

## **THE CUSTOMER'S ACCEPTANCE TOWARDS ISLAMIC BANKING PRODUCTS AMONG NON-MUSLIM**

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### **ABSTRACT**

*Islamic banking products (IBPs) are designed to comply with Shariah law, which governs financial and economic activities in a manner consistent with Islamic principles. However, they are not limited to serving only the Muslim community. These products appeal to a broad range of customers, including those of other faiths or even those with no religious affiliation, who appreciate the ethical and risk-sharing aspects of Islamic finance. A total of 66 non-muslim around Taman Indah, Tampin, Negeri Sembilan was selected as respondents have answered the questionnaire given. Correlation analysis is used to analyze the relationship between the customers' knowledge and bank of choice with factors that influence the non-muslim acceptance towards Islamic banking products. The results of this study show that two factors, namely the customers' knowledge and bank of choice, influence the non-muslim acceptance towards the Islamic banking products. The findings of this study also show that the customers' knowledge factor is the most dominant element in influencing the non-muslim acceptance towards the Islamic banking products. This study concludes that in order to influence the non-muslim customers to accept the Islamic banking products, banking institutions in Malaysia needs to increase exposure to all level of customers especially for non-muslim customer, so that they feel more about the existence of such Islamic banking products and understand the benefit of the products itself.*

**Keywords:** *Islamic banking products; non-Muslim customers; acceptance.*

## 1.0 INTRODUCTION

The Islamic banking system is defined as a banking system whose principles and practices are based on Islamic law (Shariah) and based on fiqh muamalat (Islamic rules in transactions). All rules and practices in fiqh muamalat are sourced from the Al-Quran, Sunnah and other secondary sources such as ijma' (agreement of opinion by mujtahid scholars about a certain Shariah law), qiyas (equalizing new things that do not have a text by analogy) and ijihad (the result of efforts from mujtahid in formulating a law and value through the istinbat method).

The aim of establishing Islamic banking is to eliminate the elements of riba' (interest), gharar (speculative) and maisir (gambling) in banking transactions and offer alternative products and services that compete with products and services from conventional banking institutions. The Islamic banking system in Malaysia began with the establishment of Perbadanan Wang Simpanan Bakal Haji (PWSBH) which was established in 1963 and it merged with the Lembaga Tabung Haji in 1969 and is now known as the Lembaga Urusan Tabung Haji. Bank Islam Malaysia Berhad (BIMB) is the first Islamic bank in Malaysia to be incorporated under the Companies Act 1965 and began operating in July 1983. BIMB plays an important role in improving the standard of living of the community as well as preserving the precious natural ecosystem (Bank Islam Malaysia Berhad, 2019 ).

Meanwhile, Bank Muamalat Malaysia Berhad (BMMB) is the second Islamic bank established in Malaysia. BMMB started operating in October 1999. In 1997, Malaysia experienced economic turmoil due to currency depreciation. This economic turmoil has an impact on the country's banking and financial sector. Bank Negara Malaysia (BNM) proposes that all banking institutions merge into one strong institution in order to overcome the problem of lack of funds in the country's banking system. Bank Bumiputra Malaysia Berhad and Bank Of Commerce Malaysia Berhad accepted BNM's proposal and took the initiative to merge. As a result of the merger of the two banks, there are two bank entities namely Bumiputra-Commerce Bank Malaysia Berhad (BCB) and Bank Muamalat Malaysia Berhad (BMMB).

Islamic banking in Malaysia is growing rapidly and now consists of banking institutions that offer shariah-based products and services such as commercial banks, merchant banks and financial companies. According to a Rating Service Berhad (RAM) report, the growth of Islamic financing is expected to grow by 11% with Islamic banking remaining the core of growth in the Malaysian banking sector as a whole. In addition, Malaysia also remains the main developer of the sukuk market, which amounts to 51% or RM 1.7 trillion of Islamic financial product revenue. Islamic banking in Malaysia has also created a positive and viable phenomenon in line with the country's development.

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## 2.0 PROBLEM STATEMENT

According to Nurhudayati Mustafa et.al. (2023), improvement is necessary in order to raise awareness among the non-Muslim community regarding the availability of Islamic banking products in Malaysia. This is crucial because there are still non-Muslim individuals who lack trust in the offerings and services provided by Islamic banking institutions. Despite the diversity of ethnic groups, religions, and cultures in Malaysia, the population shares common core values and can be considered a homogenous group in terms of language, culture, and religion. Empirical research indicates that non-Muslim Malaysians hold a favorable view of Islamic principles, such as halal products/services, home financing, Islamic insurance or takaful, and Shariah-compliant credit cards. However, the extent to which non-Muslim citizens embrace these Islamic values when utilizing Islamic bank services remains uncertain.

