can determine the benefit that can customer gained from using Islamic banking services. In other words, the price factor also shows how much profit the customer gets. So that it can attract more customers to adopt Islamic banking services (Sayuti & Amin, 2020).

In conclusion, attitudes, subjective norms, perceived behavioral control, perceived ease of use, and religious beliefs all have an impact on consumers' willingness to use Islamic banking. Understanding what components enables Islamic banking to create successful accurate strategies for attracting also retain the customer, thereby this will increase market share and aiding the overall growth of the Islamic banking industry.

2.5 Independent Variables

2.5.1 Attitude (ATT)

In the framework of the TPB, attitude denotes people general assessment of a specific behavior, encompassing both positive and negative aspects. Attitudes comprise a people beliefs regarding the outcomes of a behavior and their judgment of those outcomes. In particular, a favorable attitude towards a behavior enhances the probability of the intention to engage in that behavior. Broad definition emphasizes the significance of attitudes in structuring intentions and guide behavior. A person's intention to use Islamic banking services is greatly influenced by their perception of these services. A person's opinion about Islamic banking services, whether favorable or unfavorable, is impacted by their perceptions of the advantages, morality, and overall worth of the service. When clients believe the services are advantageous and aligned with their principles and beliefs, they are more likely to adopt a favorable attitude toward them. The positive outlook boosts their inclination to make use of Islamic banking services since they believe it to be a more moral and principled choice than conventional banking services (Shome et al., 2018).

Furthermore, positive perceptions of Islamic banking could be improved by efficient marketing also better communication approaches that underscore the distinct advantages of Islamic banking. By showcasing features like interest-free financing, profit-sharing schemes, and adherence to Islamic law, shariah bank could cultivate a robust and favorable reputation among prospective clients. This favorable view enhances their readiness to embrace and utilize Islamic banking services, thus promoting growth also acquisition inside the sector (Mbawuni & Nimako, 2017).

2.5.2 Subjective norms (SN)

SN within the framework of the TPB, denotes the recognized pressure from their social environment to either engage in or refrain from a particular or specific behavior. This idea encompasses the impact of important reference groups on a person's decision-making process, including peers, family, and friends. Additionally, SN indicates the acknowledged societal pressure to participate in or abstain from a specific action. This idea includes how a person's decision-making process is influenced by significant reference groups, such as peers, family, and friends. Once people think that people they respect and value, such friends, family, or local authorities, support or encourage Islamic banking, they are more inclined to think about and eventually select Islamic banking services. The influence from their surroundings tends to be especially significant in close range communities where shared opinions and customs are greatly esteemed (Reni & Ahmad, 2016).

In addition, according to Wulandari & Ubaidillah, (2024) mentioned that endorsement of Islamic banking by reputable individuals, SN can be strengthened by influencing individuals like financial experts or religious leaders. Furthermore, reputable individuals can sway public opinion and encourage a large number of people to use Islamic banking when they promote its benefits and moral aspects. Islamic banking could reach a larger client base by improving these aspects (Lujja, Mohammad & Hassan, 2016).

2.5.3 Perceived behavioral control (PBC)

A specific and significant aspect of the TPB is PBC, which expresses how simple or difficult a person believes a particular behavior to be (Ajzen, 1991; Martinez & Lewis, 2016). According to Ayyub et al., (2020), previous experiences, anticipated challenges, and an individual's belief in their ability to succeed in performing the behavior all contribute to this view. Moreover, PBC fundamentally indicates the degree to which individuals feel they can control the behavior they encounter, much like the idea of self-efficacy. PBC has a significant influence on how customers feel about Islamic banking. Prospective customer are more inclined to exhibit positive intentions toward using Islamic banking services, if customer perceive it as something easy and achievable (Mariadas & Murthy, 2017).

According to Aziz et al., (2015), PBC can be improved by incorporating several factors, such as information accessibility, service availability, and straightforward banking processes. For example, if Islamic banking services provide clear guidelines, user-friendly web interfaces, and responsive customer assistance, users may be more likely to use them. In addition, enhancing PBC requires addressing challenges that may arise (N. A. B. A. Aziz et al., 2015). Islamic banks need to recognize and address certain barriers that customers could face, such as lack of understanding, misconceptions about Islamic banking concepts, or difficulties experienced in the banking process (Mbawuni & Nimako, 2017). By providing education, transparent communication, and efficient procedures, Islamic banks can improve their customers' sense of control and increase the likelihood of customers choosing and staying with Islamic banking services (Nugraheni & Widyani, 2021).

2.5.4 Knowledge (KN)

According to (Hatta, Rachbini & Parenrengi, 2018) knowledge is the extent of information possessed by consumers regarding a particular product or brand. In addition, it not only influences the formation of perceptions but also becomes the foundation in making the right decision. In the context of banking, knowledge can be interpreted as the understanding that consumers have about a particular product, as well as the experience that consumers have in using the product before (Elsya & Indriyani, 2019).

Generally, Islamic banking still can be considered as a new innovation when compared to conventional banking (Alharbi, 2015). Based on this understanding, Islamic banking has an obligation to foster market awareness and knowledge from the public to be able to recognize Islamic banking (Mbawuni & Nimako, 2017). Thus, ensuring that the market gets the appropriate knowledge regarding Islamic banking services is one of the things that might affect their intention to the services (Sayuti & Amin, 2020).

2.5.5 Price (PRICE)

The price of service is defined as the extent to which consumers view the cost/pricing of Islamic banking service as fair also reasonable pricing (Sayuti & Amin, 2020). According to Wulandari & Ubaidillah, (2024), price is defined as the perception or assumption regarding the suitability of the price set for Islamic banking services. Additionally, in Islamic banking, price also refers to the costs that Islamic banks set for the goods and services that they charge their clients. Refers to (Reni & Ahmad, 2016), price refers to the right price to offer the financing service and achieve a balance between the interests of the bank and the customer. Thus it can be interpreted that price is the cost charged to customers when they use the services of Islamic banks.

Each bank has its own pricing policy so that the price between one bank and another is different. This difference makes each bank can be compared with other banks, some are considered cheaper or more expensive (Sabah & Hassan, 2019). In some literature it is found that both have price differences. This difference can be a consideration for customers to choose which bank they will use (Reni & Ahmad, 2016; Wulandari & Ubaidillah, 2024). For this reason, examining this price aspect can be one of the references that can measure a person's intention level in adopting Islamic banking services.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter objective is to clarifying the research methods used in the study. It offers a thorough rundown of the research design, research framework, and hypothesis development.. Furthermore, it discusses the measurement of variables, the procedures for data collection, and the data analysis methods utilized throughout the study.

3.2 Research Design

Research design is recognized as a comprehensive plan created by the researcher to guide the entire study. It serves as a framework that outlines the key aspects of the study, including the type of research, its duration, and the methods used for data collection (Sugiyono, 2018). According to Sekaran (2003), describes research design as the process of analyzing and organizing collected data to produce research findings. This involves systematically shaping, handling, measuring, and analyzing the data in a manner that effectively addresses the research questions and objectives. Proper execution of these procedures is essential to ensure valid results.

As the most proper research methodology that can be applied to identify determinants of islamic banking adoption, quantitative research model was fully optimized for the study through the issuance of questionnaire using simple random sampling technique. Self-administered questionnaire through physical and virtual form of surveys were entirely implemented throughout the data collection procedure of the study. According to Creswell & Poth (2007), quantitative research method refers to the research model of data collection in numerical form. Researcher choose method due to the fact that it can get result easier to discover as the data can evaluate data from the sources using mathematical and statistical techniques.

The targeted respondents for this study have been justified for specifically the population of student in public university across Malaysia. The questionnaires were broadly distributed to every teacher who is available in answering the set of questions given. A clear visionary on the direction of research topic can only be clearly evoked after the research is conducted directly to the targeted respondents.

3.3 Research Framework

Research framework serves as a fundamental structure that shows the main constructs, variables, and relationships within a study, and provides a systematic approach to addressing the research problem (Sekaran, 2003). The research framework acts as a conceptual blueprint that guides the development of hypotheses, research questions, and methodological choices (Sugiyono, 2017). Research frameworks can be theoretical, derived from established theories underpinning the research, or conceptual, describing the relationships between independent, dependent, mediating and moderating variables. By explicitly describing these elements, the framework ensures continuity, precision and theoretical alignment, thereby facilitating a structured analysis and contributing to the validity and reliability of the overall research results .

Finding the relationship and connection between dependent and independent variables has been shown to depend on the presence and function of a research framework in numerous prior studies. In this research, Customer Intention (INT) is clearly recognized as the dependent variable, while Attitude (ATT), Subjective Norm (SN), and Perceived Behavioural Control (PBC) are classified as the independent variables. Additionally, this study incorporates two more independent variables, Price

(Price) and Knowledge (KN), which will be examined alongside the three other variables.

According to Sekaran (2003), the dependent variable is considered the factor or variable that interests the researcher the most. Meanwhile, the independent variable is known as the variable that may have a positive or negative relationship with the dependent variable. According to Al-Kamal, Rinaima, Yudha & Permadi, (2024), independent variables will give influence to the dependent variable. It can be inferred that a positive relationship between the two variables suggests that the likelihood of the dependent variable is also likely to rise in conjunction with the corresponding values observed in the independent variables (Hong et al., 2023).

