

The Role of Religious Education in Promoting the Islamic Banking System among the Young Muslim Generation: A Case Study

Mohd Arip Kasm¹, Bayu Taufiq Possumah², Mohamad Sabri Haron¹, Hasnan Kasan¹ & Aminuddin Bashir¹

¹Centre for General Studies, The National University of Malaysia, Malaysia

²Institute of Islam Hadhari, The National University of Malaysia, Malaysia

Correspondence: Mohd Arip Kasm, Centre for General Studies, The National University of Malaysia, Malaysia.
E-mail: toet83@yahoo.com

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Abstract

The paper reports and discusses a study which was conducted on 490 Muslim respondents from the young generation between the ages 18 to 40 years. The study aimed to identify the popularity of the Islamic banking system among the students of the National University of Malaysia, and the role of Islamic education in promoting the Islamic banking system to the respondents. The findings of the study could be used to popularise further the Islamic banking system in the country. The respondents were selected randomly from The National University of Malaysia. Each respondent was given a booklet of questionnaires containing statements with given choices of yes or no answers as well as the open ended questions. The responses were analysed using the Statistical Package for the Social Sciences (SPSS), to obtain the percentages of the responses. The findings of the study indicated that the Islamic banking system was very popular among the younger generation. About 63% of respondents kept their savings in the Islamic banking system. The findings also shown that the respondents who are most inclined towards the system were those who had been educated in the Islamic education system. 85.0% of the students of the Islamic Studies Faculty saved their money in the Islamic banking system, followed by the respondents from the Faculty of Education (73%) and also the Faculty of Law (72.3%). The controlled groups i.e. the respondents from the other faculties, where the Islamic education was not thought, the percentages of the respondents who saved in the Islamic banking system were much lower.

Keywords: religious, Islamic banking, education, Malaysia, young generation

1. Islamic Banking: A Brief Malaysian Experience

The Islamic banking system is expanding not only in Malaysia but throughout the world (Kuncinas, P, 2010). In Malaysia, the Islamic finance system was implemented with the introduction of the Islamic Bank in 1983 (Ariff, 1988). Since then the Islamic finance system started to grow and some of the banks run the full fledged Islamic banking system and almost all the conventional banks offer the Islamic banking system outlets, along with the conventional system. Now, the Islamic banking system caters not only for Muslims, but the non-Muslims as well (Venardos, 2011). The world financial crisis which began in 2007 and worsened by the year 2011 prompted the study to be conducted. The aim of the study was to know whether the young generation were attracted to the Islamic banking system which has been widely promoted to be resilient to the economic crisis.

The Islamic banking system in the form of Islamic banks and the off shoot of the finance system such as The Islamic Mortgage system and The Islamic Insurance system have grown and expanded in Malaysia in the recent years (Ang, 2008). The interest on the Islamic banking system has been bolstered by the recent financial crisis in Europe as well as in the United States. The Islamic banking system has also expanded rapidly throughout the world (Greuning & Iqbal, 2008).

The first Islamic Bank in Malaysia was established in 1983 and in 1993 the Islamic banking outlets began to be offered by many other conventional banking system (El-Tiby, 2010). Among the conventional banks which offered the Islamic banking outlets are the CIMB bank, MayBank, The Bank Simpanan Nasional (BSN) and many others, while the Muamalat Bank and Bank Islam operate on the full fledged Islamic system. While the Islamic banking system represents a fraction of the global banking market, it has grown at double-digit rates in recent years (Elasrag, 2014). By some estimates, total assets held globally under Islamic banking system reached

USD1 trillion in 2010. Islamic banks have appeared to be more resilient than conventional banks to the immediate effects of the international financial crisis and global economic downturn (Elasrag, 2014). The interests in the Islamic banking system spiked especially within the last two decades of the 20th century because of the problems faced by the conventional banking system. The last two decades of the 20th century witnessed the instability and the vulnerability of the conventional financing system (Askari & Iqbal, 2010).

However despite the growing interest in the Islamic banking system, there are only few studies on the Islamic banking system compared to the conventional banking system (Note 1). One of the issue which has been studied by the researchers was the efficiency of the Islamic banking such as those by Mokhtar, et al. (2008) and Suffian (2007). The finding of the study by Suffian (2007) showed that The Malaysian Islamic banks efficiency declined in the year 2002 and recovered slightly in 2003 and 2004 and the finding suggested that foreign and domestic Islamic banks drew their clients from the same population pool.

