



**THE EFFECT OF COUNTRY OF ORIGIN ON CURRENT
FOREIGN STUDENTS' INTENTION TO ENROL IN
ISLAMIC BANKING AND FINANCE (IBF) PROGRAM
IN MALAYSIA**

BY

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degree of Master of Science in Marketing**

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ABSTRACT

This study explores the effect of country of origin on current foreign students' intention to enrol in Islamic Banking and Finance (IBF) programme in Malaysia. A quantitative approach is applied whereby data were collected via the distribution of 300 structured questionnaires to foreign students in Malaysia. This study proposes a conceptual model based on the factors of Theory of Planned Behaviour (TPB) with new additional variables. It investigates the direct impact of the TPB factors Attitude toward Behaviour (AtB), Subjective Norms (SN) and Perceived Behavioural Control (PBC), with a new factor labelled Country of Origin (COO) on the current students' intention to enrol in IBF programme in Malaysia. To test factor validity and goodness of the proposed model, factor analysis and multiple regressions were applied. The findings reveal that country of origin and subjective norms contribute significantly to students' intention whereas, attitude toward behaviour and perceived behavioural control insignificantly affect students' intention to enrol in IBF programme in Malaysia. These findings are valuable for marketing managers and Malaysian Higher Education Institution (MHEIs) who are seeking to attract foreign students to Malaysia to pursue further studies.

خلاصة البحث

تبحث هذه الدراسة عن تأثير عامل بلد النشأة في نية الطلاب الأجانب في ماليزيا لاختيار التسجيل في تخصص المصرفية الإسلامية والتمويل (IBF) في ماليزيا. اعتمدت هذه الدراسة على المنهج الكمي، وقد تم جمع البيانات عن طريق توزيع ٣٠٠ استبانة منظمة بين الطلبة الأجانب الحاليين في ماليزيا. وتقترح هذه الدراسة نموذجاً نظرياً على أساس نظرية تنظيم السلوك (TPB) مع متغير إضافي جديد. كما تبحث الدراسة التأثير المباشر للعناصر المأخوذة من نظرية السلوك المخطط (TPB) وهي على التوالي: موقف إتجاه السلوك (ATB)، المعايير الموضوعية (SN) والإدراك السلوكي للتحكم (PBC) مع عامل جديد يسمى بلد المنشأ (COO) على نية اختيار الطلاب للتسجيل في تخصص المصرفية الإسلامية والتمويل في ماليزيا. ومن أجل اختبار عامل صحة وجودة النموذج المقترح، فقد قامت الدراسة باستخدام طريقة تحليل العوامل وتحليل الإنحدارات المتعددة. هذا وقد كشفت نتائج هذه الدراسة أن عامل بلد المنشأ (COO) والمعايير الموضوعية (SN) لهما مساهمة كبيرة في التأثير على نية إختيار الطلاب، في حين أن الموقف تجاه السلوك (ATB) وعامل إدراك التحكم السلوكي (BPC) لم يكن له تأثير على نية اختيار الطلاب للتسجيل في تخصص المصرفية الإسلامية والتمويل (IBF) في ماليزيا. تعتبر النتائج التي تم التوصل إليها في هذه الدراسة ذات أهمية بالنسبة لمديري التسويق ومؤسسات التعليم العالي الماليزية (MHEIS)، والذين يسعون لاستقطاب الطلبة الأجانب المتواجدين في ماليزيا لمواصلة الدراسات العليا في هذا البلد.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

