

Selection Factors of the Acceptance Al-Ijarah Thumma Al Bay (Aitab) in Kota Bharu, Kelantan

Remali Yusoff^{a,*1} and Nor' Azurah Md. Kamdari^b

^aFaculty of Business, Economics and Accounting, Universiti Malaysia Sabah, Malaysia

^bFaculty of Business and Management, Universiti Teknologi MARA, Malaysia

Abstract

Al-Ijarah Thumma Al-Bay (AITAB) is one of the latest innovative products of Islamic hire-purchase facility in Islamic banks in Malaysia today, which is designed to meet the hire-purchased concept on current demand of customers that focusing in motor vehicles. Therefore, this research was conducted to study and analyses the factors that influenced customers to choose *Al-Ijarah Thumma Al-Bay* (AITAB) in Kota Bharu, Kelantan. A total of 150 customers in Kota Bharu, were selected as respondents and analyzed using 'SPSS for Window' version 17.0. The comparative result is from using *Principal Component Analysis* (PCA) in Factor Analysis and the result will be delineated into three cluster namely religious obligation, level awareness, and social influence. The main objectives of this study are to determine the relationship between religious obligation, level awareness, and social influences of AITAB among peoples in Kota Bharu, the finding revealed that customers have generally positive views of selection factor. One of the most important factor was religious obligation that shown as important criteria in choosing AITAB facility.

Keywords: AITAB, Kota Bharu, Islamic banking, Factor influences

1 Introduction

Islamic banking system has emerged as competitive and a viable substitute for the conventional banking system during the last three decades. Islamic banking refers to a system of banking that complies with Islamic law and also known as Shari'ah law. The core principles that govern Islamic banking are mutual risk and profit sharing between parties, the guarantee of fairness based on an underlying business activity or asset. Activities that involve interest (riba), gambling (maisir) and speculative trading (gharar) are prohibited.

Conventional banking is essentially based on the debtor-creditor relationship between the depositors and the bank on one hand, and between the borrowers and the bank on the other. Interest is considered to be the price of credit, reflecting the opportunity cost of money. Islamic law considers a loan to be given or taken, free of

charge, to meet any contingency. Thus in Islamic banking, the creditor should not take advantage of the borrower. When money is lent out based on interest, more often that it leads to some kind of injustice.

The first Islamic bank in Malaysia was established in 1983. In Malaysia, the roots of Islamic banking go back to 1963 when the government established Tabung Haji or Pilgrims Management and Fund Board. Currently, Malaysia has a significant number of full-fledged Islamic banks including several conventional institutions who have established Islamic subsidiaries. It is because the response from the consumers towards Islamic products has given an impact to the conventional banking services. In fact, the Islamic banking products are well accepted by the non-muslims too.

The growth of Islamic banking system in Malaysia has enhanced to an introduction of Islamic financial innovations. There was various Islamic finance products produced in Islamic bank such as Al-Ijarah (leasing), Al-Mudharabah (profit sharing), Al-Musharakah (partnership), financial institutions that have a great deal of flexibility, creativity and choice in the creation of Islamic finance products. In this research, researcher only limited to study Al-Ijarah and focusing at Al-Ijarah Thumma Al-Bay (AITAB) facility.

Bank Islam initiated the earliest operation of AITAB in Malaysia. AITAB is one of the latest innovative products of Al-Ijarah in Islamic banks, which designed to meet the current demand and avoid certain risks in the financing of consumer durables and motor vehicles. Since its first inception more than 10 years ago, AITAB has increasingly grown in popularity and continuously expanded partly due to the heightened demand by customers (Irwani & Asyraf, 2006). AITAB is considered as one of the Islamic banking products, which adds the Islamic banking financial menus to serve bank customers better. AITAB facility is of value to practitioners in order to increase the sales of Islamic financing products in addition to their efforts to elevate the customer base.

2 Background of Study

Islamic leasing (Al-Ijarah) growing fast today and many bank used Al-Ijarah as one of their product for its customers. Prior studies on Al-Ijarah widely investigated in term of economics, legal and financial aspects, accounting, customers' perception and comparison or similarities Al-Ijarah with conventional leasing. However, no study has been carried out to investigate the factor that influenced customer to choose Al-Ijarah in Kota Bharu, Kelantan. This paper essentially analyzed the factor considered by customer in choosing Al-Ijarah. Al-Ijarah was popularly recognized

as Al-Ijarah Thumma Al-Bay (AITAB). In this time, the researcher focuses on AITAB and the sample on customers, which had experienced to use Al-Ijarah or Islamic car financing.

3 Problem Statement

Al-Ijarah in Malaysia has grown rapidly especially in AITAB transaction. Since it is growing faster nowadays, it showed that the Islamic products had a big potential than conventional products. Therefore, this study attempted to investigate the factor that contributes to the fast growing of AITAB from customers in Kota Bharu, Kelantan. There was increased number of customers who had buy motor vehicles by using AITAB transaction, but we do not know what factor influenced them to choose AITAB. From this research, we want to determined factor of religious obligation, level of awareness and social influence towards choosing of AITAB.

4 Objectives of the Study

In general, these research objectives are to determine the relationship between the acceptances of AITAB among customers with the religious obligation, the level of awareness and the social influence.

The research focuses are:

- I. To determine the relationship between the acceptances of AITAB among customers with the religious obligation.
- II. To determine the relationship between the acceptances of AITAB among customers with the level of awareness.
- III. To determine the relationship between the acceptances of AITAB among customers with the social influence.

5 Significance of Study

Al-Ijarah is one of important Islamic products especially for Islamic banking sector that can contribute into Malaysian economic growth. Therefore, the researcher's hope from the finding of this research is it can improve the development in Islamic banking system not only in fully-fledged Islamic banking institution but also in conventional financial institution with Islamic windows.

6 Hypothesis

A hypothesis can be defined as a tentative, yet testable, statement, which predicts what you expect to find in your empirical data. Along this line, hypothesis can be defined

as a logically conjectured relationship between two or more variables expressed in the form of testable statement (Sekaran & Bougie, 2003). A null hypothesis (H_0) is a hypothesis set up to be rejected in order to support an alternate hypothesis. Alternate hypothesis (H_a) is the opposite of null hypothesis (Sekaran & Bougie, 2010). In this research, it is important to test whether Islamic leasing/Al-Ijarah have significant relationship with religion obligation, level awareness and social influence. Therefore, this study attempts to test the following hypotheses:

- I. H_0 : There is no significant relationship between the acceptances of AITAB among customers with the religious obligation.
 H_a : There is significant relationship between the acceptances of AITAB among customers with the religious obligation.
- II. H_0 : There is no significant relationship between the acceptances of AITAB among customers with the level awareness.
 H_a : There is significant relationship between the acceptances of AITAB among customers with the level awareness.
- III. H_0 : There is no significant relationship between the acceptances of AITAB among customers with the social influence.
 H_a : There is significant relationship between the acceptances of AITAB among customers with the social influence.

