



UNIVERSITI TEKNOLOGI MARA

**FACTORS THAT INFLUENCE THE
CONSUMER CHOICES OF ISLAMIC BANK FOR
BANKING PRODUCTS AND SERVICES IN
SEGAMAT, JOHOR**

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ABSTRACT

The aim of this study was to identify the factors that influence consumer choices of Islamic banks for banking products and services among the banking consumers in Segamat, Johor. Islamic banking in Malaysia continually growth and there are still arise of confusion among potential consumer of Islamic bank who may observe that Islamic banks in reality are no different as conventional banks. So, this research is carried out to identify the factors that influence consumer choice in Segamat area. In addition, this study also provides result of whether the variables such as convenience, service quality, security, technology and Islamic branding have significant effect on consumer choice of Islamic banks. The research is done through distributing questionnaires to respondents while the target population is the consumers of Islamic banks in Segamat, Johor. Statistical Package for Social Science (SPSS) version 22.0 was used to analyse the data which collected from the survey. Respondent's feedback was analysed and presented through the test of Reliability Test, Pearson Correlation Analysis and Multiple Regression Analysis. The research finding showed that convenience, service quality, security and technology have significant relationship between the consumer choices of Islamic banking in Segamat, Johor. However, results for the Islamic branding have insignificant relationship with the consumer choices of Islamic banking in Segamat, Johor. As conclusion, this results have met the objective of determining the relationship of factors influencing the consumer choices of Islamic bank in Segamat, Johor.

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TABLE OF CONTENT

AUTHOR DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATION	ix
CHAPTER ONE: RESEARCH OVERVIEW	1
1.1 Introduction	1
1.2 Background of the Study	1
1.2.1 Historical Overview of Islamic Banking and Finance in WorldWide....	1
1.2.2 Development of Islamic Banking in Malaysia	3
1.3 Problem Statement	5
1.4 Research Questions	7
1.5 Research Objectives	8
1.6 Significance of Study	10
1.7 Scope of the Study	12
1.8 Limitation of the Study	13
1.9 Definition of Terms.....	14
1.10 Summary	14
CHAPTER TWO: LITERATURE REVIEW	15
2.1 Introduction	15
2.2 Literature Review on Islamic Banks in Malaysia	15
2.3 Literature Review on Islamic Banks Selection	17
2.4 Factors that Influencing Consumers Choice of Islamic Banking	18
2.4.1 Convenience	18
2.4.2 Service Quality	19
2.4.3 Security	20
2.4.4 Technology	21
2.4.5 Islamic Branding	22
2.6 Theoretical Framework	23
2.7 Summary	23

CHAPTER ONE

RESEARCH OVERVIEW

1.1 Introduction

In this era, banks are playing an important role in maintaining a healthy financial system and economics for the country. The economics and business environment is gradually changing and getting more competitive against others banks to compete for the customers. Since bank is a financial institution that manages money and helps in developing the country economics, it is important for the bank to understand the customer behaviour and demands towards the Islamic bank products and services.

1.2 Background of the Study

1.2.1 Historical Overview of Islamic Banking and Finance in WorldWide

Islamic banking system is defined as a banking system whose principles of its operation and activities are founded on Shariah rules. As we know, Islam forbids riba which is included in the transaction of conventional banking. So, Islamic banking system which is free from riba has to be establish for the sake of the ummah or Muslims.

The establishment of Islamic bank is in 1960's. However, banking activities exit long before the 1960's in the Islamic history. Before the era of Prophet Muhammad p.b.u.h, there were trade activities conducted in Mecca. These activities continued even after Islam became rooted in Mecca and Medina. From the historical point of view, Islamic banking can be divided into three eras which are the first era (early era), second era (Middle era) and third era (modern era).

In early era, it happened before Prophet Muhammad p.b.u.h received the divine revelations, Mecca was a city of trade. Its business activities continued even after Islam became rooted there. The activities that have been applied like