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**PUBLIC AWARENESS OF ISLAMIC BANKING SYSTEM IN
BRUNEI DARUSSALAM**

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SUPERVISION

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DECLARATION

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

All praise to Allah SWT the Most Gracious and Most Merciful.

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Hajah Nor Khadijah binti Haji Donglah

ABSTRACT

The overall purpose of the study is to examine the awareness of the public in Brunei Darussalam on Islamic banking system. Specifically, it tries to analyze the public knowledge about Islamic banking and its products and services, as well as their understanding of the principles. With this study, it assists to examine Islamic banks' strategy in educating the public about their products and services. It also provides some useful suggestions for Islamic banks to improve their strategies in educating the public about Islamic banking system. A sample of 150 people was surveyed through self-administered questionnaires. The results of this study indicated that 97.2% of the public are aware of the existence of Islamic banking and its products and services in Brunei Darussalam. However, only 30.3% of the respondents understand the conceptual framework of Islamic banking and the mechanisms behind it. Thus, the public would like the bank and relevant authorities to educate them in every way they can. Of the opinions received, Islamic banks may improve their strategies by providing a well-facilitated area and a system for the educational programmes. Hence, the exposure would not be limited, and the potential of Islamic banking system in Brunei Darussalam may be developed.

Keywords: Islamic banking, Brunei Darussalam, public awareness, public understanding.

ABSTRAK

Tujuan kajian ini, secara keseluruhannya, diadakan adalah untuk mengkaji tentang kesedaran orang awam mengenai sistem perbankan Islam di Brunei Darussalam. Secara amnya, ia adalah bertujuan untuk menganalisa pengetahuan orang awam tentang perbankan Islam serta produk dan servis yang disediakan. Kajian ini juga ingin mengetahui tentang kefahaman orang awam mengenai prinsip-prinsip sistem perbankan Islam. Melalui kajian ini juga, ia dapat membantu dalam mengkaji strategi perbankan Islam untuk memberi pengetahuan kepada orang awam tentang produk dan servisnya. Di samping itu, kajian ini juga menyediakan beberapa saranan tentang bagaimana perbankan Islam dapat meningkatkan strategi-strategi mereka untuk memberi pengetahuan kepada orang awam tentang sistem perbankan Islam. Kajian ini menggunakan kaedah kaji selidik kepada 150 orang awam. Keputusan kajian ini menunjukkan bahawa 97.2% daripada responden tahu tentang kewujudan perbankan Islam di Brunei Darussalam. Tetapi, hanya 30.3% daripadanya faham tentang rangka konsep dan mekanisma perbankan Islam. Oleh itu, orang awam mahu pihak bank dan yang berkenaan akan dapat sedaya upaya untuk mendidik mereka tentang sistem ini. Antara pandangan yang diterima, perbankan Islam boleh meningkatkan strategi mereka melalui penyediaan tempat yang mempunyai pelbagai kemudahan dan satu sistem untuk program pendidikan tersebut. Maka, pendedahan tentang perbankan Islam di Brunei Darussalam tidaklah terhad, dan mempunyai potensi untuk berkembang maju.

Kata kunci: perbankan Islam, Brunei Darussalam, kesedaran awam, kefahaman awam.

ملخص البحث

الهدف الرئيس من هذه الدراسة هو بحث إدراك ومعرفة الجمهور للنظام المصرفي الإسلامي في بروني دار السلام. وتحاول الدراسة تحليل معرفة الجمهور حول المصارف الإسلامية ومنتجاتها وخدماتها، كما تحاول ان تتعرف على معرفة الجمهور لمبادئ المصرفية الإسلامية. ومن خلال هذه الدراسة يمكن بحث إستراتيجية تثقيف الجمهور حول منتجات وخدمات المصارف الإسلامية. وتقدم الدراسة مقترحات مفيدة للمصارف الإسلامية لتطوير خططها نحو تثقيف الجمهور عن المنتجات والخدمات المصرفية الإسلامية. قامت هذه الدراسة باختيار عينة من 150 شخصاً واستطلعت آراءهم حول منتجات وخدمات المصارف الإسلامية في بروني دار السلام. ووصلت الدراسة إلى نتائج أهمها أن 97.2% من الجمهور يدركون وجود المصارف الإسلامية ومنتجاتها وخدماتها. بينما 30.3% فقط يفهمون المبادئ والأسس النظرية للمصارف الإسلامية، والطريقة التي تعمل بها. ويطلب الجمهور بضرورة أن تقوم المصارف الإسلامية بجهود تعريفية بالنظام المصرفي الإسلامي من خلال استراتيجية محسنة لتثقيف الجمهور، وذلك بواسطة تقديم تسهيلات وبرامج تعليمية وتثقيفية، وأن تعمل هذه المصارف الإسلامية على التوسع والانتشار والتطوير دون أن تقصر أنشطتها في دوائر ضيقة.