7 Limitations

The researcher faced difficulty to search information to do the analysis in order to obtain data collection and information because questionnaire distributed only to customers who had experienced to used AITAB facility or Islamic car facilities offering in Kota Bharu, Kelantan. It is because we want to look how customers in Kota Bharu perception compares with previous studied. Besides, this research is only concentrate in area of Kota Bharu. Thus, the information gathered will be slightly different if the researcher does the same research in the other places. People have different background of knowledge and educational level, so their pattern of gathering the information about AITAB would be different from one and the other.

When some of the respondents reluctant to give collaboration to the researcher, it contribute to limitation of cooperation. The progress of the research become slowly and difficulty when some of respondents refuse to give collaboration to answer the questionnaire that given to respondents. Thus, because of that situation the researcher required more time in order to get respond from the respondents chosen.

8 Literature Review

8.1 Overview of Al-Ijarah (IATAB)

Al-Ijarah Thumma Al-Bay (AITAB) is a type of lease contract, in which the legal title of the leased asset will be passed to the hirer at the end or at the end of the rental period when hirer purchase the asset. The asset comprises of machinery, equipment, software and hardware or motor vehicles which are non-hire purchase act goods. Islamic hire purchase had many activities involved such as trade, commerce, industry, agriculture and fish cries, housing and personal advances. In fact, it had been known as a popular technique of financing among some Islamic banks, such as the Islamic Development Bank, Bank Islam Malaysia Berhad, Tabung Haji, and commercial banks in Pakistan (Ahmad, 1995). Besides, Al-Ijarah expand in the world of Islamic banking and finance, though its full potential for financing long-term business assets that be supposed to be look into (Vogel & Hayes, 1998).

According to Seif. I and N. Irwani, (2007), Al-Ijarah contract became one of the most popular financing modes in Malaysia because the fact that only few people can afford to buy house, land or vehicle on cash basis. In Malaysia, Islamic financial institution had introduced vehicle financing as one of the main popular properties based on Al-Ijarah Thumma al-Bay (AITAB) concept due to customer's demand. Almost all banks provide AITAB for vehicles as one of their product financing except Bank Pembangunan and HSBC that provide AITAB for financing of machinery and industrial goods (Irwani & Ashraf, 2006).

8.2 Religious Obligation

In definition, religious obligation refers to the role of religion in affecting one's choices and activities (Hanudin et al., 2011). There was few studies which initiated the idea that religious obligation were the most factor influences customer chooses Islamic products or services such as AITAB. For instance, according to Sulaiman (2003), the Islamic differences worldview based on Shari'ah can influences Islamic society. An Islamic principles, values and goals have to be obeyed by Islamic bank when offering Islamic personal financing. This can help bank to make decision to find Islamic personal financing and influences individual to use Islamic personal financing. Besides, Hanudin (2010) found that adherence to Syariah were found to be a key factor to explain why bank customers choose AITAB facility.

Based on Metwally (1996), religion was the most important factor in figuring attitudes of Muslims towards Islamic banks followed by convenience and traditional services. Further, in 1998, a study was conducted by Metawa and Almossawi on the

Bahrain customer's perception and they found the most religion was significance factor to influence customer to use of Islamic bank services than followed by profitability.

A study by Haron, Ahmad, and Planisek, on Bank Patronage Factors of Muslim and Non-Muslim Customers (1994), in a small town at Kedah and Perlis with a Muslim dominant population discovered that, only about 63 per cent of the Muslims can understand the distinguish of Islamic bank and conventional banks, while only 39 per cent of the Muslims respondents believe that religion is the only reason why people supported the Islamic bank. A parallel circumstances occurred in Singapore, where only 22.6 per cent of Muslims deposit money in Islamic banks solely because of religion (Gerrard, Cunningham & Barton, 1997).

However, there was study that stated religious obligation factor do not influence customer for using Islamic personal financing. For example, Hanudin et al., (2011) had investigated customers of two fully-fledged Islamic banks in Malaysia: Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad and stated that attitude, social influence and pricing of Islamic personal financing was the most important factor in influencing the intention to use Islamic personal financing than religious obligation. This generally consistent with findings elsewhere in the literature stated that religious factor is an insignificant effect in selecting Islamic banks' services in Jordan. In fact there are some other factors which are influencing the decision criteria of the customers that is the level of profitability (Erol & El-Bdour, 1989).

8.3 Awareness Level

Self-awareness means a capacity to perceive the self in relatively objective terms whilst maintaining a sense of subjectivity (Prigatano & Schacter, 1991). Clearly, it is an ability of someone to understand the nature of impairment and appreciate its implications. Malaysian Muslims' awareness of the Islamic banking products and services were high compared to non-Muslim customers (Muslim & Zaidi, 2008). This particular study was found that most of Islamic banking customers were satisfied with overall service quality perceived by their bank. As Islamic products and services enter in the markets, attitudes, perceptions and knowledge is important consideration in other to introduce new method (Gait & Worthington, 2008).

From studied of Irwani and Ashraf in (2006) on a critical appraisal of AITAB operation: issues and prospects, stated that AITAB had potential for promising future prospect due to increase of Islamic awareness among Malaysian public towards AITAB which offers competitive services with and attractive features. Besides, both bankers and customers had confidence to engage with AITAB since it had legal protection provided by the Hire Purchases Act 1967. They attempt to address some challenges

and prospects of implementing AITAB in Malaysia and viewed in future prospect in four aspects which are strong public acceptance, competitiveness, legal protection and proposed Shari'ah law of AITAB. They stated that customer who accepts and understands operation AITAB will come to institution because they know the benefits that being offered, for example full margin of financing and lower penalty for late payment. Therefore, researcher concluded that Bank Negara Malaysia (central bank) and banking industries have to make strategy to enhanced AITAB facility by increasing public understanding and awareness in the product.

