

CUSTOMER AWARENESS AND SATISFACTION OF LOCAL ISLAMIC BANKS IN MALAYSIA

Shahrizan Adzham Ahmad

Corresponding author

Othman Yeop Abdullah Graduate School of Business

(OYAGSB),

Universiti Utara Malaysia, 06010 UUM Sintok, Kedah

Darul Aman, Malaysia

Tel: +6012-3544908

E-mail: shahrizan_adzham@oyagsb.uum.edu.my

Al-Hasan Al-Aidaros

Islamic Business School,

Universiti Utara Malaysia, 06010 UUM Sintok, Kedah

Darul Aman, Malaysia

Tel: +6012-3284599

E-mail: al-hasan@uum.edu.my

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ABSTRACT

This article explores the awareness and satisfaction of Islamic bank customers in Malaysia with respect to the banks' marketing practices and effectiveness which differentiate them from conventional banks. It explores the satisfaction of customers of Islamic banks through the customers' perception of the quality of the banks' products and services. This study was conducted in response to pessimistic feedbacks about Islamic banks' business operations which are not only required to comply with conventional business laws, but also need to give up any business prospects that are against with *Shariah* (Islamic law). Thus, it is argued that the marketing and advertising strategies of Islamic Banks face restricting guidelines which makes competition with their conventional counterparts (conventional banks) harder. Nevertheless, Islamic banks are strengthening their position by creating greater acceptance of their products among Muslims and Non-Muslims. Based on the descriptive analysis conducted using the data collected from a questionnaire survey of 400 respondents, this study found that a majority of the respondents are already customers of Islamic banks but they are not fully conversant with the principles of Islamic banking. The findings suggest that Islamic banks have to pay greater attention to

measuring their marketing effectiveness and customer satisfaction so as to remain relevant in the marketplace.

Keywords: Customer Awareness; Customer Satisfaction; Islamic Banks; Malaysia.

INTRODUCTION

Malaysia is currently practicing a dual banking environment/system, i.e. the conventional banking system operates hand-in-hand with the Islamic banking system (Mokhtar, Abdullah, & Al-Habshi, 2006). Since the Islamic banking industry does not forbid non-Muslims from subscribing to their products and services, its potential for further growth is great.

Based on the Malaysian Islamic Banking Act 1983, Islamic banking business is defined as a banking business whose aims and operations do not involve any element which is prohibited by the religion of Islam. Ali and Sarkar (1995) have defined an Islamic bank as a financial institution whose business operations expressly state its adherence to the principles of *Shariah* (Islamic law) and to the banning of the receipt and payment of interest in any of its business. Therefore, Islamic banks are also classified as commercial banks, but are alternatives to the conventional banks and are guided by religious principles.

An Islamic bank has several unique features as compared to its conventional counterpart. Rahman (2007) has described that the key difference is that Islamic Banking is based on *Shariah* foundation whereby all product features, dealing, transaction, business approach, investment focus, and responsibility are derived from the *Shariah* law. He also outlined the main principles of Islamic bank as follows:

- No interest-based (*riba*) transactions;
- No economic activities involving oppression (*zulm*), speculation or uncertainty (*gharar*);
- Islamic tax i.e. *zakat* is introduced; and
- The discouragement of the production or manufacturing of

goods and services, which contradict the Islamic value (*haram*).

Unlike conventional banks, Islamic banks are said to face challenges in surviving in the banking industry as the banks have to forgo many business potentials that are not in compliance with the *Shariah* requirements. Samad (2004) commented that Islamic banks must also adhere to conventional business laws of the land on top of the Islamic laws.

Islamic banking was first introduced in Malaysia with the set-up of Bank Islam Malaysia Berhad (BIMB) on 1 July 1983 as the pioneer full-fledged Islamic bank entity (Sole, 2007). Bank Islam was given a green lane to be the single Islamic bank operating in Malaysia for the first ten years of its operations without any competition as to gauge the progress of Islamic banking (Mokhtar et al., 2006). After 10 years of Bank Islam monopolising the market, 'Interest-free Banking Scheme' was introduced in March 1993 by Bank Negara Malaysia (BNM) to allow other conventional financial institutions to offer Islamic products and services via Islamic windows via their branch premises (Chong & Liu, 2009). Not long after that, Bank Muamalat made its entrance into the banking sector to become the next full-fledged Islamic bank after Bank Islam on 1 October 1999 (Mokhtar et al., 2006).

It is interesting to note that all the local conventional banks with Islamic banking windows have now migrated their Islamic operations to fully-licensed Islamic bank status which posed a new competition to Bank Islam and Bank Muamalat, as shown in Table 1 below.

During the special briefing to the Central Bank of Oman held on 27 July 2011 on the topic of key issues and challenges in developing Islamic banking operations, it was highlighted that despite the fact that Islamic subsidiary banks are now operating under independent entity, the banks are also sharing the same pool of human talents, IT infrastructure, risk management and sales force with the parent conventional bank (Yusof, Jamaluddin, & Elias, 2011). As a result, they may also deploy similar marketing strategies for their products and services.

