

# **FACTORS ADOPTING ISLAMIC HOME FINANCING: A CASE STUDY AMONG CONSUMERS OF ISLAMIC BANKS IN MALAYSIA**

*By*

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## ***Abstract***

The developments of the Islamic banking are increasingly challenging and face strong competition not only from local and foreign Islamic banks but also from non-Islamic rivals. Malaysia is the first country to implement a comprehensive dual banking system. Islamic banks have introduced a number of Islamic home financing products under BBA concept. The Islamic home financing has shown an increasing trend for the past ten years from 2001 to 2009. In 2009, the Islamic home financing stood at RM23.3b as compare to RM6.8b in 2001. In 2009, the Islamic home financing contributed 17.8% of total Islamic total financing (Islamic Finance Research, KFH). This study aims to understand and assess the factor that influences the awareness and adoption of the Islamic home financing offered by Islamic banks. A self administered questionnaires dealing with Islamic home financing were distributed to a simple random sampling of 200 respondents. Of these, 72 questionnaires were returned with a response rate equivalent to 36.0%. The sample T-test result of the study reveals that there is no significant different between Malay and Chinese in their level of awareness on Islamic home financing products. Further investigation using one-way ANOVA test found that there is a significant relationship between different respondents' age and education group against their level of awareness. Finally, the Pearson correlation and regression analysis indicated that the factor of consumer adapting to Islamic home financing products offered by Islamic banks can be explained by consumers' awareness, individual factors and financial institution factors. However, the individual and financial institution factors have strong significant relationship while consumers' awareness did not have significant relationship. It is hoped that the study would facilitate the management of the banks in developing more competitive Islamic home financing products as well as strengthen the marketing strategies which is very important for the survival of the bank specifically due to intense competition arising from the foreign banks.

## **1.0 INTRODUCTION**

Since the establishment of Bank Islam Malaysia Berhad the first Islamic bank in Malaysia in 1983, the Islamic banks have continued to play an important role as a financial intermediary, the products also have received wide acceptance not only by Muslim but also by non-Muslim. Generally, the Islamic banks offer products and services which are similar to those offered by conventional banks. However, the Islamic banks are differ from conventional banks in several ways such as compliant to Shariah rules,

prohibition of transactions based on riba or interest and operate according to certain procedure determined by the Central Bank. Now, the Islamic banks in Malaysia have offered wide range of products from deposit to financing under various types of Islamic concepts mainly to cater to the needs of those who wish to avoid conducting their financial dealings operating on the riba or interest.

There are approximately 180 Islamic banks and financial institutions operating in Asia, Africa, Europe and the United States. In Malaysia, the Islamic banks have been part of the important players in the banking service industry. As at Dec 2009, BNM has issued 17 Islamic banking licenses, 11 licenses to local banks and 6 to foreign banks. The rationale for BNM to issue separate licenses for Islamic banking is mainly driven by Shariah requirement for greater compliance. Running an interest bearing and Islamic banking business under one roof may invite ambiguities (gharar) concerning the legitimacy of profit generated from the business.

The Islamic home financing is one of the products offered by almost all Islamic banks in Malaysia as alternative to conventional interest based home financing mode which forbidden in Islam. This product has faced strong competition not only from local and foreign Islamic banks but also from non-Islamic rivals. However, the home financing products and services offered by the Islamic banks nowadays are very competitive. This indicate that the Islamic banks are no longer regarded as a business entity striving only to fulfill the religious obligations to Muslim community but more significantly as a business entity that is unavoidably in need of winning over new customers whilst retaining the regular one as well (Wilson 1995). A question can be raised to a country such as Malaysia where both Islamic as well as conventional banks operate, as to what are the main factors that motivate the customers to deal with Islamic banks compare to conventional banks for home financing.

There are several Shariah compliant modes for home financing that have been introduced, the dominant among which are the Al-Bay' Bithaman Ajil (BBA) and Musharakah Mutanaqisah Partnership (MMP) contract. The home financing under BBA concept is the most popular and widely practice in Malaysia compared to MMP. The MMP financing concept was adopted widely in Middle East, United States, Canada, United Kingdom and Australia.

According to the Bank Negara Malaysia (BNM) Monthly Statistical Bulletin February 2009, the total of Islamic home financing given by the Islamic banking institutions over the ten years period from 2001 to 2009 showed an increase of 242.65% from RM6.8b in 2001 to RM23.3b in 2009, contribute 17.8% of Islamic banking total financing. The BBA concept remained dominant, constituting 32.15% of total financing. It can be concluded that home financing under the BBA concept has played an important role in the development and success of Islamic banking in Malaysia. This product has allowed the Muslims as well as non-Muslims to purchase assets without being involved with riba which are declared as one of the greatest sins in Islam. The Islamic home financing has shown an increasing trend for the past ten years from 2001 to 2009. In 2009, the Islamic home financing stood at RM23.3b as compare to RM6.8b in 2001. In 2009, the Islamic home financing contributed 17.8% of total Islamic total financing (Islamic Finance Research, KFH).

