



**CUSTOMER'S PREFERENCES TOWARDS ISLAMIC BANKING IN  
TAMPIN, NEGERI SEMBILAN.**

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**Submitted in Partial Fulfilment of the  
Requirement for the  
Bachelor of Administration with Honors (Islamic Banking)**

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JOHOR, SEGAMAT.**

**December 2016**

## ACKNOWLEDGEMENT

This research has been successfully completed with the assistance of various society. I would like to take this opportunity to thank each one of those who have help me a lot in conducting this research.

The deepest gratitude goes to Allah S.W.T, may He be glorified and exalted, for giving me opportunities, abilities and strength to conduct and complete this research as well as my academic journey.

I would like to express my sincere thanks and appreciation to my respected research project advisor, Madam Nurul Acin binti Abd Aziz for her continuous support, advice and assistance throughout the whole progress of this research until it is completed. As well as Dr. Faridah Najuna, Head of Advisor of Islamic Banking for her assistance.

I also want to thank all of the respondents that has contributed their valuable time in completing this research questionnaires, all of my friends for the shared knowledge and not forgotten my beloved family for being supportive, unstoppable strength and continuous prayers for me.

As well as to the panel during the presentation of my research, Miss Nurulashikin binti Romli and Madam Rabiatal Adawiyah binti Kamarulzaman for being just, for giving such valuable advice and useful knowledge to improve my research.

From the bottom of my heart, thank you.

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## **ABSTRACT**

According to BNM, Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of Shariah as well as the activities, it must be practiced consistent with the Shariah and its practical application through the development of Islamic economics. Many of these principles upon which Islamic banking is based are commonly accepted all over the world, for centuries rather than decades. In Malaysia, Islamic banking has been accepted widely and positively by both Muslims and non-Muslims. The issue is what are the factors that influence customer's preferences towards Islamic banking? The objective of this research is to identify the factors that influence customer's preferences towards Islamic banking. This research aims to study five factors that greatly attract customer to prefer Islamic banking. The five main factors are knowledge, awareness, religious belief, growth of Islamic banking and services and quality. The dependent variable is customer's preferences towards Islamic banking. This study used questionnaire as the method to collect the data and it were distributed to 150 customers of Islamic banking in Tampin, Negeri Sembilan. The questionnaires consist of 3 sections which are demographic, dependent variable and independents variable section. Whereas for the independent variables were divided into another 5 sub-sections accordingly with the independent variables tested in this research. Besides that, other type of collecting data were used such as journal or article, electronic sources (library UiTM web and SPSS 21) and internet.

## **CHAPTER 1: INTRODUCTION**

### **1.1 Background Of The Study**

Islamic banking refers to a system of banking that complies with Islamic law also known as Shariah law. The underlying principles that govern Islamic banking are mutual risk and profit sharing between parties, the assurance of fairness for all and that transactions are based on an underlying business activity or asset. These principles are supported by Islamic banking' core values whereby activities that cultivate entrepreneurship, trade and commerce and bring societal development or benefit is encouraged. Activities that involve interest (riba'), gambling (maisir), and speculative trading (gharar) are prohibited. Islamic finance has grown tremendously since it first emerged in the 1970's. (Bank Negara Malaysia)

Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of Shariah, known as *Fiqh al-Muamalat* (Islamic rules on transactions). Islamic banking activities must be practiced consistent with the Shariah and its practical application through the development of Islamic economics. Many of these principles upon which Islamic banking is based are commonly accepted all over the world, for centuries rather than decades. These principles are not new but arguably, their original state has been altered over the centuries.

Malaysia is one of the Muslim countries that is committed in not only developing Islamic banking system but also a complete Islamic financial system. The Islamic banking system in Malaysia started in 1983 when the first Islamic bank, Bank Islam Malaysia Berhad (BIMB) commenced its operations. It was the objective of the