



The Awareness and Attitude towards Islamic Banking: A Study in Malaysia

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Abstract: The purpose of this study is to establish the level of awareness that Malaysians have in relation to the culture of Islamic banking, the attitude of Malaysians towards Islamic banking and a ranking of the bank selection criteria of Malaysians – and for each part of the study, to see if Muslim responses are different from non-Muslim responses. A sample of 150 Muslim and non-Muslim customers in Klang Valley was surveyed utilizing a questionnaire containing specific questions relating to the awareness and attitudes of Islamic banking to their ranking of the services required. It is found that the Muslims are more aware toward the culture of Islamic banking, and as consequences, be more aware of the meaning of fundamental terms used in Islamic banking and finance. In the case of the attitudes towards Islamic banks, there were many differences in attitudes between Muslims and non-Muslims in country with majority of Muslims. In the context of bank selection criteria, there are four significant differences among Muslims and non-Muslims such as, mass media advertising, credit on favorable terms, financial counseling and location near my place of work, while the others 18 criteria shows no significant difference. The findings can be utilize by banks to measure the level of attitudes and acceptance towards Islamic Banking among Muslims and non-Muslim and for those who is considering setting up an Islamic banking operations in the country with majority of Muslims.

Keywords: Islamic Banking, Muslim, Non-Muslim, Awareness, Attitude.

Introduction

Although the practice of Islamic banking and finance in Malaysia is relatively new and fast growing, Malaysia today has one of the world's most sophisticated banking environments with a well developed financial market. The Islamic financial industry in Malaysia has experienced rapid transformations the operating environment of Islamic finance in Malaysia has also evolved dramatically. The product range has now expanded into broad array of innovative instruments using contracts beyond *Murabahah* or *Bai Bithaman Ajil* (BBA). In past few years, several new Islamic financial products were introduced which included residential mortgage backed securities, commodity based financing, as well as investment and equity linked product based on *Musharakah*, *Mudarabah* and *Ijarah*.

Islamic banking has become an important service being offered. There are several relevant principles of Islam, to aid a better understanding of Islamic banking, namely *Shariah* and *Muamalat*. Islamic law was a unique combination of different types of law, some unchangeable like divine law as prescribed in the *Al-Quran*, and the *hadis* and *sunnah*, being sayings and doings of the Holy Prophet; whilst others are open to modification and re-interpretation.

Over the past three decades, Islamic banking has emerged as one of the fastest growing industries. It has spread to all corners of the globe and received wide acceptance by both Muslims and non-Muslims alike (Iqbal and Molyneux, 2005). Islamic banks perform the same

essential functions as banks do in the conventional system, except that the need for them to carry out their transactions in accordance with the rules and principles of Islam (Henry and Wilson, 2004; Iqbal and Mirakhor, 2007).

As one of the most important players in service industry today, Islamic banking is no longer regarded as a business entity striving only to fulfill the religious obligations of the Muslim community, but more significantly, as a business that is ineluctably in need for winning over customers whilst retaining the old ones (Wilson, 1995).

It is common misunderstanding that, Islamic banking is merely another form of conventional banking minus the interest element, or a mere play of semantics by replacing the word "interest" with "profit" (The Malaysian Bar, 2007). For a correct understanding of Islamic banking, one must recognize and accept that at its very essence Islamic banking and conventional banking is two distinct activities based on different principles and considerations.

Conventional banking, in four simple words is, "lending money at interest"; whereas interest or *riba* in Islam is strictly prohibited (The Malaysian Bar, 2007). How then, the question arises, is Islamic banking carried on? In Islamic banking, there is no lending or Islamic loans, safe for *qard hassan*, an interest-free loan. Islamic banking is essentially a trading transaction, based on an asset (which may be tangible or not) or an economic activity. Therefore, what is done with the asset (or the activity) is the underlying transaction as opposed to conventional banking where the underlying transaction is money-lending at an interest. Put differently, the money is asset for conventional banking where the bank sell money based on money; however, it is medium of exchange in Islamic banking where the money just facilitate our transactions.

The nature of Islamic finance today is largely fashioned by Islamic finance jurists who hold the authority in determining the *Shariah* value of financial products. *Shariah* status is given by virtue of contract validation. That is, a financial instrument that uses a contract deemed valid by Islamic finance jurists is usually granted *Shariah*-compliant status.

Since the Holy Quran has condemned interest and enjoins profit creation via trading, the Islamic finance jurists have resorted to applying the explicit meaning of *al-bay*, i.e. trading in determining the *Shariah* legitimacy of financial instruments. By trading, they usually make reference to sale of goods and services. For example, a contract of sale consists of the following pillars:

- i. Buyer and seller
- ii. Object of sale
- iii. Price
- iv. Offer and acceptance

A valid contract must ensure that each of the above pillars does not contain the following prohibitions:

- i. Interest as *riba*
- ii. Ambiguities (*gharar*)
- iii. Gambling (*maisir*)
- iv. Prohibited commodities such as liquor, pork etc.

While bankers see Islamic finance as a growth area, but they acknowledge that it's not for everyone. First, not all Muslims are as fastidious about how their cash is invested as others, which limits the appeal of these carefully constructed investments. Some investments have no interest-free equivalent, which may also crimp the sector's growth. Plus, while profit margins on *shariah*-compliant products are comparable with interest rates on non-Islamic investments, they often cost more to set up. And Islamic scholars still differ on key aspects of *shariah*, making it difficult to standardize all products across the Islamic world.

At the same time, given a choice, many Muslims do opt for Islamic-approved banking. That may eventually eat into traditional financial services, which is one reason Western banks active in the Muslim world are so eager to bolster their *shariah* credentials. There is a segment of customers within the current market that would switch to Islamic if the quality and benefits offered were as good as conventional financial products. Clearly, Islamic finance has moved into the mainstream.

Problem Statement

In Malaysia, customers' positive perception towards Islamic banking is far more crucial mainly due to the fact that Islamic banks have to compete with the long established conventional banks in a dual-banking system. Since 1983, Malaysia to date has a dual banking system, whereby the Islamic banking system operates in parallel with the conventional system. The Islamic banking and finance today has emerged as an important component of the overall Malaysian financial system that contributes to the growth and development of the Malaysian economy.

From the discussion above, we understand that the level of understanding of the concepts of Islamic banking would be the factor that would determine their acceptance of the Islamic banking. However, as a country with majority of Muslims and minority non-Muslims, the understanding and acceptance of the concepts may differs among these two groups. Following that, it comes to few questions for the country with majority of Muslims, such as Malaysia that “to what extent are local people aware of the culture of Islamic banking?” second, “what is the attitudes of local people towards Islamic banking?” third “what are the bank selection criteria for the local people?” By sampling both the Muslims majority and the non-Muslims in minority, an appropriate comparison can be made.