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LIST OF ABBREVIATIONS

GDP:	Gross Domestic Product.
MoHE:	Ministry of Higher Education.
MHE:	Malaysian Higher Education.
MHEIs:	Malaysian Higher Education Institutions.
HEI:	Higher Education Institution.
IBF:	Islamic Banking and Finance.
COO:	Country of origin.
AtB:	Attitude toward Behaviour.
SN:	Subjective Norms.
PBC:	Perceived Behavioural Control.
INT:	Intention toward Behaviour.
IF:	Islamic Finance.
HE:	Higher Education.
TPB:	Theory of Planned Behaviour.
TRA:	Theory of Reasoned Action.
SCT:	Social Cognitive Theory.
NB:	Normative Belief.
MC:	Motivation to Comply.
DN:	Descriptive Norms.
IN:	Injunction Norms.
MN:	Moral Norms.
CFE:	Confirmatory Factor Analysis.
EFA:	Exploratory Factor Analysis.
KMO:	Kaiser-Meyer-Olkin.
MR:	Multiple Regressions.
SPSS:	Statistical Package for Social Sciences.
MBA:	Master of Business Administration.
DV:	Dependent Variable.
IV:	Independent Variable.
EM:	Expectation Maximisation.
K-S:	Kolmogorov-Smirnov.
S.dev:	Standard deviation.
α :	Cronbach's Alpha Coefficient.
et al.:	(et alia) and others.

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

A few decades ago the Malaysian government established 2020 goals to be among developed countries in the region. Fulfilling this mission Prime Minister Dato' Sri Najib Abdul Razak and Senator Dato' Sri Abdul Wahid Omar in the "service sector blueprint" (2015) mentioned that the service sector has a crucial role in Malaysia's economic growth. It is one of the main pillars that the government wants to use as an engine of growth.

Many developed countries use their educational industries to contribute to the economy growth such the USA, UK and Australia which share 2.7 million foreign students UNESCO (2013). The Malaysian Ministry of Higher Education (MoHE) play a role to help the government to reach their goals by setting up a goal to attract 200,000 foreign students to Malaysia as part of 2020 goals (MoHE, 2007).

Historically, Malaysian Higher Education (MHE) has passed through different stages to enhance their educational sector. As mentioned by Ahmed (1998), educational development in Malaysia has been led, characterised and adapted by the government to fulfil and meet social, political and economic needs. They adapted and made it compulsory for both private and public higher education institutions to deliver subjects on Islamic and Asian civilisation in their program. Also, MoHE motivates foreign institutions to invest in the country to boost the educational level and establish the country as an educational hub in Asia (Padlee, Kamaruddin, & Baharun, 2010). Whereas, Padlee et al. (2010) declared that Malaysian HEIs face intense competition from developed countries such as the USA, the UK, and Australia. UNESCO (2013)

considers these three countries as the “Major Players” with almost 45 percent of foreign students.

However, a country such Malaysia located on South Asian surrounded by many developed countries has to face many challenges to achieve its goals. Other Asian countries have sought to attract foreign students with Japan targeting 300,000 foreign students by 2020 (Kakuchi, 2014) while China has extended their goal from 200,000 to 500,000 foreign students in Chinese higher education by 2020 (UNESCO, 2013).

The marketplace for higher education has become more competitive internationally and domestically between private and public institutions, especially for the Malaysian higher education. Shaari (2014) mentioned that the number of private institutions in Malaysia grew from 32 to 418 in the period of 10 years from 2000 to 2009. International competition is more intense than local, especially from developed countries that have more experience and advantages than Malaysian institutions such as the UK, USA, Australia, New Zealand, Japan and China.

Malaysian ministry of higher education is working hard to reach their goals where the time is almost over (last three years) to 2020. As the second Education Minister Datuk Seri Idris declared to TheSundaily journal on 31 Dec 2014 that: Malaysia had 135,502 international students where 74,996 students in private institutions and 32,842 students in public institutions (Daily, 2015).

According to Padlee et al. (2010) institutions in the US were forced to change based on the new platform of the educational marketplace. Furthermore, HEIs apply business strategies and tactics to be able to compete in the market, and they consider students as customers or clients (Mok, 1999). Therefore, understanding students’ behaviour boosts the higher education institution’s chance to remain competitive in the international educational marketplace (Raharjo, 2012).

Students are highly involved in the decision to choose an educational course, but before deciding, they evaluate the country destination based on different aspects such as city, safety, security, quality of life and culture (Cubillo, Sánchez, & Cervino, 2006). HEIs are now examining all areas that can help them attract more students by emphasising competitive advantage to increase their chance and elevate the number of students.