Young generation should be encouraged to save, and the government encouraged the young generation to save in the Amanah Saham Wawasan 2020, (Vision 2020 Unit Trust) (Suryadinata, 1997),but the issue of Islamic compliance has always been the sticking point among the conservative Muslim. On the other hand, there were the Bank Simpanan Nasional of Malaysia which offered Islamic compliance banking system attracted 60,000 young generation to save (Deshpande & Zimmerman, 2010). Studies have been conducted to see the trend of money saving among the young generation in the United Kingdom. A report by the moneyfacts.co.uk (2012) under the caption 'Younger generation driving upturn in savings habit' said that the young generation between the ages 25 to 34 setting aside an average of just £100 a month for saving (Note 2). In terms of gender, the Australian researcher discovered that women were leading the way for saving. 73.4% of the women encouraged their children to save. According to Westpac Women's Deposits Report, 76.3% of the women respondents save over 5% of their monthly income (Note 3). Studies on the saving behaviour of the people in the Southeast Asian countries have also been conducted and the finding indicated that there were a period of sustained increase in private saving rate (Faruqee & Husain, 1998). In Malaysia

2. The Data and Methodology

The study was conducted in the year when the world economy was at the peak of crisis i.e. 2011. The economic crisis unfolded in the United States and Europe and spread throughout the world. Discourses were conducted to search alternatives for the conventional banking system especially in the Muslim countries including Malaysia.

Using the questionnaire method, the study was conducted among the students male and female from the age of 18 to 40 years old who were obtained randomly from various faculties of the National University of Malaysia. Altogether 490 respondents participated in the study. Each respondent was given a booklet of questionnaire containing questions with choices in the polar form and also open ended question. The questionnaire was divided into two parts; First, the independent variables included the gender, the age, the marital status, the religion, and the ethnics. Second, part of the questionnaire used the polar questioning form i.e., yes or no responses and also closed ended questioning, where the respondents were provided with choices of responses. The second part was the dependent variables including the spending habits, saving habit, eating habit, the interest of reading etc. The respondents were given 30 minutes to respond to the questionnaire and the booklets were collected to be analysed to obtain the percentages of the responses. The results were shown in the form of tables, bar chart as well as percentage curves graph. The number of respondents in the study were sufficient because they were randomly obtained, representing the population of the university students which was about 10,000 strong.

The data was analysed to obtain the percentages of the respondents according to their age's groups, the gender, faculties, marital status etc.

2.1 Gender

The following table shows the gender percentages of the respondents. The study attempted to identify the differences in attitudes of male and female respondents.

Table 1. The Gender of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	149	31.7	31.8	31.8
Female	319	67.9	68.2	100.0
Total	468	99.6	100.0	
System	2	.4		
	470	100.0		

Table 1 shows that the percentage of the male respondents is 31.7% and the percentage of the female respondents is 68.2%. The majority of the respondents are female. The percentage of the gender is represented by the following diagram.

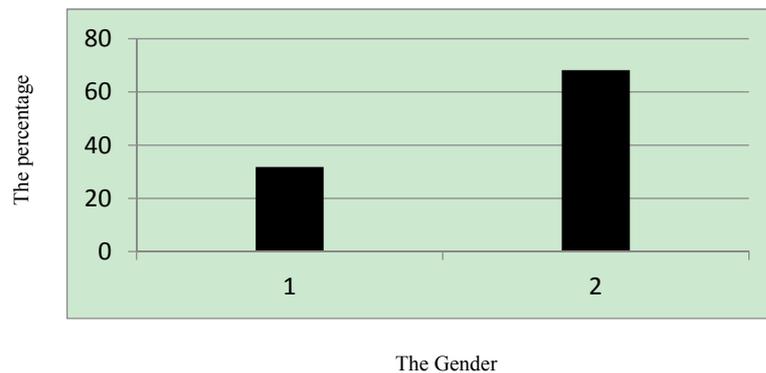


Diagram 1. The percentage of the gender

Diagram 1 shows the percentage of the respondents according to gender. The female respondents are more than the male respondents. 1 is male, and 2 is female.

2.2 The Age Group

The age group of the respondents are as shown in the following table.

Table 2. The age group of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
18-20 years	97	20.6	20.7	20.7
21-25 years	322	68.5	68.7	89.3
26-30 years	35	7.4	7.5	96.8
31-35 years	11	2.3	2.3	99.1
36 years and above	4	0.9	0.9	100.0
Total	469	99.8	100.0	

Table 2 shows the age group of the respondents. The age group 18 to 20 years represent 20.6% of the respondents, the age group 21 to 25 years represents 68.5% of the respondents, the age group 26 to 30 years represents 7.4% of the respondents, and the age group 31 to 35 represents 2.3% of the respondents and 36 years and above represents 0.9%. Most of the respondents are between the ages of 21-25 years. The percentages of the age group of the respondents are shown in the following diagram.