Research Objectives

This research is a study of Islamic banking in Malaysia, a country which has a majority of Muslims in its population. More particularly, the study seeks to establish the level of awareness that Malaysians have in relation to the culture of Islamic banking, the attitude of Malaysians towards Islamic banking and a ranking of the bank selection criteria of Malaysians – and for each part of the study, to see if Muslim responses are different from non-Muslim responses. In the context of what is said immediately above, the following three hypotheses were formulated:

1. Muslims, in contrast to non-Muslims, will be more aware of the culture of Islamic banking and, as a consequence, be more aware of the meaning of fundamental terms used in Islam and Islamic banking and finance.
2. Muslims, in contrast to non-Muslims, presently have a different attitude towards Islamic banking.
3. There will be no significant differences between Muslims and non-Muslims in the ranking of the various bank selection criteria.

Literature Review

The Culture of Islamic Banking

The *Qur'an*, the Muslims' Holy Book, explicitly deals with economic-related matters and how they apply in Islam. The *Shariah*, this being the Islamic law of human conduct, is derived from the *Qur'an*. The *Shariah* prohibits what is called “*Riba*” (i.e. payment over and above what has been lent – which causes the payment of interest or usury to be a wrong). What the *Shariah* does not prohibit is profit acquired from a

trading activity, the reasoning behind this positive stance being that there is a risk of loss involved in any trading activity. With Riba, in theory, there is no risk of loss. For example, with a conventional fixed-term deposit, all a depositor has to do is wait until the maturity date of the deposit comes along and, if the mandate that he or she gave to the bank was for the repayment of capital and interest, that is what the depositor will get back (in essence, placing monies in a traditional fixed term deposit involves no risk). Because of Riba, Islamic banks have had to develop financial products which are not in conflict with the *Shariah*. This has resulted in traditional deposit and lending products, which are made available by what can be called “conventional” banks, being restyled so as to satisfy the *Shariah*. The task has been achieved by creating a number of special financial products (Ali and Ali, 1994). With each of these products, the parties (i.e. the depositors and the borrowers) can be considered as operating in a partnership to which a risk is attached. Both will receive a rate of return which is based on performance – rather than pay interest or receive interest at a pre-determined rate. The four types of product are briefly described below.

The first product is called “*Ijara*” and involves a bank purchasing an asset and leasing it to a client. The second product is called “*Mudaraba*” and involves a contract being entered into between an Islamic bank and a client whereby the Islamic bank provides all the capital a client needs for an enterprise. The client receives a share in the profit as compensation for his know-how and management. The third product is called “*Musharaka*” and it is very similar to “*Mudaraba*”. However, with “*Musharaka*”, the client provides a proportion of the capital in addition to management and know-how. The fourth product is called “*Murabaha*” and involves an Islamic bank purchasing goods, or raw materials, or equipment, or machinery or any other items of economic significance from a third party at the request of a client. These “goods” are then sold by the bank to the client on a spot or deferred payment basis at purchase price plus an agreed profit for the bank (some describe this as cost-plus or mark-up financing).

The main goals of an Islamic Banking and Financial system are to:

Implement the value system of the *Qur'an* and the *Sunnah* (tradition or practice of Prophet Muhammad (SAW) in the realm of the Muslim socioeconomic system. Ibn Taymiyah.a. (n.d.), a distinguished scholar of Islam, explicates this as follows: “In *mu'amalat* (business transactions) all activities are permissible unless forbidden by revelation (*Qur'an*) or the practice of Prophet Muhammad (SAW)”. The examples of prohibited business activities would include dealing in gambling, liquor, pork etc. The financial contracts of Islamic banks need to be clearly documented, equitable and avoid the elements of Riba as explained in the above section.

Foster the growth of the economy of Muslim nations by developing financial markets, institutions and instruments. A well-developed capital market, with efficient institutions offering diverse financial facilities, can reduce the overall cost of capital. It can enhance social welfare by facilitating the acceptance of projects whose (i) present value of all relevant cash in-flows (benefits) after tax is greater than the present value of all cash out-flows (cost) of the project; or (ii) the expected internal rate of return is greater than a minimum threshold rate (or cost of capital). Furthermore, these necessary conditions should also be satisfied for each party financing the project to alleviate agency effects. This entails economic development, which is promoted in Islam, as Prophet Muhammad (SAW) exhorted Muslims to undertake business ventures (*tijarah*) as described in the following *hadith* (narration). Nu'aym ibn Abd Al-Rahman has

quoted the Prophet (SAW) as saying: "Nine tenths of earnings (*Rizq*) is in *bai'* (business ventures), and tenth in cattle". This was reported by Ibrahim Al-Harbi (Al-Iraqi, 1992) and by Sa'id ibn Mansur (Al-Suyuti, 1990).

Dampen the shocks of extreme economic output by promoting risk sharing instruments whose payoffs are strictly contingent on the profitability of a firm or project at a micro level. Financial facilities with fixed costs can severely strain the resources of borrowers during a slowdown, which lead to bankruptcies and structural impairment of the economy. The gist of Islamic financial securitization is summarized by the following well-known hadith quoted by Kahf and Khan (1992), "*Alkharaj bi al Daman*." This implies that entitlement of return from assets vests in the one bearing the risk of it.

Apart from the definition given above and as per the study by Gerrard and Gunningham (1997), the level of awareness on the culture of Islamic banking is low for Muslims and non-Muslims group in the country with minority of Muslims such as Singapore and, as consequences, the awareness of the meaning of fundamental term and Islamic banking are low as well.

From the description above, it comes to the question that in country with majority of Muslims such as Malaysia, whether it means that the level of awareness on the culture of Islamic banking will be higher for Muslims in comparing with the non-Muslim groups.

Attitudes towards Islamic Banking

Part of the study of Erol and El-Bdour (1989), conducted in Jordan, and aimed at establishing the attitude of local people towards Islamic banking. The authors designed nine questions and/or statements which were published in the appendix of their article. They concluded religious motivation did not appear to play a primary role in bank selection; the opening of new branches was not an important factor in increasing the utilization of financial services provided by Islamic banks; while 39.4 per cent of respondents would withdraw their deposits if an Islamic bank did not generate sufficient profit to make a distribution in any one year, 30.4 per cent would retain their deposits because the Islamic bank could distribute a higher dividend the following year; there was a belief that Islamic banks were not offering sufficient interest free loans which could contribute to solving community problems in a just and efficient manner; the elimination of pre-determined interest rates on loans provided for, say, housing construction, would benefit borrowers; and, if respondents came into an unexpected sum of money, they would predominantly either start a small enterprise or project or place the monies in a profit earning investment.

