

A Review on Factors of Choosing Islamic Banking Products among Malaysian

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Abstract

Islamic banking has become a cornerstone of Malaysia's financial landscape, offering an alternative financial system that aligns with Shariah principles. Despite its significant growth and global recognition, the adoption of Islamic banking products in Malaysia remains inconsistent, with noticeable gaps in consumer awareness, trust, and usage. This study aims to explore the key factors influencing the selection of Islamic banking products among Malaysian consumers, addressing critical issues such as religious beliefs, perceived financial benefits, service quality, social influences, and trust. The research employs a qualitative methodology, utilizing content analysis of journal articles sourced from Web of Science and Scopus database and supported by articles in Malaysian citation-indexed journals. Findings indicate that while religious adherence remains a primary motivator, factors such as financial benefits, transparency, and technological convenience significantly impact consumer decisions. The study also highlights the underexplored role of non-Muslim consumers and the need for inclusive marketing strategies. From a practical perspective, the findings suggest that Islamic banks must enhance transparency, leverage digital technologies, and target diverse demographic groups to foster greater adoption. The originality of this study lies in its comprehensive synthesis of existing research and its emphasis on emerging trends such as fintech and the inclusion of non-Muslim consumers. These insights provide actionable recommendations for policymakers and practitioners, ensuring the sustained growth and competitiveness of Malaysia's Islamic banking sector.

Keywords: Review on Factors, Choosing Islamic Banking, Products among Malaysian

Introduction

Islamic banking has been a cornerstone of Malaysia's financial landscape since the establishment of Bank Islam Malaysia Berhad (BIMB) in 1983. By adhering to Shariah principles, Islamic banking offers an alternative financial system that avoids elements such as *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling). This ethical approach to finance has made Islamic banking not only a religiously compliant choice for Muslims but also an attractive option for non-Muslims seeking socially responsible financial products

(Mahdzan, Zainudin, & Au, 2017). Over the years, Malaysia has emerged as a global leader in Islamic finance, supported by progressive policies and regulatory frameworks like the Islamic Financial Services Act 2013 (IFSA), which promote financial stability, transparency, and Shariah compliance.

Despite these advancements, the adoption of Islamic banking products in Malaysia remains inconsistent across consumer segments. While awareness of Islamic banking is relatively high, this does not always translate into actual usage. Younger consumers and non-Muslims, for instance, often exhibit a preference for conventional banking products, highlighting a gap between consumer awareness, acceptance, and behaviour (Mariadas & Murthy, 2017). Moreover, technological advancements, such as fintech and digital banking, are reshaping consumer expectations, yet Islamic banks may not be fully capitalizing on these opportunities to address evolving needs (Mohd Thas Thaker et al., 2020).

Existing research has identified several determinants influencing consumer preferences, including religious beliefs, perceived financial benefits, service quality, trust, and social influences (Allah Pitchay et al., 2020). However, these studies often focus narrowly on specific factors or demographic groups, leaving critical gaps in understanding the broader consumer landscape. For example, the behaviour of non-Muslim consumers, a growing segment of the market, remains underexplored. Additionally, concerns about transparency in profit-sharing mechanisms and the credibility of Shariah governance persist as barriers to trust and adoption (Ganesan, Allah Pitchay, & Mohd Nasser, 2020).

Despite Malaysia's well-established Islamic banking ecosystem and global leadership in Islamic finance, adoption rates remain inconsistent due to several key challenges. These include gaps in consumer awareness and education, discrepancies between consumer intentions and actual behaviour, evolving technological expectations, and lingering issues of transparency and trust. Existing research has yet to comprehensively address these multifaceted factors, including the perspectives of underrepresented demographic groups such as rural communities and non-Muslims. This lack of a holistic understanding hinders the ability of Islamic banks to effectively meet consumer needs, expand their market reach, and remain competitive in a rapidly changing financial landscape.

This paper aims to address these research gaps by reviewing and synthesizing the key factors influencing the selection of Islamic banking products among Malaysian consumers. By identifying critical issues and providing actionable insights, the study seeks to support policymakers, financial institutions, and researchers in enhancing the adoption and competitiveness of Islamic banking in Malaysia.