Similar researchers, Irwani and Ashraf in (2006) but difference in topic study, that was regarding of customers' perception of Islamic hire purchase facility in Malaysia found out that 61 per cent customer knowledge and aware about AITAB from various sources such as advertisements, banks' prospectus, conferences and seminars. Surprisingly, they discovered that customer's unaware that actually the used AITAB through car financing schemes provided by Islamic banking scheme.

In UK, Omer (1992) tested 300 Muslim on their patronage factors and awareness of Islamic financing methods and found that there was a high level of ignorance of Islamic finance principle among Muslims in the UK. Although UK muslims not aware about Islamic financing methods, but religious motivation comprised the most significant factor in their strong preference for Islamic banking services.

One of the contributing factors to this absence of awareness among Muslims is the lack of understanding of Islamic banking. A study conducted in Pakistan showed that customer's awareness level towards Islamic banking products is good in some of the general products such as current accounts, time deposit account. But most of the customers are unaware of the different Islamic financial products such as Murabahah, Ijarah. They concluded that Islamic banking industry have to give consideration to providing awareness to their customers (Khattak & Rehman, 2010).

A study was conducted by Muslim and Zaidi, (2008) showed that a good understanding of the terms in term of product and services offered by Islamic bank. The result shows that 84 per cent know the meaning of Riba and 75 per cent know the meaning of Mudharabah, 61 percent know the meaning Murabahah and Ijarah was 64 per cent are generally understood. Meanwhile, Naser, Jamal and Al-Katib, (1999) reported that Jordan's customer more aware of Islamic terminology such as Murabahah, Mudharabah, Musharakah and Ijarah but unfortunately most of customers not using it at Islamic banking. This study also showed that only 47 per cent of customer unaware of Ijarah. In general, most of the customers were aware about fundamental products of Islamic banks but have no knowledge about the complex Islamic financial system (Metawa & Almosawi, 1998).

Nirwani and Ashraf, (2006) that conducted a study on a critical appraisal of Al-Ijarah Thumma Al-Bay (AITAB) operation on issues and prospect determined customers had lack awareness because of lack understanding or knowledge among the dealers. For example, customer's choice between conventional and Islamic financing facility depends mostly on the dealer's explanation and recommendation. However, not all dealers able to educate customer and in reality, dealer even tend to suggest customer using conventional facility either they lack knowledge of AITAB or truly not want their customers expose with Islamic financing facility.

8.4 Social Influence

Many of previous studies referred social influence as subjective norms. Subjective norm refers to the individual's view regarding probability of the potential referent group or individuals to engage or not in a behavior. Almost every day of one's individual will influence by opinions, deeds and advices of other peoples (Fishbein & Ajzen, 1975). Md. Taib, Ramayah and Razak, (2008) found that postgraduate students was influential by subjective norm in behavioral intention to engage on Islamic home financing. Similarly, Hanudin and Rosita (2011) concluded that subjective norm had relationship with determinants of individual's intention to use ar-Rahnu. The researcher stated that friends, family members and teachers could be the agents to impacting individual's reaction pertaining to Islamic pawnshop use.

While, Zarehan and Nahariah, (2011) found that there is a relationship between management and external computing support on IT usage. Management support able to influence Malaysia bankers to ensure sufficient allocation of resource and extent of IT usage. Hanudin et al., (2011) also found that social influence was a key determinant of the intention to use Islamic personal financing after attitude. Besides, previous study conducted by Hanudin in 2010, which the topic is about AITAB facility in Labuan market indicate that financial counseling available and car dealer relationship were found to be significant relationship in choosing AITAB. Social information processing theory (Salancik & Pfeffer, 1978) addressed mechanism by which peers influence individuals' behavior and attitudes to behave. It point out that social environment plays a role in shaping an individual's behavior by focusing his or her attention on certain circumstances.

In contrast, some of the previous studies have reported insignificant social influence or subjective norm toward behavior intention however it depend on the scope of study. For example, Lewis, Agarwal and Sambamurthy, (2003) found that subjective norm had no a direct impact on intention to use information technology. Furthermore another point of critique regarding social influence was found in 2009 by Eckhardt and Andreas. They studied of subjective norm in information system top journal over two decades and found that subjective norm was significant negative impact.

8.5 Summary of Literature Review

As showed in Table 1.1, the patronage studies largely focus on religious obligation, level awareness and social influence. Therefore, this study will contribute further knowledge about factor that influence customer to choose AITAB by select those variables stated above that had being used by other researcher.

Table 1 The patronage studies on factor that influenced customers to choose Al-Ijarah

Factor that influenced customer to choose AITAB				
Literature	A	B	C	D
Ahmad (1995)	n/a	n/a	n/a	+
Vogel & Hayes (1998)	n/a	n/a	n/a	+
Seif.& Irwani (2007)	n/a	n/a	n/a	+
Irwani & Ashraf (2006)'	n/a	+/-	n/a	+
Hanudin et al. (2011)	-	n/a	+	n/a
Hanudin (2010)	+	n/a	+	+
Sulaiman (2003)	+	n/a	n/a	n/a
Metwally (1996)	+	n/a	n/a	n/a
Metawwa & Almossawi (1998)	+	+/-	n/a	n/a
Haron et al. (1994)	+	n/a	n/a	n/a
Gerrard & Cunningham (1997)	+	n/a	n/a	n/a
Erol & El-bdour (1989)	-	n/a	n/a	n/a
Prigatano & Schacter (1991)	n/a	+	n/a	n/a
Muslim & Zaidi (2008)	+	+	n/a	n/a
Gait & Worthington (2008)	n/a	+	n/a	n/a
N.Irwani & Ashraf (2006) ²	n/a	+/-	n/a	+
Omer (1992)	+	-	n/a	n/a
Khattak & Rehman (2010)	n/a	+/-	n/a	n/a
Naser et al. (1999)	n/a	+	n/a	n/a
Fishbein & Ajzen (1975)	n/a	n/a	+	n/a
Md Taib et al. (2008)	n/a	n/a	+	n/a
Hanudin & Rosita (2011)	n/a	n/a	+	n/a
Zaheran & Nahariah (2011)	n/a	n/a	+	n/a
Salancik & Pfeffer (1978)	n/a	n/a	+	n/a
Lewis et al. (2003)	n/a	n/a	-	n/a
Eckhardt & Andreas (2009)	n/a	n/a	-	n/a

Noted: + indicate positive and important results, +/- indicate equivocal results, - indicates negative and no significant result, and n/a indicates variables was not investigated/examined in the study.