A number of similar studies were subsequently undertaken in a variety of contexts. In Bahrain, Metawa and Almosawi (1998) concluded that the most important factor in determining the attitudes of Islamic bank customers was religion then profitability. In addition, most Bahraini bank customers were satisfied with the quality of Islamic bank services, especially investment accounts. On other hand, the lowest satisfaction was with more complex Islamic financing schemes because of the relatively high costs. In Jordan, Naser et al. (1999) extended the early work by Erol and El-Bdour (1989), but concluded that the bank reputation and the religious beliefs were the two most important factors motivating the use of Islamic banks services. And in Kuwait, Al-Sultan (1999) considered the attitudes of several hundred customers towards the products and services offered by the interest-free Kuwait Finance House. Al-Sultan (1999) confirmed that adherence to Islam was the primary motivating factor for Kuwaitis dealing with an Islamic bank. That said, slightly more than half of the respondents preferred to deal with a conventional banks because of the better service record. This meant that

any religious motivation in preferring an Islamic bank was subsumed by the greater concern for the quality of bank services.

In Singapore, Gerrard and Cunningham (1997) also considered attitudes towards Islamic banking, though in the context of a banking system where no Islamic banks were yet present. While the survey results showed, as expected, that non-Muslims were completely unaware of Islamic methods of finance, Muslims fared little better.

Despite all the study above, however, it is also important to understand in country with majority of Muslims in this region, such as Malaysia, whether the Muslims are going to have higher level of attitude towards the Islamic banking due to their entire Islamic environment.

Bank Selection Criteria

Many studies have investigated the bank selection criteria or the reasons on the basis of which customers choose to bank with specific banks (Anderson et al., 1976; Denton and Chan, 1991; Erol and El-Bdour, 1989; Erol et al., 1990; Khazeh and Decker, 1992; Kaynak et al., 1991; Laroche and Taylor, 1988; Levesque and McDougall, 1996; Tan and Chua, 1986). These studies have identified a number of such factors: convenience (i.e. the location), friends' recommendations, reputation of bank, availability of credit, competitive interest rates, friendliness of bank staff, service charges, adequate banking hours, availability of ATM, special services and the quality of services on checking accounts. The relative importance of these factors varies from one country to another depending upon the age, gender, income, marital status, occupation and cultural background of customers as well as the type of bank (Islamic or conventional bank).

For example, Anderson et al (1976) used "determinant attribute analysis" in a survey in the USA and stratified their samples according to convenience and services. Based on 15 selection criteria, convenience customers selected "recommendation by friends" as the most important factor, followed by "location", "reputation", "service charges" and "friendliness of bank staff." The service customers ranked "availability of credit" as the most important factor followed by "reputation", "recommendation by friends", "friendliness of staff" and "interest charged on loans."

The findings by Anderson et al. (1976) are supported by Tan and Chua (1986). In their research in Singapore, Tan and Chua found that advice of friends, neighbors and family members had a stronger influence on customers' decisions, compared with other variables in selecting financial institutions. This finding is consistent with the ethos of oriental culture which emphasizes social and family ties.

Kaynak et al. (1991) reported differences in bank selection criteria according to gender, age and educational background of bank customers in Turkey. They reported that factors like the bank's reputation and its image, business hours, parking facilities, a wide range of services offered, recommendations of friends and relatives, fast and efficient service, being able to pay utility bills and financial counseling services were considered as more important by male customers than the female customers in their selection of a commercial bank in Turkey. Furthermore, the bank location played a more important role for bank customers under the age of 40 as compared to other age groups that were studied. Kaynak et al. (1991) also reported that bank customers who had more than a primary school education considered friendliness of bank employees, fast and efficient service, the bank location and availability of credit more important than the customers who only had a primary school education.

Erol and El-Bdour (1989) and Erol et al. (1990) have specifically looked into the bank selection criteria used by Jordanian customers to bank either with an Islamic bank or a conventional bank. These studies reported that customers who only banked with the Islamic banks chose to do so because of: provision of a fast and efficient service; the bank's reputation and image; and confidentiality of the bank. The same three factors were of greatest to those who

patronized conventional banks alone, but in a difference sequence, the sequences being: “confidentially of the bank”, “the bank’s reputation and image” and “the provision of a fast and efficient service.” There were significant differences between patronizes of the two types of bank as regard pricing policies (these being the availability of credit on favorable terms, lower service charges on cheque accounts and for other services, lower interest charges on loans, higher interest payments on saving accounts – which were significantly more important as regards those who patronized conventional banks. Two other bank selection criteria were found to have significant differences, these beings the need for a wide range of services (this was more important for those who patronized conventional banks) and those wanting financial consulting services to be provided (this was more important for those who patronized Islamic banks).

Riggall (1980) surveyed 250 customers who had just opened accounts six months before and found that the location was cited as the key factor in selecting a bank. Evans (1979) investigated the influence of situation on an individual’s choice of a bank. He divided the selection criteria into two factors, i.e. “service factors” and “situational factors”. The findings showed that each of the factors had not indicated the same degree of importance in influencing an individual’s behavior in his or her selection of bank.

While Erol and El-Bdour (1989) compared Islamic with conventional bank customers, there is limited research on comparing the Muslim and non-Muslim bank customers’ perception towards their bankers in a banking environment especially in country with majority Muslim. Such a comparison is considered important because the information obtains from such a study can be used to help both banks enlarge their customer base.

Following that, it comes to our survey that it is important to understand whether there is any differences consideration for a Muslim in comparing with a non-Muslim when they visit a bank in Malaysia, the country with majority of Muslims in this region.

Methodology

Type of the Data

A total of 186 questionnaires were distributed and the usable samples are of 150, with the response rate of 81% for Muslim and non-Muslim in Klang Valley. The Klang Valley was chosen because it has the highest concentration of banking intuitions in Malaysia. Customers had a wide range of banks and other non-bank financial institutions from which to choose. The data for this study were collected through self administered questionnaires distributed by MBA students group from University Malaya and the distribution took place in a one week period. People were approached, explaining the nature of the study and asked if they would be prepared to fill in the questionnaire.

Sampling Technique

Proportionate method was used for this research based on the Population and Housing Census 2000. The Population and Housing Census 2000 is the fourth Census implemented since the formation of Malaysia, the previous Censuses being conducted in the years 1970, 1980 and 1991. Malaysia is a multi-religious society and Islam is the official religion. According to the Population and Housing Census 2000 figures, approximately 60.3% of the population practiced Islam, 19.2% Buddhism, 9.1% Christianity and 6.3% Hinduism. The remaining of 5% was accounted for by other faiths, including Animism, Shamanism, Sikhism, Baha, Taoism, Confucianism, and other traditional Chinese religions. In other words, the total of Muslims is 60% versus of the non-Muslims of 40%.

From here, the distributions of survey forms were targeting of 60% Muslim respondents and 40% of non-Muslims respondents so that they were in line with ratio of Muslims to non-Muslims as quoted in the Population and Housing Census 2000. Altogether, 150 respondents

were received. With 92 Muslim respondents (61.3%) and non-Muslims (38.7%), this is very close to the national percentage of 60% Muslims: 40% non-Muslims.