Background of Islamic Banking in Malaysia

Malaysia, known as Tanah Melayu prior to Merdeka, is situated in Southeast Asia and consists of two regions separated by the South China Sea. The Peninsular region is comprised of states such as Perlis, Kedah, Pulau Pinang, Selangor, Negeri Sembilan, Melaka, Johor, Pahang, Terengganu, Kelantan, and the Federal Territories of Kuala Lumpur and Labuan. Meanwhile, the Sarawak and Sabah states make up the Borneo region. The official religion of Malaysia is Islam, with the majority of its population being Muslims. Banking in Malaysia began during the British Colonial Era, starting with the establishment of the Singapore Bank in 1871. Over

the years, the banking sector has undergone development, with the establishment of various banks, including the Islamic Bank Malaysia Berhad (BIMB) in 1983, which marks the beginning of Islamic banking in Malaysia. Islamic banking in Malaysia is regulated under the Islamic Banking Act 1983 (A354), which provides for the establishment of Islamic banks, as well as the regulation and control of Islamic banking business (Abdul Nasir, 2015).

Prior to the Islamic Banking Act 1983, the Local Government Act 1976 (Act 171) allowed Local Authorities to open savings accounts with the Local Government's Public Islamic Bank. However, this bank did not survive as it could not sustain itself after the Local Authorities withdrew their funds upon opening accounts with the BIMB. During the 1990s and 2000s, the Islamic banking system witnessed rapid growth. The Islamic Banking Act 1983 established the framework for Islamic banking in Malaysia. The Islamic Financial Services Act 2012 (Act 759) is another important legislation that regulates financial institutions offering Islamic banking and financial services. This Act strengthens the legal framework for Shariah compliance in the Islamic banking and financial services industry (Mustapha, 2023).

In addition to the laws mentioned, there are other relevant laws guiding aspects and practices of Islamic banking, including the Central Bank of Malaysia Act 2009, BAFIA 1989, the Contracts Act 1950, and the Evidence Act 1950. Under the Islamic Banking Act 1983, Bank Negara Malaysia (BNM) is responsible for regulating and supervising Islamic banks to ensure the stability and integrity of the financial system. The establishment of the Islamic Banking Unit at BNM in 1993 was a significant milestone in the Islamic banking industry, as it was tasked with promoting and developing the Islamic banking system in Malaysia. Efforts by the government and BNM to promote and develop Islamic banking included establishing Islamic banking and Islamic banking units in conventional banking institutions. In 1993 and 1994, five banks were granted licenses to operate or convert into Islamic banks or Islamic banking units. Currently, there are 16 Islamic banks operating in Malaysia, comprising eight fully-fledged Islamic banks and eight foreign and domestic banks offering Islamic banking services (Auwal, 2022; Hasan et al.2021)

Theoretical Framework of Consumer Behavior in Choosing Islamic Banking Products

The importance of choosing Islamic banking products by Muslims is highlighted with discussion on the growth of Islamic banking in Malaysia. This is followed by a review on the definitions of consumer behaviour, the factors influencing consumer behaviour in choosing Islamic banking products together with the theoretical framework. The understanding of consumer behaviour towards Islamic banking or finance is important to ensure the growth of Islamic banking system be sustained. With regards to this, several models and theories have been developed to understand consumer choices in Islamic banking products. Among the commonly used theories in banking product choices are the Theory of Planned Behaviour and the Consumer Decision-Making Process (Reni & Ahmad, 2016). However, it is observed that personal factors such as belief and value play a greater role in the choices compared to social influences or external factors (Tanrikulu, 2021). The findings raise questions on the applicability of existing frameworks in interpreting consumer behaviours particularly in Islamic banking (Mustapha et al.2023; Andespa et al.2024; Lebdaoui et al., 2024; Abid & Jie, 2023). Nevertheless, the models provide useful understanding on how consumers consider their options in Islamic banking. Aside from that, the choice of Islamic banking products is particularly interesting in Malaysia where more than half of the population are Muslims

