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**INTERNET BANKING: A STUDY OF CUSTOMER
ADOPTION AND ITS EFFECTIVENESS IN BANK ISLAM
MALAYSIA BERHAD KUCHING**

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Banking is a highly information intensive activity that relies heavily on information technology (IT) to acquire, process, and deliver the information to all relevant customers. Banks used the Internet technology as a strategic weapon to revolutionize the way they operate, deliver, and compete against each other. As a result Internet Banking was introduced as a channel where bank customers could perform their financial transactions electronically via their bank's websites. An Internet Banking user is expected to perform at least one of the following transactions via online:

1. Checking account balance and transaction history
2. Paying bills
3. Transferring funds between accounts
4. Requesting credit card advances
5. Ordering checks
6. Managing investments and stocks trading

From a bank's perspective, using the Internet is more efficient than using other distribution mediums because banks are looking for an increased customer base. Using multiple distribution channels increases effective market coverage by

CHAPTER 2

LITERATURE REVIEW & CONCEPTUAL FRAMEWORK

2.1 Literature Review

This chapter provides a review of the literature on Internet banking and also the conceptual framework of the study.

2.1.1 Introduction

Islamic banking industry makes significant contributions to the economic development process in Muslim countries. Its importance in the economy is due largely to an alternative source of banking, that is, profit and loss sharing concept. Like conventional banking, it performs the same function of collecting extra savings and extends towards the sectors, which need. (Radiah A K 1993)

Bank Islam started as Malaysia's first Islamic bank in July 1983 to cater to the financial needs of Muslims, who make up about three-fifths of its 25 million people. (Ang Kok Heng)

Bank Islam, the bigger of two Islamic banking groups in the country, counts state-run agencies among its biggest shareholders. The Pilgrims Fund has a 29.7 percent stake, followed by Permodalan Nasional with 25.1 percent and the Employees Provident Fund with 6.4 percent, according to its annual report.

Like most Muslim countries, Malaysia also has a dual banking system, that is, a conventional and an Islamic banking system. There are two Islamic banks in

CHAPTER 3

RESEARCH METHOD

Research method provides the methods used in conducting this research to explain the procedures in gathering necessary data or analysis in order to meet the research objective. This chapter explains on the research design, unit of analysis, sample size, sampling technique, measurement data, collection and data analysis. The data obtained must be measured based on the correct procedures and methods. To ensure appropriate data collection and data technique and correct test applied in research, research design and measurement should be outlined clearly for the ease of understanding.

3.1 Research design

This study is an exploratory study to identify the customer adoption and effectiveness in Bank Islam's branch in Kuching. The purpose is to insure internal and external validity of variables of this study (Hazman, 2005). The cross-sections survey was used to tell immediately about some keys elements of the study. The research demand for information from the customer who attending Bank Islam at three available departments and unit as the focus group within Bank Islam's Kuching branch. The best approach to gather data for this study is through survey by distributing questionnaires to the respondent. A set of questionnaires have been design to collect the data and information needed to