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Full Length Research Paper

Promoting Islamic financial products to Muslim entrepreneurs: Malaysia corporative bank (*bank Rakyat*)

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Over the last decades, Islamic Financial has grown into a full fledged system and it is still growing at an astonishing rate every 5 years. Nowadays, there are many banks and financial institutions are offered an Islamic and Shariah compliant financing in helping entrepreneurs to start their business. Malaysia Corporative Bank also known as a Bank Rakyat is a local financial institution that has responsibility in developing and promoting the concept of Islamic financial product into Muslim entrepreneurs in Terengganu. Fundamentally, there are five entrepreneurship agencies in a state of Terengganu which are actively involved in constructing the small and medium entrepreneurs. This paper basically explores an essential of marketing communication in a Bank Rakyat Terengganu as well as to promote the Islamic financial product among Muslim entrepreneurs in Terengganu. In general, there are 582 respondents who are registered as Muslim entrepreneurs in public entrepreneurship agencies at Kuala Terengganu. However, there are only 265 questionnaires were distributed to those Muslim entrepreneur in order to complete the purpose of study. The results obtained surprisingly show that this significance relationship explained that most of Muslim entrepreneurs in Terengganu are understand the strategic that promoted by Malaysia Corporative Bank in Terengganu. Indeed, the R² also show that 77.1%, of total variable in understanding of Muslim entrepreneurs are highly explanatory power from the factors of promotion such as seminar, carnival, and direct marketing program that has been implemented by the Malaysia Corporative Bank.

Keywords: Promotion, Muslim entrepreneurs, Islamic financial, marketing communication, direct marketing, seminar, financial institutions.

INTRODUCTION

Islamic banking is developing rapidly around the world and it has been recognized as one of the fastest growing

industries which has gained universal acceptance by the people across the world by both Muslims and non-Muslims. Fundamentally, the concept of Islamic banking is discussing the system of banking which is in accordance with the principles of Islamic law and *Shariah*. Nowadays, a well-established of Islamic

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financial system has encouraged the Muslim and non-Muslim to use the product and services offer to them, which also include financing. In addition, these concepts of Islamic financial product also world widely influence to any industrial practitioners for both small and medium scale (SMEs) and high scale industries. However, how many of Muslim entrepreneurs in Malaysia especially in Terengganu are really know and considered regarding the important of Islamic financial product in contributing their business financial? Currently, most of Muslim entrepreneurs in Terengganu are not really emphasis an appearing of Islamic financial product. In fact, some of them are not caring either they are using the financial service is the Islamic financial product or not. This situation is affected by the less of knowledge among Muslim entrepreneurs about the product of Islamic financing. Consequently, local financial institutions play an important role to promote the Islamic financing product especially for those Muslim entrepreneurs as well as to develop the sector of Islamic financial. Furthermore, this paper attempts to addresses the issues of effective of marketing communication in promoting the Islamic financing product provided by Malaysia Corporative Bank to those Muslim entrepreneurs in Terengganu, Malaysia. As well as others financial institutions, Malaysia Corporative Bank also actively involved in promoting the Islamic financial product in contributing the Muslim entrepreneurs who are conducted their business in a small and medium scale. This study also highlighted the questions which attempts to know the level of marketing communication effected in Terengganu Corporative Bank regarding the promotional strategic to those Muslim entrepreneurs in Terengganu.

The background of study

In 1983, the practicing of Islamic financial facilities in Malaysia was earmarked by the presence of the first Islamic financial institutions, namely Bank Islam Malaysia Berhad (BIMB). Historically, the setting up of BIMB marked the beginning of the government commitment to have Islamic banking system parallel to the conventional system or known as dual banking system. In earlier 2000, a lot of progress and improvements of Islamic banking in Malaysia had taken place where lots of products are made available to various customers in the market, ranging from deposit facilities to financing and syndicating of bigger amount of financing. Since that, more local banks and financial institutions have been offered the product of Islamic financial, such as; Bank Muamalat Malaysia Berhad (BMMB), Amlslamic Bank, EONCAP Islamic Bank, CIMB Islamic Bank, and Bank Rakyat. Malaysia government had aimed to become among the international centers

(hubs) of Islamic financial market with the conventional commercial banks and Islamic banks.

