

UNIVERSITI TEKNOLOGI MARA

**FACTOR INFLUENCING THE LEVEL OF
ISLAMIC RETAIL BANKING ADOPTION BY
CONSUMERS IN MALAYSIA**

MOHAMAD IZZUDDIN BIN IBRAHIM

Dissertation submitted in partial fulfilment of the requirements
for the degree of
Master of Corporate Administration

Faculty of Administrative Science and Policy Studies

December 2019

AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student : Mohamad Izzuddin Bin Ibrahim

Student I.D. No. : 2016958817

Programme : Master of Corporate Administration (AM 700)

Faculty : Faculty of Administrative Science & Policy Studies

Dissertation Title : Adoption of Islamic Retail Banking by Stakeholders in
Malaysia: Empirical View on Islamic Banks'
Governance Practises

Signature of Student :

Date : December 2019

ABSTRACT

The issues of accountability, trustworthiness and reliability of the financial service provider has been discussed since the starts of modern trading era. The history of banks acting unethically has cumulatively cost billions to the financial consumers. As the world pragmatically and dynamically changing, Islamic finance industry growing bigger and stronger with year on year market growth exponentially increase by 6.9%. As the consumers now having options to choose either conventional or Islamic financing product suits them most, the issues of governance emerge involving Islamic Financial Service (IFS) provider. The consumers aware and question the accountability, trustworthiness and reliability of the IFS in offering Islamic Retail Banking (IRB) to the market. This study analysed the factors (IRB Attributes, Promotional Effort and Perceived Information Quality) effecting the adoption of IRB products by Malaysians and later thoroughly examined either the IFS, during exercise of such factors, did or did not breaching or endangering and compromising the ethicality of corporate governance principle. The finding of this study suggests that there is significance relationship between IRB Attributes, Promotional Effort and Perceived Information Quality toward adoption of IRB products in Malaysia, with promotional effort being the most influential factor affecting the decision to acquire IRB products. The finding also found that there is less governance concern from the consumers' perspective, as they view the IFS might, in some situation, did not manipulating the IRB attributes, promotional material and quality of information delivered to the consumers in unaccountable manner. Hence, the IFS is acting legitimately ethical.

TABLE OF CONTENTS

EXAMINATION CERTIFICATE	i
AUTHOR'S DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS	ix
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Research Background	1
1.3 Problem Statement	8
1.4 Research Objectives	14
1.5 Significance of the Study	14
1.6 Terminology	17
CHAPTER TWO: LITERATURE REVIEW	22
2.1 Introduction	22
2.2 A Review of the Concepts and Philosophy of Islamic Banking	22
2.3 Adoption of Studies Related to Islamic Banking	25
2.4 Comparison of Theories Effecting the Adoption of IRB	37
2.5 Comparison on Shareholder Theory and Stakeholder Theory	41
2.6 Promotional Efforts	44
2.7 Perceived Information Quality	45
CHAPTER THREE: RESEARCH METHODOLOGY	46
3.1 Introduction	46
3.2 Conceptual Framework	46
3.3 Definition of the Variables and Hypothesis Development	47

3.4	Research Design	52
3.5	Measurement	54
3.6	Data Collection	59
3.7	Data Analysis	60
3.8	Pilot Test	63
CHAPTER FOUR: FINDINGS		66
4.1	Introduction	66
4.2	Data Cleaning	66
4.3	Respondent's Profile	67
4.4	Goodness of Measurement	69
4.5	Research Finding	80
4.6	Summary of Finding	89
CHAPTER FIVE: DISCUSSION AND CONCLUSION		91
5.1	Introduction	91
5.2	Discussion	91
5.3	Limitations of Study	97
5.4	Recommendations for Future Research	98
5.5	Research Contribution	99
5.6	Conclusion	100
REFERENCES		102
APPENDICES		111
AUTHOR'S PROFILE		130