In this study, an attempt is made to assess the degree of customer perception and awareness towards the Islamic home financing products and services by the Islamic Banks in Malaysia

Interview on three banks, namely Maybank Islamic Berhad, CIMB Islamic Bank and Bank Simpanan Nasional say that the Islamic financing for properties are growing and BNM statistic testify to that (Thean Lee Cheng, The Star). CIMB Islamic Bank CEO, Badlisyah Abdul Ghani says their growth rate for the first quarter 2009 has exceeded the industry growth, putting their overall islamic property financing market share at 9.8% as at June 2009. Meanwhile, the Executive Vice President of Maybank Islamic Berhad, acting CEO Ibrahim Hassan says their financing on residential and non-residential properties grew at an average of 6% from 2007 til June 2009.

In order to fulfill the need for those who wish to avoid dealing with riba or interest in home financing, the Islamic banks have introduced number of Shariah compliant mode for home financing such as Al-Bay Bithaman Ajil (BBA) and Musharakah Mutanaqisah Partnership (MMP). The most popular Islamic home financing concept and first made available to individuals in Malaysia is under the principle of BBA or deferred payment. BBA has accounted for the largest share of total Islamic financing in the country. BBA financing concept is not only popular in Malaysia but also in Indonesia and Brunei. The Islamic home financing in Malaysia starts to evolved in 2006 after the establishment of Kuwait Finance House (KFH). A new home financing concept being introduced namely the MMP (diminishing partnership). In 2007, RHB Islamic Bank has introduced the MMP financing concept for its home financing product. The introduction of this new concept has resulted the market share for BBA gradually dropped from 40.7% in 2006 to 31.9% in Nov 2009. Although the MMP concept is popular in the Middle East, USA, Canada, United Kingdom and Australia, it has yet to dominate the Malaysia market.

### **Problem Statements**

The conventional banking system has been well established in Malaysia. As a result the Malaysian population favors conventional banking as their sources of financing. Even though majority of the population is Malay who is Muslim, it is expected that minimal volume of financing demanded from Islamic banking for all types of financing including home financing (Wan Marhaini, Asmak, Nor Aini and Azizi). There are several reasons behind the lack of demand for Islamic financing products compared to conventional such as:

- Lack of customer's awareness towards Islamic banking
- Lack of competitiveness of Islamic financing products
- Lack of specialized officer at the branch level to educate the customer to understand more about the Islamic financing products

The Malaysian Government is highly supported the development of the Islamic financial system. However the success is very much influenced by the market share which

reflects the public acceptance of this system. Therefore the Islamic banks have to be more alert to consumers' sensitivity, awareness, preferences and behavior toward the Islamic home financing in order to increase the market share. Thus this study is to understand the factors that influence the consumer in adopting the Islamic home financing.

### **Research Objective**

The objectives of this study understanding the factors that influences the consumer in adopting the Islamic home financing as follow:

- Study the awareness of the consumers towards the Islamic home financing products characteristics and features.
- Examine the factors that influence consumers in adopting Islamic home financing products.
- Conduct opinion for full-fledge in consumer adopting of Islamic home financing products and the significant relationship among the effective factors.

## **2.0 LITERATURE REVIEW**

Generally, people who deal with conventional banks in the capacity as depositors and borrowers are well aware of the practice of interest (riba) element in the banking operations. This situation has lead to the establishment of the Islamic banking. Unlike conventional banking, the Islamic banking prohibits usury (riba), the collection and payment of interest, instead promotes profit sharing in all conduct of banking business (BNM 2007). The Islamic banking term can be defined as the conduct of banking operations in consonance with Islamic teaching (Mirakhor 2000, Haque et al 2007). Since the establishment of the first Islamic bank in Malaysia about 27 years ago, the Islamic bank has emerged as one of the fastest growing industry. This industry has spread not only in Malaysia but also to all corners of globe and received wide acceptance by both Muslims and non-Muslims (Aziz ZA 2006). The development of the Islamic banking is well supported by the Malaysian Government. It is the vision of the government to develop a progressive and robust Islamic banking industry rooted in the Islamic core values and principles that best serve the needs of the nation economy.

