

GEN Y TENDENCY TOWARDS ISLAMIC BANKING PRODUCTS AND SERVICES IN MALAYSIA

Hasni Hashim

Commerce Department
Politeknik Sultan Salahuddin Abdul Aziz Shah

hasnihashim@psa.edu.my

Abstract

The Islamic Banking products offered an alternative to the conventional banking product. By having Islamic Banking products and services, customers are given choices of products and services which can cater need, obligations and to perform banking transactions according to Shariah law. With effective and attractive Islamic Banking product, this can facilitate the efficient movement of funds. It is highly important to develop Islamic Banking industry in Malaysia and the growth of the economy, especially of those Muslims who are concerned and always ensure their transactions are Shariah compliance. However the tendency of Islamic Banking products still at low level. Hence, this study is needed in order to investigate the tendency of Gen Y towards Islamic Banking products and services in Malaysia. The data will be collected using quantitative methods. Quantitative method will be adapted and used to identify which factor influence the most. The result can be used by related parties to design their product and services, and also to design the most attractive marketing tools in order to attract Gen Y subscribing their products and services.

Keywords: Gen Y, tendency, Islamic Banking, religion, awareness of products and services, awareness Of financial teaching of Islam, advertisement, networking, reputation

1.0 Introduction

Islamic Banking is referring to a banking system that is compliance with Islamic law or Shariah law. In Islamic Banking, the underlying principles stressed on mutual risk and profit sharing by related parties, and assured fair play to all involved parties while transacting the underlying business activity or asset (BNM, 2008). In Islamic Banking, parties involved are encouraged to participate in Entrepreneurship, whereby activities must benefit society as a whole. However, Islamic Banking prohibited any activities which involved in Riba (interest base), Maisir (gambling) and Gharar (speculative trading).

Currently, 24% (or around 1.6 billion) out of the world population of 64 billion people are Muslim. In Malaysia itself, as at July 2014, around 61.3% of the population of 30,073,353 are Muslim (Index Mundi, 2014). However only 34% of young Muslims subscribed to Islamic Banking products (Isfire, 2015). From this data, the banking industry market player grabbed the opportunity to offer Islamic Banking products and services across the world to cater the demand by the Muslim population in the

world. Even in Malaysia, most of the conventional banks nowadays come out with their alternative products under Islamic Banking concepts. Islamic Banking gained 20 percent of market share in the banking industry in Malaysia (MICF, 2014). With almost 91% of Malaysian are multi-banked customer, there are also room of opportunity to embark more on market segmentation, which can be performed through cross selling to attract more customer to use Islamic Banking products.

Tabung Haji, the first Islamic saving institution in Malaysia started its operation in 1963 in order to assist in saving or financial management for Muslim or rural community in Malaysia to perform hajj in Makkah. First Islamic bank is Bank Islam which is under Islamic Banking Act 1983. In 1993, Bank Negara Malaysia allowed existing commercial banks, merchant banks and finance companies to offer Islamic Banking products and services under the Islamic Banking Scheme (IBS banks). The IBS banks are required to ensure that the funds and activities of the Islamic Banking transactions are separated from the conventional banking business (Bankinginfo, 2009).

17 Islamic Banks have operated in Malaysia, where 10 of this bank are local Islamic Banks, while another 7 are foreign based Islamic Banks (BNM, 2013). Malaysia known and acknowledged as the financial capital of the world in Islamic finance due to rapid growth in Islamic Banking development. This is due to the robustness of regulatory framework, fully support by government of Malaysia, and also roles of Bank Negara Malaysia (BNM) in designing legal and tax framework and a diverse, sophisticated and innovative range of products and solutions (BNM, 2013).

The Islamic Financial Services Act (IFSA 2013) also used by (BNM, 2013). BNM as regulatory tool, response to the emerging risks and increased volatility of doing business in the present financial world. In order to perform Islamic Banking, Islamic Banks and IBS need their own Shariah Committees which help them to guide and to ensure they are inline on Shariah matter. Shariah Committees and the Shariah Advisory Council (highest body set up by Bank Negara Malaysia) are coming from academicians and Shariah experts in Islamic Banking and finance (Bankinginfo, 2009).

