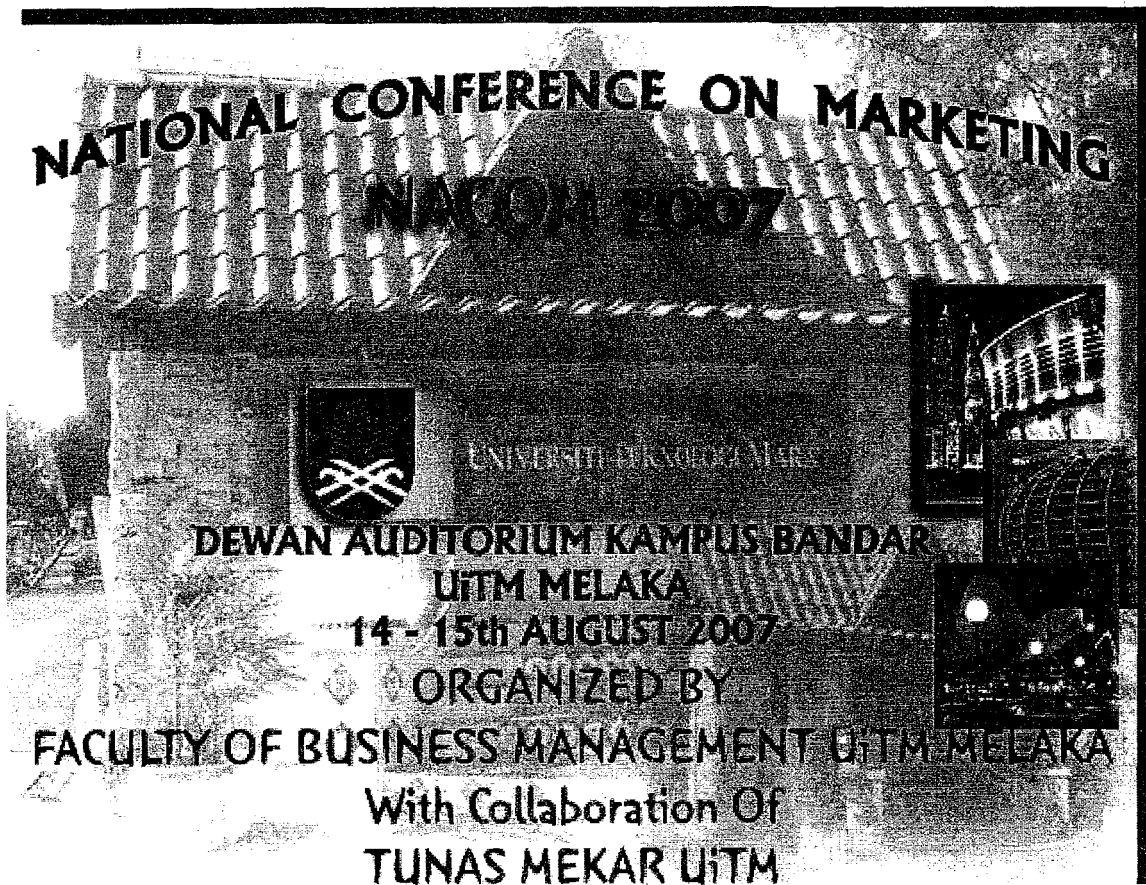


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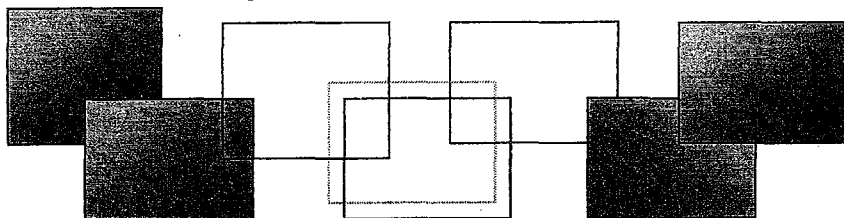
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# **The Acceptance Of BIMB Services Among Students At Higher Learning And Technical Training Institutions**



***By***  
***Norudin Mansor***  
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# THE ACCEPTANCE OF BIMB SERVICES AMONG STUDENTS OF HIGHER LEARNING AND TECHNICAL TRAINING INSTITUTIONS