### **Consumer awareness towards Islamic banking**

Rogers E.M (1999 & 2003) defines the adoption process as the process through which individual adopters pass from awareness to full acceptance of a new innovation. According to Rogers (2003), before the consumers are ready to adapt to a product or service, they have to go through a process of knowledge, persuasion, decision and confirmation known as 'Pre-contemplation'. The consumer awareness has been tested and used as one of the variable in numerous studies such as online banking, internet banking and self service technology adoption, according to Sathye 1999, Suganthi et al 1999,

Yusof 1999, Gerad et al 2003. However the study to investigate the consumer awareness towards Islamic banking is limited.

One of the pioneer studies on the awareness of the existence of the Islamic bank was conducted by Haron et al (1994). His study found that almost 100% of Muslims and 75% non-Muslims were aware of the existence of the Islamic bank and wishes to have relation if they have a complete understanding of the system. A study carried by Sudin Haron, Norhafifah Ahmad and Sandra L. Planisek (1994) in Sungai Petani, Alor Setar and Kangar reported that only 63% of the Muslims have either completely or partly understood the difference between Islamic and conventional banking. The remaining of about 39% of the respondents believed that religion is the only reason for them to be a customer or client of the Islamic bank. Another study by Gerard (1997) and Kamal et al (1999) found that though the Muslim respondents are aware of the fundamental term in Islam, they were unaware of the meaning of specific Islamic financial terms like Mudharabah, Musharakah and Ijarah. Similarly, Hamid and Nordin (2001) found that the Malaysian commercial bank customers have high awareness of Islamic banking but poor self-reported knowledge of specific Islamic products including poor understanding to differentiate between Islamic and conventional banking. The poor knowledge in Islamic banking was supported by a study from Ahmad and Haron (2002) whereby 60% of the respondents admitted to having limited knowledge of Islamic banking. However they believed the concept had a good potential in Malaysian market. Recent study by Adelaide Rammal and Zurbruegg (2007) on 300 Muslim respondents shows that they are aware of the Islamic banking products and they are interested in and prepared to use Islamic concept of financing but do not know how the function.

In order to promote the development of Islamic banking in Malaysia, extra efforts are needed from the industry to promote greater awareness and educating the general public especially non-Muslims to understand and accept Islamic banking and services and also to train more local talent to acquire the necessary expertise in Islamic principles, and to develop and innovate better products and services based on such principles to meet the growing demands of the consumers and their businesses.

### **Factor Influence Selection of Islamic Banking**

Initially, it is expected that religiosity has a significant influence for consumers in selecting Islamic banking. The statement was supported by Metawa and Almoosawi (1998) who interviewed 100 Islamic bank customers in Bahrain. The result shows the most important factor for selection of Islamic bank is the Shariah based principles that govern these financial institutions. Naser et al (1999) examined the religious factor as a criterion of Islamic banking choice among customer visiting the Islamic bank's branches in Jordan cited that religious is the motivation reason of their Islamic banking patronage. Study by Ahmad and Haron (2002) found that religious to be main factor affecting the Islamic banking selection. However it has been treated as a minor contributor for Islamic banking selection. Bley and Kuehn (2004) found that the consumer selection criteria of Islamic banking are primarily driven by religious belief not financial knowledge where the stronger the religious commitment, the higher preference for Islamic banking services.

In contrary, the study by Sudin Haron, Norhafifah Ahmad and Sandra L. Planisek (1994) reported that non-religious aspect such as service efficiency, transaction speed and

friendliness of bank personnel seen to be largely influence the selection criteria of Muslims in Malaysia. In their study also reported there is no significant different between Muslims and non-Muslims in their selection criteria. Similarly, Gerrard and Cunningham (1997) replicated the study in Singapore and found that there is no difference in banking selection criteria between Muslims and non-Muslims. Nearly 25% of the feedback shows that religion was not the only basis for choosing an Islamic bank. The recent study by Dusuki and Abdullah (2007) also supported the above. They found that financial reputation and quality service are the key factors affecting consumer decision to select banks. On top of that, good social responsibility practice, convenience and product price are other important factors explaining why consumer chooses the bank. These result pointed that Islamic banks do not need to rely on religious factor as a strategy to attract consumer for business, in fact they should focus on the quality and efficient services. The study concluded that both religious and non-religious factors are significant in selecting Islamic banking.

Hanudin Amin (2008) in his study on choice criteria for Islamic home financing among Malaysian bank customers suggested that Shariah principle, lower monthly installment, transparency practice, interest free practice and 100% financing are the first five decision criteria considered as being very important. However, other major findings are that peer group influence plays an important role in selecting Islamic banks as depository institution.

#### **Financial Institution Factors**

Study by Sudin Haron, Norhafifah Ahmad and Sandra L. Planisek (1994) reported the friendliness of bank personnel is one of the factor influence the selection criteria of Muslims in Malaysia. The bank personnel that always interact with consumers is the front liner. Therefore the employees working in the front line play prominent roles in representing an organization to the outside world as discovered by Bowen and Scheider (1988). They are the one who able to influence, educate and create awareness to the consumer on the products and services offered by the bank as well as assessment made by the consumer. Cogram and Friedman (1991) further confirmed the importance of the front line employees in delivering a quality service.