Islamic Banking products in Malaysia can be divided into 6 different groups of products such as deposit, investment, finance based on fund, finance based on fee, trade finance and card services. Here, researcher can see that almost all of the market player in Islamic Banking are trying to gain bigger market share, but come across researcher mind whether Malaysian, particularly Muslim are aware or not with the products and services Islamic Banking.

1.1 Problem of Statement

World Islamic Banking Competitiveness Report for year 2013- 14 revealed that 38 million customer (which believed to be holder of deposit accounts) globally are attached with Islamic banks. However this indicated that only 2.3 percent of Muslim around the world is using Islamic Banking products or services.

In Malaysia, even Muslim population is the largest (24%), the market penetration rate for Takaful (product under Islamic finance) is relatively low, which only 54 percent of the population having a life insurance or Family Takaful policy. Etiqa Takaful Bhd Chief Executive Officer, Ahmad Rizlan Azman however commented that there is a huge potential for Islamic Banking product to grow in Malaysia (Bernama, 2014).

Penetration or tendency to use Islamic Banking products and services among Malaysian still at the lower level. Malaysia's Islamic Banking has grown rapidly at average 18% per annum but if compared to growth in conventional banks, this percentage still at infancy level. Lo & Leow (2013) recommended

effective strategies to educate and attract more consumers to use Islamic Banking products. One of the leakage that contribute to the low penetration on Islamic Banking products particularly by Muslim, might be due to marketing segmentation. Islamic Banks are encouraged to perform solid segmentation as it can boost the sales through optimization of marketing spend and incentives for staff (MICF, 2014).

Right kind of promotion is a must in order to maintain the customer. The organization also needs to ensure that the right products and services offered and making it available at the right time for the customers (Munusamy, Chelliah, & Mun, 2010).

According to Zarehan & Hazlina (2012) there is no significant different in the selection of banking criteria for both Muslim and Non-Muslim in Malaysia. Religious motivation is not a primary factor in bank selection criteria but bank customers place high emphasis on provision of fast and efficient service, confidential of the bank and banks reputation and image as their main selection criteria. Thus, in order to retain the existing and to attract new customers, banks have focus on consumer preferences as compared to religion factor when they offer the Islamic banking products.

Islamic banking initially established to cater for the needs of Muslims customers, as Muslims are obliged to obey the Shari'ah principles (Islamic Jurisprudence) in all aspects of life. However, the number of non-muslims involved in Islamic banking is increasing. In the case of Malaysia, the contributions of non-Muslims towards the development of Islamic banking have been remarkable, as some banks report that more than half of their Islamic financial products is by non-Muslim customers (Farah, Ahmad & Mustafa, 2013)

Islamic Banks also faced the challenge of meeting the needs and wants of its customers who are having modern lifestyle and technologically savvy, Gen-Y customers who are plugged in 24 hours a day, seven days a week. Gen-Y prefers to communicate and perform their banking transactions using the latest technological gadgets and tools banking at the speed of thought (The Malaysian Reserve, 2014).

In year 2010, almost 11.1 million of Gen Y in Malaysia are employed (MyStarjob, 2014). This information revealed that the ability of Gen Y in Malaysia to use Islamic Banking products as they already have their own income and at this age they tend to transact their banking needs and also looking for financial stability. However it is questionable on their tendency towards Islamic Banking products and services. Therefore, with the low penetration on Islamic Banking among Malaysian, this drives the researcher to focus on the tendency of Islamic Banking products. However the study will be more focus on Gen Y in Malaysia as they already in employment and able to effect the financial industry in Malaysia, particularly in Islamic Banking.

1.2 Objective(s) of the research

Main objective

- i. To determine the tendency towards Islamic Banking products and services by Gen Y in Malaysia.

Specific Research Objective

- i. To explore the tendency towards Islamic Banking products and services by Gen Y in Malaysia.
- ii. To differentiate the tendency towards Islamic bank products and services by Gen Y Muslim and Gen Y non-Muslim in Malaysia.