Country of Origin (COO) is a frequent feature to evaluate products and services and could be used as a competitive advantage (Morrish & Lee, 2011). Empirical observations suggest that COO has an influence on the general quality perception of a product (Bilkey & Nes, 1982). Research on COO toward services is still in its elementary stage (Ho & Foon, 2012). This research investigates the effects of COO on students' intention during the evaluation of the higher education sector toward a particular program, Islamic banking and finance (IBF) programs in Malaysia.

Islamic banking and finance program is a common program provided by many institutions and universities in Malaysia. Therefore, most of the Malaysian institutions and universities have a good reputation on this program. For instance, Institution of Islamic Banking and Finance (IIBF) at the International Islamic University Malaysia ranked among the best institution over the world, International Centre for Education in Islamic Finance (INCEIF) and University Utara Malaysia (UUM).

In brief, studying factors that might influence students' intention is crucial to any educational institution, especially those factors that may differentiate Malaysian educational service from competitors. Therefore, it may offer an opportunity for the Malaysian higher education to keep those students and attracting new students to peruse their master and PhD at Islamic Banking and Finance program.

1.2 THE NATURE OF EDUCATION AS SERVICE:

There are common attributes in services including intangibility, simultaneous consumption, production and perishability (Fitzsimmons & Fitzsimmons, 2011) and heterogeneity (Hoffman & Bateson, 2011; Parasuraman, Zeithaml, & Berry, 1985). De Langen (2012) declared that educational services are among pure services which are not easy to conceptualise. Moreover, educational services have specific characteristics that make it more complicated in term of delivery and evaluation. An indirect mechanism of product assessment makes consumer (student) analyse other aspects of the brand image, reputation and country destination image (Cubillo et al., 2006).

On the one hand, these features present difficulties to the institution marketers to build an accurate and strong image in the customer mind. On the other hand, consumers face the same difficulties in evaluating or measuring the quality and benefits that he/she seeks due to the nature of the educational services (De Langen, 2012). The complexity and cost of the decision to study overseas require deep research and strong intention.

Educational institutions contribute to elevating the country's growth rate. Educational institutions have a responsibility to train and educate all human capital and boost the intellectual standard in the country. Higher education is a service associated with a high degree of risk in students' decision-making, especially for foreigners. Moreover, for the most part, the quality of higher education cannot be tested, felt and perceived beforehand (Cubillo et al., 2006).

He and Chen (2010) quoted the definition of internationalisation of higher education from Knight and de Wit (1997) which defined it as "the process of integrating an international/intercultural dimension into the teaching, research and service functions

of the institutions” (p.24). Therefore, higher educational service requires complete interaction between lecturers, students and staff administration to deliver high-quality services. Students are the main factor for a program; they should be focused and work hard to reap the full potential of good education (De Langen, 2012). Educational services present a prolonged and formal relationship with a student and constantly seek to deliver services through different means of customisation from a large group of students to small classes to individual supervision (Mazzarol, Soutar, & Thein, 2001).

Educational service delivery also differs from tangible products due to service characteristics. International education institutions deliver their services in the host country by having students travel for knowledge. Another means of educational delivery that has arisen due to intense competition is that students can study at an international institution offshore and receive the same program in their home countries (Mazzarol, Soutar, & Thein, 2001). White and Johnson (1998) provide a clear theoretical model that explains the main factors that determine how to provide professional service to consumers (such as client involvement, client knowledge, communication effectiveness).

1.3 STATEMENT OF THE PROBLEM

Universities and institutions are facing many difficulties that have forced them to behave like commercial companies (Padlee et al., 2010). To illustrate, Sohail, Rajadurai and Abdul Rahman (2003) declared that the educational market has become more intense for institutions to get new students or maintain current students. Universities/institutions do not have any other option to survive in the marketplace

except by developing their marketing plan based on the understanding of students and knowing their competitive advantage.