By

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## ABSTRACT

*The purpose of this research was to enhance our understanding on several selected dimensions that influence the acceptance of services provided by Bank Islam (BIMB) among students of Institutions of Higher Learning and Technical Training in Terengganu. Our model investigated three major factors which influence the acceptance of BIMB services. Using previous literatures, three major factors were identified, namely, religion, marketing and the benefits sought. The results show that these three factors are able to explain the acceptance of BIMB services. The investigation involved two different categories of educational institutions in Terengganu. These are Institutions of Higher Learning and Institutions of Technical Training. Two institutions from each category were chosen, and a survey of 375 students was conducted. Applying descriptive statistics, correlation analysis, and multiple regression in measuring all the concepts investigated resulted with the r-square values of 54% indicating that all the identifiable factors in the study are relevant towards increasing the acceptance of BIMB services.*

*Keyword: IPTA students, religion, marketing, benefits sought*

## INTRODUCTION

Islamic banking is steadily moving its footing in Malaysian financial market. The development of its operation not only geared with the establishment of Islamic Bank but with the operation of Islamic Banking windows by most conventional bank throughout the nation. Controlling approximately 10% of the total deposit in the banking industry, Islamic Bank moved on to provide services with the total number of four banking institutions started with Bank Islam Malaysia Berhad, followed by Bank Muamalat, Bank Rakyat, and Ar-Rajhi bank which started its operation in 2006. As until today there are more than 150 Islamic banking institutions that not only operate in Muslim countries, but operating their financial services throughout the world. Bank Islam Malaysia Berhad (BIMB) started its operation in 1983. The establishment was inspired from the Pilgrims Management and Fund Board of Malaysia (LUTH) as the catalyst for Islamic Banking activities in the nation.

Currently majority of the students from Institutions of Higher Learning and Technical Training are using the service of BIMB. Among the factor that influence the acceptance of banking services include reliability, religious, usefulness or benefits, and marketing efforts taken by the institutions, and not least is the support of the government agencies towards developing the institutions (Mohammed Almossawi (2001)

With the more specific role of towards realizing of Malaysia's dream of setting up and developing a modern and competitive Islamic financial system, BIMB are getting the center of attention in the banking sector not only changing the conventional approach of banking locally but turning Malaysia into the international capital of Islamic Banking. In addition Bank Negara Malaysia, through its policy believed that by the year ending 2010, Islamic Banking sector expected to have 29% control of the national banking operation.

### **ISSUES TO THE PROBLEMS**

Most students from Institutions of Higher Learning (IHL) and Technical Training Institutions (TTI) are using banking services due to the loans and scholarship taken requires the transaction to be at BIMB. One of the strongest fundamental factors in the selection of banking institutions is due to religious factor. In fact in the earlier studies done in 1994 indicated that almost all muslims in the nation were aware of the existence. However out of the number, not even 40% of the population patronized the transaction of Islamic Bank. Even in our neighbouring country like Singapore, it was reported that only approximately 22% of the muslims deposit their money in Islamic Banks. Thus this study attempt to investigate to what extent does the religious factor influence the acceptance of BIMB services among students of Higher Learning in the State of Terengganu. In addition the study further expected to test some other significant factors that influence them to adopt the services.

### **PURPOSE OF THE STUDY**

- To explore profile of the respondent.
- To examine factors that influence students of Higher learning to patronize BIMB services
- To investigate the potential differences of the acceptance among the students of Higher Learning and those from Technical Training Institutions.
- To examine the strength of religious factor, marketing strategies, and benefit sought towards influencing the acceptance of BIMB.

### **LITERATURE REVIEW**

#### ***Acceptance***

Studies on the banking acceptance has gained special attention among the academicians for the last five years. (Karjaluoto et.al 2002; White and Harison, 2002; Bradley and Stewart, 2003; Gerard and Cunningham, 2003; Mukherjee and Nath, 2003). Most of the finding on the studies were actively sought the perceived usefulness of online banking activities that are getting its acceptance throughout the world. Among the primary determinants for the development of the online banking was due to time and cost saving.

and freedom from place of operation which the customer enjoyed in the transaction (Polatoglu and Ekin, 2001; Black et.al, 2002; Howcroft et.al, 2002).

Investigation by Levesque and McDougal (1996), found that customer acceptance in retail banking was driven by a number of factors. These factors include such as service quality, the bank's location and features, the competitiveness of the bank's interest rate, and customers' judgement on bank's employees skill. On a study on Islamic financial system in Indonesia, Ami Mu'allim (2004) demonstrated that religious factor is the main motivator for the public to use Islamic Banking system especially among the muslims.