(Zakaria et al., 2021). Hence, there are two key concerns. First concern is about the Islamic banking system itself; how it could attract the consumers to choose Islamic products compared to conventional banking products. Second concern is about the Islamic banking products; what factors could influence the consumers to choose Islamic banking products rather than choosing conventional banking products. Therefore, study on the consumer behaviour in choosing Islamic banking products is important to ensure that Islamic banking system is not neglected and to ensure that the Malaysian Islamic banking system is progressive. There can be various factors influencing consumer behaviour in choosing Islamic banking products. This includes knowledge on Islamic banking products, social factors, demographic factors, marketing and promotions and perceived risks (Asyari et al., 2022; ElMassah & Abou-El-Sood, 2022; Khursheed et al., 2021; Nugraheni & Widayani, 2021). On top of that, the theoretical framework of consumer behaviour is discussed in detail. Generally, consumer behaviour refers to the decision-making processes and acts of individuals in purchasing and using goods and services. It involves the choice of products, brands and dealers including the choice not to buy. For practitioners, understanding consumer behaviour is essential in devising effective marketing strategies. For researchers, identification of consumer behaviour theories is important in guiding empirical research (Sheth, 2021).

Methodology

This research aims to explore the various factors influencing the selection of Islamic banking products among Malaysian consumers, employing a qualitative approach. Data collection was conducted through library research, focusing on journal articles published within the past decade to ensure relevance and alignment with current developments in the field. To maintain the quality and credibility of the sources, the research relied exclusively on articles from reputable databases, specifically the Web of Science and Scopus and supported by articles in Malaysian citation-indexed journals. These databases were chosen due to their rigorous indexing standards, ensuring that the references included were peer-reviewed and of high academic quality.

The inclusion criteria for the references centered on their relevance to the research topic, with a focus on consumer decision-making, preferences, and perceptions regarding Islamic banking products. Articles published from 2013 onward were considered, as this time frame reflects recent trends and developments in Islamic banking practices. Additionally, priority was given to studies conducted in the Malaysian context or those offering insights pertinent to the local Islamic banking industry. This approach ensured that the data gathered was both contextually and thematically appropriate, capturing the unique dynamics of consumer behaviour within Malaysia's Islamic banking sector.

The collected data were subjected to a thorough content analysis to identify recurring themes and patterns in consumer preferences. This systematic method enabled an in-depth exploration of the factors shaping Malaysian consumers' decision-making processes. Key insights included the importance of strict adherence to Shariah principles, the perceived value and benefits of Islamic banking products, and the critical role of religious beliefs in influencing consumer choices. Furthermore, the analysis highlighted the significance of product features and customer service in shaping consumer perceptions and satisfaction.

By synthesizing findings from the selected articles, the research provided a better understanding of the motivations and preferences driving Malaysian consumers' selection of Islamic banking products. This approach emphasized the multifaceted factors guiding financial decisions in the Islamic banking context and contributed to a richer comprehension of consumer behaviour within this growing industry.

Finding and Discussion

Factors Influencing Consumer Choice in Islamic Banking Products

The discussion regarding the complex factors that intricately influence Malaysian consumer choices in Islamic banking products is multifaceted and can be attributed to a variety of intertwined elements including deeply held religious beliefs, varying degrees of financial literacy, and distinct personal preferences. Understanding these diverse and nuanced factors is absolutely crucial for financial institutions that aim to cater effectively to the intricate Malaysian market. These influencing factors vary significantly from one individual to another, as well as among the different financial institutions and their offerings. In an effort to present a more comprehensive and structured analysis, the various factors identified in numerous studies have been systematically assembled under several key themes. For some consumers, the decision-making process primarily revolves around their firmly held religious beliefs and values, as they tend to select products that closely align with their faith and moral principles, thereby ensuring that their financial choices resonate with their spiritual identity (Junaidi, 2021; Junaidi et al., 2022).

Religious Beliefs and Values

This subsection highlights the significant influence of religious beliefs and values on consumer choices in Islamic banking. For many consumers, adherence to Islamic principles serves as a central motivation when selecting banking products. As a Muslim-majority nation, Malaysia's Islamic banking industry provides an avenue for consumers to align their financial activities with their faith, making Shariah compliance a crucial factor in their decision-making process (Mariadas & Murthy, 2017; Mohd Thas Thaker et al., 2020).

Shariah compliance is perceived as a protective mechanism that minimizes the likelihood of misconduct by Islamic banks, thereby reinforcing consumer trust. Beyond the fundamental principles of Islam that shape preferences for Islamic products or services, varying levels of religious commitment also influence consumer choices. This includes the perceived spiritual benefits associated with engaging in ethical banking practices (Ibrahim et al., 2017). For many, the decision to choose Islamic banking is not solely about financial efficiency but also about embodying their spiritual identity.