Instrument

The questionnaire had four sections to it. The first section listed six terms (namely, *Riba*, *Shariah*, *Ijara*, *Mudarabah*, *Musharaka* and *Murabaha*, all of which have been briefly described in the literature survey section of this paper) which are used in Islam or are used in Islamic banking and finance. The respondents were asked to indicate if they knew what the term meant and, if so, to briefly describe the meaning of each term.

The second section contained a series of statements or questions that were styled on those used by and published at the end of the study of Erol and El-Bdour (1989) and Gerrard and Gunningham (1997).

In the third section of the questionnaire, the respondents were asked to indicate, on a Likert-type scale, ranging from “of no important”, “not important”, and “important” to “very important” on how they viewed a series of factors in selecting a bank. Many of the factors were adapted from Kaynak (1986), Erol and El Bdour (1989) and Gerrard and Gunningham (1997).

The fourth section was designed to gather the information about the samples’ personal, demographic such as gender, age and religion and economic characteristic.

Research Results and Discussion

Demographics Profile of the Respondents

Table 1 summarizes the basic statistics on religion, age, educational level, type of employer and job, years of experience and monthly income or sales of the respondents. The respondents are predominantly Muslim, constituting 61 percent of the respondents. Almost 84 percent of respondents fall in the range of 20-39 years of age and we believe that customers and depositors within this age group are likely to have far-reaching influence on the Islamic banking policies. This may be plausible since banks normally regard clients within this age category as relatively less risky age groups, especially in advancing loans and other financing transactions.

The results reported in the table above also indicate that the majority of respondents are well educated, with more than 84 percent holding a bachelor degree or above while 10.7 percent are professionals. Majority of the respondents (58 percent) work in the private sector while 34.7 percent of the respondents are in the management position. More than 44 percent of the respondents have working experience of between 5 and 14 years.

Table 1. Profile of the Respondents

Items	Frequency	Percent
<i>Religion</i>		
Muslim	92	61.3
Non-Muslim	58	38.7
<i>Age</i>		
20 – 29	74	49.3
30 – 39	52	34.7
40 – 49	20	13.3
>50	4	2.7
<i>Level of Education</i>		
Secondary	7	4.7
University/College	127	84.7
Professional	16	10.7
<i>Employer</i>		
Private	87	58.0
Government/Public Agency	32	21.3
Self Employed	30	20.0
<i>Type of job</i>		
Professional	38	25.3
Management	52	34.7
White Collar	27	18.0
Blue Collar	2	1.3
Own Business	30	20.0
<i>Years on Job/Business</i>		
<5	61	40.7
5 – 9	36	24.0
10 – 14	31	20.7
15 – 20	13	8.7
>20	9	6.0
<i>Monthly Income</i>		
<RM1,000	7	4.7
RM1,000 – RM1,999	13	8.7
RM2,000 – RM2,999	31	20.7
RM3,000 – RM3,999	22	14.7
>RM4,000	47	31.3
<i>Monthly Sales</i>		
<RM15,000	8	5.3
RM15,000 – RM29,999	3	2.0
RM30,000 – RM44,999	3	2.0
RM45,000 – RM59,999	2	1.3
>RM60,000	13	8.7

Given the respondents working experience, as depicted in the table, majority (31.3 percent) of the respondents are earning more than RM 4,000 per month. Almost 21 percent of the surveyed respondents earn between RM 2,000-RM 2,999 per month. Combined together, the respondents in those two income groups represent approximately 42 percent of the total sample. This result indicates that most of the respondents can be classified as middle-class income earners.

From 150 respondents, 20 percent have their own business with majority (8.7 percent) of respondents having their own business generating more than RM 60,000 in sales per month. Thus, with this sample, the study may provide useful insights on how these promising respondent groups perceive the patronage factor of Islamic banks.

Culture of Islamic Banking

Hypothesis 1: Muslims, in contrast to non-Muslims, will be more aware of the culture of Islamic banking and, as a consequence, more aware of the meaning of fundamental terms used in Islam and Islamic banking and finance.

Frequency Analysis of Culture of Islamic Banking

This subsection of the analysis sets out to address the first hypothesis. Not surprisingly, as shown in Table 2, the non-Muslims had little awareness of the meaning of fundamental terms in Islam – with only 20.7% of the answers accurately describing the term *Riba* and also 20.7% accurately describing *Shariah*.

What is not surprising is the general high of awareness by Muslims of the meaning of *Riba* and *Shariah*, with 85.9% knowing the meaning of *Riba* and 73.9% *Shariah*. In the context of Islamic financial terms, Muslim could explain the meaning of *Murabaha*, *Ijara*, *Mudarabah* and *Musharakah*, percentage are accordingly 43.5%, 43.5%, 40.2% and 34.8%, where as non-Muslim are 8.6%, 13.8%, 10.3% and 5.2%.

Table 2. Frequency Analysis of Knowledge of Basic Terms in Islam and Islamic Banking

Knowledge of Basic Terms in Islam and Islamic Banking		
	Muslim Responses n=92	Non-Muslim Responses n=58
Term	Correct	Correct
<i>Riba</i>	79 (85.9%)	12 (20.7%)
<i>Shariah</i>	68 (73.9%)	12 (20.7%)
<i>Ijarah</i>	40 (43.5%)	5 (8.6%)
<i>Mudarabah</i>	40 (43.5%)	8 (13.8%)
<i>Musharakah</i>	37 (40.2%)	6 (10.3%)
<i>Murabahah</i>	32 (34.8%)	3 (5.2%)

The previous study in Singapore found that both Muslim and non-Muslim have poor awareness of the culture Islamic banking (Gerrard and Cunningham, 1997). This can be explained that Singapore is a country with minority Muslim country. With that, the understanding of non-Muslims group toward the Islamic term is very low and this also includes the Muslims in compare with the Malaysian. In Malaysia with majority of Muslims, customer

will have higher positive perception towards the Islamic banking due to the more Islamic environment here.

Besides, with the aggressive of Malaysian government to promote Malaysia to become the country famous with Islamic banking in the region, this had helped to create more awareness to Malaysians. This can be proved again with the statistics from our Bank Negara Malaysia that since year 2000, the domestic Islamic banking industry has been growing at an average rate of 18 percent per annum in terms of assets (Aziz, 2006).

