

## **CHAPTER THREE**

### **DATA AND METHODOLOGY**

#### **3.0 Sampling Design**

Both primary and secondary data were used in the preparation of this chapter. The primary data was gathered using structured questionnaire which focuses on the following areas:

- (i) The concept, method and scope of financing
- (ii) Types of Islamic products available for project financing
- (iii) Evaluation of the effectiveness of current modes of financing
- (iv) Problems faced in the implementation of project financing
- (v) Problems experienced under Mudarabah and Musyarakah forms of financing

The secondary data was based on the Bank Negara Annual Reports, Economic Reports, Report on the 7<sup>th</sup> Malaysian Plan and Islamic Journals which was used to analyse the following:

- (i) Loan growth experienced under Islamic as compared to Conventional banking.
- (ii) Financing deposit ratio under Islamic banking.

- (iii) The effects of rising and falling interest rates on the cost of borrowing under Islamic financing as compared to Conventional financing.

Interviews were conducted with officers from seven Islamic banking division of commercial banks including Bank Islam Malaysia who are currently providing equity-based project financing under the profit and loss sharing scheme. Also included in this research is OCBC Bank (M) Bhd, the only locally incorporated foreign bank offering term financing under Islamic Banking.

### **3.1 Questionnaire Design**

The questionnaire used in the study was designed in the following format:

- a) Dichotomous – a “Yes” or “No” answer
- b) Using the Likert scale to rank the importance of factors under review

Open-ended questions were used to gather additional information where Dichotomous or Likert scale methods were inappropriate.

### **3.2 Study Population**

The study population is made up of interviews with the Head of Islamic Banking Division (IBD) from all the commercial banks (8 in total) currently practicing term financing. Bank Muamalat , a newly established full fledged Islamic Bank, which intends to offer project financing and term financing in the near future is excluded from the population as it has not financed any projects since it's establishment in October 1998. Response to interview questionnaires is dependent on the judgement, perception and experience of the interviewee. The study also assumes that the various division Heads' understand the objectives of the study and are able to provide reliable, relevant and accurate information.

### **3.3 Location of The Respondent Banks**

All interviews were conducted at the Head quarters office of the respective commercial banks except for one respondent bank where the interview was conducted at its main branch. This is due to it's Head quarters is located in Sibu, Sarawak.

### **3.4 Sample Size**

Out of the 25 commercial banks in Malaysia, comprising of locally incorporated domestic banks and foreign banks, only 19 banks currently offering Islamic Banking products. Out of these 19 banks, only 8 banks, which includes Bank Islam Malaysia

Berhad, a full fledged Islamic Bank, offer project financing or term financing. Also included in the 8 banks is OCBC Bank (M) Berhad, the only locally incorporated foreign bank which is offering term financing. In view of the above, only eight respondents were eligible to be interviewed for the study.

### **3.5 Data Analysis**

The data collected were analysed by classifying, identifying and summarising the raw data into mean score tables and other specific forms for better understanding of the study.