A: Religious Obligation

B: Level Awareness

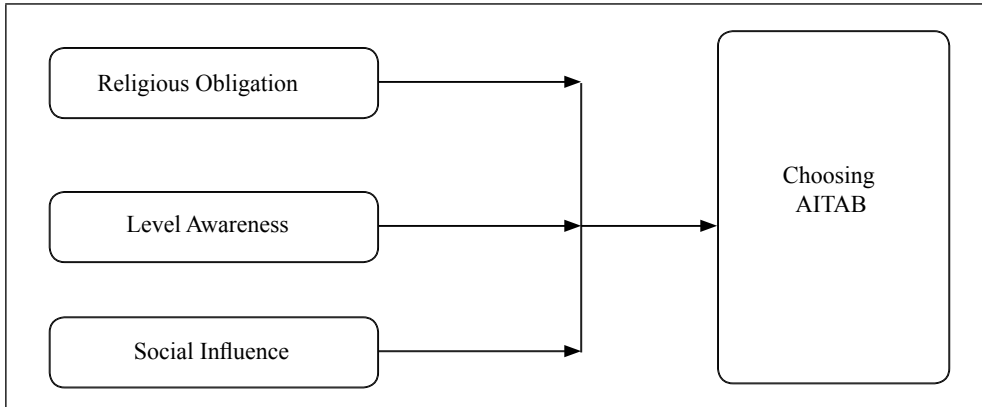
C: Social Influence

D: Al-Ijarah (AITAB)

8.6 Theoretical Framework

Figure 1, above is a theoretical framework based on two types of variables which are Independent Variables and Dependent Variable. The Independent Variables consist of level of awareness, religious obligation and social influence. The Dependent Variable consists of influences of consumer in choosing AITAB.

Figure 1 Theoretical framework



9 Data Collection Method

In this research, the researcher used the set of questionnaire, which distribute to all customers who had experience of using the AITAB facility. A total of 150 questionnaires were distributed to individuals having experienced of the AITAB facility in area of Kota Bharu, Kelantan. Certain potential groups of people were identified based on their experience of using the AITAB facility. The identified groups consisted of people in selected banks, people in street or residential area, Kelantan's government staff, university lecturers and driving schools. The respondents in each of the identified groups were selected based on convenient sampling.

In conducted the survey, the potential respondents were politely approached, and were asked whether they have ever signed up for an Islamic car financing. A brief explanation was given with respect to the objectives of the survey and the contribution they would make by participating in the survey. Once they had agreed to participate, the researcher then handed over the designated questionnaire to the participating respondent alone to answer the questionnaire and did not interfere in any way, to avoid potential bias such as the respondents feeling panicky, threatened or being influenced by the researcher. Once completed, the respondent then returned the questionnaire to the researcher. This approach is similar with studies of customers' perception of Islamic Hire purchase facility in Malaysia conducted by Irwani and Ashraf (2006).

The questionnaires will distributed in one month period which is on November 2012, during various working hours and various days of week except in Friday as respected “Jumaaat” prayer time. The process of data collection continued for one month. The questionnaire was dividing into three sections. The first section consists of demographic data, which focuses on the respondent background while second section consists of the measurement of three independent variables that were religious obligation, level awareness and social influence and last section consists of the questions of dependent variables. The questionnaire was written in both the Malay and English languages. To measure the respondents’ perceptions, the study used the five-point likert type ranking scales from “1”- strongly disagree to “5”- strongly agree. From a total of 150 questionnaires distributed, 140 were returned. This response was considered large enough and sufficient for statistical reliability and generalization. Table 2 depicts the response rate of different groups of respondents.

Table 2 Respondents, and distribution of questionnaires

No.	Respondents	Number Issued	Number of Returned
1	People in selected banks (Automobile Islamic Maybank, Maybank Islamic)	50	43
2	People in street or residential (Shopping complex, town street)	30	30
3	Kelantan’s government staff (Majlis Agama Islam dan Adat Istiadat Melayu, Kelantan)	50	47
4	University lecturers (Universiti Teknologi Mara, Kota Bharu Branch)	10	10
5	Driving schools (Institute Mandu Cekap Hi-Tech Sdn Bhd)	10	10
Total		150	140

From the Table 2, it is observed that people in selected bank and Selangor’s government staff have the highest response of 50 peoples for each group to the questionnaires. Both of the bank that selected, mostly had customers who had bought a car by using Islamic personal financing. Most of them were either waiting for their turn at the counter, or were simply accompanying their friends or relatives to the bank. Besides, the staffs who work at the bank also being ask whether they had used, AITAB scheme or not. However, total seven questionnaires not returned from them because there were some respondents not give participation and went back without return back the questionnaires and there were also some staff who missing the questionnaires. Besides, Kelantan’s government staff in Majlis Agama Islam dan Adat Istiadat Melayu, Kelantan had been chosen to fill questionnaires because the obvious reason was that they were entitled to special government schemes of owning

a private car, which was jointly provided by government and one of the Islamic banks. At there, three questionnaires were not return back by staff.

Apart from the above respondents, questionnaires were also distributed in the street or residential area such as shopping complexes and town streets. Response rate was relatively low (30 respondents) which not surprising due the fact that most of the peoples on the street were in a hurry and less likely to cooperate to the survey. Finally, only ten respondents response was obtained from university lecturer and driving school. Most of the lecturers were busy to their work and rushing to go to the class. In driving school, from researcher's observation, their tiring work environment in which they are constantly exposed to hot and wet weather and having to deal with various attitudes of driving students made them less cooperative.