الكلمات الرئيسية: المصارف الإسلامية، التمويل الإسلامي، غدارك الجمهور، معرفة الجمهور

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CHAPTER ONE

GENERAL INTRODUCTION

This chapter reviews a brief background about Islamic banking industry generally, and focuses on the history of Islamic banking in Brunei Darussalam specifically. Then, it also discusses the problem statement of the study, as well as the research questions and its hypotheses. The objectives and significance of the study are also mentioned to give a better view of the study. Then, the scopes and limitations of the study are also stated. And, finally, definitions of the terms used in the study are explained.

1.1 Background about Islamic Banking Industry

The emergence of Islamic banking system was still at an early age, with the establishment of Mit Ghamr Savings Bank in Egypt in 1963, before becoming rapid in the 1970s. However, the conventional banking system had already in existence since the 16th century, with the establishment of Banco Della Pizza at Rialto in Venice in 1587, (Sudin Haron and Wan Nursofiza Wan Azmi, 2009, pp. 43-44).

Islamic banking system is a banking system which follows the principles in accordance with the Islamic law (*Shari'ah*). Thus, the businesses and operational procedures, including its products, are according to the Islamic concepts. Some of the products are savings account (*al-wadi'ah*), investment account (*al-mudarabah*), financing account and others in line with *hukm shara'*. The Islamic banking system is also defined as a system which totally prohibits the involvement of unlawful elements, i.e. usury (*riba*), uncertainty (*gharar*) and gambling (*maisir*), in it, (Islamic Bank of Brunei Berhad, 2001, p. 2).

Through decades, Islamic scholars and expertise from various fields had gathered together in improving and realizing the Islamic banking system to its very best. Likewise, Brunei Darussalam is also moving forward towards achieving its goal in developing Islamic banking system to provide a better socio-economic foundation for the country. It represents the very aspiration of the leader, the government and the people of Brunei Darussalam to have a bank whose method of operations blend with the teachings of Islam, (Hajjah Salma Haji Abdul Latiff, 2007, p. 277).

To achieve the goal, there are several factors which need to be considered. One of it is, in creating awareness to the public on the existence of Islamic banking system in Brunei Darussalam. Then, the public need to be taught on the benefits of using Islamic banking and mechanisms behind it, compared to the conventional banking system. Thus, educational programme for these needs to be conducted by the bank. This is to ensure that both bank and public are able to perform better together and achieve better understandings of the Islamic banking system in the future economic development for Brunei Darussalam.

1.2 History of Islamic Banking in Brunei Darussalam

Brunei Darussalam is an independent Islamic Sultanate situated on the northern coast of Borneo Island. With an area of 5,765 square kilometers, it is home to about 500,000 people. Its economy is dependent on the immense reserves of petroleum and natural gas. The Sultanate of Brunei Darussalam goes back to the 14th century, and the presence of this long-established monarchy provides the enviable political stability for Brunei. The way of life in Brunei is very much encircled around its official religion, Islam. With such features, the cardinal concept of Malay Islam Monarchy (*Melayu Islam Beraja*) is maintained and upheld, (Hajjah Salma Haji Abdul Latiff, 2007, p. 277).