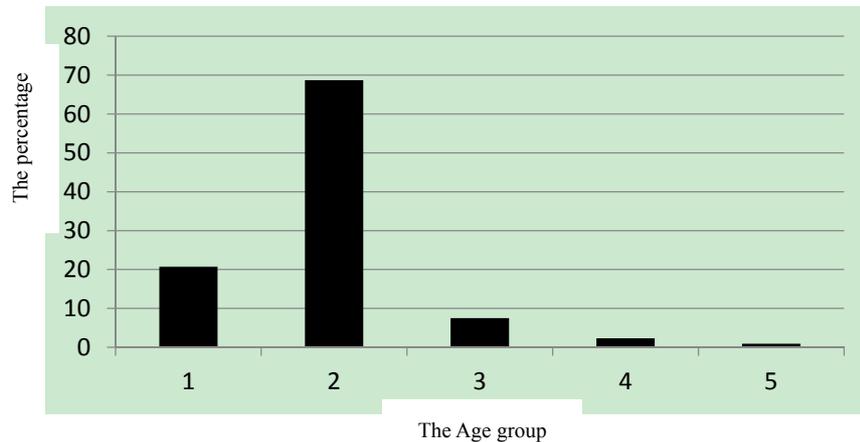


Diagram 2. The age group of the respondents

Diagram 2 shows the bar chart of the age group of the respondents. Most of the respondents are in the age group of 21- 25 years old.

3. Saving Trends: The Finding

The findings of the study are as follow:

3.1 Hajj Pilgrimage Fund

The Hajj Pilgrimage Fund (known locally as the Tabung Haji) is a saving for those who want to make the pilgrimage to Mecca, Saudi Arabia. The Pilgrimage Saving invests in various economic activities which are solely based on the Islamic compliance activities, in which the major activity is on palm oil plantations industries. The findings of the analysis is shown in table 3.

Table 3. Saving money in the Hajj Pilgrimage fund

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	161	34.3	34.3	34.3
no	309	65.7	65.7	100.0
Total	470	100.0	100.0	

Table 3 shows that 34.3% of the respondents save in the Malaysian Hajj Pilgrimage Fund saving and 65% do not have. The Malaysian Hajj Pilgrimage Fund attracted only 34.3% of the respondents to save, despite the higher dividend given out by the fund. The percentage of the respondents who has a saving at the Hajj Pilgrimage Fund was less than half, indicating that the Hajj Pilgrimage Fund was not popular among the respondents. The Hajj Pilgrimage Fund is based on the Islamic system. The savers would receive the annual dividend of their shares which are deposited back into their saving account. The Hajj Saving normally gives higher dividends compared to any other banks in Malaysia, and should be attractive enough for the young generation to have savings there.

3.2 Islamic Banking system

The data was analysed to obtain the percentage of the respondents who made their saving in the Islamic Banking system. The result analysis is shown in table 4.

Table 4. The percentage of the respondent who saved in the Islamic Banking System

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	298	63.4	63.4	63.4
no	172	36.6	36.6	100.0
Total	470	100.0	100.0	

Table 4 shows that 63.4% of the respondents said that they saved their money in the Islamic Banking system while 36.6% say no. The percentage of those who keep their savings in the Islamic bank system were higher than those who keep savings in the Hajj Pilgrimage Fund. The difference of the percentage between the respondents who make the saving in the Hajj Pilgrimage and in the other the Islamic banking system could be explained because the Hajj Pilgrimage Fund does not offer easy withdrawal of money available in the other banking system. The findings however, show that the Islamic banking system was popular among the young generation in which 63.4% of the respondents claimed that they have savings there.

3.3 Savings According to Gender

The saving trend among the gender was also studied to know whether there was any difference between the male and the female respondents. Table 5 show the percentages of the saving trends between genders.

Table 5. The percentages who make the saving in the Islamic bank

		Gender				Total
		Male		Female		
Islamic bank	yes	95	63.8	202	63.3	297
	no	54	36.2	117	36.7	171
Total		149	100	319	100	468

Table 5 shows that the percentages of the male and female respondents who keep their savings in the Islamic bank is almost equal with 63.8% of the male respondents who claimed that they saved in the Islamic banking system. This is similar with the female respondents. And the 63.3% of the female respondents claimed that the saved in the Islamic banking system.

3.4 Saving According to the Age Group

The saving trend among the respondents based on the age group was studied to know whether there was a specific correlation between the saving trend and the age of the respondents. Table 6 shows the percentages.