9.1 Method Analysis

In analyzing the collected data, statistical Package for Social Science (SPSS), version 17 will be used to make the evaluation more accurate and appropriate. For this study, the researcher will use Reliability analysis to study the properties measurement scales and the items that compose the scales. It calculates a number of commonly used measures of scale reliability and also provides information about relationship between individual items in the scale. "Cronbach's Alpha" will be use in this study to find out internally consistency reliability of the study by measuring all variables into the data. Other than that, the Factor Analysis will be tested. Factor analysis is a statistical method used to describe variability among observed variables in terms of fewer unobserved variables called factors. (Nor' Azurah, Nurul Haida & Wan Asma, 2006). This statistical tool stated the method, which can assist the researcher to reduce large number of items to some smaller number by showing which variables belong mutually and which seem to show the same thing. The analysis is also important in confirming the construct validity of the scales using the principal component analysis (Emory & Cooper, 1991). Kaiser-Meyer-Olkin (KMO) in factor analysis will explained adequacy test whether the partial correlations among variables are small. Bartlett's test of sphericity tests whether the correlation matrix is an identity matrix, which would indicate that the factor model is inappropriate. Factor Analysis conducted to find the most variables or most factor that influenced customers to choose AITAB. Next after that the analysis will used Kruskal Wallis Test. It is a non-parametric method for one-way analysis of variance used to determine if three or more samples originate from the same distribution. The Kruskal-Wallis test essentially a standard one-way analysis of variance, with ranks assigned to the data points replacing the data points themselves. It conducted in the hypothesis test to assess any significant relationship between independent and dependent variables by the different groups involved in this survey. These non-parametric tests are appropriate when measurements of the variables

under investigation are in ordinal scale. Using this method, we can determine the relationship strength between the independent and dependent variables. Significance values that lower than 0.05 ($p < 0.05$) means, that null hypothesis is rejected and alternative hypothesis accepted.

10 Finding and Analysis

10.1 Reliability

The reliability of a measure is established by testing for both consistency and stability. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Cronbach's alpha is computed in terms of the average intercorrelations among the items measuring the concept. The findings of reliability test shows as follow by Table 3. This table show Cronbach's Alpha for the overall scale question is equal to 0.957. It means that 95.7% from 35 questions developed regarding factor influenced customers to choose AITAB are acceptable. Thus, the internal consistency reliability of the measure used in this study can be considered to be excellent. SPSS also found out Cronbach's Alpha based on standardized items that is equal to 0.959. Thus, it means that, 95.9% from questions had internally consistent reliable variance. Basically, the different between both are the first Cronbach's Alpha employ covariances among the items and not based on standardized items whereas second Cronbach's alpha based on standardized items employs the correlation among items and it based on assumption that all the items have equal variances which often false in practice.

Table 3 Reliability analysis

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.957	0.959	35

10.2 Frequencies Distribution

A set of data organized by summarizing the number of times a particular value of variable occurs. It will measure information of the respondents answer from the questionnaire. Frequencies distribution is useful to summarizes respondent's background on some basic statistics consist of eight questions of personal information, which is the question that asked about the gender, age, race, religion, education, employment, and monthly income of respondents.

Table 4 Distribution of respondents

		Frequency	Per cent %
Gender	Male	73	52.1
	Female	67	47.9
Marital Status	Single	59	42.1
	Married	78	55.7
	Divorced	3	2.1
Age	30 years and below	63	45
	31-40 years	38	27.1
	41-50 years	22	15.7
	51 years and above	17	12.1
Race	Malay	129	92.1
	Chinese	4	2.9
	Indian	7	5
Religion	Muslim	129	92.1
	Christian	4	2.9
	Buddhist	5	3.6
	Others	2	1.4
Education	Secondary or lower	40	28.6
	Diploma or STPM	42	30
	Bachelor	48	34.3
	Master or PhD	10	7.1
Employment	Government	37	26.4
	Private Company	69	49.3
	Self-Employment	20	14.3
	Others	14	10
Monthly Income	Below RM 2000	51	36.4
	RM2001 - RM3000	33	23.6
	RM3001 - RM4000	29	20.7
	RM4000 above	25	17.9
	Missing (no response)	2	1.4

As can be seen in Table 4, the sampled respondents comprised 52.1 per cent male and 47.9 per cent females, and at the time of survey, 78 per cent of the respondents were married. The majority respondents' age were 30 years below (45.0%), followed by the range between 31-40 years (27.1%), 41-50 years (15.7%), and above 51 years (12.1%). In terms of races, most of the respondents were Malay and Muslims (Islam). There were also non-Muslim who had using Islamic loan, which were Indian (5%) and followed by Chinese (2.9%) which profess Buddhist, Christian, and others religion.

The majority of the respondents had Bachelor level in their education level (34.3%) followed by Diploma or STPM (30.0%), secondary or lower (28.6%) and the lowest was Master or PhD (7.1%). Most of respondents who had bought a car by using Islamic loan in Kota Bharu were private company employees (49.3%) while the rest were government, self-employment and others. Lastly, the results reported in Table 4 also indicated that most of the respondents were in the below RM2000 (36.4%) monthly income group. Meanwhile, 23.6 per cent of the survey respondents earned RM2001-RM3000, followed by RM3001-RM4000 (20.7%) and above RM4000 was 17.9 per cent.

10.3 Ranking (Mean)

In this study, the researcher use “mean” to identify the major factor influenced customers to choose AITAB among respondents. The “mean” useful to measure central tendency that offers a general picture of the data without unnecessarily inundating one with each of the observation in a data set.

Table 5 Statistics for religious obligation

Variables	N		Mean	Ranking
	Valid	Missing		
AITAB is in line with an Islamic Philosophy of doing banking business	140	0	3.75	4
Aitab is based on Islamic principle business implementation	140	0	3.85	2
An introduction of aitab is based on al-Quran and Hadith	140	0	3.66	7
AITAB is free from riba/interest	140	0	3.57	9
AITAB is free from fraud	134	6	3.6	8
I choose AITAB because of my religious understanding	140	0	3.74	5
I choose AITAB because of my religious belief	140	0	3.86	1
I choose AITAB because it is according to Shariah guidelines	140	0	3.74	5
I choose AITAB because my adherence toward religious	140	0	3.8	2
I choose AITAB as financing method for the last resort	140	0	3.01	10

Table 5 shows the rank of the variables by the mean factor. The highest mean is 3.86 for question seven, in which respondents viewed that they choose AITAB because of their religious belief. The lowest mean is 3.01 for question ten, indicates there were lowest respondents to choose AITAB as financing method for the last resort. The result for question ten is consistent with the result of Irwani & Ashraf. (2006) that indicated small minority and the lowest mean who agree with the statement.

