Islamic Banking Implementation: Supportive Role of Business Service
(*Pelaksanaan Perbankan Islam: Peranan Sokongan Perkhidmatan Perniagaan*)

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ABSTRACT

Islamic banking has advanced in the past four decades. It has become a worldwide brand, cultured and structured industry. Nevertheless, Malaysia has witnessed low penetration of Islamic banking. Researchers documented several reasons allied with low market penetration of Islamic banking. Although Malaysian industrial sector is dominated by Small and Medium Enterprises, there is less information about small business owner's intention to adopt Islamic banking. Following the Theory of Reasoned Action, this research includes attitude, social influence and business service factors effect on intention to adopt Islamic banking. The research followed positivist research philosophy and quantitative descriptive cross-sectional study design to explicate the relationship between small business owner's attitude, social influence and business service on intention to adopt Islamic banking. 390 sample from Klang Valley region of Selangor state of Malaysia was considered for the study. Data was collected using survey method through the distribution of structured questionnaires. PLS-SEM was used to test the predictive relevance. The results indicate a strong positive relationship between attitude, social influence and business service on intention to adopt Islamic banking.

Keywords: Islamic banking; Islamic finance adoption; SMEs; business service; theory of reasoned action.

ABSTRAK

Perbankan Islam telah maju dalam empat dekad yang lalu. Ia telah menjadi jenama di seluruh dunia, sebagai industri yang dikenali dengan budaya dan struktur. Walau bagaimanapun, penggunaan perbankan Islam di Malaysia masih di paras yang rendah. Penyelidik mendokumentasikan beberapa sebab yang berkaitan dengan penetrasi pasaran yang rendah bagi perbankan Islam. Meskipun, sektor perindustrian Malaysia didominasi oleh Perusahaan Kecil dan Sederhana (PKS), terdapat sedikit maklumat mengenai niat pemilik usaha kecil untuk menggunakan perkhidmatan perbankan Islam. Berdasarkan Teori Tindakan Munasabah, penyelidikan ini mengkaji sikap, pengaruh sosial, dan faktor perkhidmatan perniagaan yang mempengaruhi niat untuk menggunakan perkhidmatan perbankan Islam. Kajian ini mengikuti falsafah positivis dengan reka bentuk kajian kuantitatif dari pelbagai firma untuk mengkaji hubungan antara sikap pemilik perniagaan kecil, pengaruh sosial, dan perkhidmatan perniagaan mengenai niat untuk menggunakan perkhidmatan perbankan Islam. 390 responden dari Lembah Klang Selangor, Malaysia dianalisis untuk kajian ini. Data dikumpul melalui pengagihan soal selidik berstruktur. Kaedah PLS-SEM digunakan untuk menguji hubungan. Hasil kajian menunjukkan wujud hubungan positif yang kuat di antara sikap, pengaruh sosial, perkhidmatan perniagaan dan niat untuk menggunakan perkhidmatan perbankan Islam.

Kata kunci: Perbankan Islam; kewangan Islam; perkhidmatan perniagaan; teori tindakan beralasan

INTRODUCTION

Islamic finance products have advanced and made its presence from 1970's, once Islamic banks started its dissemination to customers in a responsible and reliable way. Such efforts from Islamic banks have changed the landscape of financial service industry and customers started considering Islamic finance products comparing with conventional banking products (Nurdin 2016; Setyobudi et al. 2016; AlMaimani & Johari 2015). Based on the figures reported for 56 countries (Reuters 2018), the global Islamic finance industry grew year-on-year by 11% to US$ 2.4 trillion in assets during 2017, backed by CAGR growth of 6% from 2012. Surprisingly, the diffusion of this financial banking system is widely observed in the Middle East and South and Southeast Asia. In terms of asset, based on the report, Iran, Saudi Arabia and Malaysia has remained the largest Islamic finance markets.

The challenges of Islamic banking nonetheless contended that Islamic banks are different in comparison with traditional banks because of unfledged standards and absence of regulatory -supervisory outline. Musa (2010)

however indicates that Islamic banks are in fact riskier than conventional banks. It is claimed that the participation of Islamic banking to overall banking system remained relatively low, in comparison with conventional banking and the level of penetration to mass population remained limited. Islamic banks are under pressure in improved performance in comparison with the traditional bank despite the overwhelming support received from the government.

Market penetration of any banking service depends on awareness about the financial products, which come through the finest service facilitation extended by the banking professionals. As it is indicated in the literature an upbuilding of service quality of the banks is acknowledged as the most significant factor in gaining a competitive edge in the market, where there is careful observation of the needs of the customers. Supporting this aspect, one of the factors pointed out by the expert in low penetration of the Islamic finance products include the service quality extended by the Islamic banks to customers (Siddiqui 2008; Kamarulzaman & Madun 2013). Service quality has been shown to be a determining factor for choosing an Islamic bank (Subhani et al. 2012).

Islamic banks all over the world, including Malaysian banks, have been experiencing many challenges, related to services role in the survival of the banking sector (Cui, Lewis & Park 2003). Service quality plays a major role in Islamic banking penetration as it is evidenced in any other service sector enterprises (Sousa & Voss 2002; Ghobadian, Speller & Jones 1994).

Imran, Samad and Masood (2011) noted in this context that customers feel difficulties in adoption of Islamic banking system due to lack of appropriate services available from banks. It is pointed out that the banking customers are unable to get proper service quality as they expected during their transaction with the banks. Hence it is necessary to consider the impediments render the banks unable to procure the services with the service quality to meet their customer's expectations.