Chi-Square Analysis of Knowledge of Basic Terms in Islam and Islamic Banking

Table 3. Chi-square Analysis of Knowledge about *Riba* by Respondents' Religion

		Respondent's Religion			
		Muslim	non-Muslim	Total	
Knowledge about Riba	Know	Count	79	12	91
		% within Respondent's Religion	85.9%	20.7%	60.7%
	Do not know	Count	13	46	59
		% within Respondent's Religion	14.1%	79.3%	39.3%
Total		Count	92	58	150
		% within Respondent's Religion	100.0%	100.0%	100.0%

$$\chi^2(1, 150) = 63.34, p < .05$$

Table 4. Chi-square Analysis of Knowledge about *Shariah* by Respondents' Religion

		Respondent's Religion			
		Muslim	non-Muslim	Total	
Knowledge about <i>Shariah</i>	Know	Count	68	12	80
		% within Respondent's Religion	73.9%	20.7%	53.3%
	Do not know	Count	24	46	70
		% within Respondent's Religion	26.1%	79.3%	46.7%
Total		Count	92	58	150
		% within Respondent's Religion	100.0%	100.0%	100.0%

$$\chi^2(1, 150) = 40.49, p < .05$$

Table 5. Chi-square Analysis of Knowledge about *Ijara* by Respondents' Religion

		Respondent's Religion			
			Muslim	non-Muslim	Total
Knowledge about <i>Ijara</i>	Know	Count	40	5	45
		% within Respondent's Religion	43.5%	8.6%	30.0%
	Do not know	Count	52	53	105
		% within Respondent's Religion	56.5%	91.4%	70.0%
Total		Count	92	58	150
		% within Respondent's Religion	100.0%	100.0%	100.0%

$$\chi^2 (1, 150) = 20.58, p < .05$$

Table 6. Chi-square Analysis of Knowledge about *Mudarabah* by Respondents' Religion

		Respondent's Religion			
			Muslim	non-Muslim	Total
Knowledge about <i>Mudarabah</i>	Know	Count	40	8	48
		% within Respondent's Religion	43.5%	13.8%	32.0%
	Do not know	Count	52	50	102
		% within Respondent's Religion	56.5%	86.2%	68.0%
Total		Count	92	58	150
		% within Respondent's Religion	100.0%	100.0%	100.0%

$$\chi^2 (1, 150) = 14.41, p < .05$$

From the Tables 3-8, Chi-square analysis is used to test the significant level because the data we collected are nominal data and to compare at the two different groups of Muslims and non-Muslims. Overall, from Chi-square analysis we found out that there is a significant difference between the religion and the Islamic banking terms at significant level of $p < .05$.

Thus, Muslims were more aware of the meaning of fundamental terms in Islam, Islamic financial system where as non-Muslims were almost unaware of the meaning of Islamic financial terms. The first hypothesis is accepted in the context of fundamental terms in Islam and Islamic banking and finance terms.

Table 7. Chi-square Analysis of Knowledge about *Musharaka* by Respondents' Religion

			Respondent's Religion		
			Muslim	non-Muslim	Total
Knowledge about <i>Musharaka</i>	Know	Count	37	6	43
		% within Respondent's Religion	40.2%	10.3%	28.7%
	Do not know	Count	55	52	107
		% within Respondent's Religion	59.8%	89.7%	71.3%
Total		Count	92	58	150
		% within Respondent's Religion	100.0%	100.0%	100.0%

$$\chi^2(1, 150) = 15.52, p < .05$$

Table 8. Chi-square Analysis of Knowledge about *Murabaha* by Respondents' Religion

			Respondent's Religion		
			Muslim	non-Muslim	Total
Knowledge about <i>Murabaha</i>	Know	Count	32	3	35
		% within Respondent's Religion	34.8%	5.2%	23.3%
	Do not know	Count	60	55	115
		% within Respondent's Religion	65.2%	94.8%	76.7%
Total		Count	92	58	150
		% within Respondent's Religion	100.0%	100.0%	100.0%

$$\chi^2(1, 150) = 17.44, p < .05$$

Attitude towards Islamic Banking

Hypothesis 2: Muslims, in contrast to non-Muslims, presently have a different attitude towards Islamic banking.

Chi-Square Analysis of Attitude towards Islamic Banking

This section is related to attitudes towards Islamic banking. We analyze the attitudes towards Islamic banking by six different questions. We analyze the first three questions by Chi-square analysis.

Table 9. Chi-square Analysis of Reason which motivate people to deposit their money at an Islamic Bank

		Respondent's Religion			
		Muslim		non-Muslim	
		NO	%	NO	%
The reasons which motivate people to deposit their money at an Islamic bank are:	1. Religious reasons solely	31	33.7%	9	15.5%
	2. Profitability reasons solely	3	3.3%	17	29.3%
	3. Religious and profitability reasons combined	56	60.9%	18	31.0%
	4. I do not know	2	2.2%	14	24.1%

$$\chi^2 (1, 150) = 45.20, p < .05$$

Table 10. Chi-square Analysis of reaction of customers to bank announcement of no profit distribution on investments

		Respondent's Religion			
		Muslim		non-Muslim	
		NO	%	NO	%
In case an Islamic bank announced that it had no profit to distribute on investment and savings deposits for any one year, if you were an depositor, would you:	1. Keep the deposit at the same or a different Islamic bank, because placing the deposit with a non-Islamic bank contravenes Islamic principles?	40	43.5%	3	5.2%
	2. Withdraw all deposits at once and switch them to one or more banks which guarantee a return?	18	19.6%	34	58.6%
	3. Remain a depositor at the Islamic bank because it could distribute high profits in subsequent years?	22	23.9%	11	19.0%
	4. Consult relatives and neighbors, and then decide what to do?	7	7.6%	2	3.4%
	5. I do not know	5	5.4%	8	13.8%

$$\chi^2 (1, 150) = 38.15, p < .05$$

In the first question, we ask about the reasons which motivate people to deposit their money at an Islamic bank. They can choose between religious, profitability, the combination of

them and nothing. From the table 9, we could see that as we predict the religious reason is more important among Muslims with 33.7% rather than non-Muslims with 15.5%. Also as it was predictable the profitability reason is more important among non-Muslims with 29.3% while this reason is not important for most of the Muslims with only 3.3%. One important note in the analysis is that profitability beside religious is much more important rather than religious reason solely among Muslims with 60.9%. Also it is very interesting that this reason also is the most important motivation among non-Muslims with 31%.

When we compare our results with other works in this field such as Gerrard and Cunningham (1997), we found the almost the same results in all of them. In Gerrard and Cunningham (1997), they also found that religious and profitability are most important reason to invest in Islamic banks, and the religious solely as a reason has the second rank.

In the second question we asked about reaction of customers to bank announcement of no profit distribution on their investments. As we forecasted, the large portion of Muslims keep the deposit at the same or a different Islamic bank, because placing the deposit with a non-Islamic bank contravenes Islamic principles. On the other hand, Table 10 informed us that, this is the least popular reason among non-Muslims with only 5.2%. Also as we forecasted in this situation 58.6% non-Muslims withdraw all deposits at once and switch them to one or more banks which guarantee a return while only 19.6% of Muslims will switch to another bank for this reason.