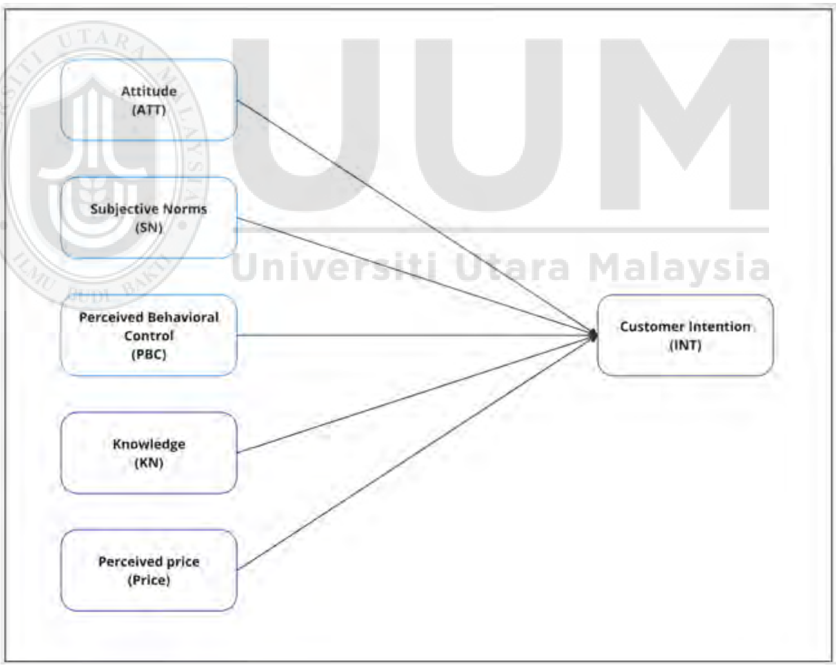

Figure 3.1 Theoritical and conceptual framework

The framework for this study is depicted in Figure 3.1. The underlying and supporting hypotheses discussed in the literature review chapter serve as the foundation for this study conceptual framework. This research framework provides an overview of the determining factors that influence customer intention, this includes price, knowledge, perceived behavioral control, attitude, and subjective norms as independent factors.

3.4 Hypotheses Development

In this study, there are several hypotheses derived from research questions and objectives, which will then be statistically tested using the PLS-SEM method to test the hypotheses to be proposed.

3.4.1 Attitude

The TPB framework underscores the significance of attitudes in influencing customer intentions (Ajzen, 1985). Individuals' attitudes towards something are affected by their beliefs about it and how their perceived feelings about those beliefs, which can be inferred that customers' subjective evaluations of possible consequences also contribute (Ajzen, 1985; Fishbein & Ajzen, 1975). Prior studies indicate that favorable perceptions of Islamic banking significantly influence customers intention to utilize its services. Consequently, the initial hypothesis for this research thesis is:

***H*₁:** *Attitude (ATT) positively influences towards students intention to adopt islamic banking services.*

3.4.2 Subjective norms

An anticipation that a person or group believes to be significant is known as SN, along with an individual's motivation to fulfill that expectation. Prior studies indicate that SN can either promote or hinder behavioral intentions. Research by Lewis, Agarwal & Sambamurthy, (2003) discovered that SN does not have a considerable impact on behavioral intentio. However, other studies (Gopi & Ramayah, 2007; Reni & Ahmad, 2016) demonstrate varying outcomes, suggesting that SN positively influences behavioral intention.

H*$_2$*: Subjective norms (SN) positively influences towards students intention to adopt islamic banking services.

3.4.3 Perceived behavioral control

PBC assesses the easiness of an individual believes it is to engage in a behavior. It is an important element in the TRA (Ajzen, 1985, 1991). PBC evaluates the likelihood of an individual selecting Islamic banking services (Pitchay, Thaker, Azhar, Mydin & Thaker, 2020). Prior research by (Ayyub et al., 2020; Han et al., 2018; Mahdzan et al., 2017), demonstrates how PBC has a beneficial influence on a person's intention to use Islamic banking. Given their educational backgrounds, users are expected to be more competent and confident when utilizing these services than other people in the area. Accordingly, PBC has a beneficial impact on participants' inclination to use Islamic banking services, according to the third hypothesis.

H*$_3$*: Perceived behavioral control (PBC) positively influences towards students intention to adopt islamic banking services.

3.4.4 Knowledge

Bringing a fairly new product or service into the market, brings several challenges, one of which arises from the aspect of market knowledge of the services or products offered (Setyadi, Helmi & Santoso, 2024). Islamic banking is no exception, which can be categorized as a new innovation when compared to existing products, namely conventional banking (Mbawuni & Nimako, 2017). So that market knowledge about Islamic banking can affect market intention in adopting Islamic banking services. This statement is evident from previous research where based on research from (Bananuka, Kaawaase, Kasera & Nalukenge, 2019; Mbawuni & Nimako, 2017; Reni & Ahmad, 2016), it discovered that a customer's intention to use Islamic banking services is influenced by their level of awareness about Islamic banking. Because of this, the following theories are put out in this research:

H_4: *Knowledge (KN) positively influences towards students intention to adopt islamic banking services.*

3.4.5 Price

One of the elements that can influence a person's purpose when selecting banking services is the product price. The more customers see that the price or fee charged is fair enough with the services they receive, they tend to choose to adopt the bank's services (Sayuti & Amin, 2020; Wulandari & Ubaidillah, 2024). From previous research, diverse results were obtained where in research conducted by (Hatta et al., 2018; Sayuti & Amin, 2020; Wulandari & Ubaidillah, 2024) stated that price is a determining factor in choosing services offered by Islamic banking. On the other hand, based on Reni & Ahmad, (2016), it is said that a person's decision to use Islamic banking services is not influenced by price. Thus, this study's fifth hypothesis is:

H_5: *Price positively influences towards students intention to adopt islamic banking services.*

3.5 Operational Definition

The definition of operational definition refers to a set of explanations for creating or developing a description of variables, so they can be measured and operationalized (Al-Kamal et al., 2024). In this study, there are several definitions for customer intention, price, knowledge, perceived behavioral control, attitude, and subjective norms.

Table 3.1

Operational Definition

	Variable	Definition
1	Attitude (ATT)	ATT as defined by (Ajzen, 1985) is the extent to which someone evaluates the appropriateness of a behavior to be performed, or it is the psychological state of someone towards performing or not performing a behavior.
2	Subjective Norms (SN)	SN is the perceived social pressure to do or not to do a certain behavior (Ajzen, 1985). In other words, SN is a situation where a person's social environment accepts or does not accept a behavior and forces or does not force a person to perform some certain behavior (Maffei, Dunn, Zhang, Hsu & Holmes, 2012).
3	Perceived Behavioral Control (PBC)	PBC can be referred as an individual's ability to do or not do a certain behavior, and in this study relates to the extent to which a person feels capable and has full control over himself (Zakaria, Azmi, Hassan, Salleh, Tajuddin, Sallem & Noor, 2016)

4	Knowledge (KN)	KN referred to as the research variable includes all respondents' knowledge at the individual level about the observed product and all aspects related to it (Mbawuni & Nimako, 2017)
5	Price (Price)	According to Wulandari & Ubaidillah, (2024), price is defined as the perception or assumption regarding the suitability of the price determined for Islamic bank products and services.
6	Customer Intention (INT)	The operational definition of customer intention variable (INT) in this context refers to the degree of willingness or intention to perform a certain action and behavior (Shome et al., 2018). According to Ajzen (1985) defines customer intention as a measures person's relative strength of intention to perform a certain behavior.

3.6 Measurement of Variables/Instrumentation

3.6.1 Customer intention

The customer intention (INT) on islamic bank service can be defined as intention to accept and use Islamic banks (Reni & Ahmad, 2016). This definition align with Ajzen,

(1985) that is defining customer intention as the intention to consistently perform a specific behavior. The definition of customer intention variable (INT) in this research refers to the level of willingness to use Islamic banks. Consequently, the client's intention to employ Islamic banking services is the research's customer intention variable. Therefore, this is the indicators for the intention variable based on previous research.

Table 3.2

Customer intention indicators

No	Questions	Code
1	I am open to accepting Islamic banking services	INT 1
2	I will choose to use Islamic banking services	INT 2
3	I am confidence to use Islamic banking services	INT 3
4	I would recommend using Islamic banking services to the others	INT 4
5	I am interested in continuously using Islamic banking services	INT 5

Source: (Mbawuni & Nimako, 2017; Zinser, 2019)

3.6.2 Attitude

Attitude (ATT) as defined by Ajzen & Driver (1991) is the extent to which someone evaluates the appropriateness of a behavior to be performed, or it is the psychological state of someone towards performing or not performing a certain behavior. In this study, the attitude variable refers to respondents' attitudes towards their decision to use Islamic banks. Here is a table displaying the framework of attitude variable indicators based on previous research studies.

Table 2.3

Attitude indicators

No	Questions	Code

1	In my opinion, using Islamic banking services is a wise decision	ATT 1
2	I believe that using Islamic banking services is a good thing	ATT 2
3	I think using Islamic banking services is very beneficial	ATT 3
4	I believe Islamic banking services follow Islamic law	ATT 4

Source: (Mbawuni & Nimako, 2017; Suh & Han, 2002; Zinser, 2019)

3.6.3 Subjective norms

According Ajzen & Driver (1991), stated that the perceived social pressure to engage in a particular action is known as SN. In other words a condition in which a person's social environment accepts or does not accept a behavior and forces or does not force a person to do a certain behavior (Reni & Ahmad, 2016). Normative subjective in this study refers to the social pressure from the respondent's social circle towards them. Here is a table displaying the grid of indicators for measuring the Normative Subjective variable based on previous research studies.

Table 3.4

Subjective norms indicators

No	Questions	Code
1	My family encourage me to use Islamic banking services	SN 1
2	My friend suggest me to use Islamic banking services	SN 2
3	The people closest to me consider using Islamic banking to be a wise decision	SN 3
4	The people closest to me believe that using Islamic banking is a good thing	SN 4

Source: (Taib, Ramayah & Razak, 2008; Zinser, 2019)

3.6.4 Perceived behavioral control

PBC refers to an person ability to do or not do a certain behavior, and in this study relates to the extent to which a person feels capable and has full control over himself (Zakaria et al., 2016). In this study, the context of PBC is about the ability of the self to engage in the behavior of using Islamic banks. Table 3.4 displays indicators of measurement of PBC variable based on previous research studies.