In another study by Herbig and Day (1992), their examination noted the importance of innovation are very much related with the acceptance of a new system which further contribute on a critical impact for the adoption. With the acceptance of the new system, changes in the practices provide reduction on time and effort which most managers and public are always concerned (Succi and Walter, 1999). Moving competitively within the industry Islamic Bank double their effort to match the new trend demanded by the banking customers.

### ***Religious factor***

Religious factor is now becoming relevant when discussing the acceptance on banking products and services. Based on the study done by Gerrard and Cunningham (1997), the acceptance on Islamic Banking showed that approximately 39% of the muslim population patronized the Islamic Bank while approximately 23% of the muslim in Singapore preferred to use the transaction. In another investigation by Haron Sudin et.al (1994) patronizing Islamic Bank eventhough showing uprising trend but only 39% of the population surveyed used the system.

Despite of understanding the religious demand for the adoption, as demonstrated by Saad A. Metawa and Muhammad Almossawi (1998), but the acceptance of the muslim population to its usefulness are still debatable. Regardless of the return on the investments which is clear from what is prohibited in islam but getting the majority of the muslim to be convenience with Islamic Banking is still far from reachable.

### ***Role of Marketing***

Providing service excellence is very critical in today's banking operation. Finding on the study by Kim and Kleiner (1996) revealed that in order to cope with changes and competitiveness of the banking industry, some banks even move to the extend of regularly reviewing the delivery mechanism so as to provide the marketing edge over the other institutions. Earlier attempt by banking institutions discovered that providing incentive and reward scheme to the employees, based on their own view on customer service quality were very helpful for maintaining strong footage in the industry (Miller, 1993). In another development Zhu et.al (2002) strongly suggest the impact of information technology that need to be capitalized towards improving service quality of the banking industry

Following the development of the banking industry, BIMB has provided various type of services such as counter service, ATM service, internet banking, bill payment, SMS banking, and various type of loan facilities, on top of the conventional role of saving and current account for the purpose of satisfying needs and wants of the customers (Bank Islam 2005).

The role of considering location as a major factor in business towards satisfying consumers is always relevant. The need to strategically operate the business not only able to generate more traffic but further added on cost-reduction while maintaining higher quality services. As proposed by Karjaluoto et.al (2003) the example of BIMB on-line banking internet is the cost-reduction strategies whereby branches outlet could be reduced, while services rendered continue to reach wider geographical customers. This strategy found to be one of the cheapest delivery channel in the modern economy.

### ***Benefit sought***

The definition stated by Davis et.al (1989) refer benefit sought as the usefulness in term of degree to which a person believed that using a particular system would enhance his job or satisfying needs or wants. The study done by Saad Metawa and Almossawi (1998) on Islamic Bank in Bahrain found that customers of the Islamic Banks perceived Islamic principle as the most important factor while selecting the services, followed by reward extended, and further influence due to family and friends as well as the location of the banks. While trying to associate between benefit sought with the location Kaufman (1967) revealed that the majority of the sampled respondents decided to select banks which are more conveniently located, nearer to their home and place of business. In addition when discussing the issue of conveniences, Ruginbana (1995) suggested that with the technology of having ATM machine in various location it provide a good indicator of increasing the level of convenience among the customers to use the facilities.

In of the interesting features in the banking operation is the ease of use of the technology adopted in the transaction. Dover, (1988) discovered that one of the reasons of the failure in Home Banking is due to the difficulty of using technology in the banking transaction. However in another study conducted in United Kingdom, Daniel (1999), conclude that among the factors that influence the acceptance on electronic banking is due to the ease of use that reduces time and effort which could be used for other activities.

Further effort on improvong service delivery and the upgrading of physical layout of the Islamic Banking operation were discovered to be highly significant (Norudin Mansor and Ahmad Syazli Abd. Halim (2005). Continuous effort should be regularly monitored so that the institutions are always at par with the conventional banking

## **METHODOLOGY**

### ***Sampling and measurement***

Based on statistical data generated by UPEN (2005), there were approximately 30,435 students enrolled in 21 institutions of higher learning and technical institute in the state of Terengganu. Of the total population 370 students were selected as a sample for the study representing Institutions of Higher Learning and Institution of Technical Training. In getting the right representative, 244 were selected from IHL while 131 were to represent TTI. From the population the study decided to pick up students from UiTM, from Kusza campus, Polytechnic and TATI as the sample for the study. Out of the target group, population was divided into 2 main group and 2 from each group were taken as a qouta sampling. From the selected quotas respondents were selected conveniently.