Table 11. Chi-square Analysis of if you unexpectedly acquired a substantial sum of money

		Respondent's Religion			
		Muslim		non-Muslim	
		NO	%	N	%
If I unexpectedly acquired a substantial sum of money, I would:	1. Deposit the money in a commercial bank which guarantees a return in accordance with an interest-based system	9	9.8%	10	17.2%
	2. Start up a small enterprise or project which would earn profits	21	22.8%	7	12.1%
	3. Deposit the unexpected sum in an Islamic bank operating in accordance with the profit-loss-sharing system	28	30.4%	16	27.6%
	4. Purchase a larger house	5	5.4%	1	1.7%
	5. Exchange my car for a new and luxurious model	2	2.2%	0	.0%
	6. Invest the money, but not deposit it into an account at either an Islamic or non-Islamic bank	17	18.5%	14	24.1%
	7. Combination of the above	10	10.9%	10	17.2%

$$\chi^2 (1, 150) = 7.986, p > .05$$

Also in the similar situation more Muslims will remain a depositor at the Islamic bank because it could distribute high profits in subsequent years rather than non-Muslims. When we compare our results with Gerrard and Cunningham (1997) we see that the majority of non-Muslims will withdraw their money in this situation in both researches. Also, we can see that the majority of Muslims keep their investments in both researches, but the main difference here is that in Gerrard and Cunningham (1997) they expect a high return in the following year. But in

our research, Muslims keep their money because placing the deposit with a non-Islamic bank contravenes Islamic principles.

In the third question we asked our respondents that if they unexpectedly acquired a substantial sum of money, what they will do with this money. As you can see from Table 11, this motivation does not have any significant difference among Muslims and non-Muslims. The Chi-Square analysis is $\chi^2(1, 150) = 7.986$, $p > .05$ and shows that there is no significant difference among Muslims and non-Muslims in this field. Deposit the unexpected sum in an Islamic bank operating in accordance with the profit-loss-sharing system has the highest probability among both groups with 30.4% and 27.6% respectively.

After this reason starting up a small enterprise or project which would earn profits and investing the money, but not deposit it into an account at either an Islamic or non-Islamic bank is most popular reasons among Muslims with 22.8% and 18.5%. On the other hand non-Muslims prefer to invest the money, but not deposit it into an account at either an Islamic or non-Islamic bank with 24.1%, and after that depositing the money in a commercial bank which guarantees a return in accordance with an interest-based system and a combination of all solutions are popular among non-Muslims with 17.2%.

When we compare our case with Gerrard and Cunningham (1997), we observe that in their research there is a significant difference between two groups while we could not find any significant difference between two groups. In Gerrard and Cunningham (1997) most of the Muslims chose to invest in an Islamic bank operating in accordance with the profit-loss-sharing system while non-Muslims chose to deposit the money in a commercial bank which guarantees a return in accordance with an interest-based system.

Mann-Whitney U Test of Attitude towards Islamic Banking

We analyzed the remaining questions of this section with Mann-Whitney test. As we predicted, in all the questions the analysis shows a significant difference among Muslims and non-Muslims.

The first question we asked from our respondents was about the level of their agreement about if more branches of Islamic banking institutions open up throughout a country, more people will utilize the services provided by these banks?

The analysis of the results in Table 12 showed a significant difference (Mann-Whitney U-test = 1697.5, $z = -4.157$, $p < .05$). This means Muslims are more concerned about Islamic banking and if they have enough facilities especially convenient access to the bank branches, they will invest more than before in Islamic banks. The analysis shows that the mean rank among Muslim respondents is 86.05 while this is much less among non-Muslims with only 58.77. Because in our scaling we use higher values from agreement and lower values for disagreement, we can see the higher agreement of Muslims to this issue. In Gerrard and Cunningham (1997), also we see that the majority of Muslims strongly agree with this question while the non-Muslim respondents disagree or just agree with this question and there is significant difference among two groups.

Table 12. Mann-Whitney U Test Comparison of attitudes towards Islamic Banking

	Respondent's Religion	N	Mean Rank	Sum of Ranks
Do you agree that if more branches of Islamic banking institutions open up throughout a country, more people will utilize the services provided by these banks?	Muslim	92	86.05	7616.50
	Non-Muslim	58	58.77	3408.50
	Total	150		
Do you agree that the granting of interest-free loans by Islamic banks is considered a contribution on the part of the bank to help the community in a just and efficient manner?	Muslim	92	84.97	7817.50
	Non-Muslim	58	60.47	3507.50
	Total	150		
Do you agree that the elimination of pre-determined interest rates charged on loans provided for investment projects, purchasing cars and financing on the basis of profit-loss-sharing between the bank and the borrower will be advantageous to the borrower?	Muslim	92	84.76	7797.50
	Non-Muslim	58	60.82	3527.50
	Total	150		

In the second question we asked them about their level of agreement related to consider the granting of interest-free loans by Islamic banks as a contribution on the part of the bank to help the community in a just and efficient manner.

In this part also we observe a significant difference among Muslims and non-Muslims respondents (Mann-Whitney U-test = 1796.5, $z = -3.77$, $p < .05$). While most Muslims are strongly agree with this question with mean rank equal to 84.97, the non-Muslim respondents are almost neutral about this with mean rank equal to 60.47. This shows granting of interest-free loans by Islamic banks can be considered by Muslims as the bank contribution to help community in a just and efficient manner while it is not so important among non-Muslims. In Gerrard and Cunningham (1997), also we see that the majority of Muslims around 86% strongly or just agree that interest-free loans are a way to help community. On the other hand, the non-Muslim respondents disagree or just agree with this question and there is significant difference among two groups.

The third question was about the level of agreement of respondents about the issue the elimination of pre-determined interest rates charged on loans provided for investment projects, purchasing cars and financing on the basis of profit-loss-sharing between the bank and the borrower will be advantageous to the borrower.

In this section also we found a significant difference between Muslims and non-Muslims (Mann-Whitney U-test = 1816.5, $z = -3.611$, $p < .05$). The majority of Muslims strongly agree that elimination of pre-determined interest rates charged on loans will be advantageous to the borrower with a mean rank of 84.76%. On the other hand we observe that non-Muslims are almost neutral about this issue with mean rank equal to 60.82%.

When we compare our results with Gerrard and Cunningham (1997), we see that they also found a significant difference among Muslims and non-Muslims. In their research, they found that more than 76% of Muslims strongly or just agree with this issue while less than 12% of non-Muslims strongly agree with that.

In summarize to the hypothesis 2 of our study, Muslims, in contract to non-Muslims, have a significant difference attitude towards Islamic banking is only partially supported in the country with majority of Muslims, Malaysia.

Bank Selection Criteria

Frequency Analysis of Bank Selection Criteria

Hypothesis 3: There will be no significant differences between Muslims and non-Muslims in the ranking of the various bank selection criteria.

From the above Table 13, the five most important factors considered by Muslim when selecting their financial institutions is “provision of fast and efficient service”, “confidentiality of banks”, “bank reputation and image”, “a wide range of services provided”, and “friendliness of bank personnel”. However, for non-Muslims, the top three factors are similar in sequence with the Muslims while they ranked “lower interest charges of loans” as forth and follow with “a wide range of services provided” and “friendliness of bank personnel”.