These findings suggest that Islamic banks cannot be evaluated purely from an economic perspective. Instead, social and cultural dynamics, deeply rooted in Malaysian society, play a significant role. Community efforts, including those of religious leaders, in promoting Islamic banking, further amplify its appeal and adoption (Relano, 2023; Mariadas & Murthy, 2017). Thus, religious alignment emerges as a key motivator, positioning Islamic banking products as a preferred choice over conventional counterparts (Adnan et al., 2013; Mohd Thas Thaker et al., 2020).

The inception of Bank Islam Malaysia Berhad in 1983 marked the beginning of a significant shift in the Malaysian banking landscape, as it offered a unique alternative to conventional banking systems by adhering to Shariah principles. The substantial growth and advancements in the subsequent years have served as a robust platform for illustrating the richness and intricacies of Islamic principles. These institutions offer financial services that are uniquely tailored and broadly embraced by a range of different communities. (Naseh and Ghalia, 2024).

Perceived Trust and Credibility

Trust plays a pivotal role in shaping consumers' choices of financial products. A consumer's confidence in a bank significantly influences their willingness to engage with its financial services. Banks with strong reputations attract more customers, as a good reputation is perceived as a reliable indicator to mitigate uncertainties and enhance consumer confidence (Omar & Rahim, 2016). For Islamic banking consumers, trust is closely tied to transparent practices and ethical conduct, particularly in light of heightened consumer awareness regarding Shariah compliance and the demand for greater accountability and transparency to safeguard their rights. To maintain credibility, Islamic banks must emphasize factors that bolster their trustworthiness, such as good governance, transparency, and ethical operations. A strong reputation not only influences initial customer choices but is also critical for fostering long-term relationships. Ensuring that information provided to customers is accurate and timely is essential, as inaccuracies can erode trust. If a bank loses credibility, regaining consumer confidence becomes a long and arduous process.

Banking decisions often involve perceived risks and uncertainties, given the potentially severe consequences of poor financial choices, such as securities fraud or identity theft (Adnan et al., 2013). Trust is a key factor in reducing perceived risks and uncertainties, making it imperative for banks to maintain a credible image. This is particularly important for Islamic banks, as their unique characteristics—such as adherence to Shariah principles and ethical practices—set them apart from conventional banks. Customers highly value the ethical and socially responsible practices of Islamic banks, which align with their expectations for fairness, accountability, and a commitment to Islamic principles. These practices not only resonate with the spiritual and moral values of consumers but also reinforce the trust that underpins long-term loyalty and satisfaction (Mariadas & Murthy, 2017; Ganesan, Allah Pitchay, & Mohd Nasser, 2020).

Ultimately, a good reputation, grounded in trust and ethical conduct, is foundational for attracting and retaining customers in the competitive landscape of Islamic banking. Trust serves as the cornerstone for consumer confidence, satisfaction, and preference, making it an indispensable asset for Islamic financial institutions (Ganesan, Allah Pitchay, & Mohd Nasser, 2020).

Awareness and Knowledge of Islamic Banking

Consumer awareness and knowledge are critical factors in the selection of Islamic banking products. Studies show that Malaysian consumers are generally aware of the Islamic banking system and strive to gain adequate knowledge about its products. However, research indicates that Islamic banks in Malaysia still face challenges in effectively disseminating information about their products and services (Mahdzan, Zainudin, & Au, 2017). Despite

offering competitive services, products, and technological advancements, many consumers remain unaware of their existence and benefits.

In Malaysia, a higher level of consumer awareness and knowledge has been found to significantly influence the adoption of Islamic banking services (Adnan et al., 2013). Consumers who are well-informed about Islamic banking products tend to avoid uncertainty in their decisions, reflecting their preference for making confident and educated financial choices. Education about Islamic banking products is thus crucial for enhancing consumer confidence and encouraging the selection of Islamic financial services.

Unfortunately, misconceptions about Islamic banking persist, particularly the false notion that it is exclusively for Muslims. Such misunderstandings contribute to lower levels of awareness and participation among the non-Muslim community in Malaysia. Addressing these misconceptions is essential to promoting Islamic banking services and broadening their appeal (Mohd Thas Thaker et al., 2020).

The role of media and community engagement is also significant in promoting consumer awareness. Television programs, community forums, and discussions with friends and family contribute to increasing awareness of Islamic banking services. Furthermore, educational institutions play an important role in creating awareness. Offering courses on Islamic banking and finance can help dispel misconceptions and enhance understanding among the general public.