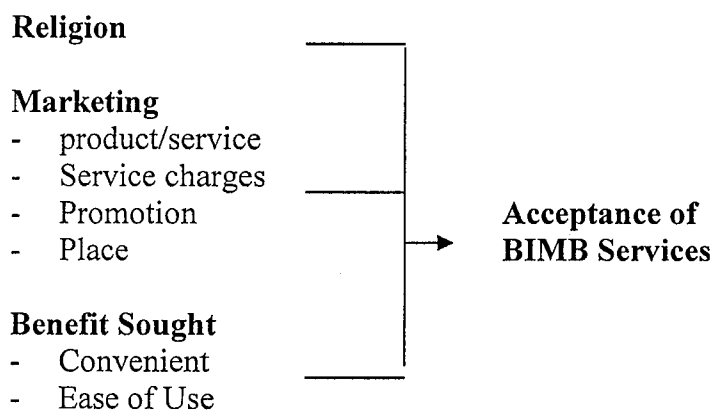
The instrumentation of measurement for the construct is through the use of questionnaire. Measurement was designed to get information through the use of nominal

and Likert scale. The instrument was pilot tested among the selected student of UiTM and went through slight modification after assessing the validity and reliability. Data were collected through personally administered questionnaire where respondents were motivated to respond upon meeting with the researchers.

### ***Research Framework and Proposition***

Upon reviewing the past literature and after several discussions with the management of the institutions, as well as conducting preliminary interview among selected students, the following theoretical framework was constructed.

Table 1: Research framework



Several testable non-directional proposition were developed tailoring to address the issue of the study. Following are the proposition for the study:

Proposition 1: There is a significant relationship between religious factor with the acceptance of BIMB services among the students.

Proposition 2: There is a significant relationship marketing variables with the acceptance of BIMB services among the students.

Proposition 3: There is a significant relationship between benefit sought with the acceptance of BIMB services among the students.

## **FINDINGS**

### ***Reliability analysis***

There were 4 (four ) main construct used to address the issues related to the discussion. The main theme concerned with the acceptance measured by 6 items, the other three concerned on religious factor measured by 7 items, marketing effort operationalized further under the four marketing mix: measured by 27 items, and the other construct concerning benefit sought measured by 14 items. Through the reliability analysis all the

variables are discovered to be reliable as the cronbach alpha value indicated with the score of more then 0.7 which were found to be good.

### *Analysis on respondent profile*

**Table2:Frequency analysis on demographic profiles**

|                                 | Frequency | Percentage |
|---------------------------------|-----------|------------|
| <b><i>Institution</i></b>       |           |            |
| UiTM                            | 122       | 32.5       |
| Kusza                           | 122       | 32.5       |
| Politeknik                      | 66        | 17.6       |
| Tati                            | 65        | 17.3       |
| <b><i>Gender</i></b>            |           |            |
| Male                            | 175       | 46.7       |
| Female                          | 200       | 53.3       |
| <b><i>Age group</i></b>         |           |            |
| 17 to 19                        | 154       | 35.7       |
| 20 to 22                        | 201       | 53.6       |
| 23 years and above              | 40        | 10.7       |
| <b><i>Education level</i></b>   |           |            |
| Pre diploma/cert                | 48        | 12.8       |
| Diploma                         | 236       | 63.5       |
| Degree                          | 89        | 23.7       |
| <b><i>Residence</i></b>         |           |            |
| Town                            | 179       | 47.7       |
| Rural                           | 196       | 52.3       |
| <b><i>Education support</i></b> |           |            |
| PTPTN                           | 191       | 50.9       |
| Scholarship                     | 31        | 8.3        |
| Others                          | 153       | 40.8       |

The frequency table simplified the demographic profile of the respondents. Most of the samples were represented by students from UiTM at 32.4 %, Kusza at 32.4%, followed by samples from Politeknik at 17.5% and those from TATI representing 17.3%. Of the total population 53.3% were female students and 46.7% representing male counterparts. Reflecting the nature of Malaysian students, most of the students were below 22 years old which is about 89.5%. The level of program offered at the Institution of higher learning were mostly of among those enrolling at the Diploma level (63.5%), Bachelor Degree level (23.7%) and those studying at pra-diploma or certificate level (12.8%). There were no samples taken from those studying at the Master or Doctorate level as the study aimed to maintain the homogeneity nature of population for the study. The investigation further

group the respondent in term of those coming from town area representing 47.4% and those coming from rural areas representing 52.3% of the total population. Surprisingly to be noted that not all students were interested to get the financial assistance from PTPN and other form of scholarship as indicated by the frequency of 50.9% and 8.3%.