Table 13. Bank Selection Criteria Ranking

	Respondent Religion			
	Muslim	Ranking	Non-Muslim	Ranking
Provision of fast and efficient service	3.84	1	3.83	1
Confidentiality of bank	3.83	2	3.71	2
Bank's reputation and image	3.67	3	3.53	3
A wide range of services provided	3.61	4	3.45	5
Friendliness of bank personnel	3.61	4	3.45	5
Lower interest charges on loans	3.53	6	3.52	4
Availability of credit on favorable terms	3.47	7	3.21	10
Available parking space nearby	3.43	8	3.31	9
Financial counseling provided	3.4	9	3.12	12
Lower service charges on cheques	3.33	10	3.14	11
Confidence in bank's management	3.32	11	3.36	8
Higher interest payment on savings	3.28	12	3.45	5
Reception received at bank	3.26	13	3.09	13
Location near my place of work	3.1	14	2.79	15
Location near my home	3.02	15	3	14
External appearance of bank	2.92	16	2.67	16
Counter partitions in bank	2.73	17	2.47	19
Recommendation of friends	2.4	18	2.4	20
Recommendation of relatives	2.35	19	2.31	21
Interior comfort	2.27	20	2.52	18
Mass media advertising	2.21	21	2.55	17
Overdraft privileges on current account	1.88	22	1.98	22

From here, we can see a very close similarity for Muslim and non-Muslims in Malaysia when they selecting a bank or financial institutions where they are very much concern on the fast and efficient services provided to them. In this bank service industry where the selling products are mostly similar, so the differentiation from the competitors would be how fast and efficient the service provided in order to obtain the competitive advantages.

Besides, both Muslim and non-Muslims are very concern on the confidentiality and reputation of the bank. It would be not surprise that in dealing with the financial or “money”, all

the customers are tend to prefer to have their own privacy and in principal, those banks with high confidentiality would normally have good reputation in the market.

We have review some other journal as per discussed in the literature review, but for the purpose of this present study, focus will be made on the published works of Erol and El-Bdour (1989) in Jordan (because the authors compared the bank selection process in relation to “conventional” and “Islamic” banks and Gerrard and Cunningham (1997) in Singapore (because the author compared responses about the bank selection criteria of both Muslims and non-Muslims in the country with minority Muslims).

There are similarities and differences between the findings of this research and the findings of earlier research. The selection of “fast and efficient service” as one of the most important factors in selection decision by Muslims and non-Muslims is consistent with the findings by Erol and El-Bdour (1989) at Jordan and Gerrard and Cunningham (1997) in Singapore. As such, whether the research conducted in country with majority of Muslim, such as Jordan and Malaysia or minority Muslims such as Singapore, respondents still consider the services provided as the most important factor. Similarly in Singapore, Malaysian of Muslim and non-Muslims also rated high for “confidentiality of bank” and “bank’s reputation and image”.

For 5 criteria that are not important at all for Muslims when selecting a bank are “overdraft privilege on current account”, “mass media advertising”, “interior comfort”, “recommendation of friends”, and “recommendation of relatives”. However, for non-Muslims, all the not important criteria are same as Muslims, but in different sequence, except non-Muslims had selected “counter partition in banks” as one of the 5 less important criteria. From the above, we can see that overdraft privilege is no longer an important criterion for the customers probably due to the easier approval of personal loan nowadays. Most of the Islamic or commercial banks are now offering the short term personal loan to an individual.

“Recommendation by friends and relatives”, which was considered the most important factor by Erol and Edour (1989), is ranked very low in this research. However, this present result is similar to the research by Gerrard and Cunningham (1997) in Singapore where he also found that Muslims and non-Muslims ranked low for “recommendation of friends and relative”. The inconsistency between the findings can be explained that people in Singapore and Malaysia (close neighbor) have probably less social links, so friends and relatives’ advices has less influence on someone’s decision-making process. In other words, people in Malaysia and Singapore would more like to make the decision based on their personality attitude, behavior or understanding rather than listening to the others. Furthermore, banks have aggressively advertised their promotions via media such as television, newspaper, magazines, etc. As such, it is less important for a customer to get recommendation from their friend or relatives as they can also easily get in touch with the said advertisement.

Convenient location, or location being near home or office, which was found to be not so important in earlier researches by Gerrard and Cunningham (1997) is also found to be unimportant in this research. This can probably be explained that the development of Internet banking nowadays had become very common and useful for most of the customers. With internet banking, customer can easily access to their account at any place any time to do their transaction or payment. As such, most respondents rated low for “location being near home or office”.

Besides, the demographic of this research also found that most of the respondents are young executive and these groups of customers are believed to have more exposure to the internet services. Internet has become the natural way of finding information for young and well-educated people world-wide. The adoption of the internet is faster than it has been for any media, such as radio took 38 years and TV took 13 years to reach 50 million users while internet achieved this level in only five years (Ellsworth and Ellsworth, 1997). With that, it is not surprise that they would mostly prefer to use the internet technology to replace the traditional banking system.

“Distribution-free” or “nonparametric” tests (Siegel and Castellen, 1988) are employed for the statistical analyses of results because the scales of the variables are ordinal and tests of normality in the data (through histogram and normal plot) suggest the data generally are not normal. Mann-Whitney U Test was employed to test the differences among the two groups of Muslims and non-Muslims in related to the bank selection criteria.

Table 14 shows the Mann-Whitney U Test comparison of bank selection criteria based on religion. We have identified earlier on the significant differences level at

$P < .05$ before the test and four significant differences were observed in the present study.

Table 14. Mann-Whitney U Test Comparison of Bank Selection Criteria by Religion

	Respondent's Religion	N	Mean Rank	Sum of Ranks
Financial counseling provided	Muslim	92	81.10	7461.50
	Non-Muslim	58	66.61	3863.50
	Total	150		
Availability of credit on favorable terms	Muslim	92	81.14	7464.50
	Non-Muslim	58	66.56	3860.50
	Total	150		
Mass media advertising	Muslim	92	69.23	6369.00
	Non-Muslim	58	85.45	4956.00
	Total	150		
Location near my place of work	Muslim	92	81.50	7498.00
	Non-Muslim	58	65.98	3827.00
	Total	150		

First, there is a significant differences between religion and financial counseling provided by the bank (Mann-Whitney U-test = 2152.5, $z = 2.181$, $p < .05$). Muslims have greater intention to have financial counseling from the bank in compared with non-Muslim. It means that Muslims would prefer to visit those banks that have provided the financial counseling service to the customers. From here, we can see that Muslims traditionally have less involved in the business would prefer the bank to give them a proper guidance regarding their financial issue. However, from the demographic of this study, we noticed that non-Muslims are mostly referred to the Chinese group and this group is actually already well famous in running business, so the financial counseling services seem not an important factor for them.

