



**A STUDY OF AWARENESS AND ACCEPTANCE
OF
ISLAMIC BANKING
IN
SRI AMAN**

**AZENI BIN SAHAT
98515563**



**BACHELOR OF BUSINESS ADMINISTRATION WITH
HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
SHAH ALAM**

SEPTEMBER 2002

TABLE OF CONTENTS

ACKNOWLEDGEMENT	i
TABLE OF CONTENTS	ii
LIST OF TABLES	iv
LIST OF FIGURES	vi
ABSTRACT	vii

CHAPTERS 1

1. INTRODUCTION

1.1	Background	1
1.2	The Scope of Study	2
1.3	Problem Statement	3
1.4	Objectives of Study	5
1.5	Significant of Study	6
1.6	Limitations	7
1.7	Definitions of Terms	9

CHAPTER 2

2. LITERATURE REVIEW

2.1	What is Islamic Banking?	14
2.2	Islamic Banking in Malaysia	17

ABSTRACT

The study made is mainly on the awareness and acceptance of Islamic banking in Sri Aman, with a special focus on Islamic product of Public Finance Berhad (PFB), Sri Aman branch. In addition, the study also touches briefly on growth of Islamic banking in PFB and the growth of Islamic banking in Malaysia as a whole. Government policies aim to promote growth and expansion of Islamic banking is also mentioned.

The primary data of this study are gained from survey through questionnaires (as per appendix VI) which were distributed in late August 2002 and personal observation. Beside the primary data, information has also been collected through newspapers, magazines, annual report, speeches and some other reading material.

From the response, some information has been collected which could be used to increase the share of Islamic banking particularly in Sri Aman.

Among are as follows:

- i. It is found that majority of the respondents is aware of Islamic banking, but the usage is still low.
- ii. It is also found that Islamic banking is most popular among middle income Muslim Malays who are government servants.
- iii. All of the Islamic banking user is satisfied with the product.

CHAPTER 1

INTRODUCTION

1.1 Background.

This study is conducted to fulfill the partial requirement of the Bachelor in Business Administration (Hons) - (Finance) at Mara University of Technology.

This research is purely for academic purposes. This research is a descriptive research whereby it will determine the people of Sri Aman¹ perception towards Islamic banking product particularly the Islamic banking product offered by Public Finance Berhad (PFB) in Sri Aman. In addition to it, this study will also gives the picture of the growth of Islamic banking product in Sri Aman.

Descriptive research method is the most suitable method for analyzing customers' attitudes and behavior.

¹ Sri Aman is a town in Sarawak, approximately 200 kilometers from Kuching.

CHAPTER 2

LITERATURE REVIEW

2.1 What is Islamic Banking?

The salient feature of Islamic banking is that it has to abide to the rules of the *Syariah*, thus it is interest free. *Syariah* is an Islamic canon law, the rules and norms of which emanated from two primary source which are the holy Qu'ran and the *Sunnah* (the living tradition of Prophet Muhammad s.a.w.).

Although is often claimed that there is more to Islamic banking than it is interest free, such as contributions towards a more equitable distributions of income and wealth, and increased equity participation in the economy, it nevertheless derives its specific rationale from the fact that there is no place for the institution of interest in the Islamic order.

Islam prohibits Muslims from taking or giving interest (*riba*) regardless of the purpose for which such loans are made and the rates at which interest is charged. The basic principles underlying Islamic transaction are the prohibition of *riba* and the sharing of profit and loss between a bank and its customers.