Table 6. The percentages who save their money in the Islamic bank

	18-20 years		21-25 years		26-30 years		31-35 years		36 years and above	
yes	42	43.3	224	69.6	21	60.0	8	72.7	3	75.0
no	55	56.7	98	30.4	14	40.0	3	27.3	1	25.0
	97	100	322	100	35	100	11	100	4	100

Table 6 shows that the 43.3% of the respondents from the age group 18-20 years old saved their money in the Islamic banking system, 69.6% from the age group of 21-25 saved their money in the Islamic banking system, 60.0% from the age group of 26-30 years, 72.7% from the age group of 31-35 years old and 75.0% from the age group of 36 years and above. The percentages of the respondents of every each group of age who saved in the Islamic bank is shown in diagram 3.

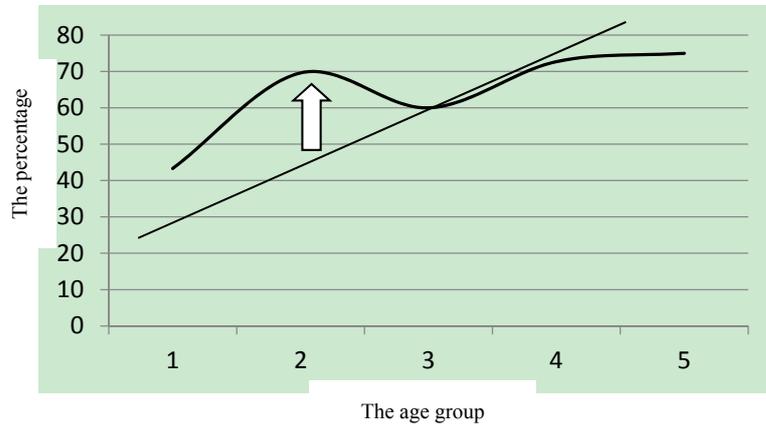


Diagram 3. The correlation between the percentages of the respondents according to the age group

Diagram 3 seems to show that there is a strong correlation between the age groups and the percentages of the respondents who saved in the Islamic banking system. The age group between 21-25 years old represent the largest percentage of the respondents who have savings in the Islamic banking system.

Correlation test between the age groups and the saving trends was conducted to ascertain this assumption and the following table shows the correlation between the age group and saving

Table 7. Correlation between saving and the age group

		Age	Saving in the Islamic bank
Age	Pearson Correlation	1	-.144**
	Sig. (2-tailed)		.002
	N	469	469
Saving in the Islamic bank	Pearson Correlation	-.144**	1
	Sig. (2-tailed)	.002	
	N	469	470

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

Table 7 shows that there is a strong correlation between the age groups and saving in the Islamic banking system. The correlation coefficient is -0.144. The r value is 0.02 which is smaller than the critical value of 0.05, indicating that there was a strong correlation between the saving trend and the age group. The popularity of the Islamic banking system among the young generation was mirrored by the percentage of the respondents who make a saving in the conventional bank. The percentage of the respondents who has a saving in the conventional banking system is very much lower than percentage of the respondents who has a saving in Islamic banking system. The following table shows the percentage of the respondents who make a saving in the conventional bank.

Table 8. The percentage who has a saving at the conventional bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	151	32.1	32.1	32.1
No	319	67.9	67.9	100.0
Total	470	100.0	100.0	

Table 8 shows that 32.1 % of the respondents has a saving in the conventional bank. The rest have savings in the

Islamic bank. The findings have shown that the Islamic finance system was more popular than the conventional banking system, but why? The following table might be able to offer some light into the reason.

3.5 Saving trend and educational background

The relation between the saving trend and education background was conducted to see if there was any relationship between the saving trend and the education received by the respondents. Table 9 shows the finding.

Table 9. The percentages who make a saving in the Islamic bank

Faculty	Yes	Sample	%	Rank
Economy	45	101	44.6	11
Pharmacy	1	2	50.0	10
Engineering	13	24	54.2	8
Education	19	26	73.0	2
Islamic Studies	67	78	85.9	1
Medicine	1	2	50.0	9
Science	56	98	57.1	7
Health sciences	3	5	60.0	6
Humanities	63	89	70.8	4
Information technology	9	13	69.0	5
Law	16	22	72.7	3

Table 9 shows the percentages of the respondents from the different faculties who saved in the Islamic banking system and also the rank. The percentages were based on the respondents of each faculty. For example, the number of respondents from the economic faculty who participated in the study 101 respondents, therefore the percentage of the respondents who save in the Islamic bank is $45/101 = 44.6$, and so on with the other faculties. The table shows that the respondents who are from the Islamic studies faculty ranked number 1 with 85.9% of the respondents saved in the Islamic banking system, followed by the respondents from the education faculty which ranked number 2 where 73% of the respondents saved in the Islamic banking system, next followed by the respondents from the Faculty of Law where 72.7% of the respondents saved in the Islamic banking system. The rest of the ranks can be seen in table 9. It was obvious that the respondents from the Faculty of the Islamic Studies rank number 1 and the reason was simply because the respondents were well aware that the non-Islamic system was not complying to the Islamic system, and consequently it was forbidden by the religion for someone to be involved in such a system.