Table 3.5

Perceived behavioral control indicators

No	Questions	Code
1	The decision to use Islamic banking is entirely within my control	PBC 1
2	I have the knowledge and ability to use Islamic banking services	PBC 2
3	I confidence Islamic banking and services is efficiency	PBC 3

Source: (Taylor & Todd, 1995; Zinser, 2019)

3.6.5 Knowlegde

Knowledge (KN) referred to as the research variable includes all respondents' knowledge at the individual level about the observed product and all aspects related to it (Mbawuni & Nimako, 2017). The indicators for the knowledge variable (KN) based on previous research at the "knowledge that" level as previously described are as follows.

Table 3.6

Knowledge indicators

No	Questions	Code
1	I understand that Islamic banks are required to comply with Sharia law in their activities	KN 1
2	I understand that Islamic banks are different from conventional banks	KN 2
3	I understand that Islamic banks promote the welfare of customers	KN 3
4	I understand that Islamic banks do not allow taking unfair advantage of customers	KN 4

Source: (Mbawuni & Nimako, 2017)

3.6.6 Price

According to Wulandari & Ubaidillah, (2024), price is defined as the perception or assumption regarding the suitability of the price determined for Islamic services. In addition, prices in Islamic banking also refer to the fees set by Islamic banking for their services charged to customers. Based on (Reni & Ahmad, 2016), the price shows the right value to sell the services and achieve a balance between the interests of banks and consumers. Table 3.6 shows the indicators of measurement of price variable based on previous research study.

Table 3.3

Price indicators

No	Questions	Code
1	The cost of Islamic banking services is affordable for students like me	Price 1
2	I believe that the cost I pay for Islamic banking services is worth the service provided	Price 2
3	Islamic banking services have clear and transparent cost structures	Price 3

Source: (Hatta et al., 2018; Reni & Ahmad, 2016)

3.7 Population and Sampling

The population of this study is public university students in Malaysia. Taking the population from this segment, based on research conducted by Shome et.al., 2018, explained that the university student segment is a representative segment of the condition of a country. The reason is because this segment of university students has socially, religiously and economically diverse characteristics that reflect the actual conditions of a country (Shome et.al., 2018).

The study's population is made up of Malaysian public university students. According to the Ministry of Higher Education Malaysia, there are 687,000 students in public universities in the country (Ministry of Higher Education Malaysia, 2022). In order to calculate the study's sample size, this research is using (Krejcie & Morgan, 1970), which propose calculation method on determining sample size in a study. Based on this research, the sample size of this study is 384 respondent.

3.8 Data Collection Method

This research data source is primary data that the data has been distributed by online questionnaires to the respondents. The data gathering approach employed in this study is the questionnaire method. Respondents use this technique when posing a few written questions (Sugiyono, (2016). The sampling techniques in this research is simple random sampling. This approach was selected due to the homogeneity of the population. The reason for the selection of this methodology is that the population is homogeneous, providing an equal opportunity for each member of the population to be selected (Sugiyono, 2017). The distribution of questionnaires was carried out online with the help of volunteers who had access to relevant public universities throughout Malaysia.

3.9 Data Collection Procedures

The data collection procedure begins with the development of a questionnaire, which is based on statements derived from previous studies on similar topics, such as the research by (Han et al., 2018; Mbawuni & Nimako, 2017; Reni & Ahmad, 2016; Suh & Han, 2002; Taib et al., 2008; Zinser, 2019). The questionnaire will be created using an online format, specifically through Google Forms.

In Malaysia, there are a total of 20 public universities spread across Peninsular Malaysia to Sabah and Sarawak (Ministry of Higher Education Malaysia, 2022). In this study, questionnaires were distributed by selecting several universities spread across several regions in Malaysia. To further ensure that the data obtained has a good level of representation. Therefore, several universities were taken from 3 main regions in peninsular Malaysia, namely northern Malaysia, central Malaysia, and southern Malaysia. So the following is a list of universities that will be taken as a place to distribute questionnaires in this study.

Table 3.4

Expert validator

No.	Name	Area
1.	Universiti Utara Malaysia (UUM)	North
2.	Universiti Malaysia Perlis (UniMAP)	North
3.	Universiti Sains Malaysia (USM)	North
4.	Universiti Malaya (UM)	Center
5.	Universiti Sains Islam Malaysia (USIM)	Center
6.	Universiti Teknikal Malaysia Melaka (UTeM)	South
7.	Universiti Teknologi Malaysia (UTM)	South

3.10 Data Analysis Technique

The partial least squares structural equation modeling (PLS-SEM) method is the data analysis approach employed in this study. This statistical method is very suitable for testing complex research models, especially those involving moderation variables (Hair, Risher, Sarstedt & Ringle, 2019). Data processing for this research will also be carried out using SmartPLS 4.0, which is an application specifically designed to handle research data processing with the numerical and statistical data (Farooq, Salam, Fayolle, Jaafar & Ayupp , 2018).

3.11 Expert Validation

Expert validation aims to step in the research to get expert validation of the questionnaire before it is distributed to prospective respondents. Expert validation was carried out by experts who had previously been asked to provide validation of the questionnaire to be distributed. The selection of experts to validate this questionnaire is based on the appropriate research expertise area. In this study, the experts who conducted the validation were:

Table 3.9

Expert validator

Name	Educational Background	Area of Expertise
Dr. Nashirah binti Abu Bakar	1. PhD (Corporate Finance) 2. Masters MBA (Finance) 3. Bachelor Degree Management (Finance, USM)	Islamic Management, Islamic Corporate Finance, Zakat & Waqf Management

Expert approval is important to further ensure the validity of the questionnaire. At this stage the expert provides input on the questionnaire and provides corrections if there are errors in the questionnaire made.

3.12 Pilot Test

A pilot test is a stage in research aimed at assessing the validity of surveys on a limited scale prior to their distribution to the wider group of respondents. According to Greco-Coppi et al. (2024), it is essential for every researcher to perform a pilot test on a smaller scale before extending it to a broader audience.

3.13 Conclusion of the chapter

The analysis methodology is outlined in this chapter. Starting with the research design, demographic and sampling characteristics, research framework, instrument generation, as well as hypothesis determination, are all discussed. At the end of this chapter, we present more in-depth details on the steps involved in data collection and statistical analysis.

CHAPTER FOUR

DATA ANALYSIS AND DISUCSSION

4.1 Introduction

The outcomes of the methods described in the previous chapter are presented in this chapter. The results presented here are derived from 400 participants. Using PLS-SEM and Smart PLS as the instruments, data analysis was carried out. The analysis procedure was carried out with Smart PLS. The initial section of this chapter focuses on the analysis of demographic data. The following part evaluates the measurement model, taking into account indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The final section displays the structural model findings.

4.2 Demographic Data

The results of data collection obtained as many as 400 respondents from various selected universities in Malaysia. The number of respondents obtained has exceeded the minimum sample requirement of 384 respondents. In this section, the results obtained based on demographic data from respondents who contributed to this research will be presented.

Table 4.1

Respondent profile

Indicator	Category	Num	%
Gender	Male	137	34.3
	Female	263	65.7
Age	18 – 22 years	167	41.8
	23 – 28 years	159	39.7
	29 – 34 years	32	8.0
	35+	42	10.5

Educational background	UG Student	286	71.5
	Master Student	67	16.8
	PhD Student	47	11.7
Institutions	UUM	127	31.8
	UNIMAP	36	8.9
	USM	67	16.7
	UM	56	14.0
	USIM	37	9.3
	UTEM	59	14.7
	UTM	19	4.7
Religious belief	Islam	291	72.8
	Hindu	45	11.2
	Christian	37	9.2
	Buddha	27	6.8
Willingness to adopt islamic banking?	Yes	247	84.7
Muslim	Maybe	41	14.2
	No	3	1.1
Willingness to adopt islamic banking?	Yes	60	54,7
Non-muslim	Maybe	41	37,8
	No	8	7,5

Based on the table above, the composition of respondents by gender can be classified into 34.3% male and 65.3% female. For age classification, respondents are divided into 4 age groups namely 18 - 22 years, 23 - 28 years, 29 - 34 years and 35+ years. It was found that 41.8% of respondents belonged to the first group, 39.7% to the second group, 8% to the third group and 10.5% to the fourth group.

Based on education level, the majority were undergraduate students (71.5%), followed by master's students (16.8%) and doctoral students (11.7%), reflecting that this study is dominated by individuals with strong academic backgrounds. Furthermore, all respondents came from various higher education institutions in Malaysia, with the largest distribution from Universiti Utara Malaysia (UUM) at 31.8%, followed by

Universiti Sains Malaysia (USM) at 16.7%, as well as other universities such as Universiti Malaya (UM) at 14.0%, Universiti Teknikal Malaysia Melaka (UTEMM) at 14.7%, Universiti Sains Islam Malaysia (USIM) at 9.3%, Universiti Malaysia Perlis (UNIMAP) at 8.9%, and Universiti Teknologi Malaysia (UTM) at 4.7%.

Regarding religious affiliation, the vast majority of those surveyed identified as Muslims (77.4%), followed by Hindu (10.0%), Buddhist (6.7%) and Christian (5.9%). The dominance of Muslim respondents is in line with the focus of this research on Islamic banking adoption. while the presence of non-Muslim respondents indicates that Shariah-based financial services also attract attention outside the Muslim community, especially for those who prioritize the principles of ethics, transparency, and fairness in banking. The distribution of data by religion in this study can be said to be quite representative and reflects the current state of Malaysia. The religious community in Malaysia is recorded as 63.5% Muslim with 36.5% non-Muslim (DOSM, 2020). So that the distribution of respondents in this study is almost the same and quite reflects the current condition of the Malaysian state .

