

## SUPERVISOR'S AND PANEL APPROVAL

“I hereby acknowledge that I have read this works and my opinion this works is sufficient in term of scope and quality for submission and award of Bachelor Degree of Technopreneurship with Honours”

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PERCEPTION AND USAGE INTENTION OF ISLAMIC FINANCES PRODUCT  
AMONG NON-MUSLIMS IN MELAKA

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## DECLARATION

“I hereby declare that this study entitle “Perception and Usage Intention of Islamic Finances Product among non-Muslims in Melaka” is my own work except for the quotations summaries that have been duty acknowledged”

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## **DEDICATION**

I dedicated this research to my beloved mother and father who have raised me up to this day, and always give encouragement and guidance to complete this study. Also special thanks to my supervisor, Dr. Nor Azah Binti Abdul Aziz who help me a lot to completing my research and have taught me to be more strong and decisive action to get knowledge. Research is not only about read and write. Research also need to explore and asking others to completing it. Then, thanks to my panel and my friends that help me throughout the study towards accomplishing my thesis.

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Firstly, I am grateful to the God for giving an opportunity and health despite my pack schedule as a final year student with presentation and an assignment which necessary for me to complete this research. I also would like to express my gratitude to my parents for their support and motivation which can also strengthen me during I feel like to give up my studies due to uninterested course I had taken. Without them, I don't think I can complete my research. Apart from that, a special gratitude to Dr Nor Azah for giving me a chance to be under her supervisee for the continuous support and teach me right away to write my thesis. Other than that, Dr Nor Azah also straight point out my mistakes and correcting them that really help me a lot to give a better understanding regarding my research. Also thanks to Dr Siti Norbaya as my panels for giving such an insightful comments and I take it as an opportunity for me to be better in preparing research next time if I had a chance to continue my studies in the next level. To my fellow friends who also being there with me struggling completing the research, we all had a beautiful moments together to be that will be remembered for all this four years after graduation. I am grateful to them for enlightening me the first glance of research. Last but not least, for all the faculty members and staff thanks for the support and services provided and I really hope it can be improved despite the technical problem we had faced.

## ABSTRACT

As a country that practices the principles of Islam, Islamic Finances must be used by the entire citizen in this country. They must know what kind of perception of Islamic finances that influences the intention to use the Islamic finances. If they know all about Islamic finances, it will be a consideration to either use it or not. This study investigates the relationships between perception and usage intention of Islamic Finances Products among non-Muslims in Melaka. Specifically this research is to determine the significant relationship between perception and usage intention Islamic Finances Product among non-Muslims. Based on my observation, there are some past studies with the quite similar topics with this research that ease the researcher to conduct this study. Islamic finances are a finance that was used by some countries in this world such as Nigeria, Kazakhstan, Jordan, Australia, South Africa, Cyprus and Kenya. This study is focusing for a population of the location which is Melaka. A total 164 respondents participated in the survey at selected areas in Melaka. Research method used for this research is quantitative and using explanatory research design to complete this research. This study was conducted using secondary and primary data which is by using past study and questionnaires to collect the data. The data analyze of the perception and usage intention of Islamic product passes all validity and reliability tests to be a good fit model for causal hypotheses testing. The result of hypotheses has revealed that there is a significant relationship between perception and usage intention of Islamic Finances Product among non-Muslims.

## ABSTRAK

Sebagai negara yang mengamalkan prinsip-prinsip Islam, Kewangan Islam mesti digunakan oleh seluruh rakyat di negara ini. Mereka mesti tahu apa jenis persepsi kewangan Islam yang mempengaruhi niat untuk menggunakan kewangan Islam. Jika mereka tahu tentang kewangan Islam, ia akan menjadi pertimbangan sama ada menggunakannya atau tidak. Kajian ini menyiasat hubungan antara persepsi dan niat penggunaan Produk Kewangan Islam di kalangan bukan Islam di Melaka. Khususnya kajian ini adalah untuk menentukan hubungan yang signifikan antara persepsi dan niat penggunaan Produk Kewangan Islam di kalangan bukan Islam. Berdasarkan pemerhatian saya, terdapat beberapa kajian terdahulu dengan topik yang sama dengan kajian ini yang memudahkan penyelidik menjalankan kajian ini. Kewangan Islam adalah kewangan yang digunakan oleh beberapa negara di dunia seperti Nigeria, Kazakhstan, Jordan, Australia, Afrika Selatan, Cyprus dan Kenya. Kajian ini memberi tumpuan kepada populasi lokasi iaitu Melaka. Seramai 164 responden mengambil bahagian dalam tinjauan di kawasan terpilih di Melaka. Kaedah penyelidikan yang digunakan untuk kajian ini adalah kuantitatif dan menggunakan reka bentuk penyelidikan penjelasan untuk menyelesaikan kajian ini. Kajian ini dijalankan menggunakan data sekunder dan primer yang menggunakan kajian lepas dan soal selidik untuk mengumpul data. Data menganalisis persepsi dan niat penggunaan produk Islam melepasi semua kesahihan dan ujian kebolehpercayaan untuk menjadi model yang sesuai untuk ujian hipotesis kausal. Hasil hipotesis telah menunjukkan bahawa terdapat hubungan yang signifikan antara persepsi dan niat penggunaan Produk Kewangan Islam di kalangan bukan Islam.