Table 6 Statistics for level awareness

Variables	N		Mean	Ranking
	Valid	Missing		
Before this, I was aware about AITAB scheme	130	10	3.12	8
Previously, I already know and understand about AITAB scheme	140	0	3.06	10
AITAB is a good alternative to acquire asset	140	0	3.54	5
AITAB offering good pricing quality	140	0	3.54	5
AITAB is different from conventional hire purchase	139	1	3.73	3
AITAB is one of the best Islamic banking products	140	0	3.76	1
I always saw AITAB promotion in mass media	140	0	3.11	9
I choose AITAB because of the charged impose are lower that conventional hire purchase	140	0	3.46	7
I choose AITAB because it more safety	140	0	3.64	4
Overall, AITAB had very good promising future prospect	140	0	3.76	1

Table 6 shows the rank of the variables by the mean factor. There were two questions had the highest mean which is 3.76 for question six and ten, in which respondents viewed that AITAB is one of the best Islamic banking products and overall, AITAB had very good promising future prospect. The lowest mean is 3.06 for question two, indicates there were lowest respondents in previously, already know and understand about AITAB scheme.

Table 7 Statistics for social influence

Variables	N		Mean	Ranking
	Valid	Missing		
Most people who are close to me think that I have to choose AITAB	140	0	3.3	5
It is expected by others that I should choose Islamic personal financing	140	0	3.52	1
Most people who are important to me think that AITAB is useful	140	0	3.39	4
Most people who are important to me think that AITAB is beneficial	140	0	3.45	2
Most people are assume me familiar with the need of Shariah	140	0	3.45	2
I choose AITAB because of influenced by car dealer	140	0	3.09	7
I choose AITAB because the bank choose it	140	0	3.06	8
I choose AITAB because of influenced by my family	140	0	2.79	9
I choose AITAB because of influenced by my friends	140	0	2.79	9
I choose AITAB because of influenced by my company decision to take only Islamic loan scheme	140	0	3.21	6

Table 7 shows the rank of the variables by the mean factor. The highest mean is 3.52 for question two, in which respondents viewed that it was expected by others that they should choose Islamic personal financing. There were two questions had the lowest mean which is 2.79 for question eight and nine, indicates that only minority of the respondents were influenced by their family and friends to choose AITAB.

Table 8 Statistics for choosing AITAB

Variables	N		Mean	Ranking
	Valid	Missing		
I am interested to use Islamic hire purchase (AITAB)	140	0	3.69	1
I am interested to use Islamic hire purchase (AITAB) in the future	140	0	3.09	4
I will use Islamic hire purchase (AITAB) someday	140	0	3.12	3
I like to use Islamic personal financing	140	0	3.50	2
I will definitely recommend Islamic hire purchase (AITAB) to others	140	0	3.06	5

Table 8 shows the rank of the variables by the mean factor. The highest mean is 3.69 for question one, in which respondents viewed that they were interested to use Islamic hire purchase (AITAB). The lowest mean is 3.06 for question five, indicates they were lowest respondents agree to definitely recommend Islamic hire purchase (AITAB) to others.

10.4 Factor Analysis

Table 9 Rotated Component Matrix^a on factor selection AITAB

Variable	Factor			Communality of Each Variable
	1 Religious Obligation	2 Level Awareness	3 Social Influence	
S7				.712
R1			.843	.787
R3	.830			.774
R7	.828			.781
R2	.825			.781
R6	.822			.730
R9	.817			.741
S9	.807			.717
S3			.803	.731
R8	.801			.777
S8	.798			.713
S6			.795	.601
S4			.769	.732
L4	.754			.623
R4		.748		.692
R5	.744			.580
L7	.727			.604
S2		.706		.598
L3	.704			.698
S10		.693		.541
S5			.691	.660
L2	.680			.569
L1		.679		.548
S1		.678		.617
L6	.676			.738
L10	.541	.667		.626
L9		.660		.653
L5		.657		.625
L8		.638		.576
R10		.593		.166
Eigenvalue	14.213	3.365	2.111	
% of Variance	47.376	11.218	7.037	
Cumulative%	47.376	58.594	65.631	

Extraction method: Principal Component Analysis, Rotate Method: Varimax with Kaiser Normalization

Table 10 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.901
Bartlett's Test of Sphericity Approx. Chi-Square	3679.991
df	435
Sig.	.000

Variables:

- R1** AITAB is in line with an Islamic philosophy of doing banking business
- R2** AITAB is based on Islamic principle business implementation
- R3** An introduction of AITAB is based on al-Quran and Hadith
- R4** AITAB is free from riba/interest
- R5** AITAB is free from fraud
- R6** I choose AITAB because of my religious understanding
- R7** I choose AITAB because of my religious belief
- R8** I choose AITAB because it is according to Shariah guidelines
- R9** I choose AITAB because my adherence toward religious
- R10** I choose AITAB as financing method for the last resort
- L1** Before this, I was aware about AITAB scheme
- L2** Previously, I already know and understand about AITAB scheme
- L3** AITAB is a good alternative to acquire asset
- L4** AITAB offering good pricing quality
- L5** AITAB is different from conventional hire purchase
- L6** AITAB is one of the best Islamic banking products
- L7** I always saw AITAB promotion in mass media
- L8** I choose AITAB because the charged impose are lower compared to conventional hire purchase
- L9** I choose AITAB because it more safety
- L10** Overall, AITAB had very good promising future prospect
- S1** Most people who are close to me think that I have to choose AITAB
- S2** It is expected by others that I should choose Islamic personal financing
- S3** Most people who are important to me think that AITAB is useful
- S4** Most of people who are important to me think that AITAB is beneficial
- S5** Most people are assume me familiar with the need of Shariah
- S6** I choose AITAB because of influenced by car dealer
- S7** I choose AITAB because the banks choose it
- S8** I choose AITAB because of influenced by my family
- S9** I choose AITAB because of influenced by my friends
- S10** I choose AITAB because of influenced by my company decision to take only Islamic loan scheme

Table 9 shows the results for the factor analysis by used items in the questionnaire. The results reveal the presence of three factors with thirty (30) items of choosing AITAB facility. The eigenvalue for the three factors are 14.213, 3.365, and 2.111 respectively. These three factors explain a total of 65.63 per cent of the variances. Specially, Factor 1 has fourteen (15) significant loadings, Factor 2 nine (10) significant loadings and Factor 3 has five (5) significant loading respectively. Factor analysis found three dimension which explains 65.63 per cent variance, whereas maximum variance explained by Religious Obligation (R = 47.38%) followed by Level Awareness (L = 11.22%) and Social Influence (S = 7.04%).

