

**UNIVERSITI TEKNOLOGI MARA**

**THE APPLICATION OF  
DECOMPOSED THEORY OF  
PLANNED BEHAVIOR ON  
PARTICIPATION IN ISLAMIC  
MICROFINANCE FROM  
MALAYSIAN'S PERSPECTIVE**

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## ABSTRACT

The potential of Islamic microfinance does not only restrict to the need of meeting demands, but also to integrate the Islamic social principle to care for the less fortunate with microfinance's ability in providing financial access to the poor. As the religious values contradict to the operations of conventional MFIs, large numbers of Muslim communities have been quite reluctant to participate in microfinance programmes. In this respect, Islamic MFIs may be a suitable alternative in countries where Muslims are predominant. Islamic microfinance is said to be lagging behind the other conventional microfinance since there is a huge untapped Islamic microfinance where there is only 10.9% penetration into the market. The main objective of this study is to examine the factors that affect Malaysian customers' perspective in participating in using Islamic microfinance. This study adopts a research framework of Decomposed Theory of Planned Behaviour. This paper used primary data collected by self-administered questionnaires involving a sample of 166 respondents from Islamic microfinance users. This study revealed that among eleven beliefs, only two of them are not significant which are awareness of clients and their attitude towards using Islamic microfinance and the normative beliefs of others affected clients' subjective norms to participate in Islamic microfinance. The data were collected from existing clients of Islamic microfinance. Thus, behavioural intention is excluded from the study. The sample size of the study and also the scope of the study is limited since it only focus in peninsular Malaysia. For future research study, it may be broaden to includes behavioural intention as the variables and also to broaden the scope of the study. The finding of this study may help Islamic microfinance providers to better manage by focussing on relative advantage and behavioural control to build client relationships.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of Study

Islamic microfinance speaks to the conjunction of two quickly developing businesses which are microfinance and Islamic finance. The premise of Islamic finance originates from the Islamic guidelines (shariah), that is fundamentally forbidding any type of premium or usury (riba) being engaged with business exercises or fiscal exchanges as endorsed in the Quran's Surah Al-Baqarah, in its 275th section (Rahman, Smady, and Kazemian, 2015). The refrain essentially contends that Islam has allowed exchanging however disallowed riba. This idea puts accentuation that cash doesn't have natural worth, in this manner there ought to be no charge for its utilization as cash is just a proportion of significant worth and doesn't convey any an incentive to it.

The capability of Islamic microfinance doesn't just limit to the need of fulfilling needs, yet additionally to coordinate the Islamic social guideline to think about the less lucky with microfinance's capacity in giving money related access to poor people (Karim, Tarazi, and Reille, 2008). By uncovering this potential, a huge number of Muslim poor would approach monetary guide, where they are at present dismissing microfinance items because of its incompliance to Islamic law. An Islamic model of microfinance would propose a change in outlook of social undertaking, where benefit and misfortune sharing that is being rehearsed broadly in Islamic money would supplant premium based financing of the present microfinance practice (Goud, 2007).

Islamic Microfinance is a segment with an extraordinary potential to grow. Islamic Microfinance has been assessed where 72% from the populace existing in dominantly Muslim nations don't utilize budgetary administrations, since they don't pursue the statutes of Islam. Muslims utilize conventional financial products, yet different reviews show that in the event that they had the decision they would utilize sharia-consistence monetary items. Islamic banks give monetary help to individuals rejected from the financial framework by having Islamic Microfinance as another market in Islamic finance. Microfinance as a similar point. Islamic microfinance