Additionally, Haron and Ahmad (2002) in their study highlighted that nearly 65% of corporate banking customer had very limited knowledge of Islamic banking. Therefore the author further stressed that the bank need to put more effort into marketing their products and services and educating their customers. Saiful Azhar Rosly (2005) pointed that the Islamic banking has no direct control of the marketing and promotion. This is because the marketing unit usually handles by conventional, and promotion done via bank's branch by the branch manager who reports to the conventional that overseeing the whole operation of Islamic and conventional.

According to Wan Marhaini, Asmak, Nor Aini and Azizi (2005), majority of the consumer found that apart from favorable credit terms of the financing products, efficiency in service especially the after hour and less hassle services of using the electronic services are the most important factors in choosing where they get their financing. The author suggested that the bank should seriously consider the above factors in designing their products and perfecting their customer services especially when developing their market strategies concerning working customer.

### 3.0 METHODOLOGY

#### Conceptual Framework

This study tries to identify the consumer awareness and adoption on the Islamic home financing offered by EIBB. Malaysia is a multicultural country but the percentage of Muslims is higher compare to other races (Chinese and Indian). Based on the discussion in literature review, it was identified that quality of services, confidence in bank, social and religious perspective and availability of services are the main factors affecting the customer in choosing their home financing. Therefore, based on these factors theoretical framework of this study has been developed, Figure 1.

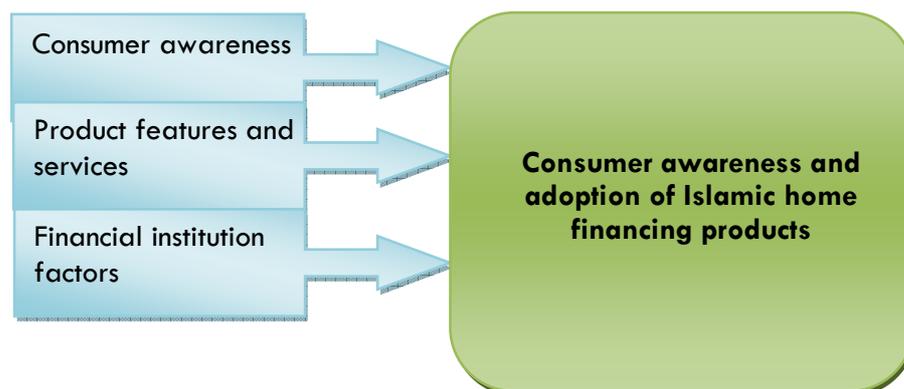


Figure 1

#### Hypothesis

Following hypothesis have been selected in the study based on the analytical interpretations in the previous section:

- H<sub>1</sub> : *Consumers regardless of races and religion are of the Islamic home financing products*
- H<sub>2</sub> : *The Islamic home financing product features has positive influence to individual to the adoption by the consumer.*
- H<sub>3</sub> : *The role of the Islamic Banks' personnel has the positive influence to the adoption by the consumer.*

H<sub>4</sub> : *The role of marketing strategy that holds by Islamic Banks has the positive influence to the adoption by the consumers.*

## **Sampling**

This study investigates the factors that influence the consumer in adopting the Islamic home financing. The respondents of this study are the Islamic home financing customers as well as non-customers that potentially to adopt the Islamic home financing products.

A simple random sampling method was employed in which 200 questionnaires were distributed to respondents. Even though the proportion of sample size is very small in relation to actual population, the sample size is deemed sufficient for this study. Out of the 200 questionnaires distributed through hardcopies and e-mails, 72 were returned which yielded a response rate of 36.0%. The rule of thumb for determining the sample size that appropriate for most research is larger than 30 and less than 500 as proposed by Roscoe (1975). Therefore we view that our sample size and number of questionnaires returned seem to be consistent with this argument.

## **Instrument**

The primary data had been used for this study and data were collected through distributing self administered questionnaires through hardcopies and e-mails. A structured questionnaire was used for collecting the necessary information which is related to this study. The questionnaire consists of three sections. Section one includes information about the consumer awareness of the Islamic home financing products offered by Islamic Banks. Section two collected the data of factors influence consumer in adopting the Islamic home financing products. This section consist of three parts: individual factors, financial institution factors and factors of adopting the Islamic home financing. In section one and two, the respondents were asked to indicate, on a five-point Likert-type scale, ranging from “strongly disagree” to “strongly agree”.

Finally, section three gathers the demographic information of the respondents including gender, age, race, academic qualification, profession and income.