Table 15. Mann-Whitney U Test Comparison of Bank Selection Criteria by Religion

	Mann-Whitney U	Z	Asymp. Sig. (2-tailed)
Provision of fast and efficient service	2654.500	-.082	.935
Confidentiality of bank	2344.000	-1.873	.061
Confidence in bank's management	2531.500	-.613	.540
A wide range of services provided	2341.000	-1.465	.143
Bank's reputation and image	2327.000	-1.579	.114
Friendliness of bank personnel	2298.000	-1.652	.099
Lower interest charges on loans	2624.000	-.199	.842
Location near my home	2601.000	-.279	.780
Lower service charges on cheques	2291.000	-1.588	.112
Higher interest payment on savings	2425.000	-1.035	.301
Reception received at bank	2310.500	-1.523	.128
Overdraft privileges on current account	2496.000	-.730	.465
Interior comfort	2246.000	-1.754	.079
External appearance of bank	2225.500	-1.837	.066
Recommendations of friends	2665.000	-.012	.990
Available parking space nearby	2438.000	-.997	.319
Counter partitions in bank	2281.500	-1.571	.116
Recommendation of relatives	2644.000	-.098	.922

a Grouping Variable: Respondent's Religion

Second, there is a significant difference between religion and the availability of credit on favorable terms. (Mann-Whitney U Test = 2149.5, $z = 2.209$, $p < .05$) Muslims have greater preference to visit bank that have provided the flexibility of credit terms than non-Muslim. From here, the explanation would be mostly same as above that Muslims who have less involve in business traditionally would prefer to have more favorable terms on their loans to have better flexibility due the higher uncertainly and risk in running business.

Third, there is a significant differences between religion and the mass media advertising (Mann-Whitney U Test = 2091, $z = 2.377$, $p < .05$). Bank that is aggressively having the promotion and advertising via mass media is less importance for the Muslims when selecting a bank compared with non-Muslims. This result is similar to the research conducted by Gerrard and Cunningham (1997) in Singapore that both research have found the significant differences for religion and mass media advertising in Singapore and Malaysia. Although mass media advertising is considered as one of the 5 least important criteria, non-Muslims still have higher influence on the advertisement than Muslims.

Fourth, there is a significant difference between religion and the location near of work place. (Mann-Whitney U Test = 2116, $z = 2.287$, $p < .05$). Muslims is considering the location of bank near to their work place more important than non-Muslims. In other words, it means that Muslims would prefer to visit a bank that is nearer to their working place.

When reviewing the overall significant differences with the other studies, we found that the present study identified four significant differences in relation to 22 bank selection criteria while Gerrard and Cunningham (1997) found 5 significant differences in his study. However, there was one criterion which was found to be significantly difference in the present study which was also reported in the previous study. Both the study found that non-Muslims looked for significantly higher degree of mass media advertising.

Table 15 as listed above shows all the bank selection criteria by religion that is not having any significant difference via the Mann-Whitney U Test. With that, hypothesis 3 is only partially supported.

Conclusion

Overview of Study

From the result of this study, it is found that the Muslims are more aware toward the culture of Islamic banking, and as consequences, be more aware of the meaning of fundamental terms used in Islamic banking and finance. Furthermore, it is also noted that non-Muslims have less awareness even though they are in the country with more Islamic environment.

When reviewing on the attitudes towards Islamic banks, there were many differences in attitudes between Muslims and non-Muslims in country with majority of Muslims. For example, Muslims are thinking religious is the main reason motivate them to deposit money in Islamic banks while non-Muslims are motivated by the profitability reason only; most non-Muslims will withdrawn the money when Islamic bank announced no profit while Muslims will retain their deposits. Muslims were more of the opinion that an increase in the number of branches would lead to a greater use of Islamic financial services and more strongly agreed that the granting of interest free loans by Islamic banks helped the community in a just and efficient manner. However, the research found that when one unexpectedly acquired a substantial sum of money, there is no any significant difference among Muslims and non-Muslims on that.

In the context of bank selection criteria, there are four significant differences among Muslims and non-Muslims such as, mass media advertising, credit on favorable terms, financial counseling and location near my place of work, while the others 18 criteria shows no significant difference. Moreover, it is very important that Islamic bank to offer the fast and efficient services and with high confidentiality in order to attract more customers to visit and use their service.

From the above end result, it can be utilize by any bank to measure the level of attitudes and acceptance towards Islamic Banking among Muslims and non-Muslim and for those who is considering setting up an Islamic banking operations in the country with majority of Muslims.

Implication for Banks

From this study, there are numbers of major implications for local banks especially those banks that are aggressively implementing on the Islamic system. First, it is seen that there is a general lack of awareness of the culture of Islamic banking in Malaysia even though we noted that majority are Muslims in our country. With that, the suggestion would be more informative advertising campaign is needed to be designed and delivered. The campaign must be aimed at attracting both Muslims and non-Muslims by giving a clearer understanding of what Islamic Banking is all about.

Second, Islamic banks should add non-Muslims to their target market besides Muslims, in the near future of Malaysian market. Non-Muslims in many situations will select Islamic banks as an investment opportunity. In the years that banks can not offer any profit they should aware their customers about next years profit to keep their deposit.

Thirds, it is very important for an Islamic bank to offer a fast and efficient service in order to attract more customers to visit their banks. Furthermore, confidential of the banks is also a very important criterion considered by Muslims and non-Muslims group when they select a bank. In this competitive banking industry, if the bank able to understand clearly on what customers want and concern about when they visit a bank, then the success of a bank would be higher and with more competitive advantage in the market.

Limitation

From our studies, we would like to highlight on some of our limitation on the said research assignment.

1. All the samples that we collected are from the respondents at Klang Valley only. With that, the respondents may not be good enough in generalize the whole population in our country in comparing with collecting the data from each state in Malaysia.
2. We have not covered all the issues in Islamic banking besides only covered the awareness and culture attitudes towards Islamic banking.
3. Factor analysis is not conducted in our Part III (Bank Selection Criteria). After further review on the other relevant published journals regarding on the similar issue, we have using the all the criteria, similarly using by Erol and El-Bdour (1989) and Gerrard and Gunningham (1997) to investigate on ranking of various bank selection criteria by Muslims and non-Muslims in Malaysia.

Future Studies

From the study, we have recommended on some of the future studies as per below:

1. The study did not specifically find out to what extent the Muslims and non-Muslims would support an Islamic banking and under what circumstances they will increase their support. Following that, the future study is recommended to include the study that whether the higher awareness of Islamic banking would increase more their support or not.
2. Longitudinal study is recommended for this study. In the context of Malaysia, an equivalent study to the present one could be conducted, for example two years after the Islamic banking industry which is aggressively advertised and introduced in our country. With that, the awareness and culture for the respondents may be different after with more informative bank advertisement and government support.
3. Further similar study is recommended to be conducted in other Asean countries such as Brunei and Indonesia with majority of Muslims and to make a comparison with Malaysia where the government is aggressively support and with intension to become the leader of Islamic banking industry in this region.
4. Besides, the future studies may also divide clearly into the local bank and foreign bank that are offering the Islamic banking service. This would help to differentiate the package that are offerings and whether the respondents are more prefer to the "localize" or other "international" services.

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