His Majesty the Sultan of Brunei initiated the formation of Islamic bank in Brunei. In his royal speech to the Islamic Religious Council Meeting held in September 1990, he stressed that the establishment of an Islamic bank is important because it is a *fard kifayah* obligation for each Muslim country and Negara Brunei Darussalam. Given the natural setting of Brunei, the introduction of Islamic banking is in fact a preferred method of operating banking transactions. The last two decades have witnessed rapid changes in the banking sector with the emergence of Islamic banking, (Hajjah Salma Haji Abdul Latiff, 2007, pp. 278-279).

Perbadanan Tabung Amanah Islam Brunei (TAIB)

As a brief background, the establishment of the first Islamic financial institution in Brunei Darussalam, Tabung Amanah Islam Brunei (TAIB) was specially commanded and officiated by His Majesty the Sultan of Brunei on 23 September 1991. It was established under an Emergency Act (Perbadanan Tabung Amanah Islam Brunei) Cap 163, 1991, (Islamic Bank of Brunei Berhad, 2000, p. xx).

In his opening address, His Majesty stressed the importance of inculcating Islamic methods of banking. He said, as translated in English, “In the hands of Islamic believers, you will find expertise and wealth, including the expertise of executing Islamic banking rules. The Islamic people have established their own bank. This is evidence that Islamic banking rules can be executed if we wish to have it, an achievement which is considered impossible without the interest element. Such an achievement also confirms that Islam transcends in all time and place”, (Hajjah Salma Haji Abdul Latiff, 2007, p. 279).

TAIB is not a commercial bank, but is an Islamic trust fund. As cited in the Emergency (Perbadanan Tabung Amanah Islam Brunei) Order, 1991, Part II: Establishment and Administration of the Perbadanan No.4, “...the principle objects of TAIB shall be...”

- To hold and manage the Tabung (i.e. Fund) and to formulate policies in connection therewith

- To perform all banking, financing, commercial and investment operations and to establish and participate in industry and economic development projects either in or outside Brunei Darussalam
- To offer competitive dividends to all the depositors based on the company's annual returns
- To carry out such other objects as the Minister responsible for religious affairs with the approval of His Majesty the Sultan and Yang Di-Pertuan may by Order published in the Government Gazette specify, (Haji Shamsul Mohamad, 2009).

It offers, to the public, services that comprise of mainly savings and financings accounts. The public has a variety of options to choose from when opening a savings account; ranging from accounts such as *Akaun Simanja*, *Akaun Remaja*, *Akaun Belia* and *Akaun Berjasa*, along with *Akaun Syarikat* and *Tekad Haji Akaun*. All of the TAIB's savings accounts are based on Islamic contract of guaranteed safe custody (*al-wadi'ah yad dhamanah*). The financings accounts, which is mainly based on the principles of *bai' bi'haman 'ajil* (BBA) and *al-ijarah thumma al-bai'* (AITAB), is extended for the purchase of cars, pieces of land, building and renovation of houses, computers, personal, education and others. TAIB also offers corporate financing, such as trade financing, asset-based financing and others, (Tabung Amanah Islam Brunei, 2008).

Furthermore, TAIB also distributes its own terms deposit certificates which were introduced in an effort to create awareness towards financial planning and also to promote saving habits amongst the public. It ranges from short, medium to long-term investments. It is an alternative type of deposits which give higher return than the existing savings accounts. *Ar-Rizq* Deposit account is based on the *al-wadi'ah yad dhamanah* concept. The TAIB Deposit Certificate (TDC) is using unrestricted profit-sharing (*mudarabah muthlaqah*) concept. TAIB *Baraka* Deposit Certificate (TBDC) is a 5-year term deposit product which is only open during its offer period, (Tabung Amanah Islam Brunei, 2008).

Since its establishment, TAIB has two subsidiary companies, where both of which TAIB has a 100% shareholding, which are Insurans Islam TAIB Sendirian Berhad (Takaful/Insurance), providing insurance coverage in conformity with *Shari'ah* principles, and Darussalam Holdings Sendirian Berhad (Hajj/Umrah Services, Travel Agent), to manage buildings and hotels in Mecca and Medina and to manage Brunei pilgrimage in the Holy City which includes their welfare and safety during the performance of Hajj and Umrah in Mecca, and as a travel ticketing agents, (Tabung Amanah Islam Brunei, 2008).