The first factor (*Religious Obligation*) delineates a cluster of relationship attributes are '*AITAB is in line with an Islamic philosophy of doing banking business*' (R1), '*An introduction of AITAB is based on al-Quran and Hadith*' (R3), '*I choose AITAB because of my religious belief*' (R7), '*AITAB is based on Islamic principle business implementation*' (R2), '*I choose AITAB because of my religious understanding*' (R6), '*I choose AITAB because my adherence toward religious*' (R9), '*Most of people who are important to me think that AITAB is useful*' (S3), '*I choose AITAB because it is according to Shariah guidelines*' (R8), '*Most of people who are important to me think that AITAB is beneficial*' (S4), '*AITAB is free from riba/interest*' (R4), '*AITAB is free from fraud*' (R5), '*It is expected by others that I should choose Islamic personal financing*' (S2), '*Most people are assume me familiar with the need of Shariah*' (S5), '*Most people who are close to me think that I have to choose AITAB*' (S1), and '*AITAB is one of the best Islamic banking products*' (L6). The nature of the highly loaded variable on this factor suggests that it can be named "Religious Obligation" contributes 47.38% of the factor that influenced customers to choose AITAB. Since Factor 1 has the highest eigenvalue and variance (eigenvalue = 14.213, variance = 47.376%), it necessary the most important factor that has influenced customers to choose AITAB.

Turning to an interpretation of independent dimensions based on the varimax rotated matrix as given in Table 9, one can see that the first factor (*Level Awareness*) delineates a cluster of relationship amongst the following attributes are '*AITAB is offering good pricing quality*' (L4), '*I always saw AITAB promotion in mass media*' (L7), '*AITAB is a good alternative to acquire asset*' (L3), '*Previously, I already know and understand about AITAB scheme*' (L2), '*Before this, I was aware about AITAB scheme*' (L1), '*AITAB is one of the best Islamic banking products*' (L6), '*Overall, AITAB had very good promising future prospect*' (L10), '*I choose AITAB because it more safety*' (L9), '*AITAB is different from conventional hire purchase*' (L5), and '*I choose AITAB because the charged impose are lower compared to conventional hire purchase*' (L8). The nature of the second higher loaded variable on this factor

suggest that it can be named “*Level Awareness*” contributes 11.22 per cent of the factor influenced customers to choose AITAB and has the second higher eigenvalue and variance, (eigenvalues = 3.365, variance = 11.218%).

The third factor (*Social Influence*) delineates a cluster of relationship attributes are ‘*I choose AITAB because the bank choose it*’ (S7), ‘*I choose AITAB because of influenced by my friends*’ (S9), ‘*I choose AITAB because of influenced by my family*’ (S8), ‘*I choose AITAB because of influenced by car dealer*’ (S6), and ‘*I choose AITAB because of influenced by my company decision to take only Islamic loan scheme*’ (S10). The nature of the third loaded variable and contributes the most less of factor influenced customer to choose AITAB which around 7.04 per cent. Since Factor 3 has the third eigenvalue and variance, (eigenvalue = 2.111%, variance = 7.037%).

In testing whether factor analysis was appropriate for the factor selection AITAB, KMO and Bartlett’s Test of Sphericity were conducted. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Looking at the Table 10, the KMO measure is 0.901 which is above the acceptable level 0.5. From the same table, we can see that the Bartlett’s test of sphericity is significant. That is, its associated probability is less than 0.05. The Bartlett Test of sphericity at 0.000, it means it is below the alpha value of 0.05, thus significant. Therefore, the validity of this study is considered to be acceptable. Based on this favourable results, factor analysis was conducted using Principal Component Analysis (PCA) and Varimax Rotation with Kaiser Normalization. The result of varimax rotated factors given in Table 9 along with communality values of each variables, eigenvalues, percentage of explained variance.

10.5 Hypothesis Tests

Hypotheses 1:

- H_0 : There is no significant relationship between the acceptances of AITAB among customers with the religious obligation.
- H_a : There is significant relationship between the acceptances of AITAB among customers with the religious obligation.

Table 11 K-W Test Result comparing the mean ranks of relationship between religious obligation with choosing AITAB

Degree of Influence	Value	Total (%)	N	Mean Rank	Chi-Square X^2	Asymp. Sig. (p)
Strongly Agree	5	32.14	45	91.68	X ² = 23.287	.000
Agree	4	35.00	49	66.90		
Disagree	2	7.14	10	63.90		
Strongly Disagree	1	2.86	4	49.88		
Neutral	3	22.86	32	50.88		
Total		100	140			
df	4					

The first hypothesis was used *Kruskall-Wallis Test*. Table 11 shows that while there is significant relationship between the acceptances of AITAB among customers with the religious obligation (H_a). The chi-square, X^2 values for the variables is 23.287 at 0.05 confidence interval; 4 degree of freedom. The significance level ($p = 0.000$) for the ‘Relationship between Religious Obligation with Choosing AITAB’ is lower than 0.05 level, indicating the existence of variations between the variables. Hence, the alternative hypotheses should be accepted. That mean we reject the null hypothesis (H_0) which there is no significant relationship between the acceptances of AITAB among customers with the religious obligation. From frequency results, the result show that majority customers have opted for religious obligation as a factor to choose AITAB.

Hence, the alternate hypothesis is accepted, thus null hypothesis is rejected.

Hypotheses 2:

H_0 : There is no significant relationship between the acceptances of AITAB among customers with the level awareness.

H_a : There is significant relationship between the acceptances of AITAB among customers with the level awareness.

Table 12 K-W Test Result comparing the mean ranks of relationship between level awareness with choosing AITAB

Degree of Influence	Value	Total (%)	N	Mean Rank	Chi-Square X^2	Asymp. Sig. (p)
Strongly Agree	5	13.08	17	95.44	X ² = 22.383	.000
Agree	4	30.00	39	72.78		
Disagree	2	16.15	21	44.67		
Strongly Disagree	1	13.85	18	55.33		
Neutral	3	26.92	35	60.57		
Total		100	130			
df	4					

Table 12 shows that while there is significant relationship between the acceptances of AITAB among customers with the level awareness (H_a). The chi-square, X^2 values for the variables is 22.383 at 0.05 confidence interval; 4 degree of freedom. The significance level ($p = 0.001$) for the 'Relationship between level awareness with choosing AITAB' is lower than 0.05 level, indicating the existence of variations between the variables. Hence, the alternative hypotheses should be accepted. That mean we reject the null hypotheses (H_0) which there is no significant relationship between the acceptances of AITAB among customers with the level awareness. From frequency results, the result show that customers have opted for level awareness as a factor to choose AITAB after religious obligation. Hence, the alternate hypothesis is accepted, thus null hypothesis is rejected.

