

**MEASURING FACTORS AFFECTING CUSTOMER
LOYALTY ON ISLAMIC BANKING DEPOSIT IN MALAYSIA**

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ABSTRACT

The growth of Islamic banking assets in Malaysia shows a remarkable growth for the recent years. The total assets of Islamic banking have risen RM 469.5 billion with an average 24.2% growth per year. In spite of this phenomenal growth, Islamic banking only gain 20% of banking industry market share. In order to increase its market share, the Islamic banks must satisfy their customers. The purpose of the study is to determine factors that affecting customer loyalty on Islamic banking deposit. This study was conducted primary data collected through a questionnaire and email survey from Bank Islam customers in Universiti Utara Malaysia (UUM). The study was carried out by taking a sample of 217 respondents only 118 responses were further analysed by using SPSS software. The result revealed that customer satisfaction, perceived value, and trust have significant influence on customer loyalty on Islamic banking deposit. This study empirically contributes to the practical implication of Islamic banking managers in order to understand customer's anticipations. Managers of Islamic banks have to place prime the importance of customers by building these factors to enhance their customer's loyalty. Moreover, the study presented valuable information about the expansion and development of Islamic banks, as well as the market behaviour of Islamic banking customers in Malaysia. In order to increase Islamic banking market share in this modern customer-centric competitive arena, the bank has to satisfy and show value to their customers. Nevertheless, Islamic banking managers can formulate the strategies to retain their customers and attract new customers.

Keywords: Islamic banking, deposit, customer loyalty, customer satisfaction, service quality, perceived value and trust.

ABSTRAK

Pertumbuhan aset perbankan Islam di Malaysia menunjukkan pertumbuhan yang luar biasa untuk tahun-tahun kebelakangan ini. Jumlah aset perbankan Islam telah meningkat RM 469.5 bilion dengan pertumbuhan purata 24.2% setahun. Walaupun pertumbuhan ini luar biasa, perbankan Islam hanya menguasai 20% daripada bahagian perbankan industri pasaran. Dalam usaha untuk meningkatkan bahagian pasarannya bank-bank Islam hendaklah memenuhi pelanggan mereka. Kajian tujuan adalah untuk menentukan faktor-faktor yang mempengaruhi kesetiaan pelanggan atas deposit perbankan Islam. Kajian ini dijalankan data primer yang dikumpul melalui soal selidik dan kajian e-mel daripada pelanggan Bank Islam di Universiti Utara Malaysia (UUM). Kajian ini telah dijalankan dengan menentukan sampel sebanyak 217 responden pada awalnya. Namun, hanya 118 respondent sahaja yang sah digunakan untuk analisis dengan menggunakan perisian SPSS. Hasilnya menunjukkan bahawa kepuasan pelanggan, nilai dilihat, dan kepercayaan mempunyai pengaruh yang besar ke atas kesetiaan pelanggan atas deposit perbankan Islam. Walaubagaimanapun, kajian empirikal ini menyumbang kepada implikasi secara praktikal terhadap para pengurus perbankan Islam dalam memahami permintaan dan jangkaan para pelanggan untuk terus menjalankan transaksi deposit di institusi perbankan Islam di Malaysia. Pihak pengurusan perbankan Islam perlu mengutamakan kepentingan para pelanggan dengan menitikberatkan faktor-faktor berkenaan bagi mengukuhkan kesetiaan mereka kepada institusi perbankan Islam. Kajian ini juga telah memberi sumbangan pengetahuan khususnya dalam bidang perbankan Islam. Tambahan pula, kajian ini juga memberikan maklumat yang penting dalam pembangunan institusi perbankan Islam yang berterusan serta memberi kefahaman terhadap tingkah laku pasaran pelanggan perbankan Islam di Malaysia. Dalam usaha meningkatkan pasaran perbankan Islam yang kompetitif secara menyeluruh, pihak perbankan Islam disarankan untuk memenuhi kepuasan pelanggan serta menunjukkan nilai-nilai yang murni dan meningkatkan kepercayaan para pelanggan terhadap sistem perbankan Islam yang telus. Pihak perbankan Islam juga boleh merangka strategi untuk mengekalkan kesetiaan para pelanggan yang sedia ada dan juga menarik pelanggan yang baru bagi menjalankan transaksi sistem perbankan Islam.

Kata Kunci: Perbankan Islam, deposit, kesetiaan pelanggan, kepuasan pelanggan, kualiti perkhidmatan, nilai tanggapan dan kepercayaan.

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“In the name of Allah, the Most Gracious, the Most Merciful”

All praises and thanks are due to Allah the Lord of the Worlds, for all His bounties and blessings, May peace and blessings be unto the Holy Prophet Muhammad, his Progeny, and his Companions.

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LIST OF ABBREVIATIONS

BIMB	Bank Islam Malaysia Berhad
BNM	Bank Negara Malaysia
B	Beta
COB	College of Business
MER	Malaysian Economic Report
IBA	Islamic banking act
H	Hypothesis
KFHR	Kuwait Finance House Report
SPSS	Statistical Package for the Social Science
UUM	Universiti Utara Malaysia
WIBCR	World Islamic Banking Conference Report

CHAPTER ONE

BACKGROUND OF THE STUDY

1.1 Introduction

This study is designed to measure the factors affecting customer loyalty on Islamic banking deposit. This chapter contains background of the study, current of Islamic banking system, history of Islamic banking and overview of deposit. It also discusses the problem statement, research questions, research objectives, significance, scope and limitation of the study, and organization of the thesis.

1.2 Background of the Study

The last four decades have seen the establishment of Islamic banking as a sustainable banking system (khan, 2010). (Hassan, Ahmed, Ahmed, Habib, Riaz, Maqbool, & Anwar 2011), since 1971, Islamic banks have continued to grow in size and in number. Furthermore, the main mission of these Islamic banks has been the achievement of social and economic development through the delivery of financial services in line with the principles and teachings of Islam (Hassan et al, 2011). Similarly, WIBCR, (2013) reposted the statistics of total growth of Islamic banks and estimated 363 which is combination of 249 standalone Islamic banks and 114 Islamic banking windows.

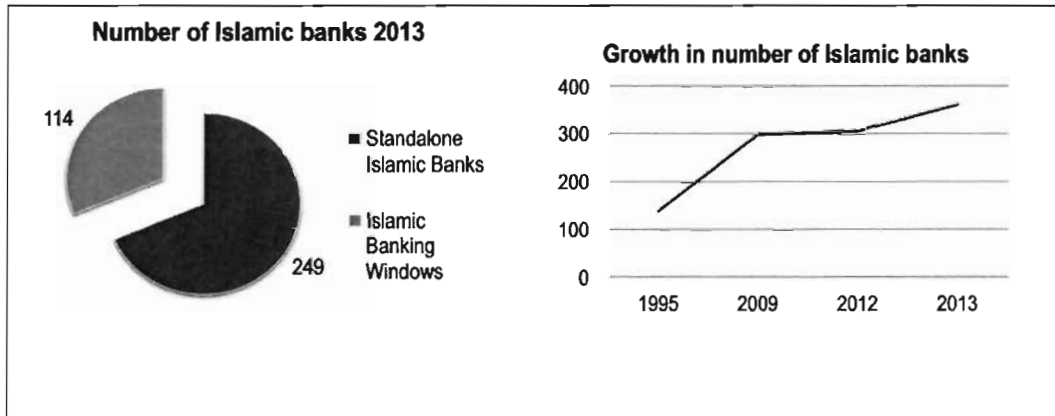


Figure 1.1
The Growth Number of Islamic Banks in 2013
 Source: Thomson Reuters Islamic Development Report 2013.

The expansion of Islamic banking system around the world has been designed to provide many facilities to Muslims and non-Muslims (Dasuki & Abdullah, 2012). Similarly (Iqbal & Molyneux, 2005) indicated that Islamic banking system spread through the world and gaining wide acceptance both Muslim and non-Muslims. This inherits the Islamic banks to perform essential functions as banks do in the conventional counter parts.

1.2.1 Overview of Deposit in Islamic Banks

Deposit is the main component of banking products and services, as well it is the heart of the bank to facilitate the flow of money from surplus unit to deficit unit (Ibrahim and Noor, 2011; Abduh, Omer, Duasa, 2011). Mobilization of deposit funds from surplus unit to deficit unit is the main goals of existence of banks comprehensively (Abduh et al, 2011). Furthermore, the purpose of Islamic banks is to facilitate the flow of fund of deposits and fundamentally to structure different way than conventional banking deposits (Haron & Azmi, 2008).

However, there are different types of deposits offered by Islamic banks such as saving, current and investment account. All types of deposits are to be applied with Shari'ah contracts, namely, *al-Wadi'ah*, *Qard Hassan*, and *Mudharabah*. The current Islamic banks, accept of deposit as both *al-Wadiah* (saving and current account), *Qardh-Hassan* (benevolent loan), and *Mudharabah* (investment account as a deposit). However, Islamic banks since their establishment and has developed throughout the world and its assets estimated about trillions of US. Dollar (World Islamic Banking Competitive Report, 2013).

This is reflecting that number of customers are increasing and placing their money into Islamic banking accounts. Basically the products and services provided by the Islamic banks are based on the *Shari'ah* principles (Anshori, 2007). The Principles of Shari'ah are derived from the explicit primary sources Islamic law (al-Qur'an, and Hadith) as well as the secondary sources of Shari'ah *Ijama'* (consensus of Jurists), *Qiyas* (Analogy), *Istihsan*, *Istishab*, '*Urf*, etc. (Anshori, 2007). The defined rulings used the operations of Islamic banking bring about universally accepted and become financial engineering that offers variety of products and services such as banking, deposit, investment, financial trade, commerce and al-Rahn financing services (Othman & Owen, 2001).

As aforementioned, Islamic banks offer deposit facilities likewise the conventional banks although the principles are different such as the types of deposit and return from *Mudharabah* investment account. Akhtar, Ali and Sadaqat (2011) examined that profit from Islamic bank deposits are only accepted through profit and loss sharing concepts (*Musharakah* and *Mudharabah*) it is not be fixed amount but depend on the rate of return. Similarly, Yusoff and Wilson (2005) stated that Islamic banks with Islamic countries or branches in Malaysia offer deposit facilities that based on profit and loss sharing contract instead of taking or given interest.

Amin (2013), clarify that the Islamic banks offers saving deposits under the concept of guaranteed (*al-wadi'ah*) and investment deposit under the concept of profit sharing (*Mudharabah*). Unlike the conventional banks, Islamic banks do not offer or take interest from the depositors, but Islamic banks give a reward in the saving deposits as form of *hiba* which is based on the performance of the bank (Amin, 2013). Yusoff and Wilson (2005) Islamic banks and conventional banks with Islamic counters or branches in Malaysia offer deposit facilities that rely on profit sharing instead of interest. Followed that, Islamic banks in Malaysia provide reward to their customers which is called “*Hiba*”.

Hiba can be defined as a voluntary gift in the form of currency provided by Islamic banks to depositors (Amin, 2013). Moreover, regarding with the investment account, the Islamic bank act as *Mudharib* (Manager of the fund), while customer (depositor) as capital provider (*Rabul Mal*) and contract is based on the same concept which is profit-sharing ratio (Arshad & Ismail, 2011). The profit ratio is based on the Islamic banking

performance and it is not fixed rate. For example if the bank generate more profit from the investment made by the customer the profit will be shared accordance with the pre-agreed ration (Yusoff & Wilson, 2005).

On the other hand, in the case of loss that happen out of the control of the bank, the customer will lose the deposit in the bank (Amin, 2013; Hanif, 2014). The deposit accounts have different amount of appreciation to the customers which are based on the stipulated amount of payment as appreciation of the deposit. Followed that, some of Islamic banks share their profit to the depositors. Deposits can be long term or short term deposit (which the Islamic bank to invest a long term project or short term investment). Hanif (2014) Islamic banks offer different types of deposits, such as current, saving, investment and general accounts to their customers of utilizing the deposit facilities of the Islamic banks. The concept of deposit (*Wadiah*) related to trust. There are several verses of the Qur'an that indicate to observe trust among the people.

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ
إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا

“Allah doth command you to render back your Trusts to those to whom they are due; and when ye judge between man and man, that ye judge with justice: Verily how excellent is the teaching which He giveth you! For Allah is He Who heareth and seeth all things”

(Al-Quran, 4:161).

Table 1.1

Comparison between Islamic Banking and Conventional Banking Deposits

Component	Islamic banking savings accounts	Conventional saving accounts
Form of returns	A bank gives hiba but is not promised by the bank.	A bank gives interest charges that are promised.
Bank-customer	A bank is regarded as a trustee; therefore it is compulsory for the bank to return the fund as requested by depositors.	A bank is regarded as borrowing the money from its depositors.
Profit and return Relationship	A bank's high profit means depositors can earn more hiba, if the bank is at a loss, less hiba will be rewarded.	Interest is constantly paid regardless of whether the bank is generating a profit, or running at a loss.

Source: Amin (2013).