The questionnaire also included a question to determine interest in adopting Islamic banking. Most Muslim respondents, 84.7%, expressed their willingness, while 14.2% were undecided, and only 1.1% refused. On the other hand, Non-Muslim respondents showed a lower adoption rate, with 54.7% willing to adopt, 37.8% undecided, and 7.5% refusing. These findings suggest that there is great potential for the growth of Islamic banking among university students, especially with the high level of interest from Non-Muslim respondents.

4.3 Descriptive analysis

Table 4.2

Descriptive analysis

Construct	N	Group	Min	Max	Mean	Std. Deviation
Attitude	291	Muslim	1.0	5.0	4.462	0.761
	109	Non-muslim	1.0	5.0	4.154	0.774
Subjective Norms	291	Muslim	1.0	5.0	3.954	1.050
	109	Non-muslim	1.0	5.0	3.443	1.025
Perceived Behavioral Control	291	Muslim	1.0	5.0	4.287	0.902
	109	Non-muslim	1.0	5.0	3.893	0.959
Knowledge	291	Muslim	1.0	5.0	4.341	0.902
	109	Non-muslim	1.0	5.0	4.103	0.893
Price	291	Muslim	1.0	5.0	4.159	0.887
	109	Non-muslim	1.0	5.0	3.939	0.838
Customer Intention	291	Muslim	1.0	5.0	4.358	0.891
	109	Non-muslim	1.0	5.0	3.780	0.973

4.3.1 Muslim respondenn

Muslim respondents showed a positive attitude towards Islamic banking with a mean Attitude of 4.462 and a standard deviation of 0.761, reflecting a strong acceptance of this system. Subjective Norms are also quite influential with a mean of 3.954, indicating that the social environment supports the adoption of Islamic banking. In terms of Perceived Behavioral Control, Muslim respondents feel they have control over their decisions with a mean of 4.287, indicating that they are confident in accessing Islamic financial services.

Knowledge of Islamic banking is also quite high with a mean of 4.341, reflecting a good understanding of sharia principles in finance. In the aspect of pricing, the mean of 4.159 indicates that Muslims tend to accept the fee and profit scheme applied in Islamic banking. Overall, Customer Intention has a mean of 4.358, indicating a strong intention in adopting Islamic banking services.

4.3.2 Non-muslim respondent

Non-Muslim respondents also showed openness to the concept of Islamic banking, although with more varied levels of acceptance. This attitude towards the service is reflected in the mean Attitude of 4.154, indicating a fairly good interest. In terms of Subjective Norms, the mean value of 3.443 shows that the social environment's impact on non-Muslims' acceptance of Islamic banking is still quite small. Perceived Behavioral Control has a mean of 3.893, indicating that although they feel they have control in choosing financial services, there may still be some barriers to access or further understanding.

Knowledge level is quite high with a mean of 4.103, indicating that many Non-Muslims are quite familiar with the concept of Islamic banking, although they have not fully adopted it. In terms of price, the mean of 3.939 indicates that the perception of costs and benefits is still a major consideration in their decision. Customer intention, which has a mean of 3.780, indicates the intention to embrace Islamic banking. suggests that the industry may be able to draw in more non-Muslims. A more inclusive approach and promotion of products relevant to their needs could increase interest in using Islamic banking services.

4.4 Outer model test

Table 4.3

Outer model result (muslim)

	Indicators	Factor loading	VIF	Cronbach's alpha	CR	AVE
ATT	ATT1	0.902	3.096	0.847	0.896	0.686
	ATT2	0.705	1.537			
	ATT3	0.893	2.948			
	ATT4	0.796	1.808			
SN	SN1	0.815	2.127	0.914	0.940	0.796
	SN2	0.929	3.982			
	SN3	0.907	3.335			
	SN4	0.914	3.421			
PBC	PBC1	0.832	1.827	0.837	0.902	0.755
	PBC2	0.917	2.470			
	PBC3	0.855	1.959			
KN	KN1	0.912	3.376	0.931	0.951	0.828
	KN2	0.889	3.002			
	KN3	0.932	4.251			
	KN4	0.905	3.565			
PRICE	Price1	0.905	2.800	0.904	0.940	0.839
	Price2	0.924	3.169			
	Price3	0.920	2.813			
INT	INT1	0.869	2.666	0.893	0.921	0.700
	INT2	0.833	2.268			
	INT3	0.805	2.177			
	INT4	0.892	2.998			
	INT5	0.779	2.009			

Note: CR = Composite reliability

Table 4.4

Outer model result (non-muslim)

	Indicators	Factor loading	VIF	Cronbach's alpha	CR	AVE
ATT	ATT1	0.873	2.078	0.826	0.880	0.648
	ATT2	0.799	3.126			
	ATT3	0.770	2.906			
	ATT4	0.775	1.827			
SN	SN1	0.799	1.979	0.853	0.902	0.700
	SN2	0.934	4.262			
	SN3	0.705	1.474			
	SN4	0.890	3.082			
PBC	PBC1	0.804	1.847	0.848	0.908	0.767
	PBC2	0.937	3.243			
	PBC3	0.882	2.374			
KN	KN1	0.911	3.433	0.919	0.942	0.804
	KN2	0.866	2.746			
	KN3	0.899	3.311			
	KN4	0.909	3.332			
PRICE	Price1	0.957	3.113	0.927	0.954	0.873
	Price2	0.907	4.930			
	Price3	0.938	3.863			
INT	INT1	0.868	2.846	0.915	0.937	0.750
	INT2	0.886	3.169			
	INT3	0.739	1.718			
	INT4	0.891	3.184			
	INT5	0.932	4.544			

Note: CR = Composite reliability

4.4.1 Outer loadings

The results of testing outer loading show that all indicators in this study having values that are higher than the 0.70 threshold, as recommended by (Hair et al., 2019), which confirms that each indicator has good convergent validity. The high factor loading value indicates that the indicators used are able to represent the construct well, so this model has strong measurement quality. In addition, the test results for both Muslim and Non-Muslim groups show a consistent pattern, where all indicators still meet the validity criteria with factor loading values above 0.70. These findings indicate that the research model is reliable for measuring the constructs to be analyzed.

4.4.2 Validity and reliability test

Table 4.5

Fornell-Larckner result (muslim)

	ATT	INT	KN	PBC	PRICE	SN
ATT	0.828					
INT	0.735	0.837				
KN	0.690	0.752	0.910			
PBC	0.646	0.757	0.800	0.869		
PRICE	0.652	0.753	0.732	0.726	0.916	
SN	0.599	0.703	0.605	0.621	0.674	0.892

Table 4.6

Fornell-Larckner result (non-muslim)

	ATT	INT	KN	PBC	PRICE	SN
ATT	0.805					
INT	0.684	0.866				
KN	0.610	0.626	0.897			
PBC	0.676	0.788	0.759	0.876		
PRICE	0.666	0.734	0.798	0.750	0.934	
SN	0.651	0.677	0.421	0.644	0.515	0.837

Validity and reliability tests in models analyzed with PLS-SEM can be assessed from construct reliability, convergent reliability, and discriminant reliability (Hair et al., 2022; Mbawuni & Nimako, 2017). Construct reliability itself is seen from the value of factor loadings with an acceptance limit of 0.70 and through Cronbach's Alpha with an accepted minimum value of 0.70 (Ghozali, 2015; Hair et al., 2019). The results of this study found that all indicators both in muslim and non muslim group data met these conditions and can be described as valid and reliable.

Convergent reliability can be evaluated using the composite reliability (CR) value, which has a minimum value of 0.70, and the average variance extracted (AVE) value, which has a minimum value of 0.50 (Ghozali, 2015; Hair et al., 2019). Tables 4.3 and 4.4 demonstrate that every variable in the Muslim and non-Muslim groups satisfies these criteria. The variance inflation factor (VIF) number, which cannot be larger than 5 (VIF ≤ 5), is used to review the collinearity test (Hair et al., 2019; Memon et al., 2014). Based on the results presented in table 4.3 and table 4.4, it is found that all indicators get a VIF value below 5 so that there is no multicollinearity in the data used.

The degree to which certain constructs within the structural model are better explained by measurement items than by others is known as discriminant validity (Hair et al., 2019). This assessment can be carried out by verifying that each construct's square root of the AVE is higher than the correlation between them (Fornell & Larcker, 1981; Hair et al., 2019; Lasker et al., 2017). Table 4.5 and table 4.6 show the results of the Fornell-Larcker test for Muslim and non-Muslim group data. The requirements for recognizing discriminant validity can be satisfied since both respondent groups exhibit square root AVE values for each construct that are greater than the values of other constructs. Additionally, after the construct validity and reliability of the model have been established, the psychometric quality of the structural model will be examined.

4.5 Structural model evaluation

4.5.1 Coefficient of determination

Table 4.7

Quality criteria (muslim)

	R^2	f^2	Q^2
ATT		0.109	
SN		0.078	
PBC		0.054	
KN		0.024	
PRICE		0.048	
INT	0.742		0.716

Table 4.8

Quality criteria (non-muslim)

	R^2	f^2	Q^2
ATT		0.019	
SN		0.080	
PBC		0.161	
KN		0.010	
PRICE		0.106	
INT	0.719		0.671

The coefficient of determination (R^2) shows what proportion of the variation of the dependent variable can be explained by the independent variables in the model. (Hair et al., 2019). A higher R^2 value signifies a greater ability of the model to explain the variability (Farooq et al., 2018; Hair et al., 2014). According to (Hair et al., 2022) , High explanatory power is indicated by an R^2 value greater than 0.75, moderate explanatory power by a value between 0.50 and 0.74, and weak explanatory power by a value between 0.25 and 0.49.