Despite the previous evidences where Islamic banks showed more resilience during the financial crisis, there is less penetration into SME entrepreneurs due to quite a lot of reasons like service quality (Cui et al. 2003) The number of SMEs which adopt Islamic finance are still not enough to claim that they over took conventional banking system. This reveals that many SMEs still have not adopted or might not have adequate awareness about of the Islamic finance mode and opportunities.

Past studies have widely discussed individual consumer's attitude and intention towards non-Islamic banking products and services, especially their satisfaction on banking services, preferences and selecting criteria for choosing financial institutions (Echchabi & Olaniyi 2012; Gait & Worthington 2008). By the same token, there is considerable research on consumers' attitude and perception towards Islamic banking among Islamic and non-Islamic countries (Al-Ajmi, Hussain & Al-Saleh 2009; Gait & Worthington 2009; Jaffar & Musa 2013).

Nevertheless, similar studies are not conducted in Malaysian context, where the Islamic Banking concept is still primarily considering issues pertaining to business support especially on service quality. Add to the point, it is reported that there is inadequate information regarding Islamic banking products and services turned to be the second major factor affecting low stake of Islamic banking (Adnan, Sajid & Iqbal 2011). To get a holistic outlook, there is a need to integrate several distinct factors which are aligned into low adoption rate of Islamic banking among SME consumers. A research with descriptive cross-sectional study design was followed to explore the factors behind low penetration of Islamic banking.

The study followed Theory of Reasoned Action, by incorporating attitude, and social influence factors into service delivery performance, SERVQUAL model, in order to evaluate the business factors related to low penetration of Islamic banking adoption among SME consumers in the Klang Valley region of Malaysia, extending practical and theoretical significance. Specifically, the study aims to examine whether attitude, social influence and business service factors (tangibility, reliability, responsiveness, assurance and empathy) affect the intention to adopt Islamic finance among entrepreneurs of SMEs in Malaysia.

LITERATURE REVIEW

CONCEPTS, LITERATURE AND THEORY

Islamic Banking and Islamic Finance   Several authors have defined the term Islamic Banking, correlating the operations of banks with Islamic instructions (Mbawuni & Nimako 2017; Nurdin 2016; Setyobudi et al. 2016; Mirakhor 2000; Haque, Jamil & Ahmad 2007). Complying with the ideologies of *Shariah* law the term Islamic finance denotes to the financial product or services (Buchari, Rafiki & Al Qassab 2015; Gait & Worthington 2008). The distinguishing identity of the Islamic finance is generated from five sacred characteristics viz., i.e. riba (interest), haram (forbidden) or halal (permissible), gharar (speculative) or maysir (gambling), zakat (the prescribed purifying alms) and *Shariah* (Islamic) board (Lewis & Algaoud 2001).

Islamic Modes of Financing   Islamic financing is categorised into two modes in specific, are linked to (1) *Shariah* compliant products and (2) *Shariah*-based transactions (Hanif & Iqbal 2010). *Shariah* compliant products

where the investor's return can be estimated and it is permanent based on *Shariah* regulations which encompasses *Murabaha* (price plus return trade or percentage over the cost of financing), *Bai Bithaman Ajil* (procurement of properties and hire purchase financing or sale of products on late payment), Ijarah (a renting agreement), *Musharakah Mutanaqisah* (decreasing *Musharakah* or home finance), *Bai Salam* (sale of goods where price is paid in advance, the supply of goods in future acquiring goods and services by clear description, early payment of the products and services and the supply of goods in future) and *Qard Hassan* (compassionate or without interest loan).

While, *Shariah*-based transactions are a means of financing that strictly adhered to codes of risk and profit-sharing, where financier's return of investment is not fixed in advance, and it rely on the result of the project. Finally, the two profit-sharing mechanisms or partnership contracts are favoured by Islamic law, which include *Mudarabah* (partial-equity partnership or profit sharing) and *Musharakah* (full equity partnership or partnership financing). Clear differentiation is made by past researchers on differences between traditional and Islamic finance system (Mariadas & Murthy 2017; Nurdin 2016; Setyobudi et al. 2016; Riaz, Khan & Khan 2017; Iqbal & Mirakhor 2011); The Islamic financial system endeavours for justifiable, impartial social order and economic system. The ban of interest (riba) in the Islamic financial system is envisioned to evade misuse, of profiteering over handling of prices and to guard the deprived (i.e. borrower). Secondly, Islamic financial system drives the code of collaboration and brotherhood. Such coordination is manifested by the system of risk-taking, profit-and-loss-sharing that assist in the productivity of the corporate venture rather than affluence of the entrepreneurs of the traditional financial system. Thirdly, Islamic finance deals with the severe principled standards of Islamic law or *shariah*.

Islamic and conventional banking differ in its nature based on four essential rules viz; prevention of *Gharar* (extreme uncertainty), prevention of *Maysir* (betting and gaming), prevention of unprincipled investments (e.g. investment in pork, alcohol, or pornography allied actions, etc.) and the prevention of *riba* (interest). Rather giving importance to credit worthiness, Islamic banking extend significance on risk sharing and productivity (Iqbal, Ahmad & Khan 1998). Foundation of Islamic banking business transitions rooted in *shariah* Law, whereas the conventional banking does not (Mbawuni & Nimako 2017; Nurdin 2016; Rahman 2015). Any banking transactions that disobey the code of *shariah* will be null and void. The differences between these two banking systems also based on nature of relationship between consumer and the bank. The interaction between Islamic bank and consumer is based on investor and entrepreneur bond in Islamic banking system. The role of consumer is widely recognised as 'partner' rather than a 'borrower or debtor' (Khir, Gupta & Shanmugam 2008). Another distinction cited include the prohibition of Riba. Reimbursements or the interests are deprived of bearing the accountability of a deal will be considered as 'Haram' or barred in Islam (Haron & Ahmad 2000). Islamic banking system also envisages that the banks must share the risk with the consumer in any banking transitions. On the contrary, the traditional baking system which follows interest-based business transactions. Fixed or floating interest rate for the financing and deposits are the ways with which traditional banks usually gets income (Khir et al. 2008).

