



UNIVERSITI TEKNOLOGI MARA

**THE EFFECT OF SWITCHING
BARRIER FACTOR TOWARDS
CUSTOMER LOYALTY**

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Thesis submitted in fulfillment
of the requirements for the degree of

**Bachelor of Business Administration
(Hons) (Islamic Banking)**

Faculty of Business and Management

July 2017

ABSTRACT

Due to fast development in Islamic banking, the industry comprise with large participants. As a result, each bank faces strong competitions not only among Islamic banks but also from conventional and international players. According to Abduha (2013) in this challenging environment, customer satisfaction became highly critical as it became a deciding factor for the customer whether to retain or switch to competitors. The purpose of this study is to examine the influence of switching barrier factor on relationship with customer loyalty. The data were collected from 100 islamic banking customer who have at least one banking product with their main bank and 100% responses were received. Variable used for the analysis include customer loyalty as the dependent variable (DV), whereas the service recovery (SR), lack of attractive alternative (LOAA), and switching cost (SC) as the independent variables (IV). The data were analyzed by using SPSS version 22. Analysis tested in this study such as reliability testing, correlation and regression. The finding indicates, among three independent variable stated, switching cost give biggest effect towards customer loyalty, followed by service recovery and lack of attractive alternatives. Both switching cost and service recovery is significant and has positive relationship with customer loyalty. While another independent variable (lack of attractive alternative) was found to be is insignificant.

ACKNOWLEDGEMENT

Alhamdulillah, praise and thank to Allah the Almighty and His outmost blessing, who have granted me all these graces to complete this project paper. The success and final outcome of this assignment required a lot of guidance and assistance.

First of all, I am grateful to my advisor, Puan Mardziyana binti Malom for support and uncountable guidance. Her assistance, encouragement and careful monitoring throughout this time were so great and grasp my respect.

Next, I am really fortune that I had my beloved family for their moral, love, encouragement, support and prayers through this semester. Without them, I won't be this stronger to completing this task.

My completion of this report could not have been accomplished without support of my classmates, and friends. Special thanks to them for such amazing cooperation, who gives support and don't ask something in exchange. Last but not least, who have contributed directly and indirectly towards the completion of this report.

Thank you.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Due to fast development in Islamic banking, the industry comprises with large participants. As a result, each bank faces strong competitions not only among Islamic banks but also from conventional and international players. According to Abduha (2013) in this challenging environment, customer satisfaction became highly critical as it became a deciding factor for the customer whether to retain or switch to competitors. Thus, Islamic banks need to improve to attract new customer and retain the existing customer. World Islamic Banking Competitiveness Report 2016 also highlight on the challenge of boosting customer number despite growth in recent years (King, 2016). Banking Institution is committed to developing the strategy to retain their customer since the customer is able to switch to a better alternative at any time. Furthermore, the cost of acquiring new customers is relatively high, but the probability that they would stay is quite low (Muhamad Abduha, 2013).

The paper is organized as follows. The following chapter will be a review on each of switching barrier factor, its relationship with customer loyalty and an issue on each factor if any. The third chapter explains the method in conducting this research. The fourth chapter discusses the findings. Finally, chapter five offers conclusion and recommendation.