Table 1.2

Comparison of Islamic Investment Account and Conventional Fixed Deposit Account

Component	Investment accounts <i>i</i>	Conventional fixed deposit account
Form of Dividend: returns	The accumulated deposit will only be invested in companies which are Shari'ah-compliant.	Interest charges: A bank will pool the depositors' money and invest in strong and well-established companies to gain profit regardless of whether it is halal or non-halal.
Profit and return Relationship	If a bank gets profit, the distribution of return will be based upon the agreed and pre-determined ratio, if at a loss the provider is also at a loss.	Interest is constantly paid regardless of whether the bank is generating a profit, or running at a loss.

Source: Amin (2013).

The Islamic banking facilities, deposit is more concerned particularly by Muslims to deposit their money in the bank accounts either in safe keeping or in an investment purposes (Laldin, 2008). Consequently, Islamic banks do not give or take interest on deposits of their customers, whereas the conventional banks charge them interest their customers. Taking or paying of interest (Riba) is a forbidden in Islam and Shariah prohibited its practice (Okumus, 2005). Allah (S.W.T) mention the prohibition interest in many verses in the Quran.

وَمَا أَتَيْتُم مِّن رَّبٍّ لِّبَرْبٍ فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُوا عِنْدَ اللَّهِ وَمَا أَتَيْتُم مِّن زَكَاةٍ تُرِيدُونَ وَجْهَ اللَّهِ فَأُولَٰئِكَ هُمُ الْمُضْعِفُونَ.

“That which ye lay out for increase through the property of (other) people, will have no increase with Allah: but that which ye lay out for charity, seeking the Countenance of Allah, (will increase): it is these who will get a recompense multiplied” (Al-Quran, 30: 39).

وَأَخَذَهُمُ الرِّبَا وَقَدْ نُهُوا عَنْهُ وَأَكْلِهِمْ أَمْوَالِ النَّاسِ بِالْبَاطِلِ وَأَعْتَدْنَا لِلْكَافِرِينَ مِنْهُمْ عَذَابًا أَلِيمًا.

“That they took usury, though they were forbidden; and that they devoured men's substance wrongfully; - we have prepared for those among them who reject faith a grievous punishment” (Al-Quran, 4:161).

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُّضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ.

“O ye who believe! Devour not usury, doubled and multiplied; but fear Allah; that ye may really prosper” (Al-Quran, 3:130).

The main difference between Islamic banking and conventional banking is Shari'ah application. For instance, all transactions of Islamic banks should be carrying out in accordance with Shari'ah rules and principles (Henry & Wilson, 2004; Iqbal & Mirakhor, 2007). Abedniya and Nokhbeh (2011) highlighted that Islamic banking was the fast growing industry both Islamic and non-Islamic countries and providing a substitute products and services to their customers is due to clear implications. As reported, the recently financial crises are due to speculation of interest (Tabash & Dhankar, 2014).

In addition, Islamic banks have made great progress in terms of market share and provided a platform of different products such deposits and investments. Growth to remain moderate going into 2014, as several leading Islamic banks pause for large-scale operational transformation. Customer and technology are among the top transformation themes (World Islamic Competitive Report, 2013).

Wilson (1995) argued that Islamic banks as one of the most important players in service industry today. Islamic banking is no longer regarded as a business entity striving only to fulfill the religious obligations of the Muslim community, but more significantly, as business that is ineluctably in need for winning over customers whilst retaining the old one (Nawi, Yazid & Mohammed, 2013). It's important that the Islamic banks really understand the loyalty and perceptions of Islamic banking products and services (Dusuki & Abdullah, 2007). The figure 1.2 below shows the growth of Islamic banking assets in the world.

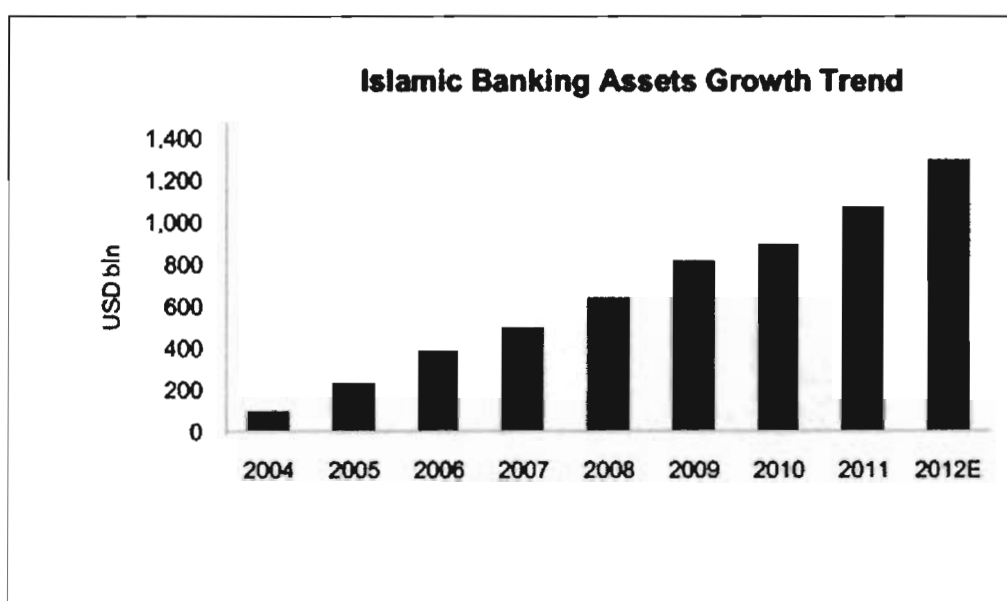


Figure 1.2

Islamic Banking Assets Growth Trend in the World

Source: Regulatory authorities, Bloomberg, Zawya, central banks, individual institutions, corporate communications, The Banker, KFHR.

On the other hand, as advancement of Islamic banking system is due to customer's acceptance on Islamic banking products and services. It has suggested that Islamic banking managers put more effort on the existing customers. Subsequently, Haque, Osman and Ismail (2009) suggested the idea that Islamic banking managers effectively put more energy to reach customer's loyalty on their existing customers in order to have strong basic support for growing Islamic banks. In addition, Islamic banking managers must also conduct researches on marketing areas such as customer's loyalty on Islamic banking depositors in order to satisfy needs of their customers.

Similarly, Islamic banks should have to look for profitable investments with good return, so this will lead to ensure the existing customer to be remain in the Islamic banks and also will attract new customers. Besides, most the researches that have been done over the past 30 years about bank marketing area were mostly emphasized on commercial banking customers. The banking researches mainly concerned about individual loyalty of banking products and services for example, USA, Canada, European countries, Far East and Asian countries (Idris & Almahmid, 1997).

In order to facilitate the relationship between Islamic banks and customer's, this study tries to determine factors that can influence Islamic customers to deposit in Islamic banks. As mentioned in previous researches customer are the main factor that impact on the growth and development of any industry. However, there is limitation researches on the area of customer's loyalty of Islamic bank deposit.

To the effort of researcher, this study attempts empirically to investigate factors affecting customer loyalty on Islamic banking deposit in Malaysia. In addition, as the number of Islamic banks growing rapidly all around the world, there is need to understand the willing of customers. Due to limited literature on customer's loyalty of Islamic banking deposit facilities, this study is chosen to investigate factors that effect on Islamic banking deposit.

1.2.2 History of Islamic Banking in Malaysia

Islamic banking system in Malaysia began in 1963 after the establishment of Tabung Haji, the first institution which served Malaysian Muslims to offer a platform to save their money for the purpose of pilgrimage (Mokhtar et al, 2008). As many people believes the history can be traced back when Malaysians acquired a place to deposit and save in several years in order to go for pilgrimage (Laldin, 2008). Furthermore, Laldin (2008) also argued the notion of creation of Tabung Haji was encouraged by the Malaysian Muslims which before had different customary method for safe keeping their cash for the sacred journey.

On the other hand, Sufian (2007) argued that the foundation of Islamic banking in Malaysia had greatly impacted the Middle East countries that implement Islamic banking system in the middle of 1970s. The root reason behind the establishment of Islamic banking system as many people believed is stimulated by the Bumiputera Economic Congress in 1980. The congress has been asked for the Malaysian government to permit the foundation of Islamic banking system in Malaysia. Consequently, in 1981 the committee national screening was established so as to facilitate the process and aspects of the proposal.

Prior to Islamic banking in Malaysia, there has been only one banking sector, hence the establishment of Islamic banking system brought about the implementation of dual banking system, the operation of Islamic banking and conventional banking side by side in the country. The first Islamic bank in Malaysia was Bank Islam Malaysia Berhad (BIMB) in July 1983 (Sufian, 2007). Malaysian government empowers to develop Islamic banking industry after endorsed the rules and regulation to guide the progress of the Islamic banking system. Islamic banking development supported and implemented by Malaysian government as given a great emphasis to develop well-functioning and efficient Islamic banking system (Aziz2007).

Mansoor and Ishaq (2008) highlighted also that the Malaysian government is a loyal believer that efficient financial system is the key to stimulate savings, investments and economic growth in the country. The country has made major contributions in the recent developments, innovations, regulations and standardization of Islamic banking and finance world. However, the Islamic banking practice in Malaysia bears some limitations and reservations as well.

Islamic banking Act 1983, (IBA) enacted for the support for the Islamic financial institutions development in Malaysia. Moreover, the beginning of Islamic banking created a new contribution to the current economic system (Fazlan & Mohammad, 2007). On the other hand, Malaysia is Multi-religious ethnics, it's facilitated to adopt a parallel banking system and has been recognized by many Islamic countries that this model is the future model and have shown interest to the model and hopping to adopt their countries as well (Mokhtar, Abdullah & Alhabshi, 2008).

In addition, Malaysia adapted dual banking system which comparatively operates side by side and driven economic growth of the nation. Finally, Malaysia has succeeded to have full-fledged Islamic banks which strongly and comparatively growing against the conventional banks.

Islamic banks is growing potentially and gaining popularity in the entire world particularly in Malaysia, though, there is strong competition facing Islamic banks from the conventional banking counterparty (Haque et al, 2009). However, Islamic banking has obtained 20% share market since the establishment of Bank Islam Malaysia Berhad in 1983. Total assets Islamic banking in Malaysia increasing RM469.5 billion, representing 24.2% (Malaysia Economic Report, 2012/2013).

Subsequently, Both Muslims and non-Muslims adopted to use deposit of Islamic banking, so it's great opportunity to study customer loyalty on deposit of Islamic banks. In addition, to reach fruitful for the growing and sustainability Islamic banking industries around the globe (Naser & Mountinho, 1997). Regardless the religion of customers, Islamic banking in Malaysia has the opportunity that all clients have a place their money in a form of deposits to made investment with bank that compliance with Shari'ah (Naser & Mountinho, 1997). However, the aim this study is to investigate the customer loyalty on Islamic bank deposit to ensure competitiveness and sustainability of Islamic banking. Lastly, this study will carry an important alarm to know the degree of customer loyalty towards the growing deposit of Islamic banking in Malaysia.

1.3 Problem Statement

Islamic banking industry is the rapid growing industry in the world particularly in Malaysia (Osman & Ali, 2008). The growth of Islamic banking in Malaysia reflected by significantly increased customers' number of using Islamic banking deposit (Bank Negara Malaysia Report, 2014). Furthermore, the increased customer loyalty is often improved through long-term relationships (Savolainen, 2010). For this to happen, the industry must concern factors related to the customer loyalty to avoid disloyalty of customers (Savolainen, 2010). The idea is that the better the retention of customers, the longer the commitment and the relationship. These long relationships deepen the commitment and entice loyalty behavior (Savolainen, 2010; Zineldin, 2006).

This means, well-established Islamic banking system encourages Muslims and non-Muslims customers utilize Islamic banking deposit. However, in order to reach sustainability in the future grow of Islamic banking, there is an essential elements that needs taken into account by the industry players.

On the other hand, Islamic banks facing great competition from their conventional counterparty (Haque et al, 2009). This aspect brings about the concern that only customer loyalty can ensure competitiveness and their continuous survival (Haque et al, 2009). Therefore it is important to assess the degree of customer loyalty towards these growing financial institutions. Kishada and Wahab (2013) suggested to attain this new strategy, Islamic banks must investigate factors effect on customer loyalty.

Subsequently, Thambiah, Eze, Santhapparaj & Arumugam (2010) recommended that there is a need of Islamic banks to develop customer loyalty through providing better products and services in order to remain competitive in the business.

Moreover, the recent development of Islamic banking institutions and gaining universal acceptance, Islamic banks provide different products and services (Amin, 2013). Followed, deposit is one of the facilities provided by the Islamic banks (Amin, 2013; Sufian, 2007). Therefore, Islamic banks cannot operate without depositors, and depositors are an active member of Islamic banking operations. According to Ganiyu, Uche & Elizabeth (2012), customer loyalty is the driving factor for the industries' product development and to stay in the market depends on loyal customers. Therefore, Islamic bankers needs to consider deeply all predictors of customer loyalty in order to able to attain loyal customers.

