



UNIVERSITI TEKNOLOGI MARA

**THE FACTORS AFFECTING SWITCHING
BEHAVIOUR FROM CONVENTIONAL BANK
INTO ISLAMIC BANK AMONG GOVERNMENT
EMPLOYEES IN ALOR SETAR**

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ABSTRACT

The establishment of Islamic bank in 1983 has widen the eyes of banking industry consumer that the Islamic banking systems are able to compete and parallel with the conventional bank. Due to the establishment of Islamic bank, the account holder of conventional bank has put their interest to switch into Islamic bank. Switching behaviour is related with the attitude of the consumer that easily to move into other product or brand rather than loyal to the current product or brand. The switching behaviour are usually influenced by several factor that makes the customer trying to move into the others. According to Central Bank of Malaysia, on 2017 Islamic banking system deposits grew 26.6 per cent to RM436, 327.6 million comprising 26.6 per cent of the total deposits compare to conventional bank. Thus, the issue arises since the account holder of conventional bank slowly dropped. The researchers conduct the survey to determine the most influence factors that contribute the conventional bank consumer switch into Islamic bank. Hence, researcher can know how far the price factor, service quality, banking product offered, advertising and geographical location affect switching behaviour of conventional banking into Islamic bank. This study identifies the factors of Malaysian banking industry switching behaviour and determines relationship factors that contribute the consumer to switch the bank. Besides, this study evaluates the positive impact of price factor, service quality, banking product offered advertising and geographical location towards switching behaviour of conventional banking into Islamic bank.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This research paper previews a finding that obtains from quantitative research study that was conducted switching behaviour in bank industry among government employees. This study highlights the factors that contribute government employees to switch from conventional bank to Islamic bank. This chapter begins with the background of the research, and the reason of researcher to conduct the survey among government employees.

1.2 Background of Study

As part of their lives, individuals in worldwide are engaged with banking concept for daily transaction since the first emergence of banking system. The conventional banking system has taken place the world since World War. However, the establishment of Islamic bank has widened the eyes of banking industry consumer that the Islamic banking systems are able to compete and parallel with the conventional bank.

The development of Islamic banking around the world also influences the development of Islamic banking in Malaysia. Due to the establishment of Islamic bank, the account holder of conventional bank has put their interest to switch into Islamic bank. Moreover, since the Islamic bank also able to compete with conventional bank in the introduction of technology in banking sector such as internet banking and automated teller machines (ATM).

In 1983, the first emerged Islamic bank was established which is Bank Islam. The initiative takes by the government to provide banking system to the Malay and Muslims on that time since Muslims are not believe with the conventional banking