

**CUSTOMER SATISFACTION AND PREFERENCES IN BANKING
INDUSTRY: AN EMPIRICAL INVESTIGATION
ON PUBLIC SECTOR EMPLOYEES**

FARZILA MD ZUKI

College Of Business
Universiti Utara Malaysia,2009

**CUSTOMER SATISFACTION AND PREFERENCES IN BANKING
INDUSTRY: AN EMPIRICAL INVESTIGATION
ON PUBLIC SECTOR EMPLOYEES**

**BY
FARZILA MD ZUKI**

**A thesis submitted to the fulfillment of the requirement for the degree
Master of Business Administration, College Of Business
Universiti Utara Malaysia, 2009**

PERMISSION TO USE

In presenting this project as a partial fulfillment of the requirement for a postgraduate degree from University Utara Malaysia, I hereby agree that the university library may make it unreservedly available for inspection. I further agree that permission for copying this project in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor Associate Nor Afifah Ahmad or in her absence, by the Dean of Research and Postgraduate studies, college of business. It is understood that any copying or publication or use of this project or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me or to University Utara Malaysia for any scholarly use which may be made of any material from this thesis.

Request for the grant of permission to copy or to make other use of material in this project in whole or in part should be addressed to:

Dean of research and postgraduate studies,

College of business

University Utara Malaysia

06010 Sintok Kedah Darul Aman

Malaysia

ABSTRACT

The purpose of this study is to examine customer preferences in banking industry. Bank customers from the public sector were surveyed using a questionnaire. A total of 153 public sector employees provided the data for the study. Results show that the independent variables are associated with customer satisfactions. Public sector employees choose Bank Rakyat as their first choice bank in terms of customer satisfaction and preferences.

Keywords: customer satisfaction, banking, public sector employees

ACKNOWLEDGMENTS

In the name of Allah, Most Gracious, Most Merciful.

I would like to express my full gratitude to my supervisor, Associate Prof Norafifah Ahmad, for her constant guidance, invaluable advice, suggestion and encouragement throughout my study in Universiti Utara Malaysia.

My special thanks will always be for the most important people in my life, my lovely family namely my father, Md Zuki Nanyan who has been selflessly devoting his life to my family and to the pursuit of excellence in knowledge for all his children. My ever-lasting indebtedness goes to the source of my happiness, my mother, Rokiah Omar who is simply the most wonderful, amazing woman and the greatest asset and treasure of my life. My constant remembrance to my younger brother Mohd Akmal, who are the gifts to my heart, friends to my spirit, and golden threads to the meaning of life.

There are many friends that left their heart prints on my heart. Thank you for your valuable suggestions and constructive comments. You all are very dear to me; I wish you all the best!

TABLE OF CONTENTS

	Page
PERMISSION TO USE	iv
ABSTRACT	v
ACKNOWLEDGEMENTS	vi
TABLE OF CONTENT	vii
CHAPTER ONE: INTRODUCTION	
1.0 Research Background	1
1.1 Research Problem	3
1.2 Research Objectives	4
1.2.1 Main Objective	4
1.2.3 Specific Objectives	4
1.3 Research Questions	5
1.4 Organization of Study	5
CHAPTER TWO: LITERATURE REVIEW	
2.0 Introduction	6
2.1 Philosophy of Islamic Banking	6

2.2 Islamic Banking and Ethical Investment	8
2.3 Service Quality	9
2.4 Influence of Quality	10
2.5 Influence of Internal Marketing (i.e. Employees) Service Quality	12
2.6 Customer Satisfaction	14
2.7 The Customer Gap	16
2.8 Customer satisfaction and quality	18
2.9 Customer Satisfaction and the Banking Sector	19
2.10 Bank Selection Criteria	20

CHAPTER 3: METHODOLOGY

3.0 Introductions	23
3.1 Theoretical framework	24
3.2 Sample	26
3.3 Data sampling	26
3.4 Questionnaire design	27
3.4.1 Interval scale	27
3.4.2 Ordinal scale	28
3.5 Statistical method	29
3.6 Cronbach's Alpha	29
3.6.1 Reliability	31
3.6.2 Validity	31

CHAPTER FOUR: ANALYSIS	
4.0 Respondents' background	32
4.1 Descriptive Analysis	34
4.2 Reasons for Banking with Conventional bank	35
4.3 Reasons for banking with Islamic banks	36
4.4 Reasons for Banking with Conventional Banks and Banks Having Islamic Counters	36
4.5 Degree of Satisfaction on Services Offered	36
CHAPTER FIVE: CONCLUSION	
5.0 Conclusion	42
5.1 Recommendations	43

CHAPTER 1

INTRODUCTION

1.0 Research Background

The main mission of these banks is the achievement of social and economic development through the delivery of financial services either in conventional or and in line with the principles and teachings of Islam. To achieve the mission, it is imperative for dual bank system to continue the study related to changing behavior, attitude and perceptions of their customers especially in the retail sector which constitutes the major portion of the banking business.