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## CHAPTER 1

### INTRODUCTION

#### 1.1 BACKGROUND OF STUDY

Islamic finance or Islamic banking was founded by Ahmad Al-Najjar in the little town of Mit Ghamr in Egypt around the year 1963. The bank can only survive for four years only, which ended in 1967 (Ready, 1981). Although it is supported by the people, the system ended because it does not get full support from the government. According to Muhammad Ariff (1988), in 1972, a special position for the provision of Islamic banking agreements was established through a meeting held by foreign ministers from all involved Islamic countries in Jeddah. As a follow up, in 1973 and 1974, meetings between the finance ministers of the Islamic countries involved have set up Islamic Development Bank (IDB) in Jeddah, which aims to help economically and socially of Islamic countries.

Malaysia is a developed nation with a good financial system. In Malaysia, there are two types of financial systems used which are Islamic finance and conventional finance. As an Islamic state, the Islamic financial system in Malaysia has been widespread and widely known by Malaysian citizens who are aware of their existence. Similarly, with the conventional financial system, it is not restricted to Malaysia because of the institutionalization of Malaysia that allows this system to exist and be run in Malaysia.

Islamic finance is a system and financial activities based on Islamic sharia and Islamic laws derived from the Quran and Hadith. It is also a transaction that needs to comply with Islamic law. Such as, Islamic law prohibiting the imposition of usury, interest and investment into an illegal business involving the business of alcohol, pork sale, pornography and the others that exist in the Quran.

## **1.2 PROBLEM STATEMENT**

This study is all about perception and the usage intention of Islamic finances product among the non-Muslims citizen in Melaka. Nowadays, all citizens know who they can get the money, making the money and saving the money. With the usage of internet nowadays, citizen can browse around the world to searching for the information.

Islamic Finance is well-known finances system in the world nowadays. All Muslims in world must and willing to use this system roughly. Besides, all Muslims people know the advantage of using this system. People are aware but sometimes, they don't know how to use it. This study is important to know, what the perception of the non-Muslims about this product and system.

In Malaysia, Islamic Finances Product such as Takaful and Ar-Rahnu are well-known among the Muslims. So, this study will show, what the non-Muslims perception about this kind of product in Malaysia. Some of them (non-Muslims) know about Islamic Finances Product and using that product because of the lower interest and so on.

So, this study will be important to show, how the non-Muslims citizen in Melaka show their perception about Islamic Finances Product that affect the usage intention of that product.



### **1.3 RESEARCH OBJECTIVES**

The objective of this research is to know the perception and usage intention of Islamic Finances Product among Non-Muslim. Therefore, the primary purpose is shown as below:

1. To identify the Islamic Finances Product.
2. To examine the perception of non-Muslims about Islamic Product.
3. To examine the perception of IFP towards usage intention of Islamic product among non-Muslims.

### **1.4 RESEARCH QUESTIONS**

In seeking to achieve objectives research, the following questions were highlighted to be the framework providing guideline for the research work;

1. What is Islamic Finances Product?
2. What is the perception of non-Muslims about Islamic Product?
3. What are the perceptions of IFP towards usage of Islamic Product among non-Muslims?

## **1.5 SCOPE OF STUDY**

This research is conducted to determine the perception and usage intention of Islamic Finances Product among non-Muslims. The targeted scopes of this research are among the non-Muslims that are selected for helping and being the respondent for the research.

As the researcher and a student, I'm focusing this study in my area that I'm staying now which is Melaka to easy conducts the research and to search the respondent whenever researcher wanted to.

### **1.5.1 Limitations of the Study**

Due to the obstacles that occur, this research cannot provide a widespread review of Islamic finances product. These are few limitation are financial, data collections, and period of time.

Problems that might occur is financial problem. The researcher needs to go to every part of Melaka to give the questionnaires to the non-Muslims. Next the researcher may face during the data collections; respondents are not giving full commitment when answering the questionnaire. So, it will affect the results.