As far as the financing to small and medium enterprises is concerned, lots of Islamic SME-financing products are offered to the Muslim enterprises ranging from overdraft to asset and trade financing. Individually, Bank Islam Malaysia Berhad (BIMB) does provide SMEs financing apart from their consumer financing products. Consequently, Bank Islam Malaysia Berhad (BIMB) targets to double its annual financing to small and medium enterprises to RM200 million by its financial year ending June 30, 2006 from RM100 million in 2005.

Islamic financial in bank Rakyat (Malaysia corporative bank)

Malaysia Corporative Bank or known as *Bank Rakyat* is a Malaysian financial institution that practiced the Islamic financial which is based upon the principles of Islamic Laws also known as *Shariah* Laws. As well as others institutions, Malaysia Corporative Bank also highly emphasized the important of Islamic financial in contributing the development of small and medium business. In fact, Muhammad Shaukat Malik et al (2011) have added that many of the Islamic financial products are quite similar to that of conventional financial product but there are some norms which are exclusive to Islam. It is a variety of product that offered by Malaysia Corporative Bank into Muslim entrepreneur such as Micro-i Financing Scheme (Musk), Rural Development Financing-i Scheme (SPED), Contract Financing-i (Tijari) and Ar-Rahnu X'Change Franchise Scheme. Micro-i Financing Scheme (Musk) use the Islamic concept such as Bay Inah and Qard Hassan, Rural Development Financing-i Bai Bithaman Ajil, Murabahah and Bay Inah and Ar-Rahnu X'Change Franchise Scheme use the Islamic concept such as Murabahah and Bay Inah.

Furthermore, Malaysia Corporative Bank has taken a lot of initiative in promoting the financial into Muslim entrepreneurs as well as to develop the Islamic business in Malaysia. In fact, Malaysia Corporative bank has been strategized the marketing communication in promoting the Islamic financial such as Talk and Seminar, Carnival and Direct marketing. Through the Ministry of higher Education and Ministry Of Domestic Trade and Consumer Affair, Cooperative Commission of Malaysia, Bank Rakyat was successfully collaborated to organized the event of seminar in a way to communicate the effective Islamic financial into Muslim entrepreneurs. Additionally, the practicing of carnival also part of the marketing communication in making the Muslim entrepreneurs become more close and understanding about Islamic financing product and concept between Malaysia Corporative Bank and Muslim entrepreneurs as

well as to distributing the information about Islamic financing. Other than that, Malaysia Corporative Bank also implemented the direct marketing as well as to promote the Islamic financing product into Muslim entrepreneurs.

Literature review

Interest in Muslim entrepreneurship grew rapidly in the last two decades when Malaysia government emphasis on Islamic studies in any parts of business. Over the years, the study of Islamic principle in entrepreneurship has climbed the ranks in the business domain and was positioned important to the theory and conceptual study presented at the

higher learning institutions. As presented in the study, many scholars consider that the Islamic Financial study become as an important part attribute influencing Muslim entrepreneurial development. Nowadays, the Islamic banking aggressively was launched a variety of Islamic financial product to promote for those customers who are not really familiar with the Islamic finance. Muhammad Shaukat Malik et al (2011) have stated that most of the Islamic banking was no way to practiced the principles of Islam as the conventional banking products revolve around the earnings of interest (Riba) which is clearly prohibited in Islam. Additionally, most of the Muslim customers had to rely on the conventional banking practices.