The R^2 value for Muslim participants in this study is 0.742, indicating that the independent factors (attitude, subjective norms, perceived behavioral control, knowledge, and price) account for 74.2% of the variance in the desire to use Islamic banking. This suggests that the model ability to predict Muslim respondents intention is highly explanatory. Similarly, for Non-Muslims, the R^2 value is 0.719, which indicates that 71.9% of the variance in intention is explained by the model, also falling into the strong explanatory power category. These results show that the variance in adoption intention can be adequately explained by the independent variables for both groups, making the model highly relevant in understanding students' adoption behavior towards Islamic banking services.

4.5.2 Effect size

The effect size (f^2) assesses the relative influence of each independent variable on the dependent variable. It is employed to assess the degree to which the variable influences the result variable in a large, medium, or small way. Refers to Chin, (1998), effect size values of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively.

The results show that for Muslim respondents, attitude has an effect size of 0.109, followed by subjective norm (0.078), perceived behavioral control (0.054), price (0.048), and knowledge (0.024). All of these values fall into the small effect size category, indicating that while each variable contributes to the model, its individual impact is limited. On the other hand, for Non-Muslim respondents, perceived behavioral control (0.161) has a moderate effect size, indicating that it plays a more critical role in shaping their adoption intention compared to the other factors. Price (0.106) and subjective norms (0.080) also had small effects, while attitude (0.019) and knowledge (0.010) showed negligible effects.

4.5.3 Predictive relevance

Using the blindfold method in SmartPLS, the Stone-Geisser test was used to assess predictive relevance (Q^2) (Hair et al., 2022). This measure assesses the extent to which the model can predict the omitted data, with Q^2 values greater than zero ($Q^2 < 0$) indicating predictive relevance (Hair et al., 2022). According to (Chin, 1998), The following is an interpretation of the Q2 value: values above 0.35 imply strong predictive relevance, 0.02 indicates low predictive relevance, and 0.15 suggests moderate predictive relevance.

The study results showed that for Muslim respondents, the Q^2 value was 0.716, while for Non-Muslims it was 0.671. Since both values exceed 0.35, the model shows high predictive relevance for both groups, signaling its significant ability to predict students' intention to adopt Islamic banking. This finding confirms that the model is appropriate and reliable to produce accurate predictions of adoption behavior. Therefore, this study provides valuable insights into the factors that influence the adoption of Islamic banking among university students, confirming the importance of the variables studied in influencing consumer decisions.

4.6 Hypotheses test

The findings of hypothesis test using PLS-SEM are shown in this section. It evaluates the connection among five independent variables such as attitude, perceived behavioral control, subjective norms, knowledge, and price towards student intention to adopt Islamic banking services. Hypotheses were tested separately for Muslim and Non-Muslim respondents, with results assessed using path coefficients (β), t-statistics, and p-values.

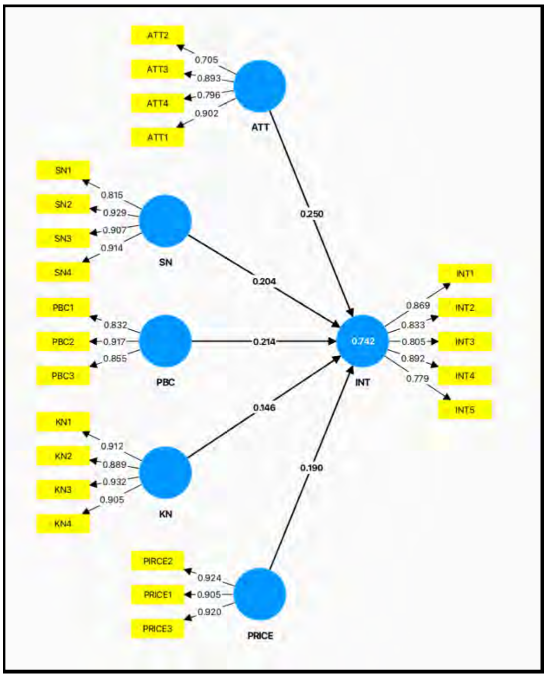

Figure 4.1 Structural model (muslim)

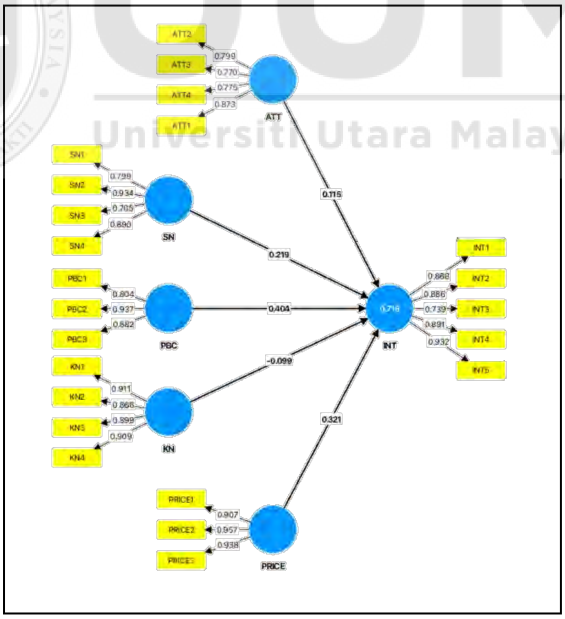

Figure 5.2 Structural model (non-muslim)

4.6.1 Attitude

For Muslim students, attitude (ATT) has a significancy on intention to adopt Islamic banking services ($\beta = 0.250$, $t = 2.783$, $p < 0.05$), which supports H1. The findings is in line with the TPB, which asserts that having a favorable attitude toward an action makes one more likely to engage in it (Ajzen, 1985, 1991). Prior studies demonstrate that favorable views of Islamic banking positively influence its adoption (Ayyub et al., 2020; Reni & Ahmad, 2016). This suggests that Muslim students who have a positive view of Islamic banking are more likely to adopt it, possibly due to its conformity with their religious beliefs and ethical values.

Table 4.9

Hypotheses test result

	Hypothesized relationship	Group	Path coefficient (ß)	*t*-statistics	*p*-values	Remarks
H1	ATT -> INT	Muslim	0.250	2.783	0.003	Supported
		Non-muslim	0.115	1.322	0.093	Not Supported
H2	SN -> INT	Muslim	0.204	3.241	0.001	Supported
		Non-muslim	0.219	2.443	0.007	Supported
H3	PBC -> INT	Muslim	0.214	2.738	0.003	Supported
		Non-muslim	0.404	3.131	0.001	Supported
H4	KN -> INT	Muslim	0.146	2.193	0.014	Supported
		Non-muslim	-0.099	0.793	0.214	Not Supported
H5	PRICE -> INT	Muslim	0.190	2.278	0.011	Supported
		Non-muslim	0.321	2.750	0.003	Supported

On the other hand, for Non-Muslim students, attitude does not have significancy towards the intention to adopt ($\beta = 0.115$, $t = 1.322$, $p > 0.05$). This suggests that Non-Muslim students may not consider Islamic banking as a primary financial option even though they have a positive perception of it. Previous research indicates that for Non-Muslims, factors such as accessibility, perceived benefit, and knowledge about the product or services has a more dominant role in determining their behavior towards Islamic banking services adoption (Mbawuni & Nimako, 2017). Unlike Muslim, who may have intrinsic motivation due to religious adherence, Non-Muslim students may require stronger functional benefits to adopt Islamic banking.

4.6.2 Subjective norms

Subjective norm (SN) has a significant influence on adoption intention for Muslim students ($\beta = 0.204$, $t = 3.241$, $p = 0.001$) and Non-Muslim students ($\beta = 0.219$, $t = 2.443$, $p = 0.007$), which supports H2. This indicates that social influences—including support from family, friends, and community expectations significantly impact college students' choices to utilize Islamic banking services. For Muslim students, the positive influence of subjective norms may arise from the community reinforcement that Islamic banking is in line with religious and ethical values (Gopi & Ramayah, 2007; Reni & Ahmad, 2016). This means that if their family, friends or religious leaders encourage Islamic banking, they are likely to perceive it as a preferable financial service.

Meanwhile, for Non-Muslim students, the impact of subjective norms suggests that although Islamic banking is not related to their religious beliefs, external influences from peers, financial advisors, or the media may encourage adoption. This is consistent with previous research which suggests that customer in general may be influenced by word-of-mouth recommendations and the growing market acceptance of product and services such as Islamic banking as a viable financial alternative (Saiti et al., 2022).

4.6.3 Perceived behavioral control

PBC significantly affects both Muslim and non-Muslim adoption intentions ($\beta = 0.214$, $t = 2.738$, $p = 0.003$) and Non-Muslim ($\beta = 0.404$, $t = 3.131$, $p = 0.001$) students, which supports H3. However, the effect is stronger on Non-Muslims, suggesting that ease of use and accessibility are more critical factors in their decision to adopt Islamic banking.

For Muslim students, PBC reflects their degree of confidence in utilizing Islamic banking services, consistent with previous findings showing that consumers who find financial products easy to use are more likely to adopt them (Ayyub et. al., 2020; Han et al., 2018; Pitchay et. al., 2020). Since a large number of Muslims are already familiar with the fundamentals of Islamic banking, the perception of ease of access further strengthens their intention to adopt. For Non-Muslim students, the increased influence of PBC implies that the degree of ease and comfort of the service significantly impact on the decision to use Islamic banking. This implies that in order to draw in non-Muslim clients, banks must make sure their Islamic banking products are simple to use and comprehend (Mbawuni & Nimako, 2017).

4.6.4 Knowledge

For Muslim students, knowledge (KN) was shown to significantly influence their adoption intention ($\beta = 0.146$, $t = 2.193$, $p = 0.014$), which supports H4. Demonstrate that awareness and understanding of Islamic banking principles increases the likelihood of adoption, in line with findings from Bananuka et al. (2019), Mbawuni & Nimako (2017), and Reni & Ahmad (2016). This indicates that Muslim students who have a better understanding of Islamic banking view it as a viable and ethical financial alternative.