Islamic bank offers financing through equity contribution. In this form, the bank and client will offer capital conjointly to do the business operations. With the prior agreement made on the profit and loss sharing, investment will be mutually shared by the bank and client. Such sharing mechanism absent in conventional banking system. Making provision of finance only to the borrowers is the major work of conventional banks. Receiving interest is the major criterion for financial distributions (Khir et al. 2008). Further Islamic banks should have a *shariah* Supervisory Board to supervise all activities, which are in line with *shariah* laws. While the conventional bank does not have to follow any such *shariah* laws rather it should follow the guideline issued by the Bank Negara Malaysia (Khir et al. 2008) in Malaysia.

Intention to Adopt Islamic Finance and Theory of Reasoned Action   Theory of Reasoned Action (Ajzen 1991) indicates that one's beliefs on a positive behaviour will be acted accordingly and will lead to a person expecting another person to perform that behaviour. Moreover, an individual's attitudinal intentions and behaviours would be shaped based on the attitude towards the behaviour and the subjective norms. It is claimed that attitude has significant influence on intention to adopt Islamic banking and the subjective norm factor act as a social pressure on people to perform or not perform a task. It is thus coherent that the intention to adopt Islamic banking among consumers is the resultant manifestation of attitude and subjective norm factors.

HYPOTHESIS FORMATION

Attitude and Intention to Adopt Islamic banking   Adoption of a financial support depends on the favourable or unfavourable attitude of customers towards the financial services. In their investigation, Amin et al. (2011) state that attitude has a significant and positive effect on Islamic financing. While, contrary arguments suggest that Islamic banking is not able to offer services to all potential customers because customers do not have enough knowledge about it. Customers are not provided with information and are not acquainted with Islamic banking

products and services (Abdullah, Sidek & Adnan 2012). Considering the pros and cons of Theory of Reasoned Action argument for the Islamic financing adoption scenario, it is assumed that the attitude of SME entrepreneurs may have favourable or unfavourable attitude towards Islamic banking adoption (Bella, & Al-Fayoumi 2016; Tipu 2014). Hence this study proposes following hypothesis;

H_1 Attitude has a direct and positive relationship with the intention to adopt Islamic banking among SMEs entrepreneurs in Malaysia.

Social Influence and the Intention to Adopt Islamic Banking   Quite a few studies have exposed a positive and significant relationship between subjective norm and behavioural intentions (Venkatesh & Davis 2000; Teo & Pok 2003; Obeid & Kaabachi 2016; Ayedh, Echchabi & Alnahari 2014; Mahmoud & Abduh 2014). This indicate that the intention to adopt financial services from Islamic banking system is influenced by the social pressure. However, several others have been found to lead an insignificant relationship with the intention and subjective norm (Tan & Teo 2000; Devlin & Ennew 2005; Shih & Fang 2004; Chau & Hu 2001; Mathieson 1991; Lewis, Agarwal & Sambamurthy 2003). With due consideration to the pro and cons of Theory of Reasoned Action argument on Islamic financing adoption scenario, it is assumed that the social influence may have favourable or unfavourable attitude towards of SME entrepreneur's Islamic banking adoption. Hence this study poses following hypothesis;

H_2 Social influence has a direct and positive relationship with the intention to adopt Islamic banking among SME entrepreneurs in Malaysia.

Business Support (Service Quality) and Intention to Adopt Islamic Banking   Khattak and Rehman (2010) found that service quality significantly influences customer satisfaction for Islamic and conventional banking systems (Naveen 2016). However, the magnitude of this influence is greater in Islamic banking compared to traditional banking. The findings of the study by Amin and Isa (2008) reveal that even if Islamic finance customer's express satisfaction with the overall service quality offered by their banks, it is still not a guarantee that these customers will not start using other banks. This signifies the importance of examining the service quality dimension in relation to the business service support extended by the bank. Therefore, the research postulates the following hypothesis:

H_3 Business service has a direct and positive relationship with the intention to adopt Islamic banking among SME entrepreneurs in Malaysia.

Tangibility and Intention to Adopt Islamic Banking   Factors such as external appearance, opening hours of Islamic operations, speed and efficiency of Islamic banking transactions, overdraft privileges on Islamic current account, counter partitions in Islamic Bank and its branches, customer satisfaction, and the improvement of Islamic banking service quality need to be considered in developing better appreciation among the customers. The extent to which an Islamic bank can effectively provide prompt business support to their customers, will help in determining the possibility of adoption of Islamic banking. When there is a higher need for tangible factors, the customers will be more satisfied with the banking service quality (Hennayake 2017). Thus, tangibility and customer satisfaction have a positive and significant correlation (Siddiqi 2011). This signifies the importance of examining the tangibility dimension in relation to the business service extended by the Islamic bank. Therefore, the study postulates the following hypothesis:

H_{3a} Tangibility factor of business service has a direct and positive relationship with the intention to adopt Islamic banking among SME entrepreneurs in Malaysia.

