



**FACTORS AFFECTING CUSTOMERS LOYALTY TOWARDS
ISLAMIC BANKS
(BANK ISLAM & MAYBANK ISLAMIC)
IN MUAR**

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ABSTRACT

Islamic banking is generally acknowledged in the globe now. In Malaysia, there are for the most part two sort of the banking system, conventional banking, and Islamic banking. The Islamic banking system is expanding nowadays. A customer's loyalty towards this type of banking is measured for a customer's dedication to dealing with Islamic banking.

Customer's loyalty has many dimensions with respect to Islamic banking, i.e consumer's satisfaction, switching cost, customer's recognition, success philosophy and trust and commitment. These components have a great relationship with the long-term commitment of customers with Islamic banks. Study the customer's loyalty should be considered compulsory and it is a long-term commitment as each bank needs to increase the profit and growth. This research helps to measure the customer's loyalty.

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

Islamic banking has developed as one of the fastest growing industries in the course of recent decades. It has spread to all sides of the globe and got wide acceptance by both Muslims and non-Muslims alike (Iqbal and Molyneux, 2005). Islamic banks play out the same essential functions as banks do in the conventional system, except that the need for them to carry out their transaction in accordance with the rules and standards of Islam (Henry and Wilson, 2004; Iqbal and Mirakhor, 2007).

In Malaysia, customers' sure observation towards Islamic banking is much more crucial mainly due to the fact that Islamic banks need to contend with a long time ago settled conventional banks in the dual-banking system. The conventional bank has a dual banking system works in parallel with the Islamic banking in Malaysia since to date 1983. The previous is as of now spoken to by 27 banking institutions, comprising 9 Islamic banks and 18 conventional banking institutions (8 commercial banks, 4 merchant banks and 6 discount houses) offering Islamic banking products and services under the Islamic Banking Scheme (IBS), otherwise called as Islamic windows (Bank Negara, 2005).

Due to increasing competitive environment in the banking industry, losing customers is very costly for banks. Marketing researchers have computed that it is about five times more costly to acquire new clients than to continue existing ones (Reichheld and Sasser, 1996). Previous studies had shown that customers change their service providers for some reasons. It may be the case that the service provider no longer meets customers' needs or customers may be receiving a better offer from a contender or simply needing some variation in terms of service required. Therefore, understanding customer's exchanging expectation may help in retaining customers and to avoid the adverse effects that may result due to the action. In addition, banks must also put more endeavors to extend long-term relationships with their customers in order to make customer unwavering ness and to increase profitability.