1.3 Scope of the Study

The research is focusing on tendency towards Islamic Banking products and services which been offered by Islamic Banks and IBS banks in Malaysia. It is further highlighted on the Gen Y especially those who are already employed, and have full power in reflecting financial structure in Malaysia.

1.4 Significance of the Study

User

- i. Findings of the study will contribute to a body of knowledge on tendency that motivated Gen Y non-Muslim towards Islamic Banking
- ii. Findings of the study will contribute to a body of knowledge on tendency that motivated Gen Y Muslim towards Islamic Banking

Institutions

Banks/ Regulator

- i. Islamic Banks to work on interactive platform instead they can develop more marketing strategies to attract youngsters or young graduates to use Islamic Banking.

Learning Institutions

- i. Educators to develop certain programs and design relevant courses which can help Gen Y to understand more on Islamic Banking.

Future Research

- i. To be an inspiration for other researchers to continuously exploring on this topic and focus on other generation such as Gen X.

2.0 Literature Review

2.1 Islamic Banking

Islamic Banking is defined as banking transaction based on Islamic law (Shaiah), and also called fiqh muamalat (Islamic rules on transactions). The rules and practices of fiqh muamalat came from the Quran and the Sunnah, and secondary sources of Islamic law such as opinion collectively agreed among Shariah scholar (ijma'), analogy (qiyas) and personal reasoning (ijtihad) (Bankinginfo, 2009). Ali & Farrukh (2013) described Islamic Banking as banking in consonance with the culture and worth system of Islam and ruled down by Islamic Sharia. Islamic banking stay prohibited interest based transactions.

The initiatives of government of Malaysia, and with the help from Bank Negara Malaysia in order to acknowledged Malaysia as Islamic Finance hub can help to strengthen banking industry not only in Malaysia, but also across the world. With the launched of Malaysia International Islamic Finance Centre (MIFC) in 2006 as making Malaysia as international marketplace for Islamic Finance (MIFC, 2014). As international marketplace for Islamic Finance, it is better for Malaysia to educate and create more awareness among Malaysian on Islamic Banking.

Most of the Islamic Banking customers are more interested to use Islamic Banking due to interest free banking, mutual participation, transparency, service quality and marketing as compared to conventional set - up of services provided by banks (Abbasi, et al., 2012).

2.2 Tendency Towards Islamic Banking

Tendency means a quality that makes something likely to happen or that makes someone likely to think or behave in a particular way (Webster, 2015). Tendency in Islamic Banking mean the quality that affects someone to perform their banking transaction using Islamic Banking.

2.3 Religion

Religion known as an interest, a belief, or an activity that is very important to a person or group (Webster, 2015). Religious view is the main factor of motivation as of why they choose Islamic Banking (Nasir, Ali, Muhammad, & Khizer, 2013). Study on 250 academicians in public institutions of higher learning in selecting a Islamic Banks showed that religious value appears to be the most important factor, followed by other factors include ATM services, financial security, cost and benefit and attractiveness (Idris, et al., 2011). Religious value playing important roles as it can help to create awareness to ensure Muslim use banking products which follow Shariah concepts.

2.4 Awareness of products and services

Most of the Islamic Banking customers are more interested to use Islamic Banking due to interest free banking, mutual participation, transparency, service quality and marketing as compared to conventional set - up of services provided by banks (Abbasi, et al., 2012). However, awareness level of people regarding products and services is low and not significant according to study by Tara et al. (2014).

2.5 Awareness of financial teaching of Islam

Tara et. Al (2014) performed study on 150 respondents of Muslim community on Islamic Banking in Pakistan on tendency matters. Financial teaching of Islam is the most influential factor that persuades Pakistanis to use Islamic Banking and which indicated that they aware on knowhow of front desk activity, the IB operations such as knowledge that their fund not invested in interest bearing activities

2.6 Advertisement

It is important to improve and encourage the benefits of Islamic Banking products and services to their customer. Jamshidi, Hussin & Wan (2014) recommended Islamic Banks and IBS must know their potential customer in order to satisfy their Shariah compliance requirement as well as banking needs through demographic differences, segmentation that they belong as well as their preferences.