Table 1: Conventional Parent Bank with respective Islamic Subsidiary Bank

No	Parent Bank	Islamic Bank	Subsidiary Bank	Commencement Date
1	RHB Bank Berhad	RHB Berhad	Islamic Bank	1 March 2005
2	CIMB Bank Berhad	CIMB Berhad	Islamic Bank	8 March 2005
3	Hong Leong Bank Berhad	Hong Leong Bank Berhad	Islamic Bank	28 March 2005
4	Affin Bank Berhad	Affin Berhad	Islamic Bank	1 April 2006
5	AmBank (M) Berhad	AmBank Berhad	Islamic Bank	1 May 2006
6	Maybank Berhad	Maybank Berhad	Islamic Bank	1 January 2008
7	Alliance Bank Berhad	Alliance Berhad	Islamic Bank	1 April 2008
8	Public Bank Berhad	Public Berhad	Islamic Bank	1 November 2008

Source: Ahmad, S., Wan Jusoh, W. N. H., Rahman, A., & Rahim, A. (2012).

In addition to the full-fledged Islamic branches, BNM also allows local conventional banks to operate 'shared' branches for conventional and Islamic businesses (Yusof et al., 2011). This is one of the initiatives to strengthen the competitive position of Islamic banks as well as to show commitment towards the development of the Islamic banking industry. It will further enhance and boost the image of Islamic banks as one of the significant financial institutions. By leveraging on these 'shared' branches, customers will have wider options in terms of banking products and services. However, the banks must have clear segregation of funds and separate accounting, clearing and settlement system for the two businesses.

Table 2 explains the trend in branch distribution for both Islamic full-fledged bank branch and commercial bank branch from 2010 to 2015. It is worth noting that while the number of commercial bank branches

have been declining due to the rationalisation of branches post-merger in the banking sector, the number of Islamic bank branches have increased due to the recognition of the importance of distribution strategy as one of the keys to successful and effective marketing strategy of Islamic banks.

Table 2: Branches Distribution As At 31 December 2015

Bank	2010	2011	2012	2013	2014	2015
Islamic Banks	162	173	185	192	201	203
Commercial Banks	1,886	1,912	1,896	1,860	1,862	1,854
- Islamic Full-fledged Branches	38	47	53	56	59	60
- Shared Islamic and Conventional branches	1,848	1,865	1,843	1,804	1,803	1,794

Source: Compiled by the researchers, data collected from several reports of The Association of Banks in Malaysia

Meanwhile, Table 3 below highlights the number of bank employees for both commercial and Islamic banks. It is interesting to note that in 2015, the number of employees of commercial banks was 17 times higher than the Islamic banks (Association of Banks in Malaysia, 2015). The number of employees has changed over the years as there was an increase in the number of employees from 2010 until 2013 (for both commercial and Islamic banks). That was a sign of the growing activities and operations of banks in Malaysia. After that, (and especially in 2013, 2014 and 2015) there was a decline in the number of employees (similar with other sectors in Malaysia). Such declines may be contributed by several factors such as branch consolidation and staff rationalisation exercises resulting in voluntary staff cuts (Tan, 2015). Despite the fact that the number of Islamic banks' employees are much lower than their conventional counterpart; there is no restriction on the commercial bank employees in promoting and selling Islamic products as well as in serving Islamic bank customers. However, Islamic bank employees are prohibited from promoting and selling conventional products.

Table 3: Number of Bank Employees

Bank	2010	2011	2012	2013	2014	2015
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Bank	2010	2011	2012	2013	2014	2015
Commercial Banks	92,73	108,00	113,01	118,76	112,78	108,25
Islamic Banks	5,084	5,763	5,929	6,299	6,335	6,190

Source: Compiled by the researchers, data collected from several reports of The Association of Banks in Malaysia

To create a more competitive environment in the banking system, BNM (Yusof et al., 2011) also allows foreign banking players to participate in the banking business by issuing Islamic banking licenses to them since 2004 (as illustrated in Table 4).

Table 4: Foreign Islamic Banks in Malaysia

No	Banks	Commencement Date
1	Kuwait Finance House (Malaysia) Berhad	25 August 2005
2	Asian Finance Bank Berhad	28 November 2005
3	Bank of Tokyo Mitsubishi	1 January 2006
4	Al-Rajhi Bank Berhad	16 October 2006
5	HSBC Amanah Malaysia Berhad	26 February 2008
6	OCBC Al-Amin Bank Berhad	21 May 2008
7	Standard Chartered Saadiq Berhad	30 June 2008
8	BNP Paribas	11 October 2011
9	Citibank	1 May 2014

Source: Data collected from Bank Negara Malaysia Corporate Website

In addition to the above, there are four (4) local Islamic development financial institutions which are specialised financial institutions established by the government with the specific mandate to develop and promote key sectors that are considered of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include agriculture, small and medium enterprises (SMEs), infrastructure, maritime, export-oriented sector as well as capital-intensive and high-technology industries. The four institutions are Agrobank, BSN, Bank Rakyat and MBSB. In total, there were 23 Islamic Banks operating in Malaysia as at 31 December 2016 (as shown in Table 5).