Islamic Bank of Brunei (IBB) Berhad

Two years after establishing the trust fund, His Majesty also commanded that the International Bank of Brunei, then purely a conventional bank, be converted to a fully-pledged Islamic bank, i.e. Islamic Bank of Brunei Berhad (IBB) on 13 January 1993, (Islamic Bank of Brunei Berhad, 2000, p. xxi).

The opening of the Bank was an event that the Government of Brunei and its people were awaiting for as reflected by His Majesty's royal opening address:

"Alhamdulillah, this dream has now come true from the blessing of our good intentions to comply with the demands of the *shara'* which are very challenging. Personal Muslim customers will surely be more confident and relieved with the presence of this system of Islamic banking, as a way out of transgressions due to *riba*, apart from hoping for lawful benefits and profits from it all which are more blessed (*barakah*). Similarly, the departments and agencies of my government will be able to concentrate their financial business management in this system of Islamic banking as a method or step in practicing Islamic regulations and rulings (*hukm*) within the administration and the financial business of the country", (Hajjah Salma Haji Abdul Latiff, 2007, pp. 280-281).

The bank was to assist the locals to use Islamic banking facilities and to deposit their funds in a bank that is 100% owned by the Government. It provides the complete range of commercial banking facilities from the basic savings accounts to the more sophisticated trade financing facilities. Besides being a commercial bank, IBB has invested in other related financial activities through its subsidiaries, each of them specializes in separate distinct activity, (Hajjah Salma Haji Abdul Latiff, 2007, pp. 281-282).

Islamic Development Bank of Brunei (IDBB)

During His Majesty's birthday speech on 15 July 2000, he officially commanded that the 100% Government-owned Development Bank of Brunei be converted to an Islamic Development Bank of Brunei Berhad (IDBB), (Islamic Bank of Brunei Berhad, 2000, p. xxi).

IDBB was initially established as a conventional bank in March 1995, known as the Development Bank of Brunei (DBB). On 4 April 2000, His Majesty instructed the bank to operate on Islamic banking principles. The conversion required changes in transactions processing system, and accounting system. Trainings were also arranged for all management and staff to understand the Islamic concepts of banking. Successful conversion of IDBB as the second Islamic bank in Brunei was completed on 1 July 2000, (Hajjah Salma Haji Abdul Latiff, 2007, pp. 282-283).

A year after the conversion, in February 2001, IDBB opened its first subsidiary company, Takaful IDBB Sendirian Berhad. The company is wholly owned by the Bank and acts as the insurance company, providing a wide range of Islamic insurance products that cover for property and life, in conformity with *Shari'ah* principles, including General Takaful Business and Family Takaful Business. About three years after the conversion, IDBB has introduced many new Islamic products such as Eze-Net Islamic Internet Banking and the first Islamic credit card in Brunei, (Hajjah Salma Haji Abdul Latiff, 2007, p. 283).

Bank Islam Brunei Darussalam (BIBD)

On 7 July 2005, an announcement was made by the Ministry of Finance that His Majesty has consented for the proposed merger of Islamic Bank of Brunei Berhad (IBB) with Islamic Development Bank of Brunei Berhad (IDBB). A new company, Bank Islam Brunei Darussalam Berhad (BIBD) was incorporated on 10 September 2005. Through a Vesting Order obtained from the High Court of Brunei Darussalam on 1 May 2006, BIBD was fully operational on 3 July 2006 as a full-pledged Islamic Bank, (Bank Islam Brunei Darussalam, 2007).

The core values of BIBD are to ensure that its personnel maintain high ethical standards in carrying out their responsibilities and adopt *Shari'ah* standards in accordance with best industry practices in offering its products and services to its customers. As a market driven Islamic financial institution that constantly strives to address the needs of its customers in a highly competitive environment, BIBD also aims to maximize returns for its shareholders through customer retention and customer acquisition. BIBD is a meritocratic organization that demands professionalism and teamwork of its human resource. In line with its mission, BIBD harnesses its knowledge and resources for the benefit of its customers, (Bank Islam Brunei Darussalam, 2007).