On the other hand, for Non-Muslim students, knowledge does not significantly affect adoption intention ($\beta = -0.099$, $t = 0.793$, $p = 0.214$). This implies that simply knowing about Islamic banking does not automatically lead to adoption. Unlike Muslim students who may associate Islamic banking with their religious and financial values, Non-Muslim students may need additional incentives such as competitive pricing or better service quality to consider adoption (Mbawuni & Nimako, 2017). Additionally, ease of access, availability of information, and regulations that allow non-Muslims to easily use Islamic banking services are a big driver in increasing the PBC factor for non-Muslims to adopt Islamic banking services (Saiti et al., 2022).

4.6.5 Price

Price (PRICE) has a critical effect on adoption intention for both Muslims ($\beta = 0.190$, $t = 2.278$, $p = 0.011$) and Non-Muslims ($\beta = 0.321$, $t = 2.750$, $p = 0.003$), which supports H5. However, the effect is stronger for Non-Muslims, which suggests that price is a more crucial factor in their decision to adopt Islamic banking.

For Muslim students, this result is consistent with prior study showing that while price is important, religious compliance and ethical considerations also influence their decision-making process (Sayuti & Amin, 2020). As long as the cost of Islamic banking services is considered reasonable and feasible, Muslim students are likely to adopt it. In the case of Non-Muslim students, price seems to have a more prominent role. Since they have no religious obligation to choose Islamic banking, their adoption decision is more influenced by financial benefits. This finding is consistent with previous research which suggests that competitive pricing is vital in attracting Non-Muslim customers (Wulandari & Ubaidillah, 2024). Therefore, Islamic banks need to offer attractive pricing models to remain competitive with conventional banks.

4.7 Findings & Discussion

The study's findings suggest that there are notable distinctions between the elements that affect Muslim and non-Muslim college students' acceptance of Islamic banking. This study emphasizes how attitude, subjective norms, perceived behavioral control, knowledge, and price affect students behavioral intentions, with variations in the level of influence across the two groups. The findings provide important insights into the adoption patterns of Islamic banking services.

The first finding obtained by this research is that the level of willingness of Muslims and non-Muslims in their choice to adopt Islamic banking services. In the Muslim group, the first assumption built is that all Muslims will definitely be willing to choose Islamic banking services. This assumption is based on the basic understanding that a Muslim tends to live his life in accordance with Islamic teachings such as avoiding usury, gharar and maysir (Sayuti & Amin, 2020; Wulandari & Ubaidillah, 2024).

However, the findings of this study revealed that there is a total of 15% of Muslims who are not willing to choose Islamic banking services. The possibility that why there are some Muslims still considering choosing Islamic banking services is due to the assumption that using Islamic banking is not necessarily in line with Islamic teachings (Amin et al., 2011). A total of 92.5% of non-Muslims were willing to use Islamic banking services, according to the data from the non-Muslim group. This result is very significant and shows that the potential level of acceptance of Islamic banking services is very high even for non-Muslims.

Next findings is taken from the result of attitude as one of the significant variable for both muslim and non-muslim to adopt Islamic banking services. Attitude as outlined in the TPB by Ajzen, (1991), refers to a person's positive or negative assessment of the implementation of a particular behavior. A positive attitude towards Islamic banking should theoretically increase the intention to adopt its services (Reni & Ahmad, 2016; Wulandari & Ubaidillah, 2024). In this research, the notable impact of attitude among Muslims aligns with the TPB, as their views towards Islamic banking are likely to be influenced by religious beliefs, ethical considerations, and a sense of moral responsibility. For many Muslims, using Islamic banking is not just a financial decision but also a religious obligation in line with their values, thus strengthening the positive relationship between attitude and behavioral intention (Han et al., 2018; Reni & Ahmad, 2016). This explains why attitudes play an important role in their decision-making process.

However, among non-Muslim students, their attitudes did not significantly affect their adoption intention, which suggests that their views towards Islamic banking are neutral or not influenced by strong motivations. Due to the lack of shared religious commitment, their attitude towards Islamic banking may be influenced more by practicality than ethical or religious reasons. This result is in line with study conducted by Mbawuni & Nimako, (2017), there is argument that non-Muslims perceive Islamic banking as similar to conventional banking. Therefore, they tend to put their decision making process more into perceived benefit and any others functional aspects rather than personal beliefs. To attract this group, Islamic banks need to focus on tangible benefits such as competitive pricing, service quality, and financial returns instead of relying solely on ethical or religious positions.

The influence of subjective norms assessed to be significant for both Muslim and non-Muslim students, indicating that social factors, including peer recommendations, family expectations, and community norms, encourage students to consider Islamic banking. For Muslims, social pressure usually comes from religious teachings and societal expectations to engage in Shariah-compliant financial transactions, as described by (Han et al., 2018; Reni & Ahmad, 2016; Wulandari & Ubaidillah, 2024). As for non-Muslims, significant subjective norms suggest that external influences, such as friends, media, or perceived trends in ethical finance, contribute to their interest in Islamic banking. This is consistent with the findings of Saiti et al., (2022), showed that peer influence and societal trends shape financial decisions even without religious motivation. The increasing attention to ethical finance and sustainability in the global banking sector may also explain why subjective norms influence the adoption decisions of non-Muslim students.

Perceived behavioral control had a significant influence on adoption intention for both groups, with a stronger impact on non-Muslims compared to Muslims. These results suggest that students are more inclined to employ Islamic banking services if they have faith in their abilities to do so. Based on the prior research from (Han et al., 2018; Saiti et al., 2022; Wulandari & Ubaidillah, 2024), The more confident someone is with the service they want to choose, the stronger their intention to choose it. This confidence arises from the abilities they have, either from within themselves or from the convenience that Islamic banking provides. So that accessibility, sufficient information and convenience in using Islamic banking will increase the ability and intention of a person, both Muslim and non-Muslim, to use Islamic banking services.

Furthermore, knowledge (KN) shows a contradictory effect, as it significantly affects adoption intention among Muslim students but has no significant impact on non-Muslims. Muslim students who have an adequate understanding of the principles and benefits of Islamic banking are more likely to adopt its services. However, for non-Muslims, knowledge did not show a significant role, which may be due to misconceptions or lack of awareness. Many non-Muslim may assume that Islamic banking is only for Muslims or that it does not have any significant advantages over conventional banking, as revealed by (Mbawuni & Nimako, 2017; Saiti et al., 2022).This suggests the importance of increased financial education and awareness campaigns aimed at non-Muslims to address misconceptions and highlight the wider benefits of Islamic banking, such as ethical financing and risk-sharing models.

Price (PRICE) has a significant impact on adoption intention among Muslim and non-Muslim students, with a stronger effect among non-Muslim students. These results show that students, regardless of religious background, think about financial costs when choosing banking services. For Muslim students, price plays a role but is not the only determining factor, as religious observance and ethical considerations also influence their decision. Even in previous research by Reni & Ahmad, (2016), showed that consumers intention to use Islamic banking services are not much influenced by pricing. Thus, for muslim can be concluded that while competitive pricing increased the adoption of Islamic banking, many Muslim customers may prioritized adherence to sharia principles even if they had to pay slightly more.

For non-Muslim students, the effect of price is stronger, suggesting that they compare Islamic and conventional banking based on cost-effectiveness. As they are not driven by religious motivations in choosing Islamic banking, they focus more on affordability and financial benefits. Previous research by Mbawuni & Nimako, (2017), stated that the perceived benefits is giving more impact towards non-muslim customer since they have no shariah obligation to use Islamic banking services. This result emphasizes that non-Muslim consumers prioritize cost-related factors, such as lower transaction costs and better profit-sharing returns, when considering Islamic banking. To attract more non-Muslim customers, Islamic banks need to highlight competitive pricing strategies and clearly communicate their financial benefits.

In both groups of respondents, it was found that they have different variables with the greatest influence. The difference could be due to the different characteristics and motives of the two groups. For Muslim students, the variable with the greatest influence is attitude. Based on research conducted by (Hasmad & Alosman, 2022; Mbawuni & Nimako, 2017), it is said that the attitude variable for Muslims is also related to the religious practices of a Muslim and his compliance with the teachings of Islam. Based on this study, it can be interpreted that Muslim students in Malaysia may perceive that using Islamic banking services is in line with religious adherence.

Furthermore, for non-Muslim groups, it is found that the variable that has the greatest influence is the price variable. In general, non-Muslims have a positive intention to adopt Islamic banking services. Based on the results of hypothesis testing, it is found that price shows a dominant influence on non-Muslims' intention to adopt Islamic banking services. The results of research conducted by (Reni & Ahmad, 2016), it is said that the price factor is closely related to the financial benefit motive that can be obtained by Islamic banking customers. Thus it can be interpreted that non-Muslims are strongly influenced by factors that can provide them with benefits. Thus, Islamic banking institutions must offer products that are relevant and can provide financial benefits when targeting potential non-Muslim customers.

These findings reflect real-world trends in the adoption of Islamic banking. Although Malaysia has a strong Islamic banking sector, its market penetration among non-Muslims is still quite low, despite growing awareness of ethical finance. According to Bank Negara Malaysia, (2024), Islamic banking accounts for about 45.6% of the total banking market share, yet its appeal outside the Muslim population is still growing. The results of this study suggest that targeted marketing strategies are crucial to expanding the reach of Islamic banking, especially among non-Muslim consumers. Islamic banks need to emphasize adherence to religious principles and ethical benefits for Muslims, while also highlighting the aspects of affordability, accessibility, and financial benefits for non-Muslims.

Additionally, the increasing digitization of banking services offers opportunities to increase adoption. As PBCs have significant influence, the development of digital banking platforms, mobile applications, and online banking services can encourage more students, both Muslim and non-Muslim, to adopt Islamic banking. Simplifying account opening procedures and enhancing financial literacy programs can help bridge the gap in adoption rates.