Nevertheless, due to the development and market expansion of Islamic banks in Malaysia, the objective of this study is to search the contributing factors on customer's loyalty of Islamic banking deposit. Since the aim of Islamic banks is not only to serve for existing customer but also they have to consider the ways to attract more new customers. Based on the research gaps, the researcher deemed that this is an opportunity to measure the factors influencing customer's loyalty such as customer satisfaction, service quality, perceived value and trust. Thereafter, regarding the concern of the research problem mentioned above there will be several research questions that are derived from the past researches and will be followed by the research objectives.

1.4 Research Questions

Based on the problem statement, and then the aim of this research is designed to answer the following questions;

- i. Is there any relationship between customer satisfaction and customer loyalty on Islamic banking deposit?
- ii. Is there any relationship between service quality and customer loyalty on Islamic banking deposit?
- iii. Is there any relationship between perceived value and customer loyalty on Islamic banking deposit?
- iv. Is there any relationship between trust and customer loyalty on Islamic banking deposit?

1.5 Research Objectives

This study determines factors affecting customer loyalty on Islamic banking deposit in Malaysia. There are four relationship dimensions of the independent variables with dependent and the objective as follows;

- i. To determine the relationship between customer satisfaction and customer loyalty on Islamic banking deposit.
- ii. To determine the relationship between service quality and customer loyalty on Islamic banking deposit.
- iii. To investigate relationship between perceived value and customer loyalty on Islamic banking deposit.
- iv. To investigate relationship between Trust and customer loyalty on Islamic banking deposit.

1.6 Significance of the Study

The importance of this study is to measure factors affecting customers' loyalty of Islamic banking deposit. However, the expectation of the result will be useful to Islamic banking industry to develop strong relationship with their customers and convince those who do not utilize the Islamic banking deposits, as well as to attract new customers from the conventional counterparts. This study is useful for Islamic banking industry because it will investigate the relationships between independent variables (customer satisfaction, service quality, perceived value and trust) with dependent variable (customer loyalty to be aware anything which can cause weak relation between Islamic banks and their customers).

In addition, the result of this research will provide useful information about factors effecting on customer loyalty and the Islamic banks. This will be an opportunity to focus on the factors that have a significant positive relationship with the dependent variable and to prepare their clients for a better platform to deposit. Nevertheless, this study has the aim to give interest for the future researchers to develop more comprehensive studies on customer loyalty of Islamic banking in Malaysia and generally as well.

1.7 Scope and Limitation of the Study

The aim of this study is to examine factors affecting customer loyalty on Islamic banking deposit. The models used to this study is quantitative research, which designed to test the Malaysian customer's loyalty on Islamic banking deposit. The scope of the study is bounded to bank Islam customers and it is not appropriate to do whole Islamic banking customers in Malaysia due to time limitations. However, the study is restricted to be conducted academic staff of college of business in Universiti Utara Malaysia (UUM) as long as they are customers of Islamic banking particularly Bank Islam Malaysia Berhad (BIMB).

1.8 Organization of the Thesis

Chapter one explains about the introduction, background of the study and problem statement. Then it discusses the research questions, research objectives, significance of the study, and scope and limitations.

Chapter two comprehends the details of literature review for each variables related with past researches. To further understand factors affecting customer's loyalty to deposit Islamic banks, this section focuses on measuring factors affecting customer loyalty on Islamic banking deposits in Bank Islam. However, this chapter discussed about selected variables.

Chapter three outlined the research method implemented to this study and it contains research design, research framework, hypotheses development, data source, population, sample techniques, measuring variables, Data collection method, sample, sample elements, sample size, and data analysis and assumptions of this study.

Chapter four discusses the results of the study from the respondent's profile, descriptive analysis, and reliability analysis and regression analysis to test hypotheses of the variables.

Chapter five explains the research findings followed by the discussion. In addition, the implications and limitations of the present study are also discussed. It then goes on with the recommendations for future research and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter discussing the relationship between this research and previous literature that has been done on the area of business and banking sector. The previous researches were mainly on the broad concept of Islamic banking products or services. As there are limited literature about the customer loyalty on deposit in Islamic banking as well as relationships between customer satisfaction, service quality, perceived value, and trust. This study focuses only on deposit of Islamic banking in Malaysia.

To relate with the research, this chapter contains some underpinned theories which directly discusses the factors affecting customer loyalty as a whole. It also specifically discussed now to measure Islamic banking account holders' loyalty to make the deposit in Islamic banks in Malaysia. The following part will discuss further the affecting factors i.e. customer satisfaction, service quality, perceived value, and trust on customer loyalty on Islamic banking deposit.

2.2 Underpinning Theories of Customer Loyalty

In this study customer's loyalty was measured by customer behavioral intention in terms of reuses of Islamic banking deposit facilities. Subsequently, the measurement used this study were proved their usefulness in previous researchers (Boonlertvanich, 2011). Therefore, theory of planned behavior would be used to support the research framework for understanding the customers' loyalty.

The theory of planned behavior and Oliver Theory of Loyalty (Krejcie & Morgan, 1970) postulates that intention could be the best determinant of an individual behavior. Thus, individual who has a strong intention is likely to engage in the behavior than the one low intention. In this case, the conceptual frame would contain Oliver Theory of Loyalty and theory of planned behavior which suggests that there is significant relationship between customer satisfaction, service quality, perceived value and trust, and customer loyalty.

The increasing importance of relational marketing in recent years, mainly in the servicing and manufacturing industries, has been substantiated for the attainment customers' loyalty. Several authors emphasize the positive relationship existing between customer loyalty and business performance (Reichheld & Sasser, 1990; Reichheld, 1993; Sheth & Parvatiyar, 1995).

On the other hand, Based on development of business industries in globally, resulted a competition among the business companies. The competition arise to attract new customers and to reach customer loyalty from existing customers. Due to this matter, there are many empirical studies have been done to investigate the independent predictors of customer loyalty. While several authors emphasized the positive relationship between business performance and customer loyalty. It is important to empirically examine the actual impact of the underpinnings of relationship marketing of customer loyalty. Such understanding will assist in better management of firm-customer relationship and in achieving higher level of loyalty among customers (Ndubisi, 2007).

2.3 Customer Loyalty

Customer loyalty is clients who uphold a positive of behavioral and attitudinal loyalty towards an organization's products and services (Baumann, Elliott & Hamin, (2011); Dimitriades, 2006). In addition, Edvardsson, Johnson, Gustafsson, & Strandvik (2000) defined customer loyalty, the intention tendency to repurchase products or reuses the services from same industry or institution.

On the other hand, Foss and Stone (2001) customer loyalty is something related to the belief of a patronage person to decide their positive commitment to stay in one particular industry either brand or service. Singh and Sirdeshmukh (2000) customer loyalty is the marketplace currency of the twenty-first century.

Szymigin and Carrigan (2001) examined customer loyalty is the commitment feeling showed by the customer on a particular products or services which higher than the other competitors have shown the industries to their customers in the market-pace and actually bright about repurchasing the products it self or services.

Customer loyalty improves the profitability of a company, for instance the result finding of Oliver (1997) revealed that customer loyalty could lead to an increase in profit. customer loyalty as a deeply held commitment to re-buy or re-patronize a preferred product consistently in the future situational influences and marketing efforts that might cause switching behavior Ndubisi, (2004).

According to Stevens (2000), stated the relationship between customer loyalty and competition become the great focus in service institutions where there is the alternative choices and rapid innovation of services are developing. The cost of serving a loyal customer is five or six times less than serving a new customer (Ndubisi, 2005; Preifer, 2005). This statement shows the importance of customer loyalty in any industry. Walsh, Groth and Wiedmann (2005) mentioned that it is better to look after the existing customer before acquiring new customers.

For service sector, Fisher (2001) asserted that loyal customer to a bank is the customer who always use and stay a particular service provider and recommend the to the other people the bank's services. Ducan & Elliot, 2002; Kish (2000) found that there is a relationship between customer's loyalty and organization's profitability. They also followed that customer loyalty is a kind of competitive advantage if any organization obtains loyal customers.

According to Bloemer & Poiesz (1989); Dick & Basu (1994), stated that most of the previous studies about customer loyalty focused on brand loyalty instead of customer loyalty, even though, some of influential factors on customer loyalty has revealed, but (Jamal & Naser 2002) argued customer satisfaction needs to be given priority because its basic factor of attaining loyal customers in any field of products and services.

However, customer loyalty in this study is to regard the continuing patronage of a particular bank by customers regularly (Landhari, 2009) As a result, when customers are strongly satisfied, they continue using the bank's services and continuing telling positive words to the other people (Amin et al, 2013). When customers are dissatisfied the bank's services it leads negative reaction the service provided by of the bank (Amin, Isa & Fontaine, 2011; Kaur, Sharma & Mahajan, 2012). In this case the customers will find another alternative and they switch to another bank which provide better product and service so it can lead the Islamic banks to negative perception if not given a full attention.

Most of the researches mentioned above were certainly concern about the tangible goods and are very limited to find literature on customer loyalty related to service industry like the deposit on Islamic banks. This research contributed to the literature of customer loyalty. This will give a chance the future researchers to understand deeply about customer loyalty of service industries rather than product industries. Since the customer loyalty is vital for Islamic Banks' marketing, researchers and pay full attention of it as it revealed previous researches of it is factor of competition between Islamic and conventional banks for their products and services (Jamal & Naser, 2002).

The measurements for loyalty (loyalty) according to Islamic perspective can be classified into a number of indicators namely: obedience, respect, closeness, and defines (Al-Qahtani, 2005). So with emotional judgment, religious communities or consumers are expected to be keener to keep using the deposit of Islamic banking. Therefore, the public or the consumer's decision in relation to Islamic banks is not based on profit motivation but more on zakat maximization. The deposit facilities offered by the Islamic banks should be in line with Shariah principles.

“Then We put thee on the (right) Way of Religion: so follow thou that (Way), and follow not the desires of those who know not”
(Al-Qur'an, 45:18).

So that the measurement of customer loyalty (customer loyalty) in this study will incorporate the concept/element according to Islamic perspective or highlight the consideration of religious elements that will be meaningful for Islamic banks that are superior to conventional banks.

2.4 Factors Affecting Customer Loyalty

As it has been discussed earlier, customer loyalty is vital to care for the contemporary business environment, particularly banking institutions. In addition, it's more demandable to know factors influencing the customer loyalty (Terblanche & Boshoff, 2006). According to Akbar, Som, Wood & Alzaiyeen (2010), customer satisfaction service quality and perceived value have positive relationship with customer loyalty as indicated research conducted in Malaysia.

Hoq and Amin (2010) in their research conducted from bank customers revealed that customer satisfaction is the most important factor to develop customer loyalty. Furthermore, there is a relationship between customer satisfaction, service quality and customer loyalty (Razak, Chong & Lin, 2007). Similarly, Arshad and Ismail (2006) found that service quality and customer satisfaction have significant influence on customer loyalty.

On other hand, various studies in the area of customer loyalty in the service industries revealed that are common factors affecting customer's loyalty such as service quality, customer satisfaction, perceived value, trust, service quality, service fairness , switching cost, customer perception, price, philosophy, and image, then it will be reviewed the details of each study.

2.4.1 Customer Satisfaction

In the buyer behavior model developed by Howard and Sheth (1969) consumer satisfaction is defined as the point at which expectation and reality coincide. The concept of satisfaction embraces not only what is gained in the use of a product, but also consumers feeling about the effectiveness of their own decision process (Awara & Amaechi, 2014).

Customer satisfaction have been gaining the attention of many practitioners and researchers as an area of research which can be used as tool by financial institutions (Mohsan, Musarrat, Khan, Shaukat, & Aslam, 2011). They also reported that customer satisfaction is a profitability performance indicator of the organizations. The researchers (Mohsan, Musarrat, Khan, Shaukat & Aslam, 2011) suggested that the importance of customer satisfaction of customers are like the advertisement of the company, and it is crucial to keep their happiness.

Customer satisfaction is the heart of business today in terms of strategies, actions, and process. Accordingly, the customers who are unsatisfied with the received products/services would not be expected to have long run relationships with the firm (Guo, Xiao & Tang, 2009; Lin & Wu, 2011). Khan (2012) determined in his research work that customer satisfaction has significant impact on customer loyalty.

Similarly, like Kim and Yoon (2004) gave evidence that the source of customer loyalty is customer satisfaction. Yen and Gwinner (2003) found that satisfaction has positive and significant effect on customer loyalty. Lin and Wang (2006) also examine that satisfaction have significant and positive impact on loyalty. An empirical research conducted by Bassey, Okon & Umorok (2011) on effective customer service indicated that satisfied customer would promote more loyalty behavior, and opined amongst others that customer satisfaction has direct impact on loyalty.

The dissatisfaction of customer protect the future growth of the business and it will bring about the switching behavior of customer from one business industry to another which they think is better than in terms of attaining satisfaction (Ansthanassopoulos, Gounaris, & Santhakopoulos, 2001; Anderson & Sullivan, 1993; Fornell, 1992; Levesque, & McDougall, 1996; Oliver, 1980; Zeithaml, Berry, & Parasuraman, 1996).

