



**KUWAIT FINANCE HOUSE (M) BERHAD, (KFHMB): CASE STUDY
OF CUSTOMERS' ACCEPTANCE OF THE NEW FOREIGN
BANK IN KUCHING.**

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CHAPTER 1

INTRODUCTION

1.1 Overview of the Growth of Islamic Banking in Malaysia

Islamic Banks, like conventional banks, are profitable organizations. Their aim is to gain profit, but they are not allowed to deal with interest or to engage in any business or trade prohibited by Islam. In contrast, traditional conventional banks have their own main goal in the maximization of profit subject to a reasonable level of liquidity. They tend to deal with loans only and are keen in engaging themselves in direct investment as a main activity.

The difference between the conventional banking system and the Islamic banking system is that, in the conventional system, interests are given (pre-promised) with a guarantee of repayment and a fixed percentage return while in the Islamic system, investors share a fixed percentage of profit when it occurs i.e. the share of the two practices will vary according to the profit achieved. Banks get back only a share of profit from the business to which it is a party and in case of loss, the business party loses none in terms of money but forgoes the reward for its activities during that period.

According to Mckinsey (2008), Islamic finance has grown tremendously since it first emerged in the 1970's. Current global Islamic banking assets and assets under management have reached USD750 billion and is expected to hit USD1 trillion by 2010.

Malaysia's long track record of building a successful domestic Islamic financial industry of over 30 years gives the country a solid foundation - financial bedrock of stability that adds to the richness, diversity and maturity of the financial system. Presently, Malaysia's Islamic banking assets reached USD65.6 billion with an average growth rate of 18-20% annually.

CHAPTER 2

2.0 LITERATURE REVIEW

Islamic Banking in the modern world, generally aims to promote and develop the application of Islamic principles, law and traditions to transactions of financial, banking and related business affairs. It is also to promote investment companies to be engaged in such business activities that are acceptable and consistent within the *Shariah* precept. Islamic banks, such as KFHMB, by doing so, will safeguard the Islamic communities and societies from activities that are forbidden in *Islam*. Currently, Malaysia has a significant number of full-fledged Islamic banks including several foreign owned entities; conventional institutions who have established Islamic subsidiaries and also entities who are conducting foreign currency business.

Today, Malaysia continues to progress and to build on the industry by inviting foreign financial institutions to establish international Islamic banking business in Malaysia to conduct foreign currency business such as KFHMB. In order to get into the Malaysian market, there are measures that must be taken into considerations that could lead the bank to success and profit.

Hence, in this study, four variables are discussed and analysed. These variables are brand awareness activities, reliability on customer's services, banking product offered and online banking experiences. The bank's strength and success depend on the acceptance of their serviced customers. Satisfied and loyal customers indicate positive acceptance of the bank.