By performing necessary study, marketing strategies, marketing segmentation can be performed accordingly. Islamic Banking is fully associated with trust which will positively influence on customer loyalty. Islamic Banks can develop marketing strategies which directed to building trust to the Islamic banks or to attracting new customers that may be loyal to them (EM. Kishada & Norailis, 2013).

2.7 Networking

Sultan (2014) suggested that Islamic Banks to improve the bank-customer relationship, towards creating pathways to maintain more loyal and profitable client relationships. Islamic banks also encouraged

attracting more Gen Y in doing business with them, and it can be done by meeting the needs and wants through modern and technologically platform. Furthermore 40% of professional Gen Y got their advice on Islamic Banking through their banks and this indicated that Islamic banks staff are the best ambassador (Isfire, 2015)

2.8 Reputation

Malaysians, which 60% of the population are Muslim, but nations wealth mostly belongs to non Muslim. Mark (2010) in his study on attitude and perception among Muslim and non-Muslim of Baby Boomers and X-Generation on Islamic Banking revealed that Muslims as supportive of Islamic Banking while non-Muslims view Islamic Banking as relevant primarily to Muslims. However, X-Generation of non-Muslim has a more favorable perception towards Islamic Banking compared to Baby Boomers. It means that tendency towards Islamic Banking product have existed in Non-Muslim customer.

2.9 Gen Y

Generation can be best defining as a group of people or society which about same age or within one particular group of age (Longman, 2004). Gen Y or normally known as Gen Y is the generation of people born during the 1980s and early 1990s. The name was based on Generation X, the generation that preceded them. 74% of Gen Y normally has their saving goals, but only 27% of them have better understand and planned their saving.

Even though Gen Y known with their unable to save wisely, Gen Y concerned of their future in financial matter, have clear financial goals but don't know whether they can achieve their goals in saving or not (Chua, 2010). In term of religion attachment, Gen Y had known as group that lack of religious engagement (Collins, 2011).

2.10 Theoretical Framework

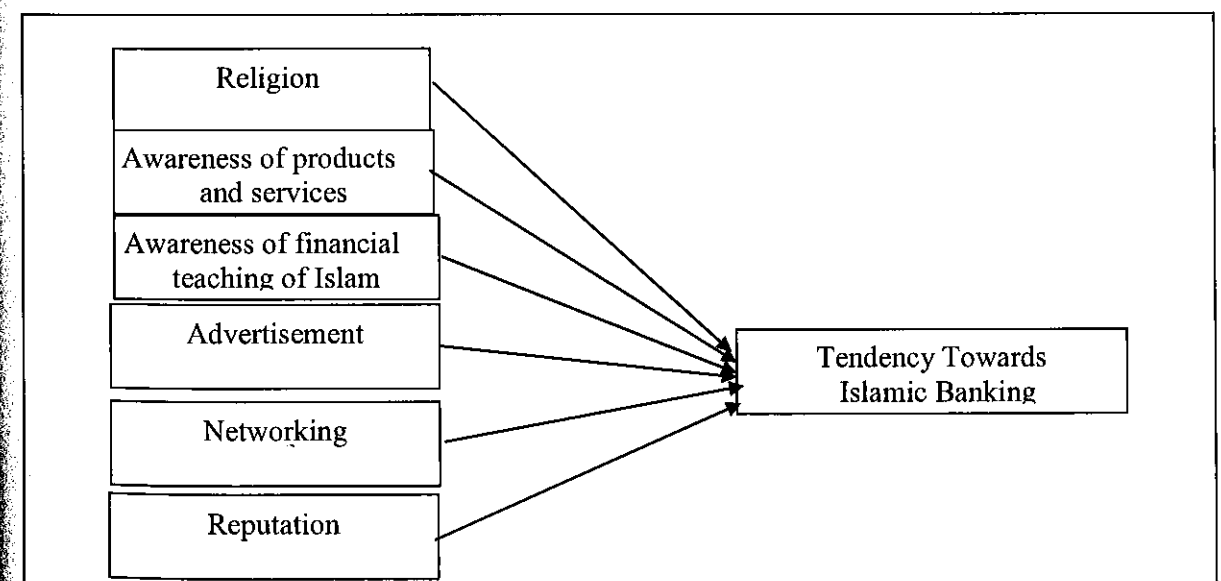


Figure 1: Theoretical Framework (Tara, Irshad, Khan, & Yamin, 2014)

3.0 Methodology

In completing this study, the researcher will use quantitative method via questionnaire survey. The questionnaire will contain demographics and respond regarding religion, awareness of products and services, awareness of financial teaching in Islam, advertisement, networking and also reputation. Each variable will be measured using 5-point Likert scale.