However, Iqbal and Molyneux (2008) have argued that Islamic banking has evolved and it also plays a significant role in the development of the small and medium enterprises. This statement also argued by Zairani Zainol et al (2008), where they stated that the idea of creating actual Islamic financial institutions was visualized as early as the 1940s in Pakistan, however, it is become establish such institutions in the late 1950s, with the establishment of a local bank in a rural area. According to Yakcop (1996), there are many Islamic financial products which is offered in the market for facilitate the loans to SMEs, there are; Murabahah, Ijarah, Bai' Bithaman Ajil and Mudarabah. Furthermore, Beier and Dambock (2005) has stated that in improving the marketing and distributing the product, strategic marketing communication become essential in providing platforms for improving publicity and image, public relations and advertising. Therefore, Islamic banking has to take initiative to develop the strategic promotion in winning the competitive in a marketplace.

RESEARCH OBJECTIVE

The purposes of this study are:

1. To study the effective of marketing

communication in promoting the Islamic financing to Muslim entrepreneurs in Terengganu.

2. To investigate the performance of seminar programs that implemented by Malaysia Corporative Bank in promoting the Islamic financial product to Muslim entrepreneurs.

3. To investigate the performance of carnival programs that implemented by Malaysia Corporative Bank in promoting the Islamic financial product to Muslim entrepreneurs.

4. To investigate the performance of direct marketing programs that implemented by the Malaysia Corporative Bank in promoting the Islamic financial product to Muslim entrepreneurs

Theoretical framework and hypothesis

This research has identified three hypotheses in order to determine significant relationships between variables. These hypotheses or testable statements have been formulated based on literature, research objective and questions to determine the relationships between the entrepreneurial promotion and understanding of Muslim in Islamic financial.

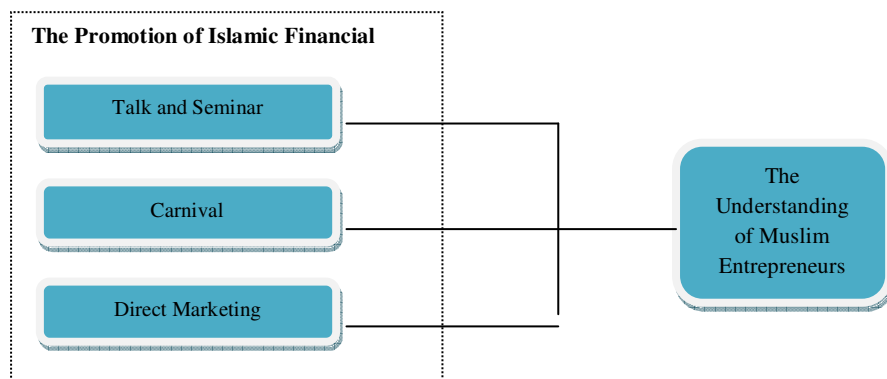
Hypothesis 1: The major cause of talk and seminar significantly related to understanding of Muslim entrepreneur in Islamic financing.

Hypothesis 2: The major cause of carnival significantly related to the understanding of Muslim entrepreneur in Islamic financing.

Hypothesis 3: The major cause of direct marketing significantly related to the understanding of Muslim entrepreneurs in Islamic financing.

RESEARCH METHODOLOGY

In order to study the understanding of marketing communication in promoting the Islamic financial product to local Muslim entrepreneurs, this research was focusing the scope of population to those Muslim entrepreneurs who are registered under public entrepreneurial agencies in Terengganu, such as; Terengganu Entrepreneurial Development Foundation (YPU), Malaysia Trust Venture (AIM), National Trust Council (MARA), Economic Fund for Entrepreneurial Group (TEKUN) and Terengganu Familial Development Foundation (YPK). In total, there are 582 of population was identified as Muslim entrepreneurs and registered under Terengganu entrepreneurial agencies as shown in a table 1. Meanwhile, the scope of population more emphasizes on the theory of marketing communication which is practicing in promoting the Islamic financing in Malaysia Corporative Bank in Terengganu. In term of sampling, this study adopted the convenience sampling in collecting

Figure 1: The Relationship of Islamic financial Promotion and understanding of Muslim entrepreneurs.**Table 1:** The Numbers of Population and sample

No	Name of Agencies	Numbers of Populations	Sample	%
1	Terengganu Entrepreneurial Development Foundation (YPU)	123	56	21
2	National Trust Council (MARA)	150	69	26
3	Economic Fund for Entrepreneurial Group (TEKUN)	87	40	15
4	Malaysia Trust Venture (AIM)	126	58	22
5	Terengganu Familial Development Foundation (YPKT)	96	42	16
Total		582	265	100

the numbers of 265 questionnaires from Muslim entrepreneurs.