**Table 3: Correlation Analysis between independent and dependent variables**

|            |                 | Acceptance | Religion | Marketing | benefit |
|------------|-----------------|------------|----------|-----------|---------|
| Acceptance | P correlation   | 1          | .551     | .598      | .697    |
|            | Sig. (2-tailed) |            | .000     | .000      | .000    |
| Religion   | P correlation   | .551       | 1        | .549      | .571    |
|            | Sig. (2-tailed) | .000       |          | .000      | .000    |
| Marketing  | P correlation   | .598       | .549     | 1         | .571    |
|            | Sig. (2-tailed) | .000       | .000     |           | .000    |
| Benefit    | P correlation   | .697       | .571     | .659      | 1       |
|            | Sig. (2-tailed) | .000       | .000     | .000      |         |

The above Pearson correlation matrix will provide information and indicate the strength and significance relationship among the variables investigated. From the above data output it can be summarized that there is a correlation between religious factor, marketing, and benefit sought towards the acceptance of Bank Islam. The strength of the correlation indicated a moderate level for the religious and marketing variables with the value of 0.551 and 0.598 respectively, and moderately high correlation between benefit sought at the value of 0.697 as to the acceptance of Bank Islam. Regardless of the relationship all the three independent variables indicated statistically significant relationship with p-value of 0.000

**Table 4: Model Summary indicated strength of explanation**

| Model | R       | R Square | Adj R Square | Std. error of estimate |
|-------|---------|----------|--------------|------------------------|
| 1     | .735(a) | .540     | .536         | .42154                 |

**Table 5: Multiple Regression**

|              | Unstandardized Coefficients |           | Standardized Coefficients |       |      |
|--------------|-----------------------------|-----------|---------------------------|-------|------|
| Model        | B                           | Std.error | Beta                      | t     | Sig. |
| 1 (Constant) | .441                        | .165      |                           | 2.671 | .008 |
| religion     | .161                        | .040      | .178                      | 3.978 | .000 |
| marketing    | .235                        | .060      | .190                      | 3.897 | .000 |
| benefit      | .482                        | .051      | .471                      | 9.483 | .000 |

Dependent variable: Acceptance

The result from analysis on multiple regression (table 4) indicated that all the three variables in the study were able to explain 54% (R-square) towards the acceptance of Bank Islam services. Looking at the strength of its contribution as in table 5 by combining all the three factors together, the benefit sought as a factor demonstrated to be the most important factor, followed by marketing factor, and religious factor as indicated by the beta score of 0.47, 0.190. and 0.178 respectively which contribute towards the acceptance of BIMB.

## **DISCUSSION and CONCLUSION**

The framework of this study was developed based on the previous work of Amir Mu'allim (2004), which demonstrated that the main motivator for using Islamic Banking is due to the religious factor. However the strength of its motivation were very much related to the benefit sought and marketing effort strategies by the banking institutions (Hiranthanawiwat (2000).

Our investigation displayed that all the proposition to be tested in the study discovered to be true and statistically significant towards influencing the acceptance of services rendered by BIMB. Regardless what ever institutions student enrolled with but due to the nature of dependability on the services required most students preferred to have their banking transaction at BIMB. Despite of all factors indicated of the significant relationship but the value of R-square indicated that only 54% of the dependent variables could be explained by the independent variables selected in the study. One of the factors that used to be discuss in the previous studies was the role of interest rates. For those involved in business, interest rate always become a major concerned for the selection of banking transaction. The degree of its attractiveness may differ if customers found that charging higher on the among borrowed or giving lower to the money save in may switch the customer to the bank offering more competitive rates.

When comparing the role of each factor as to its importance of attracting customer to accept the Islamic Banking services, our study demonstrated that factors associate with the benefit sought is the main consideration for selecting the banking services, followed by the aggressiveness of the marketing effort, and dimensions concerning religious factor eventhough found to be significant but is not the main reason for the choice of banking. In fact previous study by Gerrard and Cunningham (1997) similarly demonstrated the least important function of religious value in banking transaction where only approximately 23 % of the muslim in Singapore decided to use Islamic Banking due to the religious factor. In fact the finding suggested by Norudin Mansor and Ahmad Syazli Abd. Halim (2005) discovered that even after 20 years of operation Islamic banking as a whole is not considered as the most desired banking institution by sectors like small and medium enterprises.

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