The intense competitions, global crisis, changes in government policies and lack of students have led institutions and universities to investigate the factors influencing students' intention and decisions making. Wilkins and Huisman (2011) documented the importance of understanding factors impacting students' decision-making to better understand competition. Moreover, studying those factors offers a big advantage to universities/institutions to understand their target market and overcome the obstacles that stand between universities/institutions and their clients/students.

Javalgi, Cutler and Winans (2001) documented that service companies could use product attributes like COO (made in) to attract consumers toward particular services. Also, Javalgi et al. (2001) found that the concept of COO applied to influence consumers' decision-making for services in the same way it affects decision-making toward goods. Country of origin is one of the common factors that have been studied to measure its effect on the consumers' intention to buy goods. Most of the studies (Bodycott, 2009; Maringe & Carter, 2007; Mazzarol & Soutar, 2002) found a positive effect of the COO on the consumers' intention to buy goods. Furthermore, the impact of the COO on consumers' intention to buy services (such: insurance, hostelry, hospitality) has showed the same positive results (Koschate, Diamantopoulos, & Oldenkotte, 2012; Lin & Chen, 2006). COO has been studied only from the point of its effect on choosing a particular country or university which presented positive results (Morrish & Lee, 2011; and Ho & Foon, 2012). In short, the COO factor has seldom been studied as a factor that has an impact on students' intention to enrol in a particular program such as IBF. Malaysian universities/institutions should explore the effect of COO on this particular program to determine whether foreign students have

the perception that Malaysia is the best choice to study IBF. Measuring the effect of COO on the students' intention toward IBF program can clarify to marketers how to develop the right marketing plan based on the university strength to face the intense competition in the marketplace.

Following MoHE plan, universities and institutions work hard to enrol more foreign students. Malaysian HEIs focus on differentiating their services from competitors by providing an international environment and special programs to meet the needs and wants of students. Islamic Banking and Finance (IBF) is one of the products offered by most Malaysian universities to attract more foreign students. Its area of specialisation is in applying Islamic principles in banks and financial corporations. Malaysian HEIs have good experience developing and studying the IBF which makes Malaysia as pioneer country in this field. This program may use as competitive advantage by Malaysian HEIs to attract more foreign students.

The importance of studying the effect of COO on students' intention comes from the power of this factor in determining the students' intention. COO plays a significant role in evaluating products, brands and classes of production, and it also affects industrial purchase decision (Bilkey & Nes, 1982). It helps marketers to understand students' perceptions and beliefs toward particular services. As marketing is based on the human behaviour, it is necessary to know deeply the target market and factors that influence their decisions, so as to develop the right strategy and marketing plan. Furthermore, the positive effect of the COO and other factors (such as: AtB, SN, and PBC) can be applied as a competitive advantage to attract more students toward IBF programs.

In brief, this research explores whether Malaysia considers the COO of the Islamic banking and finance studies and programs, which may play a crucial role to achieve

the goals of universities, institutions and MoHE (2020 goals). Marketers should use all capacities to develop the right plan and strategy to face the intense competition regionally and internationally.

1.4 RESEARCH OBJECTIVES

1.4.1 GENERAL OBJECTIVES OF THE STUDY

This study seeks insight into the main drivers of current foreign students to apply for Malaysian universities. It endeavours to determine factors that drive students' intention to apply for a specific program (IBF) by using the established factors from Theory of Planned Behaviour (TPB) with the addition of Country of Origin, as a separate factor affecting students' intention during the process of deciding to apply for IBF programs in Malaysia.

1.4.2 SPECIFIC OBJECTIVES OF THE STUDY

1. To examine the impact of the attitude toward behaviour on the current foreign students' intention in Malaysia.
2. To examine the impact of the subjective norm on the current foreign students' intention in Malaysia.
3. To examine the effect of the perceived behaviour control on the current foreign students' intention in Malaysia.
4. To investigate the effect of the country of origin on the current foreign students' intention in Malaysia.