BIBD also has two subsidiaries, namely Takaful BIBD Sendirian Berhad which primarily provides insurance coverage and BIBD At-Tamwil Berhad, a finance company, which provides hire purchase financing for vehicles and consumer products, (Bank Islam Brunei Darussalam, 2007).

1.3 Problem Statement

Although the Islamic banking system had been in existence for about a decade in Brunei Darussalam, the public knowledge and understanding of the system proved to be minimal. The public, generally, know about the existence of Islamic banking and its products, and they are aware of it. However, there is a lack of understanding by the public on the Islamic banking system. This was due to the fact that the public, have the perceptions of how the Islamic banking and conventional banking operate their systems are the same.

In addition, the fact that some of the Islamic banking staff themselves do not know how to differentiate between the Islamic banking and conventional banking products and services, made the public patronize the Islamic banking just for the sake of religion. When the public has set the misleading information in their minds, then they think that they might just as well choose the conventional system, which has a better performance and gives out higher returns.

Thus, awareness and understanding is vital in strengthening the growth of Islamic banking system. From awareness of the public, i.e. people has some knowledge about it, it may lead to understanding of the public. People will take initiative of finding information in wanting to know more about Islamic banking system. Hence, educational programme should be strategically imposed in which all contributing factors to develop the public understanding of Islamic banking products and services should also be considered.

1.4 Research Questions

The present study addresses the following questions in order to get suitable answers:

1. Are the public fully aware of the existence of Islamic banking and its products and services in Brunei Darussalam?
2. Do the public understand the conceptual framework of Islamic banking products and services and the mechanisms behind it?
3. Do the public really think that the operational systems Islamic banking and Conventional banking are the same?
4. What do Islamic banks do to educate and make the public understand about Islamic banking system?
5. How do the Islamic banks improve their strategies in educating the public about the Islamic banking?

1.5 Research Hypotheses

This study aims at testing whether the hypotheses below are true or not:-

1. People are not aware and do not understand the concepts of Islamic banking system in Brunei Darussalam.
2. People are utilizing Islamic banking products and services due to religion (Islam).
3. The Islamic bank succeeds in educating the public about its products and services offered.
4. The exposure of Islamic banking in Brunei Darussalam is limited.

1.6 Objectives of the Study

The overall purpose of the present study is to examine the awareness of the public in Brunei Darussalam on Islamic banking system.

Specifically, this study tries: -

1. To analyze the public knowledge about Islamic banking and its products and services.
2. To analyze the public understanding of the principles of Islamic banking system.
3. To examine Islamic banks' strategy in educating the public about their products and services.
4. To provide some useful suggestions for Islamic banks to improve their strategies in order to educate the public about Islamic banking system.

1.7 Significance of the Study

The importance of this study relies on the fact that it helps to analyze whether the public truly understand the basic rules and principles of Islamic banking system. The complete understanding of the differences between Islamic bank and conventional bank, as well as the meaning of the Islamic products and services could assist in developing the public awareness. Therefore, it helps later to improve the education strategy for future development of Islamic banking in Brunei Darussalam and the enforcement of true implementation of the principles according to *Shari'ah*.

1.8 Scopes and Limitations

Due to some limitations, the scope of the study was conducted mostly in three higher institutions and researcher's relatives' workplace. It mostly focuses on the students and working class of the target groups. Since mostly the entire target groups are Muslims, thus the question on religion is not really applicable. Apart from the above-mentioned scope for conducting survey, the researcher too has done library research. This was to have an in-depth understanding of the theoretical aspects of Islamic banking system and its products and services.

Several limitations that occur in the study are of from both primary and secondary sources. Due to insufficient information, the sample obtained by the instrument presents some challenges. A proper tools, such as statistical analysis software and Statistical Package for the Social Sciences (SPSS), need to be used to analyze the study so that its reliability and applicability may be sustained. Moreover, limited time measurement for data collection also contributes in influencing the efficiency and effectiveness of the study. This might lead to a research error where inconsistencies and other factors might cause disturbances in the study.

1.9 Definition of the Terms

Awareness is having knowledge of a situation or fact, (Soanes, 2001, p. 55).