We know the buying of company's products or utilizing its service strongly depend on the customer's satisfaction and they reiterate purchasing and advertising of the business to other customers (Fecikova, 2004). Hence, building good customer's loyalty in terms of satisfaction is necessary for the long term relationship and sustainability of that

particular business (Consuegra, Molina & Esteban, 2007; Hoq & Amin, 2010; Wong & Zhou, 2006) revealed that the customer satisfaction is the most influential factor of customer loyalty in any industry. Furthermore, numerous researchers proved that customer satisfaction is a prerequisite of customer loyalty (Anderson & Sullivan, 1993). Therefore, it's essential to keep the expectation of the customers from particular services in order to get satisfaction and it will reflect on the profitability of the business.

In Islamic perspective, customer satisfaction is extremely encouraged to do in the business between the company and customers. The contract must be carried out in accordance the willingness and justice between contracting parts when it comes into the business issue. Allah (S.W.T) says in the Qur'an;

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ
مِنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ اللَّهَ كَانَ بِكُمْ رَحِيمًا (٢٩)

“O ye who believe! Eat not up your property among yourselves in vanities: But let there be amongst you Traffic and trade by mutual good-will: Nor kill (or destroy) yourselves: for verily Allah hath been to you Most Merciful!” (Al-Qura'n, 4:29)

2.4.2 Service Quality

Service quality is defined as the outcomes of the customer's overall evaluation of the differences between service expectations and the actual service performance (Othman & Owen, 2002). Therefore, service quality is conceptualized as a multidimensional construct consisting of five dimensions (Othman & Owen, 2002).

Service quality as a significant element for effectiveness, for the industry to success (Kishadah & Wahab, 2011). Service quality can also be consider as one Service quality diversity and competitive advantage which attracts new clients and contributes to the market share. Service quality has been defined in services marketing literature as an overall assessment of service provided to the potential customers (Al-Hawari, 2008). Service quality has become more important because of it is relationship with the level of financial effectiveness, customer satisfaction and loyalty. This statement has been agreed by (Ali, Khan, & Rehman, 2012; Al-Hawari, 2008; Aslam, Khan, & Tanweer, 2011).

Gronroos (2000) delineated services quality as process of comprising of series more or less activities that normally but not necessarily always occur in an interaction between the customers and service providers. Service quality as a global judgment or attitude relating to a particular services, the customer's overall impression of the relative inferiority or superiority of the organization and its service (Fogli 2006).

On the other dimension, service quality is a cognitive judgment. Bharati and Berg (2005); Kemp (2005); Yoo and Park (2007); found that service quality is a factor which can bring about the competition among the service providers in order to offer high service quality on to their customers. All these researches agreed among that service quality is one factor which positively influences the customer loyalty and it's very crucial to give main concern. As reported in the relevant literature, high quality service helps to generate customer loyalty, increase market share, and improve productivity and financial performance (Anderson, Fornell & Lehmann, 1994).

Similarly, several study has proved that the service quality is the main factor that the customer consider for depositing their money into Islamic banking deposit (Ciptono & Sofyanti, 2007; Khan, 2010; Kertajaya 2003). Shafie, Azmi and Haron (2004) suggested that Islamic banks must execute a better service programs regularity to reach service quality. Pratminingsih (2012) cited from (Ciptono & Sofyanti, 2007) and supported for the quality service can be means to achieve successes factors and to reach sustainable Islamic banking hospitality.

Lam and Burton (2005) have found that service quality seems to be an essential factor for customer loyalty in banking products and services. The following paragraph shows the perception of Islam in terms of giving service quality. Islamic banks' deposit services are seeming a high quality to the customers because of the concept of doing better work in Islam is considered a kind worship. Abu Hurairah said that the Prophet (S.A.W) said;

“Whoever finds himself at nightfall tired from his work, God will forgive his sins”

Also Abu Hurairah reported that the Prophet (S.A.W) said;

“Charity (sadaqah) is due upon every joint of a person on every day that the sun rises. Administering justice between two people is an act of charity; and helping a man concerning his riding beast by helping him on to it or lifting his luggage on to it, is an act of charity; a good word is charity; and every step which you take to prayer is charity; and removing that which is harmful from the road is charity” (Abdul-Hameed, 2001).

The Prophet also said;

“Allah loves to see one’s job done at the level of itqan” (Sabeq, 1988).

“Itqan means to arrange and dispose of things in a scientific and artistic way in order to obtain the most perfect results or to do something in high quality way with wisdom” (Othman and Owen, 2001, p. 2).

2.4.3 Perceived Value

Woodruff (1997) defined perceived value as a customer-perceived preference for and evaluation of the product attributes’ performance, and consequences in terms of the customer’s goal and purpose consequences in terms of the customer’s goal and purposes. Luarn and Huilin (2003) define perceived value from economic perspective which is the customers’ perceived service utility relative to its monetary and non-monetary costs.

Several researches showed that perceived value is considered the heart of customers to decide to exchange as a service and product from particular business industry (Khalifa, 2004; Lai, Griffin & Babin 2009). Luaran and Huilin, (2003) found a significant relationship between perceived value and customer loyalty. Similarly, Woodruff (1997) found in his research that obtaining higher perceived value for the client is fundamental to acquire customer loyalty in the 21st century. Furthermore, Kishada & Wahab (2013); Park, Robertson, & Wu, (2006) revealed that perceived value has strong positive relationship with the customer loyalty. Subsequently, that there is direct influence of perceived value and customer loyalty towards financial institutions (Oh, 1999; Wang, Hing & Yang, 2004).

Park et al. (2006) studied that the reusing the service provided by industries is always from the decision and that decision lies on how the customers perceive the value of the product or service. Recently, customers are value oriented because there many identical and innovative products, likewise the service industries can be differentiated in terms of the perception from the customers (Anderson & Srinivasan, (2003); Chen & Dubinsky, (2003); Hellier, Geursen, Carr & Rickard, 2003).

Furthermore, customers' positive perceived value leads to that particular service industry to be high ranking among the other homogeneous industries and it has positive relationship to the customer loyalty (Singh, Sirdeshmukh & Sabol, 2002; Wathne, Biong, & Heide, 2001; Yang & Peterson, 2004).

Therefore, since perceived value has a positive relationship with customer loyalty, it has been elected as one factor to measure its influence about the customer loyalty and can be significant reached loyal depositors of Islamic banks. Some customers made deposits into investment accounts and their intention is to generate a return from their investment and the banks act as manager. Roig, Garcia, Tena and Monzonis (2006) supported the notion of perceived value and suggested that financial service should maintain strong relationship with their customers in order to get the advantage of loyalty, and to obtain this advantage is necessary to manage the perceived value of the customers.

2.4.4 Trust

According Iqbal and Mirakhor (2007), Trust is considered in Islam the most crucial factor in socio-economical and relationship foundation of individuals with Allah (S.W.T) and with other individuals in the society. Islam places the highest emphasis on trust and considers being trustworthy as an obligation personality trait (Iqbal & Mirakhor, 2007). Ibrahim & Noor (2011) the concept of trust is particularly mentioned in the Holly Quran.

وَالَّذِينَ هُمْ عَلَى صَلَاتِهِمْ يُحَافِظُونَ (٩) أُولَٰئِكَ هُمُ الْوَارِثُونَ

“And who (strictly) guard their prayers and those are the inheritors”
(Al-Quran, 23: 9-10).

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا.

“Allah doth command you to render back your Trusts to those to whom they are due; And when ye judge between man and man, that ye judge with justice: Verily how excellent is the teaching which He giveth you! For Allah is He Who heareth and seeth all things”. (Al-Quran,4:58)

Although the definition of trust in Business to- business relationship has been established, there seems to be a consensus in interpreting trust as honesty, confidence, integrity, and trustworthiness (Iqbal & Mirakhor, 2007; Othman & Owen, 2002). Ibrahim & Noor (2011) specified when the Islamic banks receive deposits from their depositors, and they are trusted to keep deposits. Followed that, in the modern Islamic banking the purpose of the deposit is to deposit certain amount of money in the bank with different terms and conditions based on the type of deposit.

Islamic perspective trust is an obligation that all Muslims to keep trustworthiness among themselves as well as the non-Muslims. It can also lead good cooperation and strong relationship among the Muslim society. Trust in relation to Islamic banking practice is also very crucial. Many people believe the lack of equity contract in the current Islamic banks is due to lack of trust between the client and the Islamic bank itself. Sunnah of the Prophet discussed about trust and to practice it in order to avoid hypocrisy. There are several reported traditions from the Prophet (S.A.W) which related deposited in trust in Islamic law. Prophet (S.A.W) mentioned in hadith that to return deposit properties to their owners is obligation.

“On the authority of ĤAmriwin bin ShuĤayb from his father from his grandfather, he said: the Apostle of Allah (s.aw) said: he who accept trust property (as a trustee) has no liability” (Sunan Ibn Majah 3/240).

“On the authority of Yazid Master of al-Munba’th that he heard Zayd bin Khalid al-Jahni a companion of the Prophet (s.a.w) saying: “The Prophet was asked about lost but found gold or silver, thus, the Prophet said ‘know its suitability (benefits) and bitterness (liabilities) then find or wait for the owner for a year, if no one ask after it, then spend/use it, however, you are just a trustee for it, whenever the owner come for it, do return it to him”. (Sahih Muslim, 5/4599).

In conventional perspectives trust is also main factor. For instance, Kwon and Suh, (2005) related trusts as a willingness to reply on an exchange partner in whom one has confidence. Subsequently, Patrick (2002) defined trust as users' thoughts, feelings, emotions, or behavior that occurs when customers feel that the provider can be relied upon to act in their best interest when they give up direct control.

On the other scholars, trust has been defined as; (1) a set of specific beliefs dealing primarily with the integrity, benevolence, and ability of another party (Doney & Cannon, 1997; Gefen & Silver, 1999); (2) a general belief that another party can be trusted (Gefen, 2000; Hosmer, 1995; Moorman, Zaltman, & Deshpande, 1992) sometimes also called trusting intentions (McKnight, Cummings & Chervany, 1998) or the willingness of a party to be vulnerable to the actions of another (Mayer, Davis & Schoorman, 1995); (3) affect reflected in "feelings" of confidence and security in the caring response of the other party (Rempel, Holmes, & Zanna, 1985).

Apart from the existence of different definition of trust in previous literature, (Gefen, Karahanna & Straub, 2003) adopted the conceptualization of trust as a set of specific beliefs which includes integrity, benevolence, ability and predictability to be applied in e-commerce, and specifically in the online shopping context. Trust is a dynamic and multi-faced concept (Dimitriadis, Kouremenos & Kyrezis, 2011; Flavian, Guinaliu & Torres, 2005).

Furthermore, trusts as the expectation that other people, or groups or institutions with whom we get into contact, interact, cooperate and will act in ways conducive to our well-being (Sztompka, 1999). Trust is one major factor that positively affect customer loyalty and it's crucial for customer's relationship toward particular business (Kuusik & Varblane, 2009). Similarly, Corbitt, Thanasankit & Yi (2003) found strong effect of trust on customer loyalty. When a customer trusts a service provider, their loyalty towards the vendor will increased (Kassim & Abdullah, 2008).

Kassim and Abdullah (2006) investigated and extended the trust-relationship commitment model to internet banking. They indicated that bankers need to realize that more favorable communication environments must be created to attract customers and to make them more loyal to conduct online transactions over the internet. Though, researchers had established that trust is essential for building and maintaining long-term relationships (Singh & Sirdeshmukh, 2000).

Table 2.1
Summary of Previous Studies on Customer Loyalty

Author	DV	Finds
Ndubisi (2007)	Customer Loyalty	Finding revealed that The four variables have a significant effect with customer loyalty as well as each other.
Hoq and Amin (2010)	Customer loyalty	The study showed customer satisfaction, image and trust have significant relationship with each other and customer loyalty.
Razak et.al (2007)	Satisfaction and Loyalty	Service quality has positive relationship with customer satisfaction and customer loyalty.
Ndubisi (2006)	Loyalty	Study indicates that trust, commitment and communication have direct relationship with customer loyalty.
Caruana (2002)	Customer Loyalty	Satisfaction plays a mediating role in the effect of service quality on service loyalty. The effects of a number of demographic indicators on service loyalty are also reported.
Beerli, Martin and Quintana (2004)	Customer Loyalty	Satisfactions together with personal switching costs are antecedents leading directly to customer loyalty.
Pratminingsih, Hendri and Tasyrifan (2010)	Customer Loyalty	Service quality and customers' satisfaction had a significant and positive relationship with customers' loyalty.
Kishada,& Wahab (2013)	Customer Loyalty	Trust has significant positive influence on customer loyalty. Managers of Islamic banks have to demonstrate the importance of customers by building trust to enhance customer loyalty.
Hassan et, al (2012)	Customer Loyalty	Customer's satisfaction, switching cost, customer's perception, success philosophy and trust and commitment have significant relationship with customer loyalty.
Arwaniet,al (2012)	Customer Loyalty	Findings suggest that in the context of Islamic banks, personal characteristics have a direct impact on customer loyalty, and it does seem to be a moderating variable influence of satisfaction and relationship marketing to customer loyalty. Satisfaction does not directly affect loyalty, but it indirectly affects loyalty through relationship marketing.