Hypotheses 3:

- H_0 : There is no significant relationship between the acceptances of AITAB among customers with the social influence.
- H_a : There is significant relationship between the acceptances of AITAB among customers with the social influence.

Table 13 K-W Test Result comparing the mean ranks of relationship between social influence with choosing AITAB

Degree of Influence	Value	Total (%)	N	Mean Rank	Chi-Square X^2	Asymp. Sig. (p)
Strongly Agree	5	17.14	24	87.58	X ² = 17.318	.002
Agree	4	25.71	36	84.89		
Disagree	2	14.29	20	63.90		
Strongly Disagree	1	7.86	11	62.32		
Neutral	3	35.00	49	56.09		
Total		100	140			
Significant	0.001					

The third hypothesis was shows that while there is significant relationship between the acceptances of AITAB among customers with the social influence (H_a). The chi-square, X^2 values for the variables is 17.318 at 0.05 confidence interval; 4 degree of freedom. The significance level ($p = 0.002$) for the ‘Relationship between Social Influence with Choosing AITAB’ is lower than 0.05 level, indicating the existence of variations between the variables. Hence, the alternative hypotheses should be accepted. That mean we reject the null hypothesis (H_0) which there is no significant relationship between the acceptances of AITAB among customers with the social influence. From frequency results, the result show that customers have also opted for social influence as a factor to choose AITAB after religious obligation and level awareness. Hence, the alternate hypothesis is accepted, thus null hypothesis is rejected.

11 Conclusion

There is a general acceptance AITAB throughout the Islamic banking system in Kota Bharu, and all the factors influenced customers have positive relationship with choosing AITAB. As the data are nonparametric so *Kruskall Wallis* test is calculated between independent variables and dependent variable and results shows that there is positive relationship between independent variables such as “*Religious Obligation*”, “*Level Awareness*”, and “*Social Influence*”. From *Factor Analysis*, the results show that the religious obligation was the most important and most influential variables in choosing AITAB.

The result of the survey conducted among 150 AITAB customers reveal that a large majority of them are choose “*Religious Obligation*” as factor influenced to choose AITAB in Kota Bharu. Kota Bharu is a modern city with a unique identity of “*Malay City*” and most of their residents were muslim. In line with this identity, Majlis Perbandaran Kota Bharu, Bandar Raya Islam was declared the first city in the world with no entertainment outlets to avoid any vice activities. Therefore, it shows that Kota Bharu area had strong knowledge about religious views. Besides, the result also shows that 92.1 per cent of the respondents fill the questionnaire were muslim. However, the findings are not consistent with previous studies (Hanudin et al, 2011) because the researcher found that religious obligation is not significant determinant of the intention to use Islamic personal financing. The reason because, the sample for the study were customers in the city of Labuan, East Malaysia that we know that area comprised many population of non-muslim.

The customers had choose religious obligation as reasons, but there are some other factors that motivate the customers for choosing AITAB such as “*Level Awareness*”. This result proof that most of the respondents are highly educated because 36.3

per cent of the respondents was from bachelor level education and 30.0 per cent of the respondents from diploma and STPM level education that indicated the highest percentage among the others.

The results from in this study also indicated “Social Influence” had significant relationship with choosing AITAB facility. The findings are consistent with previous study (Taib et al., 2008 and Hanudin et al., 2011), for instance, the clients’ attitudes and social influence are both found to be significant of the intention to use Islamic personal financing. From the questionnaire, many respondents agreed that most of the people that important for them think that AITAB is beneficial. Besides, most of them agreed that they choose Islamic personal financing because of influenced by company decision to take only Islamic scheme in other to get dividend.

As conclusion, there is a strong relationship between religious obligation, level awareness, and social influence in choosing AITAB. Hence, this show AITAB is declare as the best product of Islamic Banking. Furthermore, this will bring a better promising future in Islamic Banking.

12 Recommendation

From the conclusions of the study, the following recommendations can be reasonably forwarded for Islamic banks in Kota Bharu. First, among the age categories, 30 years below was the most categories fill the questionnaires. Therefore, Islamic banks should target its marketing mix toward this category. Such a technique will ensure attraction of job market entering people towards Islamic bank products/service and also retention of the people who are likely to remain long-term loyal customers.

Second, religious principles remain at the heart of people’s preference for choosing Islamic products. This indicates that the banks should remain highly dedicated to Islamic principles. Any attempts to introduce any products/service (particularly the ones that have a fixed amount of profit upfront instead of a ratio of profit sharing) that may have substantial similarity with the traditional banking products/services should be thoroughly explained on the basis on Islamic principles and should be checked for customers’ acceptance.

Third, Islamic banks should try to find out some ways to better familiarize its customers with the Islamic products. Even though, there was significant relationship level awareness with choosing AITAB, however, 34.3 per cent and 33.6 per cent choose “*Neutral*” that AITAB if free from riba/interest and free from fraud. The percentages indicated the highest percentage from five ranges of scale. It means,

customers still confused about some information in Islamic products. Therefore, it is better for Islamic banking advertise more information regarding Islamic products so that customers more aware.

Based on results and personal observations it is recommended that the Islamic banks in Kota Bharu should increase its attentions towards social influence through car dealer, agent, staff and so forth. In this early period of Islamic banking, there is a need for experienced and shariah knowledgeable staff for developing products and in the banking operation region. There is a need to encourage Islamic banks to have their own Islamic banking training forum, which will enhance the staff quality.

Like other previous studies, this study also has its own limitations, which fall three categories. Firstly, this study only surveyed customers who had bought car by using Islamic personal financing and limited to (N=150) and therefore the sample size was 140, after made the screening work to the questionnaires. This would lead to further investigation by conducting similar studies with a large sample size to verify and extend the results of this research. Secondly, the study only conducted in area Kota Bharu. The results may differ if the same study is conducted in other cities or town in the state or the country. Future research should work to compare the extent of AITAB financing facility in different or any other cities elsewhere in Malaysia. Lastly, the study examined only three factors which is religious obligation, level awareness and social influence and found that all factor had significant relationship for choosing AITAB. Future study should consider other potential factor such as “reward”, “Islamic banks performance”, “substitution effect between Islamic and non-Islamic financing products”, and the “experience of Islamic personal financing bank customers.

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