Proactive efforts by Islamic banks in Malaysia, such as seminars, training sessions, and effective marketing strategies, have been shown to drive awareness and interest in Islamic banking (Lajuni et al., 2017; Mohd Thas Thaker et al., 2020). However, there remains room for improvement. A study found that many consumers perceive the promotional efforts by Islamic banks to be insufficient, indicating a need for more robust and systematic strategies to educate and inform the public.

Ultimately, high consumer awareness and knowledge of Islamic banking products are vital for expanding their adoption. By addressing misconceptions, leveraging media and community discussions, and enhancing promotional activities, Islamic banks in Malaysia can foster greater participation and satisfaction among consumers.

Convenience and Accessibility

Convenience and accessibility are crucial factors influencing the selection of Islamic banking products in Malaysia. Consumers tend to prefer banking providers that are easily accessible and offer convenient services. Ease of access to banking facilities is essential not only for attracting customers but also for retaining them (Adnan et al., 2013). The concept of convenience can vary among individuals. For some, it involves the availability of physical branches in close proximity, while for others, it is about having efficient online banking services.

Online banking plays a significant role in enhancing accessibility and convenience by providing 24/7 access to banking services. Through online platforms, customers can perform a wide range of tasks, including checking account balances, transferring funds, applying for financing,

and paying bills. However, the effectiveness of online banking depends on customers' access to digital devices and their familiarity with these services. Despite the growing popularity of online banking, some consumers still prefer face-to-face interactions at branches for services requiring detailed advice, as they often perceive online assistance as less satisfactory (Mohd Thas Thaker et al., 2020).

Additionally, the availability of customer support services, such as call centres or hotlines, is considered an essential aspect of convenience. These services enable customers to resolve their inquiries without visiting a physical branch, which further reduces inconvenience. Consumers place high value on banking systems that allow them to perform transactions with minimal time and effort. Any factors causing delays, such as long queues or complex procedures, can lead to dissatisfaction and prompt customers to switch to other banks (Mariadas & Murthy, 2017).

Geographical location also significantly impacts accessibility. Urban areas generally have better access to Islamic banking services compared to rural areas. The lack of branches in rural regions has been identified as a barrier for many consumers, potentially leading to reduced participation in Islamic banking. In this context, mobile banking has emerged as a practical solution for overcoming geographical challenges, enabling consumers to perform transactions via their mobile devices, regardless of location (Mahdzan, Zainudin, & Au, 2017). Moreover, effective marketing and promotional efforts are essential to inform consumers about the convenience offered by Islamic banking services. Proactive strategies, such as customer education initiatives, seminars, and workshops, have been found to significantly influence consumer preferences and encourage the adoption of Islamic banking products (Dawami, 2020; Lajuni et al., 2017).

In summary, convenience and accessibility remain key determinants in the choice of Islamic banking products in Malaysia. By addressing geographical limitations, enhancing online services, and offering robust customer support, Islamic banks can ensure greater customer satisfaction and loyalty while fostering the growth of the industry.

Perceived Service Quality

Perceived service quality is a crucial determinant in consumers' choice of Islamic banking products in Malaysia. Consumers evaluate service quality based on several criteria, including responsiveness, reliability, assurance, tangibles, and empathy (Lajuni et al., 2017). According to the gap model, when the perceived service quality exceeds customer expectations, it enhances satisfaction with banking products and services. For Islamic banking customers, personalized and complex banking experiences are particularly important, as they seek products and services tailored to their individual needs (Mahdzan, Zainudin, & Au, 2017).

The delivery of service is just as critical as the products themselves. Interaction between professional bank staff and customers significantly impacts consumer perceptions of service quality. Therefore, training and professionalism among employees are essential components of a successful service strategy. Banks that invest in their employees' training and skill development are better positioned to provide high-quality services that meet or exceed customer expectations. Consumers base their perceptions of service quality on their overall

experience with a bank, making service excellence a cornerstone of competitive strategy in the Islamic banking sector (Mohd Thas Thaker et al., 2020).