Reliability and Intention to Adopt Islamic Banking   Reliability is the banks' ability to accurately and promptly perform its Islamic banking services based on the promises it has given. A positive perception from the customer on the value-based services obtained from a service provider could provide impetus to use the same provider again (Sirdeshmukh, Singh & Sabol 2002; Wathne, Biong & Heide 2001; Yang, Jun & Peterson 2004). However, there are contradictory reports in relation to reliability dimension. The bank staff should be able to provide SME entrepreneurs trustworthy information regarding proportions for profit sharing, predetermined information before entering the contract, information about riba, the conduct of business within a framework, banking transactions, security and others. Past studies provide inconsistent result on the reliability factors relationship with Islamic finance adoption. Thus, the study suggests subsequent hypothesis:

H_{3b} Reliability factor of business service has a direct and positive relationship with the intention to adopt Islamic banking among SME entrepreneurs in Malaysia.

Assurance and Intention to Adopt Islamic Banking   Assurance the employee's knowledge and courtesy as well as their ability to inspire confidence and trust (Parasuraman, Zeithaml & Berry 1985). Some of the factors that can help Islamic bank customers in gaining better appreciation of Islamic banking adoption include improvement and positive changes in the behaviour of the Islamic bank's staff, easy access to account information, financial advice, and an experienced and knowledgeable management team effect (Haddad 2017; Gulledge 1996). Assurance had insignificant impact on customer fulfilment. Nevertheless, this result on assurance dimension does not coincide with the studies conducted by Santhiyavalli and Sandhya (2011). This signifies the importance of examining the assurance dimension in relation to the business service, extended by the Islamic banks. Therefore, we postulate the following hypothesis:

H3c   Assurance factor of business service has a direct and positive relationship with the intention to adopt Islamic banking among SME entrepreneurs in Malaysia.

Responsiveness and Intention to Adopt Islamic Banking   Responsiveness is the employee's willingness or readiness to provide service (Parasuraman et al. 1985; Saghier & Nathan 2013). Studies found out that customers using both Islamic banks and conventional banks, which have Islamic bank branches (IBBs), where the bank's staff does not have the ability to provide reliable information about the Islamic banking services and religious compliances. It is revealed that in a bank, the quality of managing service is vital because most of it is influenced by how well the bank's staff satisfies customer expectations (Kant & Jaiswal 2017; Kaynak & Harcar 2005). In most cases, bank customers assess the bank based on the bank staff's dimension, with emphasis on the staff's positive attitude, knowledge, friendliness, professionalism, and timely responses. This signifies the need of investigating the responsiveness dimension in relation to the business service support, extended by the Islamic bank. Therefore, the study postulates the following hypothesis:

H3d   Responsiveness factor of business- business service has a direct and positive relationship with the intention to adopt Islamic banking among SME entrepreneurs in Malaysia.

Empathy and Intention to Adopt Islamic Banking   Culiberg and Rojšek (2010) states that the capacity and the willingness to provide individualised attention to a customer is called empathy. In the banking industry, empathy and customer satisfaction have a positive relationship (Selvakumar 2016). The workforce of the bank has to be more competent, polite, friendly, helpful, attentive, understanding and knowledgeable when they provide customers with information about products and services in order to satisfy them. Previous researchers (Buttle 2009) have mentioned that there is a positive relationship between empathy and customer satisfaction in the banking industry. Empathy is one of the main factors that affect the switching behaviour of customers from one bank to another (Subramaniam & Ramachandran 2012). Very few studies have conducted in the Malaysian context examining the service quality dimension empathy in relation to satisfaction and adoption of Islamic banking among customers. Hence, this study proposes following hypothesis:

H3e   Empathy factor of business service has a direct and positive relationship with the intention of among SME entrepreneurs in Malaysia.

MEASUREMENTS

Attitude   The construct used to measure attitude is made up of four items that are like the ones Md-Taib, Ramayah and Razak, (2008) developed and were later used by Amin et al. (2011). Ajzen (2015) and Francis et al. (2004) suggested the modification of the four items for this study and turning them into a seven-point scale that directly measures by utilising the common stem: "Utilising Islamic banking and financial services is."

Four pairs of opposites or bipolar adjectives were measured via a combination of negative and positive endpoints. Three out of the four bipolar adjectives were instrumental items (harmful/beneficial, good/bad, and useful/worthless). The other item was experiential (the right thing to do/the wrong thing to do). The internal consistency reliability was moderate to high for the instrument observed, with a Cronbach's α-value of 0.91.

Social Influence   Ajzen (1991) stated that subjective norm is a term used to refer to an individual's perception of the probability that individuals or a potential referent group will be approving or disapproving of a given behaviour. The original structure of the social influence questionnaire of Alam, Janor, Che Wel and Ahsan (2012) was used for further analyses. The three (3) items of this questionnaire were associated with the role of social groups like peers, family, and other social institutions and how they influence the attitude of customers in the adoption of Islamic finance. The construct was measured using five-point scale items that ranged from (a) "1 = strongly disagree" to "2 = disagree," (b) "3 = undecided" to "4 = agree," and (c) "5 strongly agree". Some of the

items that were related to the social influence posed in this research include "People who I listen to could influence me to use Islamic banking", "Most people who are important to me support me using Islamic banking", etc. It also had a Cronbach's α-value of 0.86.

Business Service (Service quality - SERVQUAL)   All items that were expected to measure business support to adopt Islamic banking in this study was adopted from a previously validated SERVQUAL instrument (Parasuraman et al. 1988) which include five principal dimensions: reliability, tangibles, assurance, responsiveness and empathy. The multi-item attitude measure consists of a set of items that uses a seven-point scale, where for each adjective, respondents were instructed to mark the scale that best reflects their evaluation or perception of the business support service quality towards self-esteem in the form of initiation effort and persistence in Islamic banking adoption.