2.5 Summary

This chapter discussed literature review which relevant with the dependent and independent variables of the study, including the some verses from the Holy Quran, definitions, and concepts. In addition, the main discussion in this chapter was concentrated on the previous studies regarding the factors affecting customer loyalty on Islamic banking products and services i.e., deposits. There has been discussed the variables affecting customer's loyalty in different aspects of industries, but the dependent variable chosen is customer loyalty while the independent variables are customer satisfaction, service quality, perceived quality and trust. Moreover, the literature review works as the development of the model to measure the dimensions that affect customer loyalty on Islamic banking deposits. Then the theoretical frame and research methodology will be discussed in the next chapter.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter identifies the methodology of the study. It comprises of research design, research framework, hypothesis development, data sources population, and sample techniques, operational definitions, measurement of research variable, questionnaire design, questionnaire administration and email communication, data collection techniques, and data analysis procedures.

3.2 Research Framework

Conceptual framework was developed from the underpinning theories mentioned in the literature review. Research framework determines factors influencing customer loyalty which consists of customer satisfaction, service quality, perceived value, and trust with the respect to customer loyalty towards Islamic banking deposit. These factors have been proved by the previous researches that they have a significant relationship with the dependent variable.

However, the researcher deemed, since these factors significantly influence customer loyalty, it can also be considered similarly they influence the customer’s loyalty to deposit in Islamic banks. As mentioned earlier, findings from previous researches (Hoq & Amin, 2009; Kishada & Wahab, 2013; Mohsan et al., 2011) proposed and supported obtaining customer loyalty through customer satisfaction, service quality, perceived value and trust.

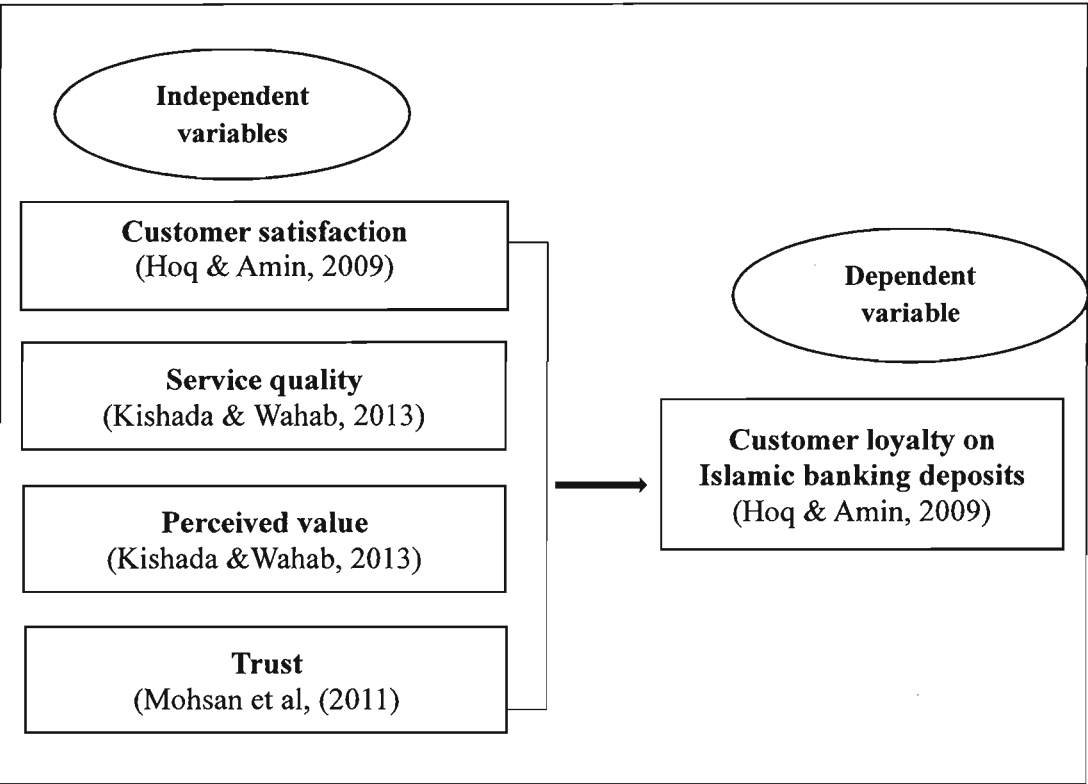


Figure 3.1
The Research Framework

This study, the research framework is required in order to know the relationship between dependent variable with other independent variables. Hence, there two types of theoretical framework used in this study as shown in the diagram above, which obviously are dependent variable (DV) and independent variable (IV). In this regard, dependent variable is customer loyalty on Islamic banking deposits which adopted by the previous researches and independent variable which are customer satisfaction, service quality, perceived value and trust.

According to Sekaran (2003), dependent variable is the interested variable of the researchers willing to study and independent variables can influence the dependent variable positively or negatively. However, when there is a positive influence, it means the dependent variable would increase the same value influenced by the independent variable.

3.3 Hypotheses Development

This research as shown in figure 3.1 it expected to have 5 variables which are customer loyalty, customer satisfaction, service quality, perceived value, and trust. Customer loyalty would be the dependent variable which become the main factor to address in this research. Whereas the rest of the variables are independent variables that affecting on customer loyalty.

Therefore, to direct the study, there must be hypothesis is a logical way to estimate relationships between two or more variable expressed in a form of the statement that can be tested (Sekeran, 2003). In order to prove that hypothetical relationship developed, its needed to test each one of the variables whether to support the existing significant relationships or not. Therefore, there five hypothesis related to the objective of the study that need to be tested in this study.

Objective I

The first objective in this study is to determine the relationship between customer satisfaction and customer loyalty on Islamic banking deposit.

H₀₁: There is no significant relationship between customer satisfaction and customer loyalty on Islamic banking deposit.

H_{a1}: There is significant relationship between customer satisfaction and customer loyalty on Islamic banking deposit.

Objective II

The second objective in this study is to investigate significant between service quality and customer loyalty on Islamic banking deposit.

H₀₂: There is no significant relationship between service quality and customer loyalty on Islamic banking deposit.

H_{a2}: There is a significant relationship between service quality and customer loyalty on Islamic banking deposit.

Objective III

The third objective in this study is to identify the relationship between perceived values and customer loyalty on Islamic banking deposit.

H₀₃: There is no significant relationship between perceived value and customer loyalty on Islamic banking deposit.

H_{a3}: There is a significant relationship between perceived value and customer loyalty on Islamic banking deposit.

Objective IV

The fourth objective of this study examines the relationship between trust and customer loyalty on Islamic banking deposit.

H₀₄: There is no significant relationship between Trust and customer loyalty on Islamic banking deposit.

H_{a4}: There is significant relationship between trust and customer loyalty on Islamic banking deposit.

3.4 Research Design

The research design is the comprehensive plan to conduct the entire of the study. Similarly, research design is to identify the type of the study, duration of the study, and data collection method. Furthermore, to investigate the factors influencing customer loyalty on Islamic banking deposit, quantitative research were used through cross-sectional survey for the time horizon of the study. Self-administered questionnaire and email survey were implemented for data collection process.

The distribution questionnaire and sending emails took place in business working hours of the Bank Islamic Malaysia Berhad (BIMB) customers in the academic staff of College of Business in University Utara Malaysia. According to Sekaran (2000), the questionnaires are the most useful as a data collection method when large numbers of people are to be reached in different geographical regions. On the other hand, the researcher used email survey due to a difficulty to reach some of the targeted respondents.

3.5 Operational Definition

In this study the researcher measures how the independent variables affect the dependent variable. Therefore, the dependent of the variable is customer loyalty and independent variable are customer satisfaction, service quality, perceived value, and trust. Sekaran (2003) defined the operational definition is the way that to be measured the behavioral dimensions of the different related things or properties in a significant concept. As mentioned the literature review, there are several variables definition's given but the researcher concentrated the suitable definition which more related to this study. The flowing section is the operational definition of the research variables as shown in the research framework.

3.5.1 Customer Loyalty

Customer loyalty is the dependent variable of this study. Customer loyalty has been an important factor in the business environment, especially for consumer behavior. However, Baumann et al. (2011) customer loyalty as clients who uphold a positive of behavioral and attitudinal loyalty towards an organization's products and services. Hoq and Amin (2010) defined loyal customers as those customers who hold favorable attitudes toward an organization, recommend the organization to other consumers as those customers and exhibit repurchase behavior. Therefore, Hoq and Amin (2010) gave the suitable definition and their instrument is used for data collection of this study.

3.5.2 Customer Satisfaction

Hoq and Amin (2010) found that customer satisfaction is the most influential factor of customer loyalty in any industry. The researcher decided to use the definition provided by Hoq and Amin (2010) it is the most suitable definition and related to this study. Moreover, their instrument is used to answer the research objective of the study. It is essential to keep the expectation of the customers from particular services in order to get satisfaction and it will reflect on the profitability of the business.

3.5.3 Service Quality

Service quality is the independent variable used in this study. Service quality is considered as one of the few means for service differentiation and competitive advantage that attracts new customers and contributes to the market share (Kishadah & Wahab, 2013).

3.5.4 Perceived Value

According to Roig et al. (2006), financial service should maintain strong relationship with their customers in order to get the advantage of loyalty, and to obtain this advantage is necessary to manage the perceived value of the customers. Kishada and Wahab (2013) revealed that perceived value has strong positive relationship with the customer loyalty. However, the researcher relied upon the (Kishada and Wahab, 2013) their finding that there is a positive relationship between perceived value and customer loyalty.

3.5.5 Trust

Trust in Islamic banking perspective is considered as main connection between the Islamic banking and their customers. Mohsan et al, (2011) stated when the Islamic banks receive deposits from their depositors, they are trusted to keep deposits. They also followed that, in the modern Islamic banking the purpose of deposit is to deposit certain amount of money in the bank with different terms and conditions based on the type of deposit.

3.6 Measurement of Variable

This part is discussing the measurement of the variables included development and scale to be used of this study. The dependent variable of the study is customer loyalty on Islamic banking deposits in Malaysia and the independent variables are customer satisfaction, service quality, perceived value and trust.

3.6.1 Measurement of Customer Satisfaction and Customer Loyalty

The instrument used for the measurement of customer satisfaction is adopted by (Hoq & Amin, 2009). The total items used in the first variable from the questionnaire is 5 items and used Likert scale measurement rated one to five. The rating scale was from “strongly disagreed” (1) to “strongly agree” (5). The respondents shows their respond to disagree which is score “1” indicate their feeling is negative respond which means not supported to deposit Islamic banks, while those responds indicate score 5 indicates positive respond and they are loyal customers of depositing Islamic banks.

3.6.2 Measuring Service Quality and Customer Loyalty

This section is used for the measurement of service quality. Kishada & Wahab, (2013) adopted their research and the researcher slightly modified. The number of items are 11 items and used Likert scale of measurement. The rating scale was “strongly disagreed” (1), disagree (2), Neutral (3), agree (4) and strongly agree (5). The respondents shown their respond to disagree which is score “1” indicate their respond is negative influence to deposit Islamic banks, while that respond indicates score 5 shows positive and effects positively to the customers loyal of Islamic banking deposit.

3.6.3 Measuring Perceived Value and Customer Loyalty

The measurement of perceived value and adopted by (Kishada & Wahab, 2013). The questionnaire has modified to suit the researcher's objectives. The total items of the questionnaire are 9 items and used Likert scale measurement from rate one to rate five. The rating scale was "strongly disagreed" (1) to "strongly agree" (5). The respondents shown their respond to disagree which is score "1" indicate their feeling is negative to deposit Islamic banks, while those responds indicate score "5" shows positive and they are loyal customers of depositing Islamic banking accounts.

3.6.4 Measuring Trust and Customer Loyalty

The relationship between trust and customer loyalty is used for the Likert scale measurement. Some studies have been used in order to develop instruments such (Mohsan et al, 2011). The total items of this variable are 7 items and used Likert scale. The rating scale was from "strongly disagreed" (1), disagree (2), Neutral (3), agree (4) strongly agree (5). The measurement was mean to represents about positive or negative respondents of trust and customer loyalty on Islamic banking deposits. The respondents shows their respond to disagree which is score "1" indicate their feeling is negative to deposit Islamic banks, while those responds indicate score "5" shows positive and it means they are loyal customers of depositing Islamic banking accounts.

3.7 Questionnaire Design

Data collection method used this researched thought questionnaire and email survey to the respondents. According to Sekaran (2003), distributing questionnaire is the most appropriate way of collecting data. Additionally, this method is less cost to compare to the other methods and more of researchers used to conduct their researches through the questionnaire. The questionnaire items used by the researcher has been conducted other researchers and validated. However, the total pages of the questionnaire were six pages included the cover page.