The Islamic banking system has gained momentum worldwide. The popularity of the Islamic banking system is not limited to the Islamic banks only. Increasingly large international conventional banks are showing interest in the Islamic banking as well. The consequence of this is that Islamic banks operating in Islamic countries faced with strong competition not only from Islamic banks but also from the non-Islamic banks (Naser and Moutinho, 1997)

An Islamic bank conducts its activities in accordance with the Islamic Sharia'h principles that strictly prohibit any payment or receipt of interest. However the Islamic bank can also offer products and services which are similar to those offered by a conventional bank.

The contents of
the thesis is for
internal user
only

References

Haron, S., Ahmad, N. and Planisek, S. L. (1994). Bank patronage factors of Muslim and Non- Muslim Customers. *International Journal of Bank Marketing*, vol.12, No.1, p.p. 32-40

Naser, K. and Moutinho,L.(1997) Strategic Marketing Management: The Case Of Islamic Banks. *International Journal Of Bank Marketing*, vol.15,No-6,p.p.187-203.

Rammal, H.G &Zurbruegg,R(2006) ‘Awareness of Islamic Banking products among Muslims:The case of Australia ‘Journal of Financial Services Marketing’Vol.12,no 1,pp.65-74

Jamal,A., and Naser, K. (2002). Customer Satisfaction And Retail Banking: An Assessment Of Some Of The Key Antecedent Of Customer Satisfaction In Retail Banking. *International Journal Of Bank Marketing*, pp.146-160

Dusuki, A.W. (2008) Banking For The Poor: The Role Of Islamic Banking In Microfinance Initiatives, *Humanomics* .Vol 24, No 1. p.p. 49-66

Choudhury, M. A., and Hussain, M. M. (2005). A paradigm of Islamic money and banking. *International Journal Of Social Economic*. Vol 32, No3. p.p 203-217

Mokhtar, H. S. A *et al* (2008) ‘Efficiency And Competition Of Islamic Banking In Malaysia. *Humanomics*.Vol 24, no1. p.p. 28-48

Metawa, S.A. and Almosawi, M.(1998) 'Banking Behaviour Of Islamic Bank Customers: Perspectives And Implications. *International Journal Of Bank Marketing*.P.p. 299-313

Naser, K et al (1999) 'Islamic Banking: A Study Of Customer Satisfaction And Preferences in Jordan. *International Journal Of Bank Marketing*, P.P. 135-150

Ueltschy et al (2007) 'Service Quality and Satisfaction: An International Comparison Of Professional Services Perceptions. *Journal of Services Marketing*.P.P 410-423

Ismail I.,Hasnah.H.,Ibrahim D.N And Salmi M.I'service Quality,Client Satisfaction And Loyalty Towards Audit Firms:Perceptions Of Malaysian Public Listed Companies.*Managerial Auditing Journal* .P.P738-756

Lam .R and Suzan Burton 'SME banking loyalty and disloyalty': a qualitative study in Hong Kong.*International Journal of Bank Marketing*.P.P 37-52

N.dubisi.,N.O N.O Wah.,K.C,N.Dubisi. 'Supplier customer relationship management and Customer loyalty:the banking industry perspective' *Journal Of Enterprise Information Management*.

Dewayne .B.,Pedro S.Coelho and Manuel 'service Personalition And
Loyalty'.Journal Of _Service Marketing.P.P 391-403

Castro.C.B,armanio.E.M and M.'Consequences Of Market Orientation for
Customers And Employees'.*European Journal of marketing*.P.P 646-675

Kantsperger.R and Kunz .W.H 'Managing Overall Service Quality in Customer Care
Centers'.Empirical finding of a Multi Perspective Approach' *International Journal
of Service Industry Management*.P.P135-151