## **Data Analysis**

The data was analysed using Statistical Package for Social Science (SPSS) version 15.0 for windows. The statistical techniques employed in this study are as follows :-

1. Descriptive and frequency analysis were conducted to measure consumers' attitudinal differences in their perceptions and awareness about the Islamic home financing products and to represent the respondents' demographic profiles.
2. Reliability test to check the reliability of the data by applying Cronbach's alpha.

3. T-test and ANOVA were used to examine the differences between awareness, individual, financial institution and adoption factor against demographic factors. The means for two groups of cases are used to test whether the difference in means of one variable in two groups of respondents is significantly different from zero.
4. Correlation to measure the relationship between dependent and independent variables.

#### 4.0 Findings and Analysis

##### Descriptive Analysis

Descriptive analysis has been employed to carry out the respondents' data analysis. Consumers' profile was one of the sections in the questionnaire in this study. Various demographic factors were included there. A profile of respondents is shown in Table 1. The result reported in Table 1 indicated that majority of the respondents are non-customer of Islamic home financing with 70.8% while the rest are the customer of Islamic home financing. The number of male and female respondents participated in this study are equal. The data were also collected from different age group. The large group of respondents was from 26 to 40 age group with 68.1% which are the main ages of working, followed by 41 to 55 age group with 22.2%. Race was another important demographic factor in this study. There are three major races in Malaysia: Malay, Chinese and Indian. According to the sample of respondents, 73.6% were Malay, 20.8% Chinese, 1.4 % Indian and 4.2% represented other races. Majority of the respondents in this study are well educated, with 45.8% holding a bachelor degree and 29.2% holding post graduate and above.

Table 1 also showed that the sample respondents in this study consist of 8.3% work in government agency, 69.4% in private sector, 2.8% was self employ while 19.4% work in other sector. In term of monthly income, 54.2% of the respondents informed that their monthly income stood between RM2,501 to RM5,000, followed by 29.2% who informed their monthly income as between RM5,001 to RM10,000. Whereas 15.3% respondents' monthly income were found less than RM2,500.

**Table 1 : Respondents demographic profile**

Description		Frequency	Percent	Cumulative Percent
Customer of IB	Yes	21	29.2	29.2
	No	51	70.8	100.0
Gender	Male	36	50.0	50.0
	Female	36	50.0	100.0
Age	18 to 25	7	9.7	9.7
	26 to 40	49	68.1	77.8
	41 to 55	16	22.2	100.0
	Above 55	0	0.0	100.0
Race	Malay	53	73.6	73.6
	Chinese	15	20.8	94.4

	Indian	1	1.4	95.8
	Others	3	4.2	100.0
Education	Secondary/Certificate	8	11.1	11.1
	Diploma	10	13.9	25.0
	Graduate	33	45.8	70.8
	Post graduate and above	21	29.2	100.0
Profession	Government	6	8.3	8.3
	Private sector	50	60.4	77.8
	Self employed	2	2.8	80.6
	Others	14	19.4	100.0
Monthly income	< RM2,500	11	15.3	15.3
	RM2,501 to RM5,000	39	54.2	69.4
	RM5,001 to RM10,000	21	29.2	98.6
	> RM10,000	1	1.4	100.0

**Table 2 : Consumer awareness of Islamic home financing products offered by Islamic Banks**

Description	Frequency	Percent	Cummulative Percent
Strongly disagree	9	12.5	12.5
Moderately disagree	4	5.6	18.1
Agree	19	26.4	44.4
Moderately agree	13	18.1	62.5
Strongly agree	27	37.5	100.0

*Mean = 3.63*

**Table 3 : Consumer adoption due to awareness**

Description	Frequency	Percent	Cummulative Percent
Strongly disagree	1	1.4	1.4
Moderately disagree	5	6.9	8.3
Agree	32	44.4	52.8
Moderately agree	16	22.2	75.0
Strongly agree	18	25.0	100.0

*Mean = 3.63*

Frequency distribution of respondents showed that most of respondents are aware of the Islamic home financing products available in the market. According to Table 2, 37.5% of respondents were strongly aware of the products, only 12.5% were not aware. The respondents also were asked to report whether their adoption to Islamic home financing was due to their awareness and the result showed that most of the respondents were agree. Table 3 shows that 44.4% of the respondents were agree that they adapt to the product due to their awareness. Since, in order to investigate the adoption of Islamic home financing it is important to explore the consumers' awareness towards the products. This enables a financial institution to make useful comparison while evaluating quality of service and marketing strategy.

## Reliability Test

Inter-item analysis is used to check the scales for internal consistency or reliability. Salkind (2000) states that reliability and validity is the hallmarks of good measurement. It is the researchers' first line of defence against spurious and incorrect conclusion. In this study Cronbach's Alpha is calculated for each scale of variables as recommended for empirical research in operation management (Flynn et al 1990, Malhotra and Grover 1998, Forza 2002).