1.5 RESEARCH QUESTIONS

This research seeks to answer the following questions:

1. Does attitude toward behaviour have an effect on the current foreign students' intention to apply for the IBF programs in Malaysia?
2. Does subjective norm have an effect on the current foreign students' intention to apply for the IBF programs in Malaysia?
3. Does perceived behavioural control have an effect on the current foreign students' intention to apply for the IBF programs in Malaysia?
4. Does country of origin have an effect on the current foreign students' intention to apply for the IBF programs in Malaysia?

1.6 SIGNIFICANCE OF THE STUDY

This present study offers valuable insights into theory as well as to the existing literature. It will provide a better understanding of the determinants that impact current foreign students' intention to pursue at higher education institution in Malaysia for postgraduate studies (Master and PhD). It will examine the nature of the relationship between the major key factors in the structural model to the current foreign students' intention for further studies in Malaysia. This research will examine the effect of the Country of Origin factor on the current foreign students' intention toward the Islamic banking and finance (IBF) programs in Malaysia, which may help MoHE and institutions offering this program to achieve competitive advantage to attract more foreign students. This research will be beneficial to both institutions (public/private universities) and MoHE to develop a better plan to reach their target and survive in a highly competitive market.

1.7 INTRODUCTION TO THE ISLAMIC BANKING AND FINANCE PROGRAM

The Malaysian government is the main driver for developing and encouraging the Islamic banking sector in Malaysia. It established the first Islamic Bank in Malaysia in July 1983 named Bank Islam Malaysia Berhad (Al Nasser & Muhammed, 2013). Since that period, market demand for Islamic banking and finance products and talents has grown rapidly and progressively. To illustrate, the last update in the official website for Bank Negara Malaysia (BNM) stated that there are 16 foreign and local licensed Islamic banking institutions and three insurance institutions and Takaful in Malaysia (BNM Malaysian Financial Sector, 2015). Mohd Zin, Abdul Kadir, Ishak and Abdul Latif (2011) stated that Malaysia is the largest market in Islamic banking and finance.

Islamic banking is defined as “Banking system that is based on the principles of Islamic law (also known *shariah*) and guided by Islamic economics. One basic principle behind Islamic banking is the sharing of profit and loss...” (Al Nasser & Muhammed, 2013). To spread this new knowledge to Malaysians, the government allowed universities and institutions to offer Islamic banking and finance programs for postgraduate students from different fields of study related to Islamic finance and economics research.

Thus, Islamic banking and finance programs are offered by public and private universities and institutions in Malaysia under labels of Islamic Banking and Finance (IBF) and Islamic Finance (IF). IBF seeks to meet this shortage of knowledge, talents and experienced human capital by engaging them in comprehensive training in Islamic banking and finance. IBF institutions offer Master and PhD programs for

students with degrees in finance, economic, accounting, law, Islamic studies (*shariah*) and information technology.

1.8 CONCEPTUAL DEFINITIONS

1.8.1 INTERNATIONAL HIGHER EDUCATION

International higher education is defined as “The process of integrating an international/ intercultural dimension into the teaching, research and service functions of the institutions” (Knight & de Wit, 1997).

1.8.2 ISLAMIC BANKING AND FINANCE PROGRAM

Islamic banking and finance program is defined as “Banking system that is based on the principles of Islamic law (also known *shariah*) and guided by Islamic economics. One basic principle behind Islamic banking is the sharing of profit and loss...” (Al Nasser & Muhammed, 2013).

1.8.3 INTENTION TOWARD BEHAVIOUR

Intention was defined by Ajzen (1991) and Beck and Ajzen (1991) as “the indication of how hard people are willing to try, or how much effort people are planning to exert, to perform a behaviour. It is believed that the stronger the intention, the more likely the behaviour will be performed”.

1.8.4 ATTITUDE TOWARD BEHAVIOUR

It is defined as a personal positive or negative estimation of performing a particular behaviour (Ajzen, 1985).

1.8.5 SUBJECTIVE NORMS

An individual’s perception is the social pressure put on a person to engage or not to engage in the behaviour in question (Ajzen, 1985).