

UNIVERSITI TEKNOLOGI MARA

**AWARENESS OF ISLAMIC
FINANCING AMONG SMALL FIRMS
IN THE MALAYSIA INDUSTRIAL
ESTATE LIMITED (MIEL)
LUNDANG INDUSTRIAL AREA**

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ABSTRACT

Small firms often have limited access to information and resources regarding Islamic finance due to a lack of targeted educational initiatives or campaigns. Many small business owners may not have been exposed to Islamic financial principles or instruments, which can lead to a significant knowledge gap (Balushi, Yasmeen Al, et al., 2019). This research examines the awareness and adoption of Islamic financing among small businesses in the MIEL Lundang Industrial Area. Despite the growing awareness of Islamic finance, there is a significant variation in the depth of understanding among business owners. The study explores the factors influencing this awareness, including business owners' age, professional background, and access to educational resources. Data was collected through interviews to evaluate the perceptions of business owners regarding Islamic finance and to identify key barriers to its adoption. The findings reveal that limited understanding of Islamic finance principles, misconceptions regarding costs and complexity, and unequal access to Islamic financial products pose significant challenges to adoption. Furthermore, the study highlights the need for a more strategic approach to educating business owners, simplifying Islamic financial products, and improving access to qualified experts. The research underscores the importance of a comprehensive approach that integrates education, product innovation, and improved accessibility to enhance the adoption of Islamic financing in the MIEL Lundang Industrial Area. The study aims to contribute to the enhancement of Islamic financing practices and policies for small businesses in the region.

Keywords: Islamic Financing, Awareness, Miel Lundang Industrial Area

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Finance is crucial for the society's stability. It is necessary for individuals to keep their livelihoods, businesses to prosper, and economies to thrive. Individuals and organizations alike would struggle to satisfy the day-to-day financial demands of today's fast-paced world if banks, financial institutions, and alternative lenders did not offer a wide range of financial products. Financing is an important instrument for both personal and commercial needs. Conventional finance, which includes debt-based systems with interest rates, has long been the dominant model worldwide. However, Islamic banking has emerged as a viable option for those seeking funding consistent with their ethical or religious views.

Islamic finance is based on principles derived from the Quran, *Hadith* (sayings of the Prophet Muhammad), and *fiqh* (Islamic jurisprudence). Prohibiting *riba* (interest) is among the key principles of Islamic finance since it embodies exploitative practices. Islamic finance promotes equity-based transactions that focus on shared risk and profit, rather than debt-based transactions where interest is charged. Over time, Islamic financial practices have evolved from early systems of interest-free trade and lending to a well-established global industry. This transformation gained significant momentum in the 20th century, particularly during the 1960s with the creation of institutions like the Islamic Development Bank, aimed at promoting the economic development of Muslim-majority countries through financing that adhered to Sharia principles (Islahi & Abdul, 2018). By the 1970s and 1980s, Islamic financial institutions began formalizing, introducing products such as *mudarabah* (profit-sharing) and *murabaha* (cost-plus financing).

Islamic finance has quickly gained traction in global markets; it found particular success in regions with large Muslim populations, such as the Middle East and Southeast Asia (Wang, 2007). Countries such as Saudi Arabia, the United Arab Emirates, Malaysia, and Indonesia have become strongholds of Islamic banking. In Malaysia, Islamic finance has become deeply integrated into the national economy, both