4. Conclusion

The findings of the study show that the Islamic banking system was the choice of the 63.4% of the respondents compared to the conventional finance system, which was the choice of only 32.1% of the respondents. When analysis was conducted according to the age groups of the respondents, it was discovered that there was a strong correlation between the age groups and saving trends in the Islamic banking system. The analysis which was based on the gender of the respondents showed that there was no difference between the male and female respondents. Analysis based on the faculties show that the respondents who were from the Islamic studies faculty formed the highest percentages of the respondents who saved in the Islamic banking system, followed by the Education faculty and the law faculty, where Islamic education was thought to the students. The conventional finance system was not popular among the respondents.

There are several factors which lead to the popularity of the Islamic banking system. All the respondents were Muslim and Islam prohibits receiving interest or charging interests (Note 4). Some of the *Hadith* (prophetic tradition) also prohibits the taking and receiving interest (Note 5). Islam is not the only religion which prohibits interest. The Bible does prohibit the charging of interest upon lending money, for example in (Exodus 22:25, Ezekiel 18:13, 22:12, 18:8, Deuteronomy 23:19, Leviticus 25:37) (MacDonald and Rowen, 2013).

The Muslims' awareness of the prohibition of interests in Islam is nurtured formally in schools and others learning institutions (Effendi, 2013). The awareness that interests are prohibited in Islam has a great impact on

the Islamic banking system. The stronger the awareness the greater the impact and this assertion could be witnessed from the Table 8. Table 8 shows the percentage of the respondents who saved in the Islamic banking system, and the respondents from the Faculty of the Islamic Studies ranked number one, followed by the Faculty of Education and then by the Faculty of Law. The Faculty of Law for example offers the Islamic Banking and Takaful and also The Islamic Jurisprudence for the third year students (Note 6). The Faculty of Education does offer courses related to the Islamic Studies and certainly the Faculty of Islamic Education, whose main business is the Islamic knowledge. Nevertheless the tendency of saving in the Islamic banking system by the respondents is mainly piety driven, with the aim of retaining their belief and obedience (Angwin, et al. (2011).

The study has also unveiled that the saving trend among male and female respondents. The percentages of the male and female respondents who have savings in the Islamic bank seemed to be the same with 63.8% of the male respondents made the saving and 63.3% of the female respondents made the saving.

The popularity of the Islamic banking system in Malaysia played a great role in encouraging conventional banks to provide Islamic banking system outlets. All the main banks in Malaysia offer the Islamic banking system outlets. Among them are the Affin Bank, al-Rajhi Banks, Alliance Bank Bhd, Ambank, Asian Finance Bank Bhd, CIMB Bank Bhd, Hong Leong Islamic Bank Bhd, HSBC Amanah Malaysia Bhd, Kuwait Finance House, Maybank Bhd, RHB Bank Bhd, Standard Chartered Sadiq Bhd, Public Bank Bhd and the OCBC al-Amin Bhd. There are plethora of other banks which choose to participate in some of the Islamic banking system such as the Bank Kerjasama Rakyat, SME Bank, Development Bank of Malaysia, Import and Export Bank of Malaysia, Agro bank, and National Saving Bank. The sheer numbers of the banks which offer the Islamic financing system indicate the popularity of the Islamic banking system and it has attracted the non-Muslim investors to gain market share in those bank (Warde, 2010).

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Notes

Note 1. See Institute of Islamic Banking and Research: <http://www.islamic-banking.com/research.aspx>

Note2. <http://moneyfacts.co.uk/news/savings/younger-generation-driving-upturn-in-savings-habits24092012/> See

Note3. <http://rubyconnection.com.au/insights/women-in-business/women-are-influencing-a-new-generation-to-save.aspx> See

Note 4. See Qur'an, *al-Baqarah* (The Cow) verses 275, 276 & 278, *Ali Imran* (Family of Imran) verse 130, *al-Nisa'* (The Women) verse 161, and *Al-Rum* (The Romans) verse 39.

Note 5. See *Sahih Bukhari* in chapter 5: 159, 7: 259 & 892, and 8: 840.

Note 6. See <http://www.ukm.my/fuu/>

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