ANALYSIS AND DISCUSSION

As part of this study to identify the significance relationship between variables, multiple regressions were used to test the *H1*, *H2*, and *H3*. However, a descriptive analysis on entrepreneurial profile was first conducted before inferential analysis in order to know the frequency and percentage of items in demographic and business profiles.

VIII.1 Reliability

Reliability becomes as a starting-point in this analysis to study the consistency and stability of questionnaire. This first run of test which administered on 265 respondents, yielded the cronbach alpha was read several variables in this study. It indicates the most of the variables that has

moderately reliable as mentioned in table 2.

VIII.2 Descriptive Analysis

In term of demographic profile, the total respondents of Islamic entrepreneur shows that the male respondents are higher than female with the number of 135 respondents (61.4%) and the female respondents are 85 respondents (38.6%). Meanwhile, the majority of the respondents are in the age between 41 to 50 years old which are represents the frequency of 84 respondents (38.2%). Second higher respondents are between 31 to 40 years old with the represent 80 respondents (36.4%). Thirdly, become to those respondents who are in between 21 to 30 years old with the number of 30 respondents (13.6%). Lastly, lowest respondents become those Muslim entrepreneurs with the age 50 years old and above (11.8%). Furthermore, the frequency and percentage of respondents by qualification show that the respondents are answered the question is those from SPM qualification with frequency of 96 respondents

Table 2: Reliability of independent and dependent variables

No	Variables	Cronbach's Alpha	No of Items
1	Understanding of Islamic financing	.901	10
2	Talk and Seminar	.959	10
3	Carnival	.960	10
4	Direct Marketing	.962	10

Table 3: the R square

Model Summary ^b										
Change Statistics										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig.F Change	Durbin-Watson
1	.878 ^a	.771	.767	.34068	.771	241.966	3	216	.000	1.4333

a. Predictors: (Constant), Direct marketing, carnival, seminar

b. Dependent Variable: Understanding of Muslim entrepreneurs

been investigated in this study are found to be (43.6%), diploma level of education with frequency of 51 respondents (23.2%), PMR qualification with the frequency of 20 respondents (9.1%), and the lowest respondents is come from Master qualification which are presents by 18 respondent (8.2%). Then, the frequency and percentage of respondent by marital status are explaining 168 respondents and percentage is equal to 76.4%.

In term business, most respondent that are answered the question involve in food business (26.8%), followed by others business (18.6%), household and clothing business (17.3%), entrepreneurship in laundry business (8.2%), groceries business (6.4%), and the lowest respondents is involve in agriculture business (5.5%). The result also show that most of respondent that are answered the question involve business duration in between 5-10 years (44.5%), followed by entrepreneurs who run their business in between 11-15 years (42.3%), those entrepreneurs with the duration of less than 5 years (10%) and the lowest respondents is entrepreneurship with the duration of more than 5 years (3.2%).

VIII.3 Inferential Analysis

As considered in inferential analysis, the multiple regression analysis is considered as a major analysis to consolidate an analysis of relationship between independent variables and dependent variable. Therefore, this study has used the multiple regression models to test and analyze the data to see the relationship between dependent variable which is total debt ratio with the independent variables, which are

company's performance, tangibility, growth, and size of the companies. In this study, the results are interpreted by using: 1) Coefficient of Correlation (R), 2) Coefficient of Determination (R^2), 3) *f*-statistic, and 4) *t*-statistics.