The nineteen (19) items of this questionnaire, in association with the business support service quality perception of the consumers, were posed in relation to the intention towards Islamic banking adoption. The respondents were instructed to rate their perceptions and expectations of performance on a seven-point Likert scale that ranged from 1 (strongly disagree) to 7 (strongly agree). The results were then utilised to determine positive or negative gaps. Examples of items related to intention include "The Islamic bank performs the service right the first time", "Staffs are helpful to customers", etc. The internal consistency reliability was moderate to high for the instrument, and it had an observed Cronbach's alpha value of 0.77.

Intention to Adopt Islamic Banking   In this study, all the items that were expected to measure the intent to adopt Islamic banking were adopted from Venkatesh and Davis (2000). The multi-item attitude measure consists of a set of items that uses a seven-point scale, where for each adjective, the respondents were requested to mark a scale that best reflects their evaluation or attitude towards self-esteem in the form of initiation effort and persistence in Islamic finance adoption. The three (3) items construct was measured using seven-point scale items that ranged from (a) "1 = definitely impossible" to "7 = definitely possible," (b) "1 = definitely false" to "7 = definitely true," and (c) "1 = strongly disagree" to "7 = strongly agree".

Examples of items related to intention include "I intend to adopt Islamic banking services in the future", "I will strongly recommend the use of Islamic banking services to others", etc.

VALIDITY

To evaluate the content validity, an expert panel made up of eight (8) senior faculty members from Malaysia, Bahrain, Saudi, India and Indonesia, who have high academic experiences and exposures in Islamic banking was considered. The questionnaires were evaluated by paying attention to all words and contents. The panel gave minor suggestions regarding the wording and contents of the questionnaire, and all those suggestions were well incorporated into the instrument.

TABLE 1. Factor analysis

Factors	Code	A	SI	BS	IAIB
Attitude	A1	0.67			
	A2	0.69			
	A3	0.60			
	A4	0.65			
Social influence	SI1		0.63		
	SI2		0.59		
	SI3		0.65		
Business Support	BS1			0.71	
	BS2			0.66	
	BS3			0.62	
	BS4			0.59	
	BS5			0.72	
	BS6			0.51	
	BS7			0.63	
	BS8			0.60	
	BS9			0.71	
	BS10			0.71	
	BS11			0.70	
	BS12			0.68	
	BS13			0.66	
	BS14			0.66	
	BS15			0.65	

	BS16	0.67	
	BS17	0.59	
	BS18	0.57	
	BS19	0.60	
Intention to adopt Islamic	IFA1		0.65
Finance	IFA2		0.67
	IFA3		0.59

Note: Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0.901, Appro. Chi-Square = 1425.403, DF = 100, Sig. = 0.000, Variance = 72.435

CONVERGENT VALIDITY

TABLE 2. Summary of Cronbach's Alphas, rho_A, composite reliability, average variance extracted (AVE)

Measurement Items	Item	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
A	4	.910	0.911	0.803
SI	3	.862	0.903	0.819
BS (SQ)	22	.779	0.921	0.831
IAIB	3	.871	0.933	0.799

Table 2 indicates that all the merits of AVE were in the acceptable range between 0.799 and 0.831 indicating an adequate convergent validity. Thus, the convergent validity was confirmed in the study.

DISCRIMINANT VALIDITY

Furthermore, the discriminant validity of the indicators was established by utilizing the technique Heterotrait - Monotrait Ratio. The following table provides the details of Heterotrait - Monotrait Ratio on the construct level.

TABLE 3. Discriminant validity: Heterotrait - Monotrait ratio

	(A)	(SI)	(BS-SQ)	(IAIB)
A				
SI	0.812			
BS (SQ)	0.778	0.821		
IAIB	0.801	0.799	0.789	

The table 3 clearly shows that the HTMT values for each construct are less than the required critical values of 0.85 (Kline 2011) and 0.90 (Gold, Malhotra & Segars 2001). Besides, interval confidence levels also show values lesser than 1 for each construct. This means that all the constructs meet the discriminant validity criteria set (Henseler, Ringle & Sarstedt 2015).

NORMALITY TESTING

The residuals" normal probability plots were employed for evaluating the normality assumption. The confirmation of normality was done by using histogram and the normal probability plot (P–P plots) tool of the regression standardised residual. As observed in the figures below, a normal distribution as the deviation behaviour of the data distribution from the associated normal curve was not considerable.

TABLE 4. Analysis of skewness and kurtosis

	Mean	Skewness		Kurtosis	
	Stat	Stat	Std Error	Stat	Std. Error
A	3.80	-1.99	.11	1.29	.210
SI	3.61	-.745	.11	.823	.210
BS	3.81	-1.001	.11	1.68	.210
IFA	3.61	-.714	.11	.103	.210

Valid N: 390

The result in Table 4 above indicates that all the latent variables are normally distributed with a slightly negative skewness, which still falls between the acceptable. The data obtained were rechecked to ensure that they

are reliable. To calculate the z value of the skewness and kurtosis for this study, a formula which is statistic value/standard error was adopted. The result of z value of skewness and kurtosis falls within the acceptable range from -2 to + 2 (George & Mallery 2010).

MULTICOLLINEARITY

According to Table 5, the range of tolerance values lie from 0.179 to 0.678 for all variables. Also, VIF values were found to lie in the range of 1.712 to 3.898 for all the variables. As per the results, the tolerance values for all variables were found to be greater than 0.1, and consequently the VIF values were found to place below the threshold value 10 as suggested by Hair et al. (2010). Thus, the absence of multicollinearity issue was settled.