Table 1 shows Cronbach's Alpha values calculated for independent and dependent variables used. The Cronbach's Alpha is calculated as 0.734, 0.787, and 0.843 for consumers' awareness, individual influence factor and financial institution factor as independent variables respectively. While Cronbach's Alpha for adoption to Islamic home financing as dependent variable is calculated as 0.739. The overall Cronbach's alpha values for each independent and dependent variables are more than 0.7 which is considered adequate for exploratory research. Gliem & Gliem (2003) indicated that Cronbach's alpha reliability coefficient of the items in the Likert-type scale is acceptable for  $[\alpha] > 0.7$ .

**Table 4 : Cronbach's Alpha test on all independents and dependent variables**

Description	Cronbach's Alpha	Cronbach's Alpha	
		Based on Standardised Items	N of Items
Consumer awareness	.734	.738	8
Individual factor	.787	.795	6
Financial institution factor	.843	.849	6
Adoption to Islamic home financing	.739	.741	4

## T-Test

The T-test is used in order to assess whether races between Malay and Chinese has different socio-demographic characteristics in adopting the Islamic home financing products offered by Islamic banks. The result in Table 5 contains the group statistics. The mean for awareness level for Malay was considerably lower at 3.55 compared to 3.70 for Chinese. The standard deviation for Malay was somewhat larger at 0.64 however than for Chinese at 0.58.

The result in Table 6 provides the information for independent sample T-test which helps to determine whether the mean of awareness level are significantly different between Malay represent Muslim and Chinese represent non-Muslim. The information in column Sig (2-tailed) shows the means is not significantly different ( $>0.05$ ) for assumption of either equal variance assumed and not assumed. Thus we can conclude that there is no significant different between Malay and Chinese in their awareness level of Islamic home financing products offered by Islamic banks. A study by Haron et al (1994) also found that Muslim and non-Muslim were aware of the existence of the Islamic bank and wish to have relationship.

Table 6 also reveals that individual factor, financial institution factor and factor adopting the Islamic home financing products are not significant at the 0.05 level between two race groups. This implies that Malay and Chinese have no significant different in

relation to awareness, individual factor and financial institution factor in adopting the Islamic home financing products.

**Table 5 : Group Statistics**

	Race	N	Mean	Std. Deviation	Std. Error Mean
Avg_Aware	malay	53	3.5519	.64508	.08861
	chinese	15	3.7000	.58782	.15178
Avg_IndFac	malay	53	3.1258	.67218	.09233
	chinese	15	2.9111	.55943	.14444
Avg_FinFac	malay	53	2.8899	.65937	.09057
	chinese	15	3.0333	.60487	.15618
Avg_Adopt	malay	53	3.1179	.75734	.10403
	chinese	15	2.9000	.43095	.11127

**Table 6 : Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Avg_Aware	Equal variances assumed	.200	.656	-800	66	.427	-.14811	.18524	-.51795	.22172
	Equal variances not assumed			-843	24.406	.408	-.14811	.17575	-.51052	.21429
Avg_IndFac	Equal variances assumed	1.037	.312	1.129	66	.263	.21468	.19007	-.16481	.59416
	Equal variances not assumed			1.252	26.583	.221	.21468	.17143	-.13733	.56668
Avg_FinFac	Equal variances assumed	.341	.561	-.756	66	.452	-.14340	.18957	-.52189	.23510
	Equal variances not assumed			-.794	24.261	.435	-.14340	.18054	-.51580	.22901
Avg_Adopt	Equal variances assumed	8.850	.004	1.063	66	.292	.21792	.20499	-.19136	.62721
	Equal variances not assumed			1.431	40.782	.160	.21792	.15233	-.08975	.52560

not assumed								
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## ANOVA

The ANOVA test was conducted to assess whether consumer with different races i.e. Malay, Chinese, Indian and others race have different perception on adopting the Islamic home financing products. Table 7 shows the overall result. The analyses of variance reveal that races between Malay, Chinese, Indian and other races have no significant relationship at 5% level in awareness, individual factor, financial institution factor and adoption to Islamic home financing products. This result implies that consumer with different race group have no different in the above dependent variables and it is consistent with the earlier hypothesis that consumer regardless of races are aware on the Islamic home financing products offered by Islamic Banks.