Moreover the questionnaire structure contained three sections which were demographic profile, dependent variable (customer loyalty on Islamic banking deposits) and independent variable (customer satisfaction, service quality, perceived value, and trust) and recommendation and views towards Islamic banking deposits. The language of the questionnaire was an English version to facilitate the understanding of the questionnaire.

Demographic part of the questionnaire is measured on a nominal scale, whereas the items of dependent and independent variable based on the five-point Likert scale that increasing from “1” strongly disagree to “5” strongly agree. The last part is to be considered as the suggestions and recommendation in order to enhance the customer loyalty on Islamic banking deposits.

Table 3.1
Questionnaire Summary

No	Variable	Questionnaire		Source
		No of items	Total of items	
1	Customer loyalty	1-5	5	Hoq & Amin (2009)
4	Customer satisfaction	6-11	6	Hoq & Amin (2009)
2	Service quality	12-22	11	Kishada & Wahab (2013)
3	Perceived value	24-31	9	Kishadah & Wahab (2013)
5	Trust	32-38	7	Mohsan et al, (2011)

3.8 Data Collection Method

As for the data collection the researcher used primary data collection from respondents and it's a form of the self- administered questionnaire to address the research objectives of the study. Primarily the researcher collects information in a primary source for the interested variables of interest in order to meet the specific purpose of the study. Primary data is the first communication and interaction with the representative sample of the population Zikmund (2002).

In spite of that, according to Sekaran (2003), there are different method to handle the primary collection, such as through face to face interview, telephone interview, questionnaire, etc. however, there this study is used to self-administrated questionnaire and as defined (Zikmund, 2002) is when the researchers approach respondents and take the responsibility to read answer correctly the questions in the survey. However, the process of data collection of this study took two weeks of business days and has been distributed the questionnaire to the respondent's offices during the business hours. The survey has been conducted and the questionnaire is distributed by using two methods which are face to face and email survey. The number of the questionnaire distributed or sent through email to the UUM COB academic staffs were 350 of respondents, but the total questionnaire returned or answered were only 126 responses. From that 126 responses, 8 of them become outliers and has deleted during the screening data and normality test. Finally, 118 respondents has the right to analysis and validated.

3.9 Sample Design

According to Sekaran (2003), sampling is the process of selecting the right individual respondents, objects, or events to represent the entire population. There are two types of sampling design which are probability and non-probability sampling, therefore the researcher has chosen probability sampling since the population of the study clustered into different categories.

Probability sampling is when all elements have equal chance to be elected as subject sample and it can be either unrestricted sampling (simple random sampling) so that every element in the population has a known and equal chance to represent the entire population as subject matter, or in contrast, restricted sampling (complex probability sampling) in nature (Sekaran, 2009). Moreover, the sample of this study comprises of population, sample elements, sampling technique and sampling size.

3.9.1 Population of the Study

Zikmund (2000) population is a group of entities that share some common set of feature. This study population is the group that the researcher wants to study on a particular research in order to comply with the research objective of the study. Then the target population of this study was the College of Business academic staff in University Utara Malaysia (UUM).

3.9.2 Sample Elements

Sampling elements is the element and unit analysis of the population. The researcher arises the problem statement to measure the customer's loyalty on Islamic banking deposits. The researcher selected Bank Islam Malaysia Berhad customer in UUM COB academic staff, because the staff normally received their salary through their Bank Islam account. Then the researcher tries to identify what are the factors that drive customer's loyalty.

3.9.3 Sample Techniques

This study is used stratified sampling method because when the sample of elements is different it can be stratified into different stratum, then from each stratum can be drawn using either a simple random sampling or systematic sampling procedures (Sekaran, 2003). Further mover, the subjects drawn from the stratum can be either proportionate or disproportionate to the number of the elements. However, this research is used disproportionate sampling as shown table 3.2 below.

Table 3.2
Disproportionate Stratified Random Sampling

Academic Category	Number of Elements
Professor	4
Assoc. Professor	19
Senior lecturer	54
Lecturer	49
Total	126

As table 3.2 shows the reason for used this stratified random sampling is that only four categories such as Professors, Assoc. Professors, Senior lecturers, and lecturers can be tested. According to Sekaran (2003), sampling design is more efficient than the simple random sampling. However, in order to measure the customer's loyalty of Islamic banking deposits, COB staff has had an equal chance to answer the questionnaire about their deposit using Bank Islam Malaysia Berhad deposit accounts.

3.9.4 Sampling Size

Out of the population of 500 academic staff, the sample size of the study is 217 for the purpose of fulfilling the objectives of the study. According to Sekaran (2003), stated that for a population of 500, a sample size of 217 is required or respondent rate of 43%. In addition, according to Roscoe cited in Sekaran (2003) stated the most suitable sample of most researches must above 30 respondents and below 500. However, the total of 217 respondents are sufficient for this study. Nonetheless, on 126 respondents were answered the questionnaire which equivalent to 54% from the sample size. This supported (Hair, Black, Babin, Anderson & Tatham, 2010) when the respond rate more than 50% of respondent is acceptable.

3.10 Data Analysis Techniques

The initial step of Analyzing data is to get the raw data from chosen respondents through questionnaire and key in into SPSS software to analyze it. The software were used to analyze is SPSS version 20 and the researcher have made normality test to ensure the normal distribution of the data. The several assumption has applied for the normality test such as Skewness and Kurtoses to make sure that data is normally distributed according to their standard.

3.10.1 Normality Test

According to Hair, Anderson, Tatham & Black (1998), the most important for data analysis technique is to conduct normality test so to be easy to provide the underlying basis of the inferences made by the researcher. In the descriptive statistics of this study, before data analysis there are several assumptions to observe that the data is normally distributed. The assumptions that used to test the data where normal Q-Q plot, histograms, stem- and leaf plots, skewness, and kurtosis (Coakes & Steed, 2007).

Skewness and Kurtosis are most famous ways used in many researchers to describe the shape of the distribution. If the shape of the distribution is normal, which means it is the values of skewness and kurtosis are zero. However, the positive values for skewness show a positive skewness, whereby the positive values of kurtosis indicates a distribution that leptokurtic that is the peak. On the other hand, if the value is negative for skewness shows a negative skew, and if the values for the kurtosis shows a distribution platykurtic which is flatter.

George & Mallery (2010) stated that if the Skewness and kurtosis value are in the range of -2 and +2 are considered acceptable range. Others descriptive statistics, such as measures of central tendency and variability can also be to determine the normality of the distribution.

This study is employed the normality test to keep that there is no violation of normality assumptions using particular producers laid down under the SPSS software. Therefore, all variable were tested to make sure that the normality of distribution is suit to the assumption and also to check the outliers. During the normality test, several outliers were encounter and removed to keep the normal distribution of the data.

Furthermore, outliers are a respondents that have one or more values which are particularly shows different value compare to other respondents (Hair, Money, Samouel, & Page, 2007) If not removed the outliers from the data it can lead invalidity of the researcher's findings and as well impact on the significant of the independents variable with the dependent variable. Finally, the researcher removed eight the outliers from the data to avoid misrepresentation of the findings and result for normality test have attached the appendix part of the research.

3.10.2 Descriptive Statistical Analysis

Descriptive analysis is used to explore the data collected from the respondents and to summarize and describe those data. Descriptive statistics may also be used to those who want to make general observations about the data collected, for example, demographic profile. The descriptive analysis this study has chosen to describe the overall description of the demographic profile such as gender, age, marital status, ethnics, educational qualification, and duration of work; income and academic category. Moreover, in order to measure the level of above profile factors, the mean value and standard deviation, were used to describe the distribution of the scores. According to Hair et al (2009), the

lower the standard deviation, the responses in a sample distribution of number fall very closely to the mean.

3.10.3 Pearson Correlation

According to Hair et al (2009), The Pearson correlation is used to identify the relationship between two metric variables. In addition, the Pearson correlation coefficient describes two continues variable and also shows the strength relationship between the dependent variable and independent variables. Based on the Gliner, Morgan & Leech (2009) stated that Pearson correlation can diverge from -1.0 (perfect negative correlation) through 0.0 (no correlation between the variables) to +1.0 (perfect positive correlation).

Based on this study, the researcher needs to realize that +1.0 and -1.0 having equal or strong value, but both can be given different interpretations. For example, high positive correlation between customer loyalty on Islamic banking deposits with customer satisfaction , service quality, perceived value and trust of $P < 0.01$ means that the stronger the customer satisfaction, service quality, perceived value and trust, the greater depositing Islamic banks and vice versa. Apart from that, if there is high negative correlation between customer loyalty with customer satisfaction, service quality, perceived value and trust, which means that the customer satisfaction, service quality, perceived value, and trust shows low level of customer loyalty on Islamic banking deposit.

On the other hand, if there is a zero correlation between the dependent variable and independent variable that means high-level independent variables might have low, medium or high-level dependent. However, this study is employed some underlying assumptions such as related pairs, the scale of measurement, normality, linearity, homoscedasticity. The following table shows the range of strong, medium and weak correlation.

Table 3.3
The Coefficients Range and the Strength of Relationship

Coefficient range	Relationship
1.0 to 0.50	Strong
0.49 to 0.30	Medium
0.29 to 0.10	Weak

Source: Yan (2006).

3.10.4 Multiple Regression

According Coakes and Steel (2011), multiple regression is the method used to analysis when data contains several independent variables and one dependent variable. In addition, the result of the regression is an equation which represents the independent variables' predictions for the dependent variable. Furthermore, regression analysis provides clear explains when it is tested the relationship value between dependent and independent variable. One of the assumption to take into account in the multiple regression is R-square value in order to interpret the percentage influence of independent variable into a dependent variable.

However, since all independent variable are expected to importance then this study is employed multiple regression analysis in order to test the hypothesis and to determine the significant influence. In order to confirm that significant relationship, researcher used linear multiple regression of the independent variables (customer satisfaction, service quality, perceived value and trust) with dependent variable (customer loyalty on Islamic banking deposit). Coakes and Steed (2007) their assumptions underpinning the regression analysis to use such as the ratio of cases independent variables, linear regression, normality, multicollinearity, autocorrelation, and homoscedasticity. All these above-mentioned assumptions were tested and all the variables did not violate the assumptions.

Table 3.4
Data Analysis Technique

NO	Objectives of the Study (Area of Investigation) and the Hypothesis	Analysis
1	Demographic profile	Descriptive analysis
2	To determine the relationship between factors (customer satisfaction, service quality, perceived value, trust) and customer loyalty on Islamic banking deposit.	Pearson Correlation
3	To identify the factors (customer satisfaction, service quality, perceived value, trust) affecting customer loyalty on Islamic banking deposit.	Multiple Regression

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter discusses the results of the analysis. Subsequently, the result shown analysis of descriptive statistics, reliability, Pearson correlation, and multiple regression. Moreover, the descriptive analysis will describe the demographic profile of the respondents. Followed by reliability analysis will explain validly of the independent variables. Meanwhile, the correlation will describe the relationship between independent variables and dependent variable and will be checked in the event, the hypothesis is fit for the test in accordance with objectives of the study or not. Multiple regression analysis will discuss the significance influence of the independent variables to the dependent variable. However, the findings of the study are as follows;

4.2 Demographic Profile of Respondent

The data collection process were conducted among UUM COB academic staff and received 118 from respondents which are 54% of the respondent rate. According to Hair et al., (2010) when the respond rate more than 50% of the respondent is acceptable. During data collection, the researcher implemented two methods of data collection from the responds. Self-administered questionnaire and email survey in order to achieve the

objectives of the study. All the respondents were customers of bank Islam Malaysia Berhad (BIMB). Since respondents are customers of Bank Islam Malaysia, the searcher deemed this can be an opportunity to study customer's loyalty to use Islamic banking deposit.

4.2.1 Descriptive Statistics Analysis

This study, the descriptive statistical analysis is employed to know the frequency and percentage of the respondents in the study. As described earlier, the respondents of this study were among UUM COB academic staffs that regular customers of Bank Islam Malaysia Berhad (BIMB). The respondents profile were asked seven questions about their demographic profiles such as age, marital status, ethnics, educational qualification, duration of being working in UUM, income and academic category.

Based on the table 4.1, the number of respondents was a total of 332 of research the sample size of 217 respondents (Sekaran, 2003). Subsequently, the distribution of questionnaire and email survey, only 126 were returned. However, 8 respondents were deleted due to outliers. Eventually, the number of respondents analyzed in this study were 118 respondents which equivalent 54 percent. Sekaran and Bougie (2013) at least researchers should obtained 30 percent total responses from the sample size in order to analyze the data.

The sample 118 respondents took to this study, the dominant respondent of this study were females 68 (57.6%) while the rest of 50 (42.4%) were male respondents. On the other hand, there were different ages of the respondents composed of five categories and majority of respondents were 41-46 years 37 (31.4%), followed by 36-40 years 29 (24.6%), similarly with the age of 47 years and above 29 (24.6%), the age of 21-30 years 13(11%) and least age were 31-35 years 10 (8.5%) respectively. The marital status of the respondents indicated that the majority of 102 (86.4%) were married followed by 13 (11%) were single whereas the rest of 3 (2.5%) were divorced respondents respectively.