As a multidimensional construct, service quality influences key consumer behaviours, such as loyalty and recommendation of the bank to others. High service quality fosters customer loyalty and increases the likelihood of positive word-of-mouth referrals. Conversely, perceived deficiencies in service quality may result in customer dissatisfaction and even abandonment of the bank (Allah Pitchay et al., 2020; Mahdzan, Zainudin, & Au, 2017).

In Malaysia, service quality is particularly significant given the competitive landscape of the banking industry. Consumers demand both efficient service delivery and personalized attention, emphasizing the importance of a customer-centric approach. Research has shown that high-quality services are directly linked to increased consumer satisfaction and a higher likelihood of selecting Islamic banking products over conventional alternatives (Dawami, 2020; Lajuni et al., 2017).

Ultimately, service quality remains a pivotal factor in determining consumer preferences in Islamic banking. Banks that prioritize responsiveness, reliability, and professionalism while ensuring personalized customer experiences are more likely to retain and expand their customer base in the Malaysian market. This underscores the critical role of service excellence in shaping consumer perceptions and driving the success of Islamic banking institutions.

Perceived Financial Benefits

Perceived financial benefits are a significant factor influencing consumers' preferences for Islamic banking products in Malaysia. These benefits refer to the financial advantages that consumers believe Islamic banking provides over conventional banking, such as profit-sharing schemes, competitive pricing, and the avoidance of interest-based transactions. Consumers appreciate these features as they align with Islamic principles and ethical considerations (Mariadas & Murthy, 2017; Mahdzan, Zainudin, & Au, 2017).

One key financial benefit that attracts consumers is the profit-sharing mechanism, which is perceived as a fairer and more equitable alternative to interest-based systems. This mechanism particularly appeals to consumers who prioritize Shariah-compliant financial transactions. Additionally, Islamic banks are often viewed as being more supportive of small-to-medium-sized enterprises (SMEs), addressing concerns about the perceived favouritism of conventional banks toward wealthier clientele (Dawami, 2020). However, there is also a demand for greater transparency in the profit-sharing process, including clear definitions of fees and clarity on how profits are distributed, to build consumer trust and confidence (Ganesan, Allah Pitchay, & Mohd Nasser, 2020).

Financial benefits are also evaluated in the context of ethical and religious values. Consumers want assurances that financial products align with their personal values and religious obligations. Islamic banks can address this by clearly communicating how their products avoid unethical or haram elements, thus appealing to consumers who seek both financial and spiritual satisfaction (Mohd Thas Thaker et al., 2020).

Effective marketing strategies and consumer education are crucial for promoting these financial benefits. Highlighting short- and long-term financial outcomes, along with ethical compliance, can help consumers make informed decisions. For instance, seminars, workshops, and targeted advertising campaigns have proven effective in educating consumers about the unique financial benefits of Islamic banking (Lajuni et al., 2017; Allah Pitchay et al., 2020).

In summary, perceived financial benefits, including competitive pricing, profit-sharing schemes, and ethical compliance, are critical in attracting consumers to Islamic banking in Malaysia. By enhancing transparency and aligning their offerings with consumer values, Islamic banks can strengthen their appeal and foster greater adoption of their products and services.

Social Influence and Reference Groups

In addition to personal preferences and cognitive evaluations, external influences play a significant role in the decision to adopt Islamic banking products in Malaysia. Reference groups, including friends, family, and community leaders, can significantly shape consumer choices. Their referrals or endorsements often enhance trust and provide a sense of comfort in the decision-making process (Dawami, 2020; Mahdzan, Zainudin, & Au, 2017). It is common for consumers to consult close acquaintances, such as parents or peers, about their banking choices before committing to a specific institution. Decisions endorsed by knowledgeable or experienced individuals are perceived as more reliable, thereby reducing uncertainty and increasing consumer confidence.

Group influence is particularly strong in cultures that value collectivism, where decisions are often made collectively rather than individually. When a reference group favors a particular bank, the likelihood of its adoption increases, as collective decisions provide a sense of security and conformity (Allah Pitchay et al., 2020). Additionally, peer pressure and social norms can play a critical role in shaping consumer behavior. Individuals may feel compelled to conform to group expectations, even if their personal preferences differ, to avoid social sanctions or to gain approval. Conversely, deviation from group norms can deter consumers from pursuing choices that conflict with the group's expectations.