*Table 7 : Analyses variance for races*

		Sum of Squares	df	Mean Square	F	Sig.
Avg_Adopt * Race	Between Groups (Combined)	.657	3	.219	.432	.731
	Within Groups	34.467	68	.507		
	Total	35.124	71			
Avg_Aware * Race	Between Groups (Combined)	.500	3	.167	.410	.746
	Within Groups	27.632	68	.406		
	Total	28.132	71			
Avg_IndFac * Race	Between Groups (Combined)	.605	3	.202	.469	.705
	Within Groups	29.228	68	.430		
	Total	29.833	71			
Avg_FinFac * Race	Between Groups (Combined)	.597	3	.199	.468	.705
	Within Groups	28.897	68	.425		
	Total	29.494	71			

The second ANOVA is tested between the consumers' age group. According to the results with 95% confidence, Table 8 shows that there is a significant relationship at 0.034 which is less than 0.05 in the awareness of the Islamic home financing. The consumers' age group did not show significant relationship towards the other variables. Therefore we conclude that one of the age group has significant relationship in the consumer awareness of Islamic home financing products offered by Islamic banks. This is consistent with the result from study by Wan Aini and Wan Marhani where significant relationship between age group and Islamic product awareness.

**Table 8 : Analyses variance for age group**

			Sum of Squares	df	Mean Square	F	Sig.
Avg_Adopt * Age	Between Groups	(Combined)	.413	2	.206	.410	.665
	Within Groups		34.711	69	.503		
	Total		35.124	71			
Avg_Aware * Age	Between Groups	(Combined)	2.630	2	1.315	3.558	.034
	Within Groups		25.502	69	.370		
	Total		28.132	71			
Avg_IndFac * Age	Between Groups	(Combined)	.268	2	.134	.312	.733
	Within Groups		29.566	69	.428		
	Total		29.833	71			
Avg_FinFac * Age	Between Groups	(Combined)	2.331	2	1.166	2.961	.058
	Within Groups		27.162	69	.394		
	Total		29.494	71			

The third ANOVA is tested on the consumer education level. With 95% confidence level, the result in Table 9 indicated that education level does not have significant relationship with the adoption towards Islamic home financing products. The education level also did not show significant relationship with individual and financial institution factor with 0.630 and 0.128 respectively. Despite these three factors, the education level showed significant relationship with consumer awareness towards Islamic home financing products. This suggests that education can assist in making people more knowledgeable consumers of the products being offered, thus the potential to make more educated decisions about the value and risks of their choices. The result is same as the study conducted in Pakistan by Naveed Azeem Khattak and Kashif-Ur-Rehman (2010) where there is significant relationship among the academic qualification and the awareness of Islamic banking products.

**Table 9 : Analyses variance for education level**

			Sum of Squares	df	Mean Square	F	Sig.
Avg_Adopt * Education	Between Groups	(Combined)	.440	3	.147	.288	.834
	Within Groups		34.684	68	.510		
	Total		35.124	71			
Avg_Aware * Education	Between Groups	(Combined)	4.131	3	1.377	3.901	.012
	Within Groups		24.001	68	.353		
	Total		28.132	71			
Avg_IndFac * Education	Between Groups	(Combined)	.745	3	.248	.581	.630
	Within Groups		29.088	68	.428		
	Total		29.833	71			
Avg_FinFac * Education	Between Groups	(Combined)	2.349	3	.783	1.962	.128
	Within Groups		27.145	68	.399		
	Total		29.494	71			

### Correlation and Regression

Correlation test (Pearson correlation) is used to test hypothesis 2, 3 and 4. The Pearson correlation will examine the relationship as well as measure the strength and direction between dependent and independent variables.

**Table 10: Correlation among Islamic home financing product adoption**

		Avg_Aware	Avg_IndFac	Avg_FinFac	Avg_Adopt
Avg_Aware	Pearson Correlation	1	.132	.070	.173
	Sig. (2-tailed)		.270	.559	.146
	N	72	72	72	72
Avg_IndFac	Pearson Correlation	.132	1	.679(**)	.609(**)
	Sig. (2-tailed)	.270		.000	.000
	N	72	72	72	72
Avg_FinFac	Pearson Correlation	.070	.679(**)	1	.625(**)
	Sig. (2-tailed)	.559	.000		.000
	N	72	72	72	72
Avg_Adopt	Pearson Correlation	.173	.609(**)	.625(**)	1
	Sig. (2-tailed)	.146	.000	.000	
	N	72	72	72	72

\*\* Correlation is significant at the 0.01 level (2-tailed).

Table 10 shows a Pearson correlation analysis to examine whether there is a relationship between consumer awareness, individual factors and financial institution factors against consumer adoption to Islamic home financing products.

The results revealed a significant and positive relationship between individual factors and financial institution factors against consumer adoption. The Pearson correlation for individual factor is 0.609 with significant 0.000 and financial institution factor is 0.625 with significant 0.000. This indicate that there is strong or high correlation for both independent variables. The higher levels of consumer adoption to Islamic home financing were associated with higher levels of individual and financial institution factors. Meanwhile the consumer awareness has a weak correlation ( $r = 0.173$ ) and did not have significant relationship ( $Sig = 0.146$ ) with the level of adoption.