The target population of this study are working Gen Y around Shah Alam. Using the simple sampling method, 400 set of self-administered questionnaires will be distributed through monkey survey, online survey and also through Islamic Banks location around Shah Alam. The data will be gathered and analyzed using the computer assisted Statistical Program for Social Science (SPSS) for window version.

4.0 Discussion

There is an alarm which triggers the researcher to explore more on Islamic Banking tendency among Gen Y. The ability of Gen Y which can contribute to the success of financial stability in Malaysia is very important, as they are going to be the main user, contributor, policy maker and others function as well. Majority of Gen Y are well known with their interest and ability or really skillful to work on gadgets or internet savvy however their financial skills still questionable as the bankruptcy rate among Gen Y keep rising.

However, there are main concern as how to attract Gen Y to subscribe Islamic Banking products and services. Researcher expected this study can provide information about which factors may influence Gen Y in choosing Islamic Banking. Thus, this information can be used by all related party to design their products and services, and also can be used as base for their marketing strategies. Isfire (2015) also suggested that the Islamic Banks need to gain greater market by attracting the growing middle class of young Muslim consumers. This can be done through reinventing business model which can provide customer service for young Muslim and also must be able to compete globally.

Bibliography/ References

- Abbasi, M. H., Naeem, M., Kamran Saeed, R., Ammad, Ambreen, A., & Yousaf, I. (2012). The Tendency of Customers Towards the Acceptance of Islamic Banking in Bahawalpur Region, Pakistan. *International Journal of Learning & Development*, 71.
- Ali, S., & Farrukh, F. (2013). Islamic Banking: Is the Confidence Level of Being an Islamic Banking Employee Better Than Conventional Banking Employee? An Exploratory Study Regarding Islamic Banking. *Journal of Business Studies Quarterly*.
- Bankinginfo. (2009). What is Islamic Banking.
- Bernama. (2014). Malaysia's Insurance Industry To Be Stable Next Year, Say Experts.
- BNM. (2008). Islamic Banking Industry: Annual Banking Statistic.
- BNM. (2013). *List of Banking Institutions that Provide Islamic Banking*. Retrieved from <http://www.bnm.gov.my/>.

- Chua, T. (2010, June 9). *Study Reveals Generation Y Worry About Financial Prospects*. Retrieved from Asian Banking and Finance: <http://asianbankingandfinance.net/cash-management/news/study-reveals-generation-y-worry-about-financial-prospects>
- Collins, M. (2011, September 28). Generation Y and Religion: Challenging Traditional Institutions .
- EM. Kishada, Z., & Norailis, A. (2013). Factors Affecting Customer Loyalty in Islamic Banking; Evidence from Malaysian Banks. *International Journal of Business and Social Science*.
- Farah, M. A., Ahmad, Y. S., & Mustafa, M. O. (2013, May 24). A Critical Literature Review for Islamic Banks Selection Criteria in Malaysia.
- Idris, A., Nik Muhammad Naziman, K., Januri, S., Fadzli Fizari, A., Norrini, M., Sabiroh, M., & Kamaruzaman, J. (2011). Religious Value as the Main Influencing Factor to Customers Patronizing Islamic Bank. *World Applied Sciences Journal* 12.
- Index Mundi. (2014). Malaysia Demographic Profile 2014.
- Isfire. (2015, Mac 1). *Do Young Muslims Subscribe to Islamic Financial Products?* Retrieved from <http://isfire.net/>: <http://isfire.net/do-young-muslims-subscribe-to-islamic-financial-products/>
- Jamshidi, D., Hussin, N., & Wan, H. L. (2014). Islamic Banking Expansion and Demographic Factors Importance: A review Base Study. *Singaporean Journal of Business Economics, And Management Studies*.
- Lo, C. W., & Leow, C. S. (2014). Islamic Banking in Malaysia: A Sustainable Growth of the Consumer Market.
- Longman. (2004). *Active Study Dictionary (New Edition)*. Edinburgh, Harlow: Pearson Education Limited.
- Mark, L. (2010). Attitudes and Perceptions towards Islamic Banking among Muslims and Non-Muslims in Malaysia: Implications for Marketing to Baby Boomers and X-Generation. *International Journal of Arts and Sciences*.
- MICF. (2014). World Islamic Banking Competitiveness Report (2013-14).
- Munusamy, J., Chelliah, S., & Mun, H. W. (2010, October). Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector in Malaysia.
- MyStarjob. (2014, February 8). Managing Baby Boomers, Gen X and Gen Y at work.
- Nasir, I., Ali, M., Muhammad, A. A., & Khizer, H. (2013). Factors Affecting the Individual's Behavior Towards Islamic Banking in Pakistan: An Empirical Study. *Educational Research International*.
- Sultan, S. A. (2014, August 11). *Islamic Bankin- Identifying Growth Levers*. Retrieved from The Malaysian Reserve: <http://themalaysianreserve.com/main/sectorial/islamic-finance/6146-islamic-banking--identifying-growth-levers>