Therefore, this study was conducted with the objective:

1. To analyze the relationship between the customers' knowledge that influence the non-muslim acceptance towards Islamic banking products.
2. To identify the relationship between the bank of choices that influence the non-muslim acceptance towards Islamic banking products.

### 3.0 LITERATURE REVIEW

#### 3.1 The Customer's Acceptance towards Islamic Banking Products Among Non-Muslim

The acceptance of Islamic banking products among non-Muslim customers varies widely and is influenced by several factors. Some non-Muslims may be attracted to Islamic banking products due to their ethical and interest-free nature. They might appreciate principles like profit-sharing and asset-backed financing (Shaikh et al., 2022).

In addition, the customer's acceptance of Islamic banking among non-Muslims refers to the willingness, approval, and adoption of Islamic banking products and services by individuals who do not practice the Islamic faith (Aziz et al., 2012). It reflects their openness and positive reception toward financial products that adhere to Islamic principles, such as interest-free transactions (in compliance with sharia law), profit-sharing arrangements, and investments in assets that are in line with Islamic teachings (Mustapha et al., 2023).

Subsequently, the acceptance of Islamic banking among non-Muslims could be influenced by various factors, including ethical considerations, the appeal of alternative financial models, competitive advantages offered by Islamic banks, and the potential for financial inclusion and diversity within the banking sector. Understanding and measuring this acceptance is crucial for Islamic financial institutions to expand their customer base and cater to a more diverse clientele (Mahamad et al., 2010).

Author	Title	Methodology	Finding
(Shaikh et al., 2022)	Predicting Customers' Acceptance Towards Islamic Home Financing Using DTPB Theory.	Systematic Literature Review	The review indicates that customers' acceptance of Islamic home financing is not only determined by the subjective norm, attitude, perceived behavioral control but also by the added construct of awareness and decomposed variables, namely, perceived compatibility, perceived relative advantage, peers influence and self-efficacy. In the context of the current study, the country is proposed as a moderator variable that may influence the relationship for customers' acceptance of Islamic mortgages.

(Abdul-Wahab et al., 2019)	Islamic Banking Adoption In Ghana	A sample of eight respondents is selected based on purposive sampling method and semi-structured interview is utilized for data collection.	The findings suggest that awareness of Islamic banking is very low among Ghanaians though the perceived importance of Islamic banking is noteworthy.  The study also discovers some of the potential challenges of Islamic banking in Ghana including low awareness of Islamic banking, competition with conventional banks, and reluctance of non-Muslims to patronize Islamic banking. Finally, the findings suggest that Ghanaians are willing to adopt Islamic banking
(Su'un et al., 2018)	Determinants of Islamic banking adoption across different religious groups in Ghana: A panoptic perspective	The study employed a quantitative research paradigm to study 600 individual financial service users in Ghana	The results show that perceived knowledge, perceived benefit, perceived innovativeness, perceived religious promotion, customer's attitude and readiness to comply with sharia were significant determinants of IB adoption for the Muslims, Christians and Africa Traditional Religion (ATR) sub-groups.
(Mohamad et al., 2016)	A Study On The Customer's Acceptance Towards Islamic Banking Products Among Non-Muslim In Dual Banking System	About 140 non-Muslim IBP customers of the Dual Banking System around Changlun, Jitra and Alor Setar. Malaysia	The findings showed that there are significance relationships between customer's knowledge, understanding, positive perception, and the level of awareness perceived among non-Muslim customers and their acceptance of IBP.
(Aziz et al., 2012)	Perception of Non-Muslims Customers towards Islamic Banks in Malaysia	This research involved 152 respondents, all of whom are based in Kuala Lumpur, Malaysia.	The result of the study showed that Islamic banking services are making headway among non-Muslims in Kuala Lumpur. Despite this positive trend, more efforts need to be energized to enhance the level of understanding for non-Muslim customers on the Islamic banking concepts.
(Mahamad et al., 2010)	Persepsi Pelanggan Bukan Islam Terhadap Perbankan Islam: Satu Kajian Rintis	Sample survey of Kuala Terangganu. Malaysia	Finding of this study also found important influencing factors non-Muslim customers in the bank selection is high interest, savings safe, fast and efficient service, fast transaction, and quality of service. Islamic banking products that are well received by non-Muslim customers are savings accounts, investments in stocks and credit cards.