**Table 11: Model Summary of regression**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681(a)	.464	.441	.52610

a Predictors: (Constant), Avg\_FinFac, Avg\_Aware, Avg\_IndFac

The multiple regression employed in this study is to examine the effects of the multiple predictors or independent variables on a single outcome variable. The information in Table 11 shows that the R-Square is 0.464 and this indicate that 46.4% of the consumer adoption to Islamic home financing products can be explained by the three independent variables in the model.

**Table 12 : Analyses of variance for variables**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.303	3	5.434	19.634	.000(a)
	Residual	18.821	68	.277		
	Total	35.124	71			

a Predictors: (Constant), Avg\_FinFac, Avg\_Aware, Avg\_IndFac

b Dependent Variable: Avg\_Adopt

The Sig (p-value) in Table 12 is 0.000 below the 0.05 level and it tells that the overall effect of the three independent variables on consumer adoption is significant. Therefore we conclude that the overall model is statistically significant, or that the variables have a significant combined effect on the dependent variable.

**Table 13 : Coefficients of variables**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std error	Beta			Lower Bound	Upper Bound
1	(Constant)	.297	.457		.649	.519	-.616	1.209
	Avg_Aware	.114	.100	.102	1.143	.257	-.085	.314
	Avg_IndFac	.356	.132	.328	2.696	.009	.092	.619

Avg_FinFac	.431	.132	.395	3.263	.002	.167	.694
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a Dependent Variable: Avg\_Adopt

Table 13 also shows that individual factor (Beta = 0.328,  $p < .001$ ) and financial institution factors (Beta = .395,  $p < .001$ ) were positively correlated with the adoption of Islamic home financing products. This suggested that higher levels of individual and financial factors are associated with higher levels of adoption the Islamic home financing products. On the other hand, the consumer awareness is not a significant predictor of adopting the products ( $p = 0.257$ ).

The correlation and regression analysis found that the factor of consumer adapting to Islamic home financing products offered by Islamic Banks can be explained by consumers' awareness, individual factors and financial institution factors. All the three independent variables show a positive relationship. The individual and financial institution factors have strong significant relationship while consumers' awareness did not have significant relationship. However, the overall analyses of variance for independent variables show a significant relationship. We can therefore reject the null hypothesis of no relationship between variables.

## 5.0 Conclusion

One of the hypotheses in this study is to understand how the Malay, Chinese and Indian that represent different religion differ in term of awareness toward Islamic home financing products. Base on the analyses, the test result proposed that there is no significant different between race and religion group in term of awareness toward Islamic home financing products offered by Islamic Banks. This finding consistent with the study conducted by Sudin Haron, Norhafifah Ahmad and Sandra L. Planisek (1994) where there is no significant different between Muslims and non-Muslims in their selection criteria. The replicated study conducted in Singapore by Gerrard and Cunningham (1997) also found no difference in banking selection criteria between Muslims and non-Muslims.

Next hypotheses tested on the factor influence the consumer adoption to Islamic home financing products. This is to understand the pertinent factors which consumers perceive as influential to their selection and adoption of the financing products. The test result found that there is significant positive relationship for individual and financial institution factors. Study by Wan Marhaini, Asmak, Nor Aini and Azizi (2005) also found that favorable credit terms of the financing products, efficiency in service especially the after hour and less hassle services of using the electronic services are the most important factors for consumer in choosing where they get their financing. As such it is suggested that the financial institutions to seriously consider the above factors in developing their Islamic home financing products as well as perfecting their customer service.

The Islamic banking industry in Malaysia has emerged in global banking system and continued to show strong growth as reflected by the increased market share of the Islamic banking industry in terms of assets, financing and deposits of the total banking system. Since the races and religion is no longer the main factor in attracting customers, the Islamic banks should expand their customers' base by including non-Muslim as potential customer instead of depending on Muslim as source of deposits or funds users.

Thus, the Islamic banks should improve their quality of service, and products and services compatible with those offered by the conventional banks. This will enable the Islamic banks to provide beneficial products and services to consumer according to the current demands of customers.

The lack of competitive financing products and marketing effort in promoting Islamic financing products could be the contributory factor towards the static growth and smaller market share of Islamic financing in banking industry. Therefore it is important for Islamic Banks to put more effort in developing and promoting more competitive Islamic home financing products in order to capture more market share. This study could not mention relationship between the consumers' perception and preference factors that influence their adoption to Islamic home financing. With such limitations, findings of this study must not be used as generalized thoughts, rather a scope for further investigations toward expanded research.

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