TABLE 5. Multicollinearity

Coefficients a1	Collinearity Statistics	
	Tolerance	VIF
A	0.458	2.879
SI	0.388	2.578
BS	0.396	2.169
IFA	0.477	2.611

RELIABILITY

An instrument is considered reliable if it can provide identical results if the same group uses recurrently. Nunnally (1970) stated that a reliability score of 0.70 or higher is acceptable. Overall scores show that the Cronbach's Alpha exceeding 0.7. Hence, it can be assumed that internal consistency for this questionnaire is good.

METHODOLOGY

DESIGN AND SAMPLING

Following positivist philosophy with quantitative research design, the study considered both probabilistic and non-probabilistic sampling. Since the population is separated in groups and accessing them all is difficult, (e.g. they are located in many distant regions) this research considered probabilistic cluster sampling in the initial phase. The cluster analysis involves the grouping or segmentation of a collection of objects into subsets or "clusters". Cluster analysis utilises several techniques to group individuals into similar groups (Saunders & Clark 1980). Thus, objects belonging in a cluster are similar to each other. It is stated that cluster analysis can be used as a tool for data exploration and hypothesis testing and confirmation (Borgen & Barnett 1987). The study identified the clusters in the north, south, east and west part of Klang Valley region of Selangor state of Malaysia. After conducting cluster sampling, the study then employed purposive sampling. Purposive sampling believes in researcher's judgement in selection of respondents, which are more suitable to the topic selected for the study (Tansey 2007). The study purpose and consideration of the population knowledge are important criteria in the selection of the research participants for the purposive sampling process (Crossman & Noma 2013). This technique is the most suitable because its focus is on the ones who are the most advantageously placed and those who are in the best position to furnish the data required (Sekaran 2003). Following Krejcie and Morgan (1970) table a total of 390 sample size thus finally considered.

RESULTS

RESULT OF CORRELATION ANALYSIS

This analysis was conducted after ensuring all the basic assumptions such as the outliers, linearity, and normality met with. It was aimed at determining the direction of the association among variables used. There were three independent variables in this study, i.e. consumer attitude, social influence, and business support. The correlation result shows that there is significant correlation between independent variables, consumer attitude, social influence, and business support, with the dependent variable intention to adopt Islamic banking.

TABLE 6. Correlation analysis results

Var.	A	SI	BS	IFA
A	1			
SI	.610**	1		

BS	.501**	.677**	1	
IFA	.541**	.689**	.571**	1

The result in Table 6 clearly shows the significant and positive relation of entrepreneur's attitude with intention to adopt Islamic finance (IAF) (r=0.610, P< 0.01), social influence with intention to adopt Islamic finance (SI) (r=0.677, P< 0.01), and business support with intention to adopt Islamic finance (IP) (r=0.571, P< 0.01).
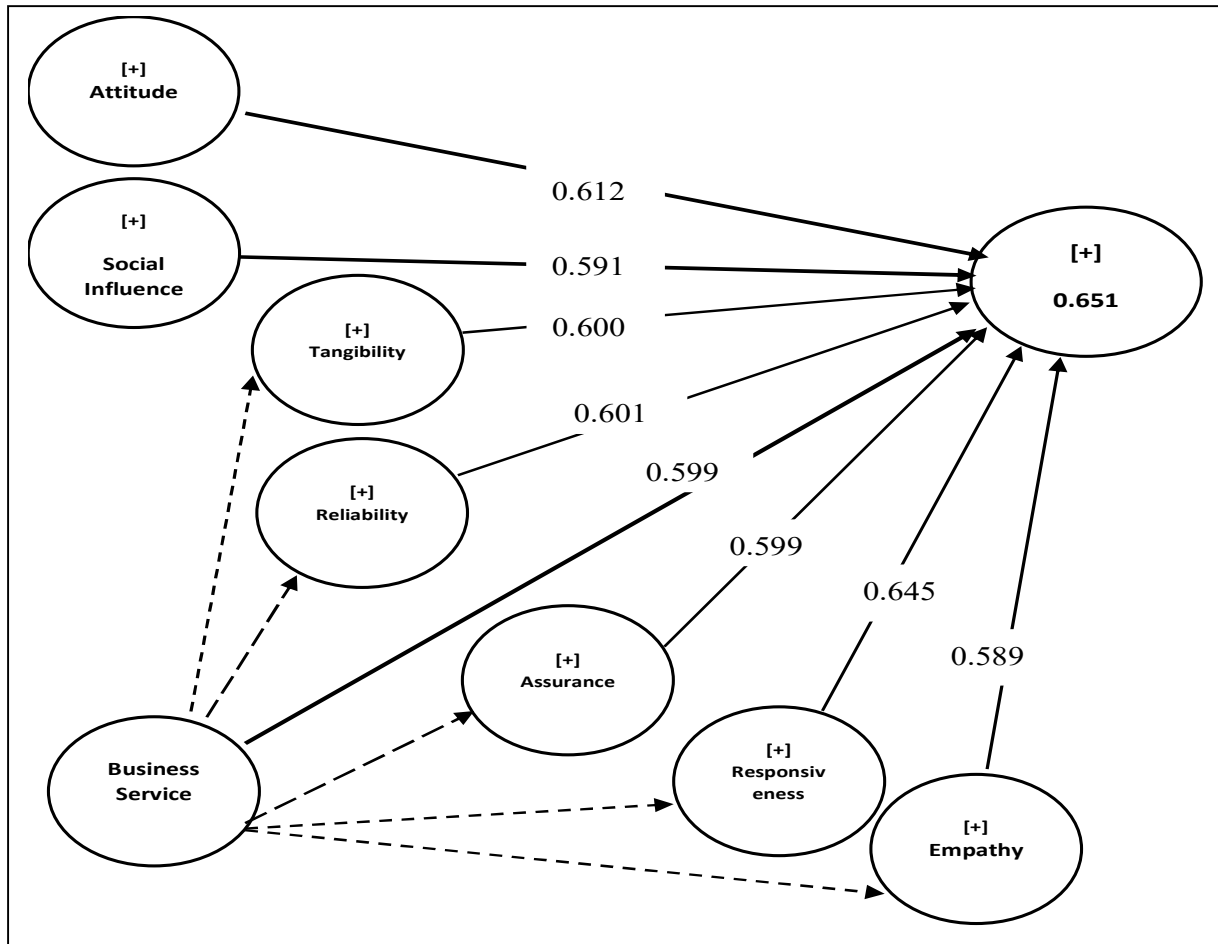
STRUCTURAL MODEL