Overall, the study's findings show that the reasons and obstacles for Muslim and non-Muslim students to use Islamic banking services differ. While Muslim students emphasize religious and ethical considerations, non-Muslim students prioritize accessibility and cost efficiency. This finding suggests that Islamic banks need to implement a segmented approach to effectively reach both groups. Future research can consider other factors, such as trust, service quality, and digital banking experience, to gain a deeper understanding of students' adoption behavior.

4.8 Conclusion of the Chapter

Data analysis in this study has been successfully carried out using the PLS-SEM method and using the help of the SmartPLS application to carry out data analysis. This chapter covers all data analysis processes starting from the inner model test, structural model test, and hypotheses test. Then after the results of data analysis are obtained, followed by making a discussion to discuss the results of the obtained data analysis result.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter is designed to summarize the overall findings of the research. The results that have been interpreted in the previous chapters will be restated in this explanation of the research. In this chapter, the research objectives will be revisited to summarize the research contribution to society. Finally, an explanation of implications, suggestions, limitations, and recommendations for the future research will be presented at the last section of the chapter.

5.2 Conclusion

The first objective of this study is to investigate the factors that influence the intention of public university students in Malaysia. This study conclude that there are notable differences in Malaysian public university students' intention to adopt Islamic banking services across Muslim and non-Muslim groups. It is revealed that attitude, subjective norms, perceived behavioral control, knowledge, and price have different roles in shaping students' intention to adopt Islamic banking services. Attitude exerts a significant influence on Muslim students but has no effect on non-Muslims, while subjective norms and perceived behavioral control are important for both groups. Knowledge only had an impact on Muslim students, while price had a greater effect on non-Muslims, reflecting their attention to the affordability aspect.

Furthermore, the second objective of this study aims to identify which factors have the greatest influence for Muslim students and non-Muslim students. There are differences in the variables that have the greatest influence on both groups. For Muslims, attitude is the variable with the greatest influence. Signaling that the attitude of a Muslim has a big influence on their intention. While in non-Muslims, price is the variable with the greatest influence. Signaling that non-Muslims are dominantly influenced by the financial benefit factor. These findings emphasize the need for customized strategies means that Islamic banking need to highlight Shariah compliance and ethical values for Muslim customers, while emphasizing competitive pricing, convenience, and financial benefits for non-Muslim customers. Ultimately, understanding these factors allows Islamic banking institution to design marketing campaigns and service offerings that are more effective in expanding their customer base.

5.3 Recommendation

Based on the findings and discussion, Islamic banking institutions need to implement strategies aimed at increasing adoption among Muslim and non-Muslim students. Since attitude, subjective standards, and perceived behavioral control, knowledge, and price all have a significant impact on Muslim students adoption intentions. Islamic banking should strengthen their ethical and religious image while improving accessibility and affordability. Meanwhile, non-Muslim college students are mainly influenced by subjective norms, perceived behavioral control, and price, which suggests the need for practical value propositions such as competitive prices, high-quality services, and easily accessible digital banking solutions.

Considering that knowledge does not significantly influence the adoption of non-Muslim, Islamic banking institution should implement financial literacy programs and awareness campaigns that emphasize benefits beyond religious aspects. In addition, as subjective norms strongly influence both groups, collaboration with universities, student organizations, and social influencers can help create a positive outlook towards Islamic banking. Finally, improving digital banking infrastructure, simplifying services, and offering student-focused financial products will further encourage adoption in both groups.

5.4 Limitation and recommendation further studies

This study has several weaknesses that open up opportunities for future research. First, this study only targeted students in higher education institutions, thus limiting the generalizability of the findings to other demographics such as professionals or populations in rural areas. Future research should expand the sample to gain a more comprehensive perspective on Islamic banking adoption. Secondly, this study is based on the Theory of Planned Behavior (TPB), which although effective, may not fully encompass other behavioral factors.

Future research could incorporate additional frameworks such as UTAUT or perceived risk theory for more in-depth analysis. Third, the cross-sectional nature of this study means that it only captures adoption intentions at a single point in time; longitudinal research could provide insights into how perceptions evolve, especially as college students enter the professional world. Lastly, while this study highlighted differences between Muslim and non-Muslim university students, it did not investigate the deeper reasons behind such variations. To obtain more in-depth understanding, future studies could employ qualitative techniques like focus groups and interviews, and comparative studies across different regions could shed further light on the cultural and economic influences on Islamic banking adoption.

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Appendices

Appendix A : Questionnaire

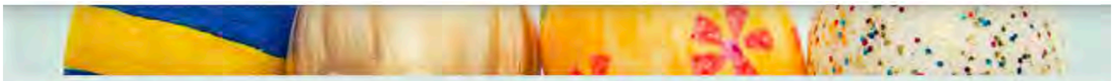
Appendix B : Descriptive analysis

Appendix C : Outer model test

Appendix D : Structural model test

Appendix E : Hypotheses test

Appendix A : Questionnaire



INTENTION TO ADOPT ISLAMIC BANKING SERVICES AMONG STUDENT IN MALAYSIAN HIGHER EDUCATION INSTITUTION

Dear Participant,

Thank you for taking the time to participate in this research study. This survey aims to explore the factors influencing students' intentions to adopt Islamic banking services in Malaysian higher education institutions. Your responses will provide valuable insights into understanding the preferences, perceptions, and behavioral tendencies of students in relation to Islamic banking services.

The survey is anonymous (except for contact details for the giveaway), and all data collected will be used solely for academic purposes. Completing the survey will take approximately 3 **minutes**, and your participation is entirely voluntary.

We greatly appreciate your contribution to this study. Should you have any questions or require further information, please feel free to contact us at alkamalp@gmail.com.

Thank you for your time and cooperation, and good luck!

Sincerely,
A.M. Al-Kamal
Universiti Utara Malaysia

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Sincerely,
A.M. Al-Kamal
Universiti Utara Malaysia

alkamalp@gmail.com Ganti akun

* Menunjukkan pertanyaan yang wajib diisi

Email *

☐ Rekam **alkamalp@gmail.com** sebagai email yang disertakan dengan respons saya

Target Respondents
This study aims to obtain Muslim and non-Muslim perspectives towards the adoption of Islamic banking in Malaysia. You can answer all questions based on your point of view. Therefore, everyone's perspective is necessary and acceptable in this study.

General Information

Institution *

E.g. : Universiti Malaya

Jawaban Anda

Current Status *

- Undergraduate Student
- Master Degree Student
- PhD Student
- Yang lain:

Gender *

- Male
- Female

Age *

- 18 - 22 Years
- 23 - 28 Years
- 29 - 34 Years
- 35+ Years

Religious Belief *

- Islam
- Hinduism
- Christianism
- Sikhism
- Yang lain:

Are you willing to adopt Islamic banking services? *

- Yes
- No
- Maybe

Questionnaire

Attitude

In my opinion, using Islamic banking services is a wise decision *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I believe that using Islamic banking services is a good thing *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I think using Islamic banking services is very beneficial *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I believe Islamic banking services follow Islamic law *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

Subjective Norms

My family encourage me to use Islamic banking services *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

My friend suggest me to use Islamic banking services *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

The people closest to me consider using Islamic banking to be a wise decision *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

The people closest to me believe that using Islamic banking is a good thing *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

Perceived Behavioral Control

The decision to use Islamic banking is entirely within my control *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I have the knowledge and ability to use Islamic banking services *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I confidence Islamic banking and services is efficiency *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

Knowledge

I understand that Islamic banks are required to comply with Sharia law in their activities *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I understand that Islamic banks are different from conventional banks *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I understand that Islamic banks promote the welfare of customers *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I understand that Islamic banks do not allow taking unfair advantage of customers *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

Price

The cost of Islamic banking services is affordable for students like me *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I believe that the cost I pay for Islamic banking services is worth the service provided *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

Islamic banking services have clear and transparent cost structures *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

Customer Intention

I am open to accepting Islamic banking services *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I will choose to use Islamic banking services *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I am confidence to use Islamic banking services *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I would recommend using Islamic banking services to the others *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

I am interested in continuously using Islamic banking services *

	1	2	3	4	5	
Strongly disagree	○	○	○	○	○	Strongly agree

Appendix B : Descriptive analysis

MUSLIM

Name	No.	Type	Missings	Mean	Median	Scale min	Scale max	Observed min	Observed max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
ATT1	1	MET	0	4.399	5.000	1.000	5.000	1.000	5.000	0.795	0.816	-1.172	0.000
ATT2	2	MET	0	4.598	5.000	1.000	5.000	1.000	5.000	0.631	4.593	-1.816	0.000
ATT3	3	MET	0	4.330	5.000	1.000	5.000	1.000	5.000	0.866	1.235	-1.236	0.000
ATT4	4	MET	0	4.522	5.000	1.000	5.000	1.000	5.000	0.752	4.627	-1.928	0.000
SN1	5	MET	0	3.680	4.000	1.000	5.000	1.000	5.000	1.217	-0.415	-0.632	0.000
SN2	6	MET	0	3.948	4.000	1.000	5.000	1.000	5.000	1.009	0.068	-0.744	0.000
SN3	7	MET	0	3.983	4.000	1.000	5.000	1.000	5.000	1.047	0.180	-0.851	0.000
SN4	8	MET	0	4.203	4.000	1.000	5.000	1.000	5.000	0.925	1.194	-1.173	0.000
PBC1	9	MET	0	4.282	5.000	1.000	5.000	1.000	5.000	0.929	1.623	-1.366	0.000