**Table 1: Matrix Table for the Customer's Acceptance towards Islamic Banking Products among Non-Muslim**

It has been more than three decades, as Islamic banking came into Islamic banking industry, Table 1 above proven there are several study or research has been done related to the customer's acceptance towards Islamic Banking Products among non-Muslim throughout the year since 2010 until 2022 among Malaysia including on Ghana and Pakistan.

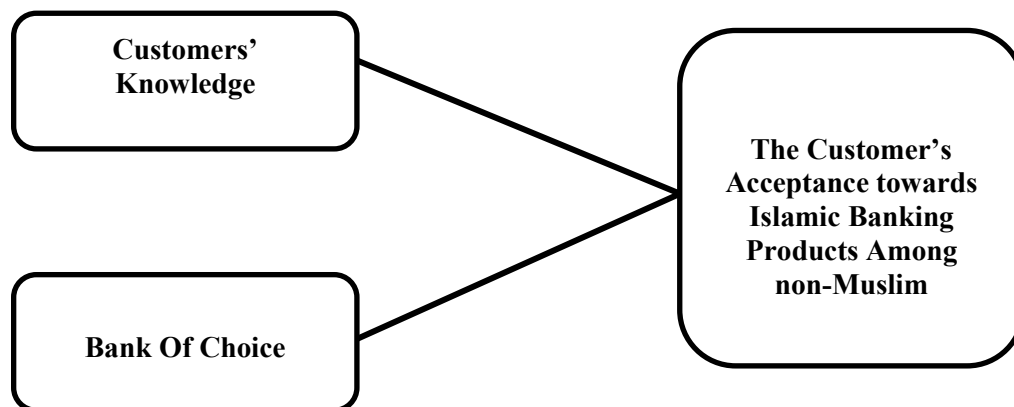
### **3.2 The Relationship between the Customers' Knowledge That Influence The Non-Muslim Acceptance towards Islamic Banking Products.**

Base on study (Mohamad et al., 2016) the findings showed that there are significance relationships between customer's knowledge, understanding, positive perception, and the level of awareness perceived among non-Muslim customers and their acceptance of Islamic Banking Product. The significance of non-Muslim customers' knowledge about Islamic banking products is crucial in shaping their acceptance of these products. Here are some key points to consider such as education, awareness, trust, perception or culture and sensitivity among participants of non-Muslim. In addition, the more level of knowledge customer on Islamic banking product, the high customer's acceptance towards Islamic Banking Products among non-Muslim (Abdul-Wahab et al., 2019).

### **3.3 The Relationship between the Bank of Choices That Influence the Non-Muslim Acceptance towards Islamic Banking Products**

The acceptance of Islamic banking products among non-Muslim customers can be influenced by various factors, including familiarity, trust, and perceived value. Here's a rundown on how the relationship bank of choice contributes to this acceptance such as by bank offering competitive rates, terms, and services comparable to conventional banks can attract non-Muslim customers. If the Islamic banking products provide similar or better value, it can encourage acceptance (Nasution et al., 2023). Secondly by customer experience and support for instant a positive customer experience, efficient service, and strong customer support can significantly influence acceptance. Non-Muslim customers are likely to appreciate seamless transactions and support when dealing with the bank (Fadli et al., 2023).

### **3.4 The Research Of Framework The Customer's Acceptance Towards Islamic Banking Products Among Non-Muslim**



**Diagram 1: Research Of Frameworks the Customer's Acceptance towards Islamic Banking Products among Non-Muslim**

#### 4.0 METHODOLOGY

This study will be conducted in Taman Indah, Tampin, Negeri Sembilan to examine the relationship between customers' knowledge and the bank of choice in influencing the acceptance of Islamic banking products among non-Muslim. A total of 66 non-Muslim residents in Taman Indah, Tampin were selected to be respondents for the survey form. The sample size was determined using the formula of Tabachnick and Fidell (2007). Data collection is done through a structured questionnaire that is distributed and this question uses a likert scale (Muhammad, 2015). Next, the data was analysed using the Pearson Correlation Test using SPSS software. In this study, the instruments that have been used are based on several studies and adjusted to cover most of the important aspects of the factors that influence the acceptance of Islamic banking products among non-Muslim. This study used Theory of Planned Behaviour (TPB) to perceived behavioural control as an additional factor influencing intentions and behaviour. It can provide insight into how non-Muslims' confidence in understanding and using Islamic banking products subsequently affects their acceptance.