In terms of the respondents' ethnics, the majority of respondents 93 (78.8%) were Malay, 11 (9.3%) was other international academic staffs, followed by 8 (6.8%) were Chinese and 6 (5.1%) were Indian. Most of the academic staff respond the questionnaire were Malay. Since the academic staff have different educational background, the dominion respondents of this study were PHD academic staff as indicated the result which were 69 (58.5%), followed by the Master 45 (38.5%) and the rest of 4 (3.4%) degree respondents respectively. In addition, for duration of work 11-15 years 44 (37.3%) while 16-20 years 22 (18.6%), more than 20 years of respondents were 21 (17.8%) and last group of respondents were working less than 5 year were 14 (11.9%).

Furthermore, as table 4.1 b indicates, the most monthly income of respondents of 46 (39%) were between RM 6,000- RM 8,000, the second most monthly income were 40 (33%) above RM 8,000, and 19 (16.1%) were between RM 4,000- RM 5,999, while the least income respondents were 13 (11%) was between RM 2,000- RM 3,999. In

terms of the academic category, the result indicates that respondents were dominant of 51 (43.3%) were senior lecturers, whereas 45(38.1%) were lecturers. The Assoc. professors show the result of 18 (15.3%) and finally 4 (3.5%) were professors.

Table 4.1
Demographic Profile of the Respondents

Demographic Profile	Categories	Frequency (N=118)	Percentage (100%)
Gender	Male	50	42.4
	Female	68	57.6
Age	21-30 years	13	11.0
	31-35 years	10	8.5
	36-40 years	29	24.6
	41-46 years	37	31.4
	47 and above	29	24.6
Marital Status	Single	13	11.0
	Married	102	86.4
	Divorce	3	2.5
Ethnics	Malay	93	78.8
	Chinese	8	6.8
	Indian	6	5.1
	Other	11	9.3
Educational Background	Degree	4	3.4
	Master	45	38.1
	PHD	69	58.5
Duration of work	Less than 5 years	14	11.9
	6- 10 years	17	11.4
	11-15 years	44	37.3
	16-20 years	22	18.6
	More than 21 years	21	17.8
Monthly income	RM 2,000- RM 3,999	13	11.0
	RM 4,000- RM 5,999	19	16.1
	RM 6,000 - RM 8,000	46	39
	RM 8,000 above	40	33
Academic Category	Professor	4	3.4
	Assoc. Professor	18	15.3
	Senior Lecturer	51	43.2
	Lecturer	45	38.1

4.3 Reliability Test

Reliability is the measurement use to indicate the extent and validity of the items which show that there is no bias (Sekaran, 2000). Similarly, Zikmund (1994) reliability is to measure the research to be free from error. Furthermore, Cronbach's alpha is reliability coefficient that reflects how well the items in a set are positively correlated to each other (Sekaran, 2003). There is acceptability level of Cronbach's alpha as determined by Zainudin (2012) and Hair et al, (1998) the level of acceptance for Cronbach Alpha should exceed the minimum value of 0.6 or higher. This study across all the validity tests and attained acceptable level more than the standard level.

Table 4.2 show statistical analysis result of reliability test which indicated that result after testing reliability has more than 0.60 and data is considered reliable and consistent. All the Cronbach's alpha of these variables of the study are between the ranges from 0.826 to 0.925 which is considered reliable.

Table 4.2
Reliability Test for the Variables

Variables	Number of items	Cronbach Alpha Values
Customer Loyalty	5	0.826
Customer Satisfaction	6	0.890
Service quality	11	0.925
Perceived value	9	0.892
Trust	7	0.894

4.4 Level of Customer Loyalty and its Affecting Factors

In this study, it is analyzed the mean scores and standard deviation in order to describe the highest scores of minimum, maximum, mean and standard deviation. Table 4.2 shows the overall of minimum, maximum, mean and standard deviation scores for all 40 items and the result indicates that all the items have minimum and maximum range between 2 to 5, where a mean have positive value ranging from 3.77 to 4.11.

In addition, the dependent variable and independent variables have a high mean value which near to 4. All the item of each variable were measured using 5 points of Likert Scale measurement. However, based on the result, it indicates that the level of customer's has high loyalty on Islamic banking deposit on the value of the mean which reached 3.96.

Furthermore, as indicated by the result from the descriptive statistics analysis that the highest mean value of independent value is trust at value of 4.11. Followed by the second highest is customer satisfaction mean value is 3.91 while the last two independent variables of service quality and perceived value are similar score which indicates the value of 3.77. To sum up the result of table 4.3, it can clearly explain the whole score of the mean value is approximately rate 4 which strong enough.

Table 4.3
Level of Customer Loyalty and Affecting Factors

Variable	Minimum	Maximum	Mean	Std. Deviation
Customer Loyalty	2	5	3.96	0.667
Customer Satisfaction	2	5	3.91	0.643
Service Quality	2	5	3.77	0.585
Perceived value	2	5	3.77	0.612
Trust	2	5	4.11	0.566

4.5 The Relationship between Determinant Factors and Customer Loyalty on Islamic Banking Deposit

In this study, as mentioned on the objective of the study, the researcher determined the correlation between the dependent variable and independent variables. To describe the relationships Pearson correlation analysis is implied in order to indicate the strength of the bivariate relationships between the dependent variable (customer loyalty on Islamic banking deposits) and independent variables (customer satisfaction, service quality, perceived value, and trust) on the interval scale for specific way.

Table 4.4 shows the result of Pearson correlation between dependent and independent variables. As indicated by the result, the relationship between the dependent variable (customer loyalty on Islamic banking deposits in Bank Islam Malaysia Berhad) and independent variables (customer satisfaction, service quality, perceived value and trust) are strong positive relationship. To relate the perfect positive correlation between the dependent variable and independent variables explained +1.0 or perfect negative correlational relationship which is ranged to -1.0.

According to Yan (2006), the analysis of Pearson correlation is to investigate the relationship or association between the variables. The rule of thumb for correlation coefficient value as mentioned above chapter. However, the correlation coefficient should not go beyond 0.8 in order to avoid multicollinearity. Multicollinearity occurs when redundant information exists through the two or more variables in the model are correlated (Yan, 2006).

As table 4.4 indicates, the level of correlation (r) between the variables is between 0.536** to 0.707**. Therefore, there is no negative correlation between the variables and the level of significance $p < 0.01$ is which is used to determine the correlation between the variables. Then the result indicates 0.01 of the relationship between the dependent variable and independent variables are significantly correlated. Which means, there is no shows that there is no relationship existed. In addition, the relationship value (r) also determines the relationship between the independent variables themselves. Hence, the proposed hypotheses given for this study are as follows;

1. H01a: There is no significant relationship between customer satisfaction and

customer loyalty on Islamic banking deposit.

Ha1a: There is significant relationship between customer satisfaction and customer

loyalty on Islamic banking deposit.

As the result indicates there is a significant positive correlation between customer satisfaction and customer loyalty on Islamic banking deposit with the strong relationship ($r = 0.707$). Therefore, the alternative hypothesis is accepted and the null hypothesis is rejected.

2. H02b: There is no significant relationship between service quality and customer loyalty on Islamic banking deposit

Ha2b: There is a significant relationship between service quality and customer loyalty on Islamic banking deposit.

As the result indicates there is a significant positive correlation between service quality and customer loyalty on Islamic banking deposit with the strong correlation ($r = 0.536$). Therefore, the alternative hypothesis is accepted and the null hypothesis is rejected.

H03c: There is no significant relationship between perceived value and customer loyalty on Islamic banking deposit.

Ha3c: There is a significant relationship between perceived value and customer loyalty on Islamic banking deposit.

As the result indicates there is a significant positive correlation between customer perceived value and customer loyalty on Islamic banking deposit with the strong relationship ($r = 0.622$). Therefore, the alternative hypothesis is accepted and the null hypothesis is rejected.

4. H₀4d: There is no significant relationship between Trust and customer loyalty on Islamic banking deposit.

Ha4d: There is significant relationship between trust and customer loyalty on Islamic banking deposit.

As the result indicates there is a significant positive correlation between customer perceived value and customer loyalty on Islamic banking deposit with the strong relationship ($r = 0.607$). Therefore, the alternative hypothesis is accepted and the null hypothesis is rejected.

Table 4.4
Result of Pearson Correlation Analysis among Variables

Variable	Customer Loyalty	Customer Satisfaction	Service Quality	Perceived value
Customer Satisfaction	.707**			
Service quality	.536**	.680**		
Perceived value	.622**	.680**	.646**	
Trust	.607**	.653**	.602**	.587**

Note **Correlation is significant at the 0.01 level (2-tailed)

4.6 Factors Affecting Customer Loyalty on Islamic Banking Deposit

The purpose of the study is to measure factors affecting customer loyalty on Islamic banking deposit. The researcher employed multiple linear regression in order to determine the influence of independent variables (customer satisfaction, service quality, perceive value and trust) on dependent variable (customer loyalty). Moreover, after testing the reliability of each variable with the dependent variable, it remains three out of the four independent variables significant influences. The following hypothesis is stated in objective five of the study and as follows.

H_{01a}: There is no significant influence between customer satisfactions, service quality, perceived value, and trust toward customer loyalty on Islamic banking deposits.

H_{a1a}: There is a significant influence between customer satisfactions, service quality, perceived value, trust toward customer loyalty on Islamic banking deposits.

Furthermore, in order to describe the influence of the independent variable to the dependent variable. Table 4.4 indicates the results of the linear multiple regression analysis that implied to test the influence of the variables as proposed. To Start from the overall model of the regression analysis, R square ($R^2 = 0.559$) or 55.9%, this explains that the influence of the independent variables (customer satisfaction, service quality, perceived value, and trust) to the dependent variable (customer loyalty). However, the researcher found from the result that the customer satisfaction, perceived value, and trust have significant influence to identify the customer's loyalty to deposit

Islamic banks at the interval level of 0.05. Hence, the highest β coefficient score is customer satisfaction with the β coefficient of 0.462. Followed by the second variable of trust with the β coefficient of 0.245, perceived value with the β coefficient of 0.237. In the respect of the β coefficient values, the most influential variable from the five variables is customer satisfaction followed by the second variable which is trust. However, the following equation implied to represents the linear regression analysis and explains which hypothesis is to be accepted and one to be rejected.

$$y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Where; y = customer loyalty on Islamic banking deposit

α = Intercepts (constant value)

β = Unstandardized beta coefficient

X_1 = Customer satisfaction

X_2 = Service Quality

X_3 = Perceived value

X_4 = Trust

$$Y = 0.395 + 0.462^{**}(X_1) + (-0.37)(X_2) + 0.237^{*}(X_3) + 0.245^{*}(X_4)$$

The result of table 4.5 indicated that customer satisfaction has significant influence with customer loyalty on Islamic banking deposit ($\beta = 0.462$, sig. = 0.00). Subsequently, when one unit of customer satisfaction increase it will increase 0.462 unit of customer loyalty on Islamic banking deposit. On the other hand, the result show that service quality has not proven to be predictor on customer loyalty on Islamic banking deposit ($\beta = -0.037$, sig. = 0.725), that is to say when one unit of service quality increase

customer loyalty on Islamic banking deposit will decrease -0.037 unit of customer loyalty on Islamic banking deposit. Furthermore, the result indicate that perceived value has significant influence on customer loyalty on Islamic banking deposit ($\beta = 0.237$, sig. = 0.020), that means when one unit of perceived value increase will positively increase 0.237 unit of customer loyalty on depositing Islamic bank. Nevertheless, the result indicate that trust has significant influence on customer loyalty on Islamic banking deposit ($\beta = 0.245$, sig. 0.019), which means when one unit of trust increase will positively increase 0.245 unit customer loyalty on Islamic banking deposit. In generally, according the result from regression analysis in table 4.5, three of the independent variables (customer satisfaction, perceived value and trust) are accepted alternative hypothesis (H_a) because their significant value is less than ($p > 0.05$) and null hypothesis is rejected. On the other hand, service quality has p-vale more than 0.05, so this case null hypothesis is accepted and the alternative hypothesis is rejected.

Table 4.5
Results of Multiple Regression Analysis

Variables	Unstandardized		Standardized	t	Sig
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.395	.328		1.204	.231
Customer Satisfaction	.462	.103	.446	4.470	.000
Service Quality	-.037	.106	-.033	-.352	.725
Perceived Value	.237	.100	.218	2.365	.020
Trust	.245	.103	.208	2.376	.019

Dependent variable = Customer Loyalty
F-value = 35.829, Sing=0.00
R² = 0.559

4.7 Summary of the Chapter

This chapter, the researcher used reliability, descriptive statistics, correlation, and regression analysis. The reliability analysis indicated that all the independent variables have high and confident reliability scores. In addition, descriptive statistics indicated that variables have high level towards the customer loyalty on Islamic banking deposit, and it can also clearly explained the whole score of the minimum, maximum, mean and standard deviation value. The mean score is approximately rate 4 which strongly enough in accordance with relationships.