Social norms and peer comparisons also contribute to banking decisions. Consumers often emulate peers who are perceived to be better off financially, believing that adopting similar choices, such as selecting the same bank, will yield similar benefits. However, reliance on group choices is not without risks. If a group decision leads to unfavourable outcomes, such as financial loss, individuals may experience regret or dissatisfaction (Ganesan, Allah Pitchay, & Mohd Nasser, 2020).

The role of reference groups extends beyond informal interactions to formal influences, such as endorsements by community leaders or organizations. Such endorsements lend credibility and reinforce consumer trust in Islamic banking products. Moreover, these influences can amplify the adoption of Islamic banking by promoting its alignment with shared values and ethical principles.

In conclusion, reference groups significantly impact the adoption of Islamic banking products in Malaysia. Their influence, whether through direct recommendations or the enforcement of social norms, enhances trust and confidence in the banking decision. Islamic banks can leverage this dynamic by engaging with community leaders and fostering positive word-of-mouth campaigns to strengthen their appeal among potential customers (Mariadas & Murthy, 2017; Mohd Thas Thaker et al., 2020).

Research Gaps and Future Directions

Despite the growing body of research on the factors influencing the choice of Islamic banking products in Malaysia, several significant gaps remain unaddressed. These gaps highlight opportunities for further exploration to better understand consumer behaviour and enhance the appeal of Islamic banking products.

Diverse Demographic Coverage

Existing studies tend to focus on specific groups, such as students or urban professionals, while neglecting underrepresented segments like rural communities, the elderly, or non-Muslims. This limited scope overlooks the diverse needs and preferences of Malaysia's broader population. Rural consumers, for instance, may face unique accessibility challenges, while non-Muslims may prioritize ethical considerations over religious principles. Future research should adopt a more inclusive approach to capture these diverse perspectives, providing a holistic understanding of consumer behaviour (Mahdzan, Zainudin, & Au, 2017; Mariadas & Murthy, 2017).

Psychological Aspects

Existing studies on Islamic banking largely focus on tangible factors like service quality, financial benefits, and accessibility, while psychological dimensions remain underexplored. Research is needed to examine how psychological factors such as financial anxiety, decision-making styles, and risk tolerance shape consumer choices. Amin et al. (2017) highlight gaps in understanding the influence of attitudes, beliefs, perceived behavioural control, and social norms on consumer preferences, including non-Muslim perceptions of Islamic mortgage products. Misconceptions about Shariah compliance, product complexity, and limited consumer awareness further hinder adoption. Emotional factors, such as trust, fear of financial insecurity, and religious guilt, also warrant deeper analysis. Junaidi (2021) emphasizes the varied effects of religiosity on consumer behaviour across demographic and cultural groups, stressing the need to explore the interplay between religiosity, social influences, financial literacy, and service quality.

Moreover, ethical perceptions and trust-building mechanisms require greater attention to enhance consumer confidence in Islamic banking. Ganesan et al. (2020) underscore the need to investigate how fairness, accountability, and transparency in profit-sharing and Shariah compliance processes influence trust. The study highlights a lack of research on how demographic factors like age, education, and financial literacy moderate these relationships. Addressing these gaps through a holistic approach that integrates psychological, social, and informational dimensions alongside economic considerations can offer valuable insights. Future research should also explore emotional attachments to faith and ethical finance to better understand decision-making and foster trust and loyalty among Islamic banking consumers.

Longitudinal Analysis

Much of the current research relies on cross-sectional studies that provide only a snapshot of consumer preferences. However, these static approaches fail to capture evolving trends and changes in behaviour over time. Longitudinal studies are essential to identify patterns, such as how technological advancements or shifts in economic conditions influence consumer decisions. Such research would enable Islamic banks to anticipate future trends and adapt their strategies accordingly as suggested by Dawami, 2020.

Integration of Mixed-Method Approaches

Quantitative methods dominate the existing literature, offering valuable statistical insights but often failing to explore the deeper reasoning behind consumer choices. Incorporating qualitative methods, such as interviews or focus groups, could provide richer, context-specific insights into the motivations and barriers influencing consumer behavior. Combining both approaches would enable a more nuanced understanding of the factors at play (Allah Pitchay et al., 2020).

Impact of Technological Advancements

With the rapid adoption of fintech and digital banking solutions, consumer preferences are increasingly shaped by technological convenience. Current research has yet to adequately address how innovations such as mobile banking apps, blockchain, and AI-driven services impact the adoption of Islamic banking. Investigating these trends is critical for Islamic banks seeking to remain competitive in a digital-first financial landscape (Mohd Thas Thaker et al., 2020).