- Tara, N., Irshad, M., Khan, M., & Yamin, M. (2014). Factors Influencing Adoption of Islamic Banking: A Study from Pakistan. *Journal of Public Administration and Governance*, 3.
- Webster, M. (2015). Retrieved from Merriam Webster Dictionary: <http://www.merriam-webster.com/dictionary/tendency>
- Zarehan, S., & Hazlina, A.-K. (2012). Attitude and Patronage Factors of Bank Customers in Malaysia: Muslim and non-Muslim Views.

OH MY GANU

Nurul Ilyani Abdullah¹, Nor Ain Solihah Mohd Razali²

¹Jabatan Pelancongan dan Hospitaliti,
Politeknik Hulu Terengganu

²Jabatan Perdagangan,
Politeknik Hulu Terengganu

ilyani@pht.edu.my, ain_solihah@pht.edu.my

Abstract

Kajian ini dijalankan bagi mengenalpasti status penggunaan Oh My Ganu. Kajian ini merupakan kajian kuantitatif dimana edaran borang soal selidik telah dibuat kepada 64 responden yang terdiri daripada pelajar semester 1 DUP dan DAT sesi Jun 2015, Politeknik Hulu Terengganu bagi tujuan pengumpulan data. Terdapat tiga objektif iaitu untuk mengenalpasti bentuk Oh My Ganu memenuhi keperluan pelajar, mengenalpasti Oh My Ganu sebagai sumber komunikasi serta mengenalpasti kepuasan pelajar terhadap Oh My Ganu. Berdasarkan hasil dapatan kajian, didapati hanya 47 % sangat bersetuju Oh My Ganu menjadi pemudahcara untuk berkomunikasi. Selain ia dapat memperkenalkan keunikan dialek Negeri Terengganu khususnya di mata masyarakat umum.

Kata Kunci: Oh My Ganu, status penggunaan, dialek

1.0 Pengenalan

Kajian ini dijalankan ke atas satu produk inovasi. Inovasi ini adalah inovasi yang telah dipilih oleh kumpulan Ganu Kita ialah bertajuk "Oh My Ganu". Oh My Ganu ini adalah hasil inovasi berunsurkan buku panduan dan juga kamus. Projek ini dipilih berdasarkan perbincangan yang melibatkan beberapa orang pelajar bersama penasihat akademik.

Berdasarkan kepada perbincangan tersebut terhasilnya sebuah buku panduan yang mana buku panduan adalah sejenis rujukan, atau koleksi arahan, yang bertujuan untuk menyediakan rujukan yang telah tersedia. Buku panduan ini juga menerangkan sesuatu subjek secara khusus. Pada masa kini ia mudah mengandungi maklumat ringkas dan menjadi cukup kecil yang mudah diletakkan di tangan.