



UNIVERSITI TEKNOLOGI MARA

**THE EFFECT OF ETHICS PRACTICE ON
CUSTOMER RELATIONSHIP**

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**A STUDY ON THE EFFECT OF ETHICS PRACTICE ON
CUSTOMER RELATIONSHIP**

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ABSTRACT

Generally, the ethical practices can have a direct impact on the success of the financial institutions. Financial institutions always look into the needs of ethics practice in order to survive and compete successfully in today's dynamic corporate environment. The financial institutions policy that encourages positive relationships with customers can help position of the financial institution as a trusted one. Therefore, this research study is aims to study the effect of ethics practice on customer relationship. The customer relationship longevity was chosen as a dependent variable and four variables which are privacy, honesty, transparency and autonomy as independent variables. The significant of this study is to obtain as much information regarding the ethic factors that affect the customer relationship in financial institutions. Besides, the findings of this study also give benefits to business organizations especially financial institutions considering that ethical practices in financial institutions can help to create favorable relationships and can also establish long-term positive relationships with existing and potential future customers. The data collection for this research was collected from primary and secondary data. The focus respondents of surveys are the peoples which are the customer of financial institutions in Malaysia. This study used Statistical Package for the Social Science (SPSS) to make data analysis. There are several test that have been used in this research which are Regression analysis to test the relationship between dependent variable with the independent variables and also Factor analysis to test the validity of the questionnaire. At the end of the study, finding show that three variables tested has significant relationship with the customer relationship longevity in financial institutions.

Key words: Ethics Practice, Financial Institutions, Effect, Customer Relationship

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This study is to determine the effects of ethics practice on customer relationship of financial institutions in Malaysia. This section of chapter will discuss briefly on the background of study, problem statement, research objective, research questions, significance and scope of study.

1.2 RESEARCH BACKGROUND

In recent years, ethics practices have become the most debated topic because it has emerged as a significant impact on business organizations for instance in the financial institutions. Nowadays, there are various case related to unethical practices happen in different business organization worldwide. For example, before the Credit Card Act of 2009, financial institutions or banks could lure teens into opening credit accounts with promises of financial freedom, regardless of the teen's ability to repay the high interest debts. Still other unethical practices can take advantage of people in need such as high cost loans with daily interest compounding. This is why many researchers have continuously emphasized on the important of ethics practices and worried about the increasing number of unethical practices occurring in today's business organization especially in financial institutions.

According to study by Amine, Chakor, & Alaoui, 2012, indicate that the ethical values of the company promote the establishment of standard that trace "good" things to do and "bad" things to avoid which these ethical standards influence individual behavior and facilitate the achievement of desired actions by the business organization.