Educational programme is a planned series of events with a long-term aim on giving training in a particular subject, (Soanes, 2001, pp. 283 & 716).

Existence is the fact or state of being real or present, (Soanes, 2001, p. 312).

Uncertainty (*gharar*) means hazard, chance, stake or risk; the sale of a thing which is not present at hand or the sale of a thing whose consequence is not known or a sale involving hazard in which one does not know whether it will come to be or not, (Muhammad Ayub, 2007).

Knowledge is information and skills gained through experience or education; awareness gained by experience of a fact or situation, (Soanes, 2001, p. 502).

Usury (*riba*) is increase, growth, augmentation or accretion; effortless profit or profit that increases the principal amount without putting any effort, (Khir et al, 2008).

Strategy is a plan designed to achieve a particular long-term aim, (Soanes, 2001, p. 900).

Understanding is the ability to know or realize the intended meaning of something, or be aware of the importance or cause of something, (Soanes, 2001, p. 1001).

Vesting Order is a court order that creates or transfers legal ownership of a property in place of a legal conveyance. For example, an order that conveys the title to a mortgaged property of a mortgagor-in-default to its mortgagee, (Business Dictionary, n.d.).

CHAPTER TWO

LITERATURE REVIEW

There had been various studies conducted throughout the past years to ensure the awareness and understanding of the people, generally, and the Muslims, specifically, on the Islamic banking system. Hence, the literature review is structured as follows. Firstly, the review gives a brief background on the principles of Islamic banking system. Secondly, it focuses on the customers' awareness and understanding on Islamic banking system. Then, customers' selection criteria on choosing Islamic banking system are also considered. And, finally, Islamic financial institutions' plans in improving Islamic banking system are discussed.

2.1 A Brief Review of Islamic Banking System

In their study, Gait and Worthington (2007) explained in brief the principles of Islamic finance, such as the prohibition of *riba* and *gharar*, and the exclusion of financing and dealing in activities and commodities regarded as sinful or socially irresponsible. It emphasizes on risk-sharing, where the provider of financial funds and the entrepreneur share business risk in return for a pre-determined share of profits and losses, and consideration of justice is also implemented.

Likewise, Muhammad Ayub (2007) also introduced all the essential elements of the growing market by providing an in-depth background and clear descriptions of all major products and processes associated with Islamic finance. He discusses the principles of Islamic finance and introduction to the key products and procedures that Islamic financial institutions are using or may adopt to fund a variety of clients ensuring *Shari'ah* compliance.

Hence, this shows that according to Nik Mohamed Affandi Nik Yusoff (2002), the uniqueness of Islamic economic system as well as its concepts and principles of business. It requires a proper balance between commercialism and humanitarianism, and between profit and social responsibility.

2.2 Customers' Awareness and Understanding on Islamic Banking System

A study conducted by Sudin Haron et al (1994) stated that almost 100.0% of the Muslim and 75.0% of the non-Muslims population in Malaysia was aware of the existence of the Islamic bank. However, only 27.3% completely understood the differences between Islamic bank and conventional banks, whereas 27.8% of non-Muslims hardly understood about it. Only 38.7% of the Muslims patronize the Islamic bank strictly because of religion, but most of the non-Muslims patronize the Islamic bank based on this. About 44.0% of Muslims and 37.0% of the non-Muslims respondents have indicated the absolute possibility of establishing a relationship with the Islamic bank if they have a complete understanding about the operations of an Islamic bank.

In contrast to this, Gerrard and Cunningham (1997) showed that only 22.6% of Singaporeans Muslims deposit money in Islamic banks solely because of religion. One of the contributing factors to this absence of awareness among Muslims is the lack of understanding of Islamic banking. Only 20.7% know the meaning of *riba* and 31.0% know the meaning of *Shari'ah*, and only 3.0% can explain accurately the meaning of cost-plus (*murabahah*).

As for Metawa and Almosawi (1998), in their study more than 50.0% of the surveyed customers in Bahrain have maintained their current banking relationship with Islamic banks for more than six years. Customers' awareness and usage rates are quite high for savings accounts of 94.4%, current accounts of 88.1%, investment accounts of 85.0% and automated teller machines of 90.4%. However, a significant portion of bank customers, around 30.0%, are not aware of the Islamic financing schemes and almost two-thirds of the surveyed customers do not use these facilities.

