



UNIVERSITI TEKNOLOGI MARA

**A STUDY ON PERCEPTION OF
MALAYSIAN CITIZEN TOWARDS
ISLAMIC BANKING IN MALAYSIA**

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ABSTRACT

This research attempted to investigate the perception of Malaysian citizen towards Islamic Banking in Malaysia. The research conducted by questionnaire method as the Primary Data which the data for the research were collected through a questionnaire survey of Malaysian citizen in Kuala Lumpur area. In this research, 200 respondents were carried out as a sample of Malaysian citizen. In this research, Perception of Malaysian citizen is a dependent variable and awareness, understanding and demographic factor are independent variable. The result of analysis will be obtained through research using SPSS for interpreting data, Microsoft Excel to combine data. Besides that, Google use to search supporting document or related journal, article which is secondary data to support this research. So that it can be concluded that one out of three independent variables have significant relationship between dependent variable which is Malaysian perception toward Islamic banking and independents variable which is awareness, understanding and demographic factors.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Islamic banking can be defined as the prohibition of *riba'* or interest in the banking transaction (Islamic Financial System, 2012). Islamic banking also offer borrowers fixed repayment rates and pay dividend according to profit-sharing. Interest rate from conventional bank are deemed not “halal” or prohibitd by Islamic law (kamus perwira: 1998:451) Prohibition of *Riba'* was stated by Allah SWT in Holy Quran in Surah *Al-Baqarah* verse 275 “Allah has permitted trade and prohibit *riba'*”. Owing to the highly competitive environment, it is important to Islamic bank to study the customer perception to increase the market of product and services of Islamic banking in Malaysia effectively (Dusuki and Abdullah, 2006, Thambiah, Nathan and Eze, 2008). This study is to investigate the perception of Malaysian citizen toward Islamic Banking in Malaysia.

1.2 BACKGROUND OF STUDY

Nowadays people in Malaysia have a different perception on establishment of Islamic Banking. Certain people believe that Islamic banking give them a positive impact to their life, but certain people believe that Islamic banking does not give an impact to their life. This research is to study the perception of Malaysian Citizen towards Islamic Banking in Malaysia. It is because some people do not aware on the establishment of Islamic Banking in Malaysia and they also do not know on the product and services that provided by Islamic Bank in Malaysia. The first Islamic institution in Malaysia is Bank Islam Malaysia Berhad. Bank Islam is the first *Shariah* based banking institution in Malaysia and South East Asia. Bank Islam was started in 1983 with the enactment of Islamic Banking Act 1983. The purpose of establishment Bank Islam is to provide the financial need to Muslim and non-Muslim in Malaysia. (<http://www.bimbholdings.com>)

History of Islamic Banking and finance in the worldwide is started in year 1963 which is the first Islamic bank in Egypt. In 1973 is establishment of Islamic Development