

UNDERGRADUATES SELECTION TOWARDS ISLAMIC BANKING IN DUAL BANKING ENVIRONMENT: AN EMPIRICAL STUDY

Mohd Rizuan Abd Kadir, Khairul Nizam Surbaini and Juliana Anis Ramli
College of Business and Management (COBA)
Universiti Tenaga Nasional

Abstract

To plan an appropriate marketing strategy to attract new customers is very importance, especially for Islamic banking in dual banking environment. Islamic banks need to identify the criteria on where potential customers determine their bank selection decision. The study focuses on examining the bank selection criteria being employed by undergraduates, the potential Islamic banking customers. The purpose of this paper are to examine the main factors that influence undergraduates in selecting their bank preference and whether there is a significant different between Muslim and non Muslim undergraduates in selecting their banking in dual banking environment. This study presents primary data collected by self-administered questionnaires involving 250 undergraduates at UNITEN as samples. The criteria are analyzed using factor analysis with varimax rotation, to cluster the criteria into several variables. The result shows that convenience factor and bank appearance played significant role in selection process by Muslim and non-Muslim undergraduates. We also found encouraging result that religious factor is among important criteria preferred by Muslim undergraduates in selecting their bank.

Keywords: Bank selection decision, Islamic bank, Syariah compliant products and services.

Introduction

Malaysia has developed over more than two decades, a comprehensive Islamic financial system that operates in parallel with the conventional financial system (Aziz, 2008). The first Islamic bank was established on 1983, carries out banking business similar to other commercial banks, but along the principles of Syariah. Since then, Malaysian Islamic financial system has grown tremendously. Zamani (2007) stated that Malaysian Islamic banking system shown strong performance in 2006 with higher profitability, and has remained well capitalized. In year 2006, Islamic banking assets has reached about USD34 billion or 13 percent in terms of market share.

According to Saeed (1996), the emerging of Islamic financial institutions was started with the establishment of Islamic Development Bank (IDB) on 1973. IDB was aimed to foster economic development and social progress of Muslim countries.