In addition, Abdul Halim Abdul Hamid and Norizatun Azmin (2001) stated that almost all respondents knew the existence of Islamic banking in Malaysia. However, only about half of the respondent have been using Islamic counter. Even though about 48.0% of the respondent says that they know Islamic banking financial product, but when asked about the meaning of the products, an average less than 15.0% able to answer correctly. It also highlighted that even though 54.0% knew about Interest-free Banking System (IBS), but more than 60.0% could not differentiate between IBS and conventional bank financial products.

Furthermore, Norafifah Ahmad and Sudin Haron (2002) focused on corporate customers in Malaysia where only 11 of 100 respondents maintained banking relationship under the Islamic banking system. The respondents indicated that they had knowledge in Islamic banking system, but more than 65.0% indicated that their knowledge in this system was limited. More than 55.0% perceived that both religion and economics were the patronage factors in this system.

The previous study was also supported by Rammal and Zurbruegg (2007) that the Muslim Australians are aware and interested in purchasing profit-and-loss sharing Islamic banking products, but are not properly informed about how they function. Most of the respondents were keen to purchase Islamic banking products, but only if credit facilities were available. This is contrary to *Shari'ah*, and suggests a lack of understanding of the principles of Islamic finance.

Likewise, Khattak and Rahman (2010) stated that customers in Pakistan indicate that they are aware of different products but do not adopt these products. Most of the Islamic banking customers have adopted both banking systems, as about 67.0% of the customers have account in other Conventional banking system too. This shows that Islamic banking system is lacking many of the feature and the requirement that their customer wants. The study indicates that the customer's awareness level towards Islamic banking products is good in some of the general products such as current accounts and time deposit account. But, most of the customers are unaware of the different Islamic financial products such as *murabahah* and *ijarah*.

As concluded by Gait and Worthington (2007) in their study that the problem for the Islamic finance industry, the level of knowledge of Islamic finance methods is generally low among individual consumers, especially among immigrant communities and countries with an Islamic finance system yet to be established. The bank customers were aware of the existence of Islamic banks, but they were usually ill-informed of specific Islamic financing methods.

2.3 Customers' Selection Criteria on Choosing Islamic Banking System

Sudin Haron et al (1994) stated that except for a few differences in terms of order of importance, both the Muslims and non-Muslims in Malaysia valued the same traits when selecting their banks. The most important factor considered by Muslims when selecting their financial institutions is fast and efficient service and friendliness of bank personnel considered as the most important factor by the non-Muslims. As for the study by Gerrard and Cunningham (1997), in Singapore, in relation to bank selection criteria, there was general accord as between Muslims and non-Muslims on the rating of the various criteria. Five significant differences were noted, the most relating to the desire to be paid higher interest was far stronger with non-Muslims.

Metawa and Almossawi (1998) stated that in Bahrain, Islamic bank employees received the highest satisfaction score among the elements of the service delivery system. The two most important bank selection criteria were adherence to the Islamic principles, and followed by the rate of return. Despite of this, Norafifah Ahmad and Sudin Haron (2002) showed that the most important factors perceived as important in selection of bank by customers in Malaysia was cost and benefit to the company. This means that Islamic bank products will not be attractive to this market unless and until its costs are lower than those of the products of the conventional banks.

As stated by Gait and Worthington (2007), in terms of individual consumers, while religious conviction is a logical key determinant of the use of Islamic finance services, it is often not the only concern, with most consumers also identifying bank reputation, service quality and pricing as being of relevance in determining their patronage of a particular financial institution.

Likewise, Ahasanul Haque et al (2009) mentioned that currently Islamic bank strategically offering high quality products and services to satisfy their customers in Malaysia due to the strong competition, customer expectation for high quality services and rapid changes of technology. The analysis confirms the significant positive relationship of quality of services, availability of services, social and religious perspective and confidence in bank with customers' perception about Islamic bank. These factors are expected to have great role for influencing customer mind. Customer perception and satisfaction can be considered as the key contrast to bank for overall performance.

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