Referring to the table 3 above, it is found that the R square value is 0.771, which means that 77.1% of the variation in the dependent variable (awareness of Islamic financing) can be explained by the independent variable (seminar, carnival, and direct marketing). The R square value is 77.1%, which mean that the independent variable (seminar, carnival and direct marketing) has a high explanatory power in this model. The other 13.9% of the variation in the dependent variable is explained by other factors. From the coefficient of correlation table, it shows that there is a high position linear correlation between the dependent variable (awareness of Islamic financing) with the independent variable (seminar, carnival, and direct marketing). From this result, what we can say is that the interferences are high in term of its percentages.

According to table 4 and 5, the computed significant is .000, thus we accepted the hypothesis 1,2 and 3 or in other words, there is are relationship between dependent variables (Understanding of Muslim entrepreneurs) and independent variable (seminar, carnival, and direct marketing).

In a table 5 below, coefficient shows that there are positive relationships between independent variables and dependent variable. The results explained that it is significant factor in relationship of Islamic financial promotion toward the understanding of Muslim entrepreneurs. The output of table 5 reveals that were all of three variables in marketing communication are statistically significant association with the understanding

Table 4: Anova**ANOVA^b**

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	84.249	3	28.083	241.966	.000 ^a
	Residual	25.069	216	.116		
	Total	109.318	219			

a. Predictors: (Constant), Direct marketing, carnival, seminar

b. Dependent Variable: Understanding of Muslim entrepreneurs

Table 5: Standardized Coefficients Beta**Coefficients^a**

	Model	Unstandardized B	Coefficients std. Error	Standardized Coefficients Beta	T	Sig
1	(Constant)	.837	.074		11.292	.000
	Seminar	.344	.049	.466	7.046	.000
	Carnival	.210	.042	.290	5.006	.000
	Direct marketing	.134	.042	.183	3.227	.001

a. Dependent Variable: Understanding of Muslim entrepreneurs

of Muslim entrepreneurs, including Seminar program ($B=.466$, $p=.000$), Carnival programs ($B=.290$, $p=.000$), and Direct marketing programs ($B=.183$, $p=.001$). Therefore, we accept the H1, H2, and H3. These result also supported the literature that was claimed by Iqbal, M., and Molyneux, P (2005), Muhammad Shaukat Malik, et al (2011), Beier and Dambock (2005), and Zairani Zainol et al (2008). Consequently, the result shows that all of the independent variables such as seminar, carnival and direct marketing program have high significant relationship with the understanding of Muslim entrepreneurs.

CONCLUSION AND IMPLICATIONS

Nowadays, the Malaysia Corporative Bank took initiative to realize the concept of Islamic financial program among small and medium entrepreneurs. In addition, Islamic financial become as a fundamental matters in constructing the small and medium business which is based upon the principles of Islamic Laws or known as *Shariah* Laws in Malaysia. As well as discussed in by previous researchers, the factors of marketing communication were in fields as such; seminar, carnival, and direct marketing are the factors that are significantly associated with the understanding of Islamic financial. Significantly, the results of this study in association factors of marketing communication toward understanding of Islamic financial is generally supported

the literature. In addition, the finding of this study also supported the ambitious of Public Entrepreneurial Agencies which are desire to encourage the Muslim entrepreneurs used the Islamic financial product in their business. Consequently, further efforts should be taken to increase the effort of Malaysia Corporative bank in Terengganu as well as to construct the promotion program of Islamic financial product into the Muslim entrepreneurs.

Furthermore, the findings of this study have implications for developing better Islamic financing promotion by the Malaysia Corporative Bank in Terengganu. In order to achieve this goal, the following suggestions may render ways to promote Muslim entrepreneur to the Islamic financing.

1. Malaysia Corporative Bank and other financial institutions which offer Islamic financing, should simplify the delivery mechanisms of information regarding the Islamic financing to those Muslim entrepreneurs.

2. Malaysia Corporative Bank should be improve the promotion strategic such as apply more attractive two ways marketing communication.

3. Malaysia Corporative Bank in particular should get the information well and adequate with the demanding about SMEs financing.

4. Islamic banks should attempt any other kind of marketing communication tools to promote Islamic financing

5. Government should take proactive action to promote Islamic financial product into those Muslim and

non-Muslim entrepreneurs.

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