PBC2	10	MET	0	4.399	5.000	1.000	5.000	1.000	5.000	0.845	2.865	-1.620	0.000
PBC3	11	MET	0	4.179	4.000	1.000	5.000	1.000	5.000	0.932	0.612	-1.055	0.000
KN1	12	MET	0	4.282	5.000	1.000	5.000	1.000	5.000	0.954	1.988	-1.473	0.000
KN2	13	MET	0	4.447	5.000	1.000	5.000	1.000	5.000	0.861	2.728	-1.715	0.000
KN3	14	MET	0	4.241	5.000	1.000	5.000	1.000	5.000	0.929	0.869	-1.143	0.000
KN4	15	MET	0	4.392	5.000	1.000	5.000	1.000	5.000	0.864	1.590	-1.428	0.000
PRICE1	16	MET	0	4.103	4.000	1.000	5.000	1.000	5.000	0.891	0.530	-0.878	0.000
PIRCE2	17	MET	0	4.165	4.000	1.000	5.000	1.000	5.000	0.897	1.033	-1.020	0.000
PRICE3	18	MET	0	4.210	4.000	1.000	5.000	1.000	5.000	0.874	0.456	-0.949	0.000
INT1	19	MET	0	4.426	5.000	1.000	5.000	1.000	5.000	0.864	4.953	-2.037	0.000
INT2	20	MET	0	4.213	5.000	1.000	5.000	1.000	5.000	0.993	1.005	-1.243	0.000
INT3	21	MET	0	4.450	5.000	1.000	5.000	1.000	5.000	0.812	3.868	-1.810	0.000
INT4	22	MET	0	4.254	5.000	1.000	5.000	1.000	5.000	0.962	1.605	-1.391	0.000
INT5	23	MET	0	4.447	5.000	1.000	5.000	1.000	5.000	0.829	3.267	-1.722	0.000

NON-MUSLIM

Name	No.	Type	Missings	Mean	Median	Scale min	Scale max	Observed min	Observed max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
ATT1	1	MET	0	3.890	4.000	2.000	5.000	2.000	5.000	0.902	-1.217	-0.083	0.000
ATT2	2	MET	0	4.248	4.000	1.000	5.000	1.000	5.000	0.780	3.132	-1.410	0.000
ATT3	3	MET	0	4.349	4.000	2.000	5.000	2.000	5.000	0.611	0.759	-0.620	0.000
ATT4	4	MET	0	4.128	4.000	2.000	5.000	2.000	5.000	0.803	-0.722	-0.455	0.000
SN1	5	MET	0	2.936	3.000	1.000	5.000	1.000	5.000	1.258	-0.860	0.067	0.000
SN2	6	MET	0	3.367	3.000	1.000	5.000	1.000	5.000	0.992	-0.414	-0.053	0.000
SN3	7	MET	0	3.862	4.000	2.000	5.000	2.000	5.000	0.883	-0.721	-0.293	0.000
SN4	8	MET	0	3.606	4.000	2.000	5.000	2.000	5.000	0.968	-0.976	-0.057	0.000
PBC1	9	MET	0	3.881	4.000	1.000	5.000	1.000	5.000	0.984	-0.397	-0.578	0.000

PBC2	10	MET	0	3.954	4.000	2.000	5.000	2.000	5.000	0.942	-0.969	-0.374	0.000
PBC3	11	MET	0	3.844	4.000	1.000	5.000	1.000	5.000	0.950	0.085	-0.592	0.000
KN1	12	MET	0	4.138	4.000	2.000	5.000	2.000	5.000	0.893	-0.327	-0.747	0.000
KN2	13	MET	0	4.147	4.000	2.000	5.000	2.000	5.000	0.897	-0.563	-0.683	0.000
KN3	14	MET	0	3.972	4.000	2.000	5.000	2.000	5.000	0.872	-0.576	-0.451	0.000
KN4	15	MET	0	4.156	4.000	2.000	5.000	2.000	5.000	0.910	-0.424	-0.760	0.000
PRICE1	16	MET	0	3.982	4.000	2.000	5.000	2.000	5.000	0.813	-0.479	-0.382	0.000
PIRCE2	17	MET	0	3.872	4.000	2.000	5.000	2.000	5.000	0.868	-1.046	-0.087	0.000
PRICE3	18	MET	0	3.963	4.000	2.000	5.000	2.000	5.000	0.834	-0.694	-0.315	0.000
INT1	19	MET	0	3.908	4.000	2.000	5.000	2.000	5.000	0.904	-0.650	-0.421	0.000
INT2	20	MET	0	3.624	4.000	1.000	5.000	1.000	5.000	1.073	-0.633	-0.327	0.000
INT3	21	MET	0	4.018	4.000	1.000	5.000	1.000	5.000	0.857	0.105	-0.569	0.000
INT4	22	MET	0	3.835	4.000	2.000	5.000	2.000	5.000	0.934	-0.882	-0.279	0.000
INT5	23	MET	0	3.780	4.000	1.000	5.000	1.000	5.000	1.095	-0.135	-0.613	0.000

Appendix C : Outer model test (muslim & non-muslim)

MUSLIM

	ATT	INT	KN	PBC	PRICE	SN
ATT2	0.705					
ATT3	0.893					
ATT4	0.796					
INT1		0.869				
INT2		0.833				
INT3		0.805				
INT4		0.892				
INT5		0.779				
KN1			0.912			
KN2			0.889			
KN3			0.932			
KN4			0.905			
PBC1				0.832		
PBC2				0.917		
PBC3				0.855		
PIRCE2					0.924	
PRICE1					0.905	
PRICE3					0.920	
SN1						0.815
SN2						0.929

SN3						0.907
SN4						0.914
ATT1	0.902					

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
ATT	0.847	0.883	0.896	0.686
INT	0.893	0.905	0.921	0.700
KN	0.931	0.933	0.951	0.828
PBC	0.837	0.853	0.902	0.755
PRICE	0.904	0.909	0.940	0.839
SN	0.914	0.927	0.940	0.796

	ATT	INT	KN	PBC	PRICE	SN
ATT	0.828					
INT	0.735	0.837				
KN	0.690	0.752	0.910			
PBC	0.646	0.757	0.800	0.869		
PRICE	0.652	0.753	0.732	0.726	0.916	
SN	0.599	0.703	0.605	0.621	0.674	0.892

	VIF

ATT2	1.537
ATT3	2.948
ATT4	1.808
INT1	2.666
INT2	2.268
INT3	2.177
INT4	2.998
INT5	2.009
KN1	3.376
KN2	3.002
KN3	4.251
KN4	3.565
PBC1	1.827
PBC2	2.470
PBC3	1.959
PIRCE2	3.169
PRICE1	2.800
PRICE3	2.813
SN1	2.127
SN2	3.982
SN3	3.335
SN4	3.421
ATT1	3.096

NON-MUSLIM

	ATT	INT	KN	PBC	PRICE	SN
ATT2	0.799					
ATT3	0.770					
ATT4	0.775					
INT1		0.868				
INT2		0.886				
INT3		0.739				
INT4		0.891				
INT5		0.932				
KN1			0.911			
KN2			0.866			
KN3			0.899			
KN4			0.909			
PBC1				0.804		
PBC2				0.937		
PBC3				0.882		
PRICE1					0.907	
PRICE2					0.957	
PRICE3					0.938	
SN1						0.799
SN2						0.934
SN3						0.705
SN4						0.890

ATT1	0.873					

	Cronbach's alpha	**Composite reliability (rho_a)**	**Composite reliability (rho_c)**	**Average variance extracted (AVE)**
ATT	0.826	0.881	0.880	0.648
INT	0.915	0.930	0.937	0.750
KN	0.919	0.926	0.942	0.804
PBC	0.848	0.866	0.908	0.767
PRICE	0.927	0.938	0.954	0.873
SN	0.853	0.869	0.902	0.700

	ATT	**INT**	**KN**	**PBC**	**PRICE**	**SN**
ATT	0.805					
INT	0.684	0.866				
KN	0.610	0.626	0.897			
PBC	0.676	0.788	0.759	0.876		
PRICE	0.666	0.734	0.798	0.750	0.934	
SN	0.651	0.677	0.421	0.644	0.515	0.837

	VIF
ATT2	3.126
ATT3	2.906

ATT4	1.827
INT1	2.846
INT2	3.169
INT3	1.718
INT4	3.184
INT5	4.544
KN1	3.433
KN2	2.746
KN3	3.311
KN4	3.332
PBC1	1.847
PBC2	3.243
PBC3	2.374
PRICE1	3.113
PRICE2	4.930
PRICE3	3.863
SN1	1.979
SN2	4.262
SN3	1.474
SN4	3.082
ATT1	2.078

Appendix D : Structural model test

MUSLIM

	R-square	R-square adjusted
INT	0.742	0.738

	ATT	INT	KN	PBC	PRICE	SN
ATT		0.109				
INT						
KN		0.024				
PBC		0.054				
PRICE		0.048				
SN		0.078				

	Q^2predict	RMSE	MAE
INT	0.716	0.543	0.389

NON-MUSLIM

	R-square	R-square adjusted
INT	0.719	0.705

	ATT	INT	KN	PBC	PRICE	SN
ATT		0.019				

INT						
KN		0.010				
PBC		0.161				
PRICE		0.106				
SN		0.080				

	Q²predict	**RMSE**	**MAE**
INT	0.671	0.583	0.414

Appendix E : Hypotheses test

MUSLIM

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
ATT -> INT	0.250	0.255	0.090	2.783	0.003
KN -> INT	0.146	0.141	0.066	2.193	0.014
PBC -> INT	0.214	0.208	0.078	2.738	0.003
PRICE -> INT	0.190	0.199	0.083	2.278	0.011
SN -> INT	0.204	0.200	0.063	3.241	0.001

NON-MUSLIM

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
ATT -> INT	0.115	0.109	0.087	1.322	0.093
KN -> INT	-0.099	-0.092	0.124	0.793	0.214
PBC -> INT	0.404	0.405	0.129	3.131	0.001

PRICE -> INT	0.321	0.320	0.117	2.750	0.003
SN -> INT	0.219	0.219	0.089	2.443	0.007