Similarly, most of the independent variables have a strong positive relationship on the dependent variable on Islamic banking deposit. Besides that, correlation analysis was used to test the strength and relationship between the independent variables and dependent variable. As the result show, that all the independent variables (customer satisfaction, service quality, perceived value, and trust) have a strong positive relationship with the dependent variable (customer loyalty).

Followed, the internal relationship among independent variables also indicated strong relationship according to the result. Nevertheless, in the regression analysis, p-value show that only three factors among the independent variable (customer satisfaction, perceived value, and trust) have significant influence to customer loyalty on Islamic banking deposit, and also pointed high beta value. However, the following chapter five will be discussed, the finds of the results, discussions, and recommendations.

Table 4.6
Result of Hypothesis Testing

NO	Hypothesis	Result
H1	There is a significant influence between customer satisfaction and customer loyalty on Islamic banking deposit	Accepted
H2	There is a significant influence between service quality and customer loyalty on Islamic banking deposit	Rejected
H3	There is a significant influence between perceived value trust toward customer loyalty on Islamic banking deposit	Accepted
H4	There is a significant influence between trust toward customer loyalty on Islamic banking deposit	Accepted

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter discusses the overall results analyzed and interpreted in the previous chapter and followed by the summary of the findings and discussions. Subsequently, theoretical, managerial implication, suggestions for future research directions, contribution, limitation and recommendations of the study.

5.2 Discussion of the Findings

The purpose of this study is to measure factors affecting customer loyalty on Islamic banking deposit. Respondents' demographic profile were divided into eight categories such gender, age, marital status, ethnics, educational qualification, duration of work, income, and academic category. Subsequently, the survey were intended to investigate factors affecting customer loyalty on Islamic banking deposit which are the crucial factors in order to develop the Islamic banking in Malaysia. However, it is worthy to mention that the respondents used to this study were customers of Banks Islam Malaysia Berhad (BIMB). Although the output can also be utilized to other Islamic banking institutions in Malaysia.

The discussion of the finds, the first objective of the study is to identify the relationship between the factors affecting and customer loyalty. All the variables have been discussed previously in detail which implied to the correlation analysis. The findings initially show that independent variables i.e., customer satisfaction, service quality, perceived value, and trust have a strong positive relationship with the customer loyalty on Islamic banking deposit. Which means the stronger the customer satisfaction, service quality, perceived value, and trust, the greater customer loyalty on Islamic banking deposit.

Furthermore, the result revealed that there is a strong relationship between customer satisfaction and customer loyalty on Islamic banking deposit level of 70.7%. Besides that, service quality has also indicated a strong relationship with customer loyalty on Islamic banking deposit with the value of 53.6%. Followed by the perceived value, and trust have a strong relationship the value 62.2% and 60.7% relatively with customer loyalty on Islamic banking deposit. According to Yan (2006), stated that if the value of the relationship between the dependent variable and independent variable above 50 is to be considered a strong relationship.

On the other hand, the significant of the variables of this study was proven some of the previous studies, as reported their findings that there is significant relationship. According to Hoq & Amin 2010; Wong & Sohal (2003), revealed their research that customer satisfaction has a significant relationship with customer loyalty and to lower the customer's intention to switch from the banks. Similarly, Kishada and Wahab (2013) confirmed that customer satisfaction has strong significant relation with the

customer loyalty on Islamic banking products and concluded that customer satisfaction is very crucial to the customer loyalty. Hence, building good customer's loyalty in terms of satisfaction is necessary for the long term relationship and sustainability of that particular business (Consuegra et al, 2007; Wong & Zhou, 2006).

In addition, Hoq and Amin (2010) revealed that satisfaction is the most influential factor of customer loyalty in any industry. Therefore, it is essential to keep the expectation of the customers from particular services in order to get satisfaction and it will reflect on the profitability of the business. Followed by service quality, (Razak et al., 2007) their study proved that service quality has a positive relationship with customer loyalty. Pratminingsih, Hendri and Tasyrifan (2010) confirmed that there is a positive relationship between service quality and customer loyalty.

The second part of the discussion relates the influence of the independent variables with the dependent variable. As the result show, there are three independent variables which are significant influence with the dependent variable while only one variable does not influence the dependent variable. In addition, independent variables (customer satisfaction, perceived value, and trust) show significant influence with the dependent variable (customer loyalty on Islamic banking deposit). However, according the five objectives of the study, the researcher have inclusively mentioned about all independent variables in order to measure their influence to the dependent variable.

To start with the first independent variable (customer satisfaction) that have shown the significant relationship in the findings of multiple regression analysis. According to the alternative hypothesis, one (H_{a1}) states, “There is a significant influence between customer satisfaction and customer loyalty on Islamic banking deposit”. Based on the result show that customer satisfaction with customer loyalty on Islamic banking deposit ($\beta = 0.462, p < 0.05$). This means, the highest value of the beta indicates that independent variable has a strong influence on customer loyalty on Islamic banking deposit and it implies that alternative hypothesis (H_{a1}) which states “there is a significant influence between customer satisfaction and customer loyalty on Islamic banking deposit” is accepted.

The finding of this study is similar with the Kishada & Wahab (2013); Hoq & Amin (2010; Consuegra et al., (2007); Wong & Zhou, (2006) revealed the satisfaction is the most influential factor of customer loyalty in any industry. Hoq and Amin (2010) confirmed that customer satisfaction is essential for keeping the expectation of the customers from particular services in order Islamic banks to research satisfaction and it will reflect on the profitability of the business. Thereafter, the result of current study denotes that customer satisfaction has strong positive relationship and significant effect on the customer loyalty on Islamic banking deposit. So this means the increase of customer loyalty will increase the customer loyalty to deposit Islamic banks.

Based on the result revealed by this study, perceived value has significant value with customer loyalty on Islamic banking deposit. The beta value ($\beta=0.237$, $p<0.05$) then, since the significant value is less than 0.05, the alternative hypothesis (H_{a3}) which is “there is a significant influence between perceived value and customer loyalty on Islamic banking deposit” is accepted.

The result is also supported similarly, Kishada & Wahab (2013); Park et al (2006), Wang et al, (2004); Woodruff (1997) reported their researches that obtaining higher perceived value for the client is fundamental to acquire customer loyalty in the 21st century. Furthermore, Park et al., (2006); Kishada & Wahab (2013) found that perceived value has a strong positive relationship with the customer loyalty. On the other hand, Wang et al., (2004) and Oh (1999) found that there is a direct influence of perceived value on customer satisfaction and loyalty towards financial institutions. Therefore, since perceived value has a positive relationship with customer loyalty, it has been elected as one factor to measure its influence about the customer loyalty.

Finally, trust is the last independent variable which denoted significant influence with the customer loyalty on Islamic banking deposit. The beta value shows ($\beta=0.245$, $p<0.05$). As mentioned in hypothesis (H_{a4}) “There is a significant influence between trust and customer loyalty on Islamic banking deposit” is accepted since p-value is less than 0.05 in the significant level.

This result is very similar with the study of Kishada & Wahab (2013) shown that the trust has significant influence customer loyalty on Islamic banking deposit. Consequently, Ndubisi (2006) indicated that trust, have a direct relationship with customer loyalty. However, trust is an important factor for the customer's loyalty to deposit Islamic banks and managers of Islamic banks must enhance trust to achieve loyal customers.

On the other hand, service quality indicated that there is no significant influence with customer loyalty on Islamic banking deposit ($\beta = -0.037$, $p > 0.05$) since the significant value is more than 0.05. Accordingly alternative hypothesis (H_{a2}) states, "There is no significant influence between service quality and customer loyalty on Islamic banking deposit" is rejected. This means, the lowest value of the beta indicates that variable has no significant influence on customer loyalty on Islamic banking deposit and it implies that null hypothesis (H_{02}) which states "there is no significant influence between service quality and customer loyalty on Islamic banking deposit" is accepted. Nevertheless, service quality has no significant influence with customer loyalty but it can mediate the other factors. The researcher can conclude that service quality has no role in this study in that sense it has no prediction on the customer loyalty on Islamic banking deposit.

Therefore, similarly with the previous studies conducted by Kishada and Wahab (2013) find that there is no significant influence between service quality and customer loyalty. According to Beerli et al (2004), revealed that the service quality has insignificant influence on customer loyalty. Similarly, Caruana (2002) reported customer satisfaction mediate service quality and customer loyalty on his study.

In conclusion, the discussion of the findings indicated that all the independent variables have a positive relationship with the dependent variable. On the other hand, In terms of influence between independent variables (customer satisfaction, perceived value, and trust) have shown significant influence with customer loyalty. Customer satisfaction indicates the most influential factor to the customer loyalty.

5.3 Implication of the Study

This research have come up with certain implications which are useful for Bank Islam Malaysia Berhad as well as the comprehensively Islamic banking institutions. The implication of the study is divided into different aspects such as theoretical and managerial implications. The purpose of these implications will be guidelines and useful for Islamic banking managers to improve the relationship between their customers. Therefore, implications are as follows;

5.3.1 Managerial Implications

Customers are very important for the Islamic banking development. Furthermore, this study discovers variables that significantly influence the customers to use Islamic banks in terms of deposit facilities. Firstly, the study discovered that customer satisfaction, perceived value, and trust have adequately presented the customer loyalty on Islamic banking deposits. On the other hand the independent variables of customer satisfaction, perceived value and trust have a strong relationship with customer loyalty. Secondly, the study explained the important factors to be considered for the Islamic bank to increase customer's loyalty towards deposit facilities. All the above factors mentioned are important for Islamic banking institutions, customer satisfaction becomes the most influential factor for customer loyalty. Nowadays, the Islamic banking provides many types of deposit accounts for security to the customers and banks itself to keep liquidity. Then, the Islamic bank can understand their customer's preferences that will increase their loyalty. Nevertheless Islamic banking managers can formulate the strategies to retain their customers and attract new customers.

5.3.2 Theoretical Implications

This part will guide the academicians or prospective researchers to discover more about the variables. Since the findings of this study can be explained certain percentage the factors affecting customer loyalty on Islamic banking deposit for the current variables. The other remaining percentage can be the gap for the researched the influential factors. The result indicated the variables of customer satisfaction, perceived value and trust have significant influence with customer loyalty. Customer satisfaction is most factor that influence the customer loyalty on Islamic banking deposit.

Apart from that, perceived value and trust are second variables that important to customer's loyalty to deposit Islamic banks. Moreover, the contribution of this study in the theoretical aspects is that the researcher drawn framework that will effect on customer loyalty on Islamic banking deposit and academicians who interesting to continue such kind of research can be a literature to drive ideas and information related to customer loyalty on Islamic banking deposit comprehensively. The research tried just to bridge the gap between the customers' loyalty and Islamic banking, however, it can be searched other factors which affects the customer loyalty on Islamic banking deposit in the future researchers.

5.4 Limitation and Recommendation

This study has four limitations the researcher encounter during the period of study. Firstly, the population of the study was only focused on the specific group of Bank Islam Malaysia (BIMB) customers in UUM COB academic. Secondly, the study examined four independent variables of which only three were found to be significant influence with the dependent variable. The study found that the "customer satisfaction, perceived value, and trust" has a significant influence on Islamic banking deposit. While "service quality" has no a significant effect on Islamic banking deposit.

Furthermore, the quality service is very important and Islamic banking institutions should always ensure the system in a good condition. Besides that, institutions website must be interesting and user-friendly in order to attract customers to visit. To recommend the future researcher to increase the sample size of the respondents to avoid this limitation. In addition, this study was conducted the customers of Bank Islam Malaysia Berhad, then the future researcher can be extended the area of the study and increase the number of Islamic banks in Malaysia inclusively with local and foreign banks. To avoid the limitation, the future researcher should expand the sample size of the similar study or to be conducted other geographical area. Future study should consider other potential factors of customer loyalty on Islamic banking deposit such as convenience, knowledge, preference, and return on the investment account.

5.5 Conclusion

This study revealed the important factors that affect customer loyalty of Islamic banks and provides useful information about the customer loyalty of Islamic banking deposit in Malaysia. Firstly, this study found that customer satisfaction, perceived value, and trust are the provider's customer loyalty of Islamic banking deposit. In contrast, this factors are not yet discussed before this study particularly their influence on deposit of Islamic banks. However, marketing efforts should increase to attract the more customers toward Islamic banking system. As the findings imply, the Islamic banks need to work on improving bank customers 'satisfaction, perceived value, and trust which may vary and need to be observed over time. To counter for betterment these variables, the Islamic banks may able to improve the customers' loyalty. Overall, this study ascertained the factors affecting customer loyalty on Islamic banking deposit. The study has also contributed a certain extent to the existing knowledge related to Islamic banking theory and practice. The researcher hoped to do more similar researches on this topic since the literature of deposit in Islamic banks are limited can be conducted the use of this important and emerging Islamic financial product.

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Sunnah