Understanding Non-Muslim Consumers

Islamic banking is no longer exclusively for Muslim consumers, as ethical and financial considerations appeal to a broader demographic. However, research on non-Muslim consumers remains scarce. Exploring the factors that attract non-Muslims to Islamic banking products, such as perceptions of ethical practices or competitive pricing, would provide valuable insights for expanding market reach and fostering inclusivity (Mariadas & Murthy, 2017).

Adoption of Interdisciplinary Frameworks

Consumer behaviour in Islamic banking is influenced by a complex interplay of economic, social, cultural, and psychological factors. Current research often takes a siloed approach, neglecting the benefits of interdisciplinary perspectives. Integrating frameworks from behavioural economics, sociology, and marketing could provide a more comprehensive understanding of the decision-making process, enabling Islamic banks to design more targeted and effective strategies (Mahdzan, Zainudin, & Au, 2017).

Enhancing Shariah Governance and Transparency

Concerns about transparency in profit-sharing mechanisms and the credibility of Shariah boards remain a significant barrier for consumers. Research exploring the impact of robust Shariah governance frameworks on consumer trust and loyalty could identify actionable solutions for addressing these challenges. Transparency in operations and clear communication about profit-sharing mechanisms are particularly important in building consumer confidence (Ganesan, Allah Pitchay, & Mohd Nasser, 2020).

Cross-Cultural Comparisons

Comparative studies across different countries with established Islamic banking sectors could offer valuable insights into best practices. Such research could highlight successful strategies for consumer engagement and identify areas where Malaysia's Islamic banking system could improve. Cross-cultural analysis could also provide benchmarks for evaluating the effectiveness of Malaysian Islamic banking practices (Lajuni et al., 2017).

In conclusion, addressing these research gaps is crucial for advancing the understanding of consumer behaviour in Islamic banking. By diversifying research methodologies, expanding demographic coverage, and exploring the implications of technological and cross-cultural factors, future studies can provide actionable insights to enhance the competitiveness and sustainability of Islamic banking in Malaysia. These efforts will not only support the growth of the industry but also ensure that it remains relevant and responsive to the evolving needs of consumers.

Conclusion and Implications for Practice

This review underscores the multifaceted factors influencing Malaysian consumers' choices in Islamic banking products, providing a comprehensive understanding of consumer behaviour in this critical sector. The findings highlight the significant role of religious beliefs, perceived financial benefits, service quality, trust, and social influences in shaping consumer preferences. These factors collectively emphasize that the decision to adopt Islamic banking products is not merely an economic choice but also one deeply rooted in cultural, ethical, and social considerations. The study emphasizes that while Islamic banks have made significant progress in offering Shariah-compliant products, challenges remain in terms of bridging the gaps in consumer awareness, trust, and product accessibility. Islamic banks must intensify efforts to educate consumers about the distinct features of Islamic financial products and their alignment with ethical and Shariah principles. Seminars, workshops, and community engagements can serve as platforms for increasing consumer knowledge and dispelling misconceptions, especially among non-Muslim consumers.

From a practical standpoint, Islamic banks must leverage technology to enhance accessibility and convenience. Mobile banking, blockchain-based solutions, and AI-driven customer support can play a pivotal role in meeting the evolving expectations of tech-savvy consumers. Furthermore, targeted marketing strategies should address the unique needs of underrepresented demographic groups, such as rural communities and non-Muslim consumers, to expand market reach and inclusivity. Trust and transparency remain critical in fostering long-term consumer loyalty. Islamic banks should strengthen Shariah governance frameworks and ensure clarity in profit-sharing mechanisms to build confidence among customers. Emphasizing ethical practices and the credibility of Shariah boards will further enhance the reputation of Islamic banking institutions.

Lastly, this review identifies the need for continuous research to address the dynamic nature of consumer behaviour and market demands. Longitudinal and interdisciplinary studies can provide deeper insights into the evolving preferences of Malaysian consumers, enabling Islamic banks to remain competitive and relevant in a rapidly changing financial landscape. By addressing these challenges and leveraging the insights from this study, Islamic banks can

position themselves as leaders in ethical finance, ensuring sustained growth and wider adoption of Shariah-compliant products in Malaysia.

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