FIGURE 1. Structural Model

The structural model indicates the direct effect of attitude, social influence and business support factors on intention to adopt Islamic banking among SME customers. SmartPLS path model contributes 65.1 percent of predictive relevance establishing the relationship between the independent and dependent variables.

TABLE 7. Results of direct hypothesis

Relationship		Beta (β)	t-Value	p-Value	R2 Value
A →	IAIB	0.612	2.101	0.020	0.651
SI →	IAIB	0.591	1.988	0.041	
BS →	IAIB	0.599	2.612	0.011	

Table 7 indicates the results of the hypotheses testing using the SmartPLS path model analysis resulted in three important observations: firstly, attitude has a positive and significant relationship with Intention to adopt Islamic banking ($\beta = 0.621$; t = 2.101) and hence H_1 is supported. Secondly, social influence has a positive and significant relationship Intention to adopt Islamic banking ($\beta = 0.591$; t = 1.988), hence H_2 is supported. Besides that, business support has positive and significant relationship with intention to adopt Islamic banking ($\beta = 0.599$;

t = 2.612). The inclusion of attitude, social influence and business support into the SmartPLS path model analysis contributes 65.1 per cent of the change in the dependent variable. The structural model is illustrated below.

DISCUSSION

Current research observed the determinants of intention to adopt Islamic finance among `SME entrepreneurs in Malaysia by looking into variations in their attitude, social influence and business support. The study has two major objectives with (attitude, social influence) and five sub-objectives (tangibility, reliability, responsiveness, assurance and empathy) related to business support in its influence on the intention to adopt Islamic finance. The findings are in line with the other studies (Amin et al. 2011; Teo & Pok 2003) that which support the idea that the attitude and social influence significantly affects the intention to adopt Islamic finance. Gait and Worthington (2008) conducted a review of the attitudes of the business firms towards Islamic financial services and products. They were able to conclude that the predisposition towards the methods of Islamic finance is part of the criteria that are often considered in choosing a conventional bank.

Attitude of consumers significantly influences the SME entrepreneur's decision to adopt Islamic finance in the Malaysian context. The theoretical outcome of this study also provides empirical evidence of the direct relationship between the intent to adopt Islamic finance and social influence among SME industry entrepreneurs. Several studies in the past reported that social influence (Family, social circle, reference group, friends etc.) has a direct and positive relationship with the intention to adopt Islamic banking (Husin & Rahman 2013; Amin et al. 2011; Venkatesh & Davis 2000). Thus, the SMEs in Malaysia must examine the role of reference groups, viz., family, friends circle, religious segregation etc., in its influence on SME entrepreneur's intention to adopt Islamic banking adoption.

Past researches report that the business service support has a direct and positive relationship with the intent to adopt Islamic banking among SME business entrepreneurs (Lin & Bennett 2014; Yusoff & Yaacob 2010; Fombrun 1996). Better the banking services, higher will be the intent to adopt Islamic finance among SME industry entrepreneurs. Lin and Bennett (2014) have stated in this context that the customer's experiences may be a significant factor influencing their consummation and allegiance. Customers who have experienced better satisfaction with an organisation's (banks services in this research) products or services will tend to use that service or product again (Yusoff & Yaacob 2010). Five dimensions of service quality viz., tangibility (equipment, appearance of physical facilities, personnel and written materials), reliability (capacity to dependably and accurately perform the promised Islamic banking service), responsiveness (willingness to provide prompt Islamic banking service and assist customers), assurance (the employee's Islamic banking knowledge and courtesy as well as their ability to inspire confidence and trust on Islamic banking) and empathy (the individual attention and care that the firm gives its Islamic banking customers) have effect on adoption of services or products (Zeithaml & Bitner 1996; Berry, Zeithaml & Parasuraman 1985). Service quality is thus considered as the main factor that influences consumer's intention and how patronise the Islamic bank (Haque, Usman & Ismail 2009).

The industry entrepreneurs of small firms can show interest in having better relationships with their banks if they feel that they are getting proper financial advices and support (Durkin, McGowan & Babb 2013). Business supports in the form of services provided by the Islamic financial institutions are significant because even small organisations can contribute to bank's profits. Jaffar and Musa (2013) also indicated that the business supports provided by Islamic financial institutions and agencies can affect the attitude of businesses towards their intent to adopt Islamic banking. Yusoff and Yaacob (2010) in this context stated that there are two types of business supports, i.e. financial supports (property loan, working capital, and grant) and nonfinancial ones (distribution, management, courses and advisory, research and development). Islamic banks should provide better attention to these factors.