#### 5.0 RESULTS

	Profile	Frequency	Percentage (%)
Gender	Men	23	34.80
	Women	43	65.20
	<b>Total</b>	<b>66</b>	<b>100.00</b>
Level Of Education	PMR	11	16.70
	SPM	25	37.90
	STPM/Diploma/ Ijazah	28	42.40
	Master	1	1.50
	Others	1	1.50
	<b>Total</b>	<b>66</b>	<b>100.00</b>
Monthly Income (RM)	Below RM1000	24	36.40
	RM1000-RM3000	28	42.40
	RM3000-RM5000	10	15.10
	Above RM5000	4	6.10
	<b>Total</b>	<b>66</b>	<b>100.0</b>
Frequency of Using Islamic Banking Products Or Services	Yes	11	16.70
	No	55	83.30
	<b>Total</b>	<b>66</b>	<b>100.0</b>

**Table 2: Demographic Information**

Table 2 above showed the frequency and percentage of respondents according to gender, level of education, monthly income and frequency of using Islamic Banking products or services. In the results of the research that has been done, it showed that the majority of non-Muslim residents in Taman Indah, Tampin never been involved in Islamic banking institutions.

#### 4.1 Correlation Pearson Analysis

Table 3 below showed the relationship between the variables studied, which are the relationship between the customers' knowledge and bank of choice that influence the non-Muslim acceptance towards Islamic banking products. The results of this study showed that all independent variables (IV) are in moderate relationship.

Variables		Customers' Knowledge	Bank of Choice
The Customer's Acceptance Towards Islamic Banking Products Among Non-Muslim	Pearson Correlation (r)	.591**	.522**
	Sig. (2 tailed)	.000	.000
	N	66	66

**Table 3: Correlation Of Variables And Factors That Influence The Acceptance Of Islamic Banking Products Among Non-Muslim.**

The results of the analysis data displayed in table 3 showed the highest significant relationship was a customers' knowledge that can attracts non-Muslim customers to use products or services in Islamic banking institutions ( $r = 0.591$ ,  $p < 0.05$ ). This relationship is positive where the more knowledge about Islamic products or services among non-Muslim customers', the more easier for them to accept products or services in the Islamic banking institution. In contrast to the factors' bank of choice that showed a lower correlation relationship despite having a positive value ( $r = 0.522$ ,  $p < 0.05$ ).

#### 4.2 Regression Analysis

To show the most dominant factor in influencing the acceptance of Islamic banking products among non-Muslim customers, then Regression Analysis was used. Table 4 showed that the customers' knowledge variable is the most dominant factor in influencing non-Muslim customers to accept Islamic banking products which is 0.384 (38.40%).

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	1.717	.349		4.914	.000
Bank of Choice	.262	.071	.368	3.698	.000
Customers' knowledge	.384	.085	.452	4.540	.000

**Table 4: Regression Analysis**

### 5.0 CONCLUSION

Based on the research conducted showed that customers' knowledge is the most significant factor based on the correlation value obtained ( $r = 0.591$ ) in influencing the non-Muslim community to accept Islamic banking products. This result is also supported by Nurhudayati (2023) stating that the acceptance of Islamic banking products among the non-Muslim community is due to very good understanding and knowledge. Next, this study also found that the customers' knowledge about Islamic banking products can encourage non-Muslims community to accept the Islamic banking system even better. This can be proven by the regression analysis value for customer knowledge which is 38.40%. The products offered in Islamic banking institutions are products that are suitable for all communities regardless of religion. This means that all communities can subscribe to products and services offered by every Islamic banking institution.

According to Hamzah et,al (2023), exploring the factors of non-Muslim communities using Islamic banking products needs to be further studied to promote the development of Islamic banking and its use by all levels of society, regardless of their social or religious background. This study has revealed that the priority of the non-Muslim community to accept Islamic banking products is their level of knowledge that will create understanding and subsequently accept the product. This study contribute information to the banking sector regarding customers' acceptance toward their product especially for non-Muslim customers.

## CONFLICT OF INTEREST

The manuscript has not been published elsewhere and is not under consideration by other journals. All authors have approved the review, agree with its submission and declare no conflict of interest on the manuscript.

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