Lastly short period of time is the limitation of this study. This study is unable to reach a lot of respondent because the duration of the study is less than a year. As a result, it is insufficient to obtain feedback from a wider range of respondents and lack of response.

### 1.5.2 Significant of the Study

This study is given benefit either to the non-Muslims or Muslims consumers to use the Islamic Product. So, the consumer can differentiate whether Islamic Product can give the good revenue or Conventional Product. This studies information more on usage of Islamic product. So, we can know the perception of the consumer on the product.

This study also able to use in university and helps others academic researcher to use the result from this study and can be the references in conducting new researches.

## 1.6 OPERATIONAL DEFINITION

- No *Riba*: Unclear increases in borrowing or lending money, paid in the form of goods or money over the loan amount, as a condition imposed by the lender or voluntarily by the borrower.
- Economic consideration: Current economic conditions that cause or cause users are now more interested in reducing costs.
- Confidences: The feeling or belief that one can have faith in or rely on someone or something. A feeling of self-assurance arising from an appreciation of one's own abilities or qualities.
- Low Charges: Islamic financial system is a system that offers a low bank charges and also low administrative charges.

## 1.7 SUMMARY

This chapter show the direction of the study and explains the perception and usage intention of Islamic Finances Product among non-Muslims in Melaka. This chapter also brief about the objective of the research and the research question as well as the scope which is the limitation, significant and the scope itself of the study for future research process.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter reviews related empirical literature subject matter. The relevant literature reviewed under the following outline: no riba', economic consideration, confidence, lowers charges and the usage intention of Islamic product. This section brings to light what can be done in order to understand about perception and usage intention of Islamic Finances Product among non-Muslims in Melaka.

## 2.2 ISLAMIC FINANCES PRODUCT

According to Islamic law (Sharia), Islamic financial products are based on some kind of contract. These products are Sharia-compliant that support productive economic activities without betraying the principles of Islam like conventional financial products. Sharia-compliant contract cannot make loans (debt), not involving the payment of interest, and must provide for the sharing of risks and responsibilities between the parties involved.

To be verify, the contract must have Islamic law, a Muslim values, and specifically to avoid uncertainties. The assets specified in the contract usually must exist when the contract was created, must be owned by the seller and must be submitted and delivered by the parties involved.

There are some of the contract that exist in Islamic Finances Product and System which is *Mudarabah*, *Musharakah*, *Murabahah*, *Salam*, *Ijarah*, *Sukuk* and many more.

### 2.2.1 *Mudarabah*

*Mudarabah* is Arabic word that can be defined as profit sharing. *Mudarabah* is a partnership contract where a person make a contract with other person and the profit and liability will be generated by them either 50%-50% or 60%-40% referring to the contract that created.

### 2.2.2 *Musharakah*

*Musharakah* can be defines as joint venture in Arabic language. *Musharakah* is a relationship between two or more persons that will be contribute as well as an organisation to the capital of the business. The profit will be distributed as their pre-agreed ratio.

### 2.2.3 *Murabahah*

An Islamic contract among a buyer and seller where there are agreeing about the mark-up of profit is called as *Murabahah*. As an example, when bank buying a house, and they want to sell the house, they make a mark-up profit to the customer-to-be and the two parties agree with the contract.

### 2.2.4 *Salam*

*Salam* is known as *Bai Salam* and similar as *Istisna*. *Salam* can be defining as an advance payment for some goods in future with a contract that exist the principle.

### 2.2.5 *Ijarah*

*Ijarah* is a term in Islamic jurisprudence that defined as leasing. A contract of leasing to client for a rental or purchase payment that ends with a transfer of the ownership of the goods that follow the Islamic regulation.

### 2.2.6 *Sukuk*

*Sukuk* is a plural of *sakk* in Arabic. It means as financial certificate that known as bond too. *Sukuk* holder receives profit either from the asset or the rental payment made by the issuer.

That was the example of the contract that exists in Islamic Finances Product or services. In this finances system, interest is not or less will be charge. It is because interest in Islamic Finances is called as *Riba*. Business that involved the forbidden activities is haram to do such as, the businesses that involve the alcohol, pork and the non-halal activities.

## 2.3 PERCEPTION

Perception is the interpretation of sensory information to represent and understand the information presented. Customer perception is frequently defined by the satisfaction of them towards the particular product or services. Each user has their own perception of the goods or services are used. It comes from the satisfaction of a product and service that have been incurred by the seller.

There are many Islamic finances product either form Muslims or non-Muslims. The past study has studied about perception of consumer of the Islamic banking. According to Rustam et al. (2011) Islamic banking products had a good potential within Pakistani corporate sector. Its means, the Pakistanis are having a good perception of Islamic finances product.