Jun and Jaafar (2011) further stated that the attitude of consumers towards the adoption of a product or service can be influenced by the bank's service reputation. A bank's service reputation is a term that is used to refer to a financial institution's social responsibility and social objectives (Jaffar & Musa 2013). The service reputation of a bank has its basis in the perceptions of an organisation's credibility, reliability, trustworthiness, and social responsibility (Fombrun 1996). The result of the current study supports the idea that a Islamic bank's service reputation, which originates from business support factors, has a direct and positive relationship with the intention to adopt Islamic finance among SME industry entrepreneurs. The service support factors hence contribute to better business opportunity to Islamic Banks.

IMPLICATIONS

PRACTICAL IMPLICATIONS

The study contributes in gaining in-depth understanding on SME entrepreneurs' intent to adopt Islamic banking. Attitude, social influence and business support factors have keen role in influencing customer's intention adopt

Islamic banking. The customers are required proper service from bank employees following Sharia laws. Bank authorities should investigate attitudinal, social and business service factors with the aim of raising Islamic financing transactions for better adoption of Islamic banking. Customers believe that a bank can provide satisfactory products and services if it has good conditions in terms of its reputation and status (Chebab & Zribi 2012). The Islamic bank's reputation depends on efficient services extended. Customers may have many complaints about the level of service that Islamic bank provides. Business support factors viz., tangible, reliable, assured, responsive and empathetic aspects should be considered when the bank engage into strategic decisions. Focus should be given on defining what being an Islamic bank means and how this can be applied to sharing Islamic service and products. Islamic banks need to make sure that all their employees have enough knowledge of the religious and financial aspects of the Islamic financing laws.

The elements of trust and confidence among the customers may be improved by the effort of the bank staff, since they are the front-line people who disseminate information about Islamic finance. The study envisages proper training and development to the staff on Islamic finance products and its proper dissemination. Finally Bank authorities and marketers also should investigate perception and social pressure factors to when they do strategic marketing decisions.

THEORETICAL IMPLICATIONS

The study followed TRA. The results clearly indicate that TRA still has its impact on understanding intention to adopt Islamic banking. Several technical, financial and human related factors are cross validated by the business owners in order to finalise their intention to adopt Islamic banking. Adoption of Islamic banking thus depends on SME entrepreneur's motivation and expectation which has its solid footing on attitude, social influence and strong business support services.

CONCLUSION

This research was conducted to explain the factors correlated to the SME owner's intention to adopt Islamic banking in Malaysia. The study posed 2 direct research questions. Results revealed that attitudinal, socio-influential and business support factors have keen role in SME entrepreneur's intention to adopt Islamic banking. Islamic finance in Malaysia is promising trend, nevertheless. it is very important for banks and marketers to focus into bank services – the service quality extended by staffs to entrepreneurs, staff's capacity, external and internal arrangements as well as disseminate proper information related to Islamic banking and banking and financial services to SME business owners and customers for better adoption of Islamic banking.

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APPENDIX. The adapted indicators of the questionnaire and source

Code	Items – Attitude (Reflective)	Scale	Source
A1	Using Islamic banking and financial services is	(7 Good…1 Bad)	Md-Taib, Ramayah & Razak, (2008);
A2	Using Islamic banking and financial services is	(7 Beneficial …1 Harmful)	Amin, Rahim, Laison & Magdalene (2011);
A3	Using Islamic banking and financial services is	(7 Useful….1 Worthless)	Ajzen (2015)
A4	Using Islamic banking and financial services is	(7 The right things to do …1 The wrong things to do	

Code	Items - Social Influence (Reflective)	Scale	Source
SI1	Most of my friends/colleague have taken Islamic finance agreed that Islamic finance is better than conventional	5-point scale	Ajzen (1991); Alam, Janor, Che Wel & Ahsan 2012)
SI2	When it comes to a matter of home financing, I would like to be like my friends from friends and relatives		
SI3	I choose Islamic home financing based on recommendation		

Code	Items – Business Support (Reflective)	Scale	Source
BS1	The equipment of Islamic bank is sufficient and visible for customers" Usage	7-point scale	Parasuraman, Zeithaml & Berry
BS2	The Islamic bank facilities and designs make customers feel comfortable		
BS3	Sufficient staffs are available to provide customers Islamic banking Services		
BS4	The Islamic bank has sufficient visually appealing materials		
BS5	Islamic Banking service can increase customers" confidence and trust in quality services		
BS6	Staff can provide customers prompt and appropriate Islamic Banking Services		
BS7	The Islamic bank performs the service right the first time		
BS8	Staffs can provide customers precise personal services		
BS9	Staffs can understand customers' needs		
BS10	Staffs are helpful to customers		
BS11	Staffs are never too busy to respond to customers" requests		
BS12	The behaviour of staffs instil confidence in customers		
BS13	Staffs are polite to customers		
BS14	Staffs have knowledge to answer customers' questions		
BS15	Staffs are knowledgeable to solve customers' problems		
BS16	Operating hours of the Islamic bank are convenient to customers		
BS17	Staffs have the enthusiasm to understand customer needs		
BS18	Staffs consider customer needs in the first place		
BS19	Bank has their customers" interest at heart		

Code	Items – Business Support (Reflective)	Scale	Source
IAIB1	I intend to adopt Islamic banking services in the future	5-point scale	Venkatesh & Davis (2000).
IAIB2	If I wish to, I could adopt Islamic financing in business		
IAIB3	I will strongly recommend the use of Islamic banking services to others		