

**THE RELATIONSHIP BETWEEN INFORMATION TECHNOLOGY (IT)
CAPABILITY AND PERFORMANCE OF ISLAMIC BANKING BRANCHES IN
KEDAH FROM THE PERSPECTIVE OF MAQASID AL-SHARIAH**

By

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DECLARATION

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ABSTRACT

The purpose of this study is to investigate the relationship between IT capability and the performance of Islamic Banking Branches in Kedah. The study is focuses on Islamic banking branches in Kedah. IT capability in the relationship of banks performance. The IT capability dimension include IT knowledge, IT operations and IT objects. The questionnaires were sent directly to branches and collected by hand. Disproportionate stratified random sampling was used for sample selection. 63 questionnaires were sent to manager of Islamic Banking, 59 samples were returned but only 57 samples were used for data analysis. The data was analyzed using ‘Statistical Package for Social Science’ SPSS version 21. Collectively, the result shows that the IT capability are able to influence overall performance of Islamic banking branches in Kedah and other three (3) dimension of performance (educating individual, establishing justice and public interest). All of the dimension of the IT capability can influence the performance of the Islamic banking. Therefore, the manager of the Islamic banking in Kedah branches should focus on this kind of implementation which is IT capability in order to enhance the performance of their banks. the outcome of this study provide the important insights to both managers and researchers for further understanding about IT capability and performance of Islamic Banking.

Keywords: IT Capability, Islamic Banking, Educating Individual, Establishing Justice, Public Interest.

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji hubungan antara keupayaan IT dan prestasi Cawangan Perbankan Islam di Kedah. Kajian adalah tertumpu kepada cawangan perbankan Islam di Kedah. Keupayaan IT terdapat hubungan dengan prestasi bank. Dimensi keupayaan IT merangkumi pengetahuan IT, operasi IT dan objek IT. Soal selidik dihantar terus kepada cawangan dan dipungut dengan tangan. Tidak seimbang persampelan rawak berstrata telah digunakan untuk pemilihan sampel. 63 soal selidik telah dihantar kepada pengurus Perbankan Islam, 59 sampel telah kembali tetapi hanya 57 sampel telah digunakan untuk analisis data. Data yang diperolehi dianalisis dengan menggunakan "Pakej Statistik untuk Sains Sosial 'SPSS versi 21. Secara kolektif, hasilnya menunjukkan bahawa kemampuan IT yang dapat mempengaruhi prestasi keseluruhan cawangan perbankan Islam di Kedah dan lagi tiga (3) dimensi prestasi (mendidik individu, mewujudkan keadilan dan kepentingan umum). Kesemua dimensi keupayaan IT boleh mempengaruhi prestasi perbankan Islam. Oleh itu, pengurus cawangan perbankan Islam di Kedah perlu memberi fokus kepada jenis ini pelaksanaan yang merupakan keupayaan IT untuk meningkatkan prestasi bank-bank mereka. Hasil kajian ini memberi maklumat penting kepada kedua-dua pengurus dan penyelidik untuk pemahaman lanjut mengenai keupayaan IT dan prestasi Perbankan Islam.

Kata kunci: Keupayaan IT, Perbankan Islam, Mendidik Individu, Mewujudkan Keadilan dan Kepentingan Umum.

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LIST OF ABBREVIATIONS

ATM	Automatic Teller Machine
EI	Educating Individual
EJ	Establish Justice
ICT	Information and Communication Technology
IS	Information System
IT	Information Technology
ITK	Information Technology Knowledge
ITO	Information Technology Operations
ITOBJ	Information Technology Objects
ITC	Information Technology Capability
ITSCMM	Information Technology Service Capability Maturity Model
KBV	Knowledge Based View
KPI	Key Performance Indicator
LAN	Local Area Network
ONFP	Organizational Non-Financial Performance
OFR	Organizational Financial Performance
OP	Organizational Performance
OPS	Operations
PI	Public Interest
RBV	Resource-based View
ROE	Return on Equity
ROI	Return on Investment
SMS	Short Message Services
SPSS	Statistical Package of Social Science
WAN	Wide Area Network

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Rapidly developing financial markets require participants to make changes in operations outside the local area to get global competition. In this way, it has led many banks in the country to improve the quality of customer service, reduce operating costs, time, and improve profit performance (Randle, 1995). Innovative banking services and portfolio management combined to mergers and acquisition strategy. Its decision, they're not one hundred percent focused on reducing costs, but also can improve service to customers. In other words, the process is not only a more effective and efficient but also can create customer-friendly nature as well.

IT capability includes expertise in technical and management needs in providing services that can be trust and physical electronic connection that much either inside or outside the company. According to (Dos - Santos, 1995), implementing IT can increase market share by offering bank products and services that are not offered by any other party, for example, customers who want private service or use of debit cards has become a focus on retail banking and investment. Therefore, this study uses a dynamic's capability theory to explain the implementation of IT capability. The implementation of IT capabilities is to accelerate the process of service delivery, processes strategy, producing new product, work faster and eliminated all communication barriers within the organization, empower

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