Table 5: Islamic Banks in Malaysia

No	Banks	No. of Banks
1	Local Full-Fledged Islamic Banks	2
2	Local Islamic Subsidiary Banks	8
3	Local Development Financial Institutions	4
4	Foreign Islamic Banks	9
	Total	23

Source: Bank Negara Malaysia (2016)

Several studies (Bashir, 2013; Hamid, Yaakub, Mujani, Sharizam & Jusoff, 2011; Rammal & Zurbruegg, 2007) have been conducted to assess customer awareness of Islamic banking in various countries that is linked to customer satisfaction. Customer awareness is created largely by promotion. Haron and Azmi (2005) defined promotion as the functions of informing, persuading and influencing the customers' decision process. Promotional strategy is closely related to the process of communication. Marketing communication is a broader concept than promotional strategy because it includes word-of-mouth advertising and other forms of unsystematic communication. A planned promotional strategy, however, is certainly the most important part of any marketing communications.

Satisfaction, on the other hand, is defined as the customers' assessment of a product or service in terms of whether that product or service has met their requirements and expectations (Bitner & Zeithaml, 2003). It is an established concept that is applicable in numerous areas such as client research, product marketing, economic attitude, and welfare and general economics.

To achieve the study's objective in exploring the awareness and satisfaction of Islamic bank customers in Malaysia with respect to their marketing practices and effectiveness to differentiate them from the conventional banks, three sections (methodology, results and discussion, and the conclusion) were developed. While the methodology section explains the instrument, sample, and data collection procedures, the findings of the study are explained in the

next section (i.e. results and discussion) which is followed by the conclusion.

METHODOLOGY

As the main focus of this paper is to assess the level of public awareness and satisfaction towards Islamic banks in Malaysia, a questionnaire was formed consisting of specific questions relating to the marketing and promotion practices of Islamic banks in creating acceptance of Islamic banking products among the Muslim segment as well as the non-Muslim societies. The questionnaire was adopted from Bashir (2013). His study was on customer satisfaction with Islamic Banks in Brunei. Several amendments were made by the researchers to make the questionnaire more suitable for the respondents of this study (customers of Islamic banks in Malaysia). In studying the response from the public, the expected answers are ranked by using Likert format items with 5-point scales, where 1 is 'strongly disagree', 2 is 'disagree', 3 is 'neither disagree nor agree', 4 is 'agree', and 5 is 'strongly agree'. The questionnaire consists of five specific sections and each section contains questions pertaining to the different parts or objectives of the study. The sections are:

1. Demographic of the respondents,
2. Islamic banking relationship of the respondents,
3. Islamic banks' product quality,
4. Service quality of Islamic banks, and
5. Marketing and Advertising Strategies by Islamic Banks

A total of 400 responses were received to be analysed in this study. According to Krejcie and Morgan (1970), a sample size of 400 is adequate for the analysis as the sample size remains relatively constant at slightly more than 380 cases to represent any population.

Because the respondents of this study were all customers of Islamic and conventional banks in Malaysia, the questionnaire was distributed randomly via email, mobile phone messages (SMS and WhatsApp) as well as social media (Facebook) of which the results were consolidated via online method using Google Form services.

Access to the questionnaire was closed upon receiving 400 responses.

Before proceeding with the data analysis, the study conducted several tests to make sure that the distribution of the data is normal and the results are valid and reliable. More specifically, the study conducted the normality test (through the values of Skewness and Kurtosis; along with their graphics), the reliability test, as well as the Kaiser- Myer-Olkin (KMO), Anti-image matrices, and communalities values.

The normality test was performed to determine whether the distribution as a whole deviate from a comparable normal distribution. As shown in Table 6, the Skewness and Kurtosis values are within the targeted range (must be less than 2 for the Skewness and less than 7 for Kurtosis), hence, indicating that the distribution of the data is normal.

Table 6: Normality test (N=400)

Variable	Skewness value	Kurtosis value
Customer Awareness	-0.02	-0.49
Product Quality	0.08	0.02
Service Quality	-0.69	1.20
Marketing and Advertising strategies	-0.99	2.29

Also, since the number of respondents is more than 200, this study double checked the normality test through the graphical method (using graphs of Histogram and the normal probability plots) to ensure that the shape of the distribution is normal. Both graphics were constructed in this study, and as illustrated in Figure 1 and Figure 2, most bars in the histogram are close to the curve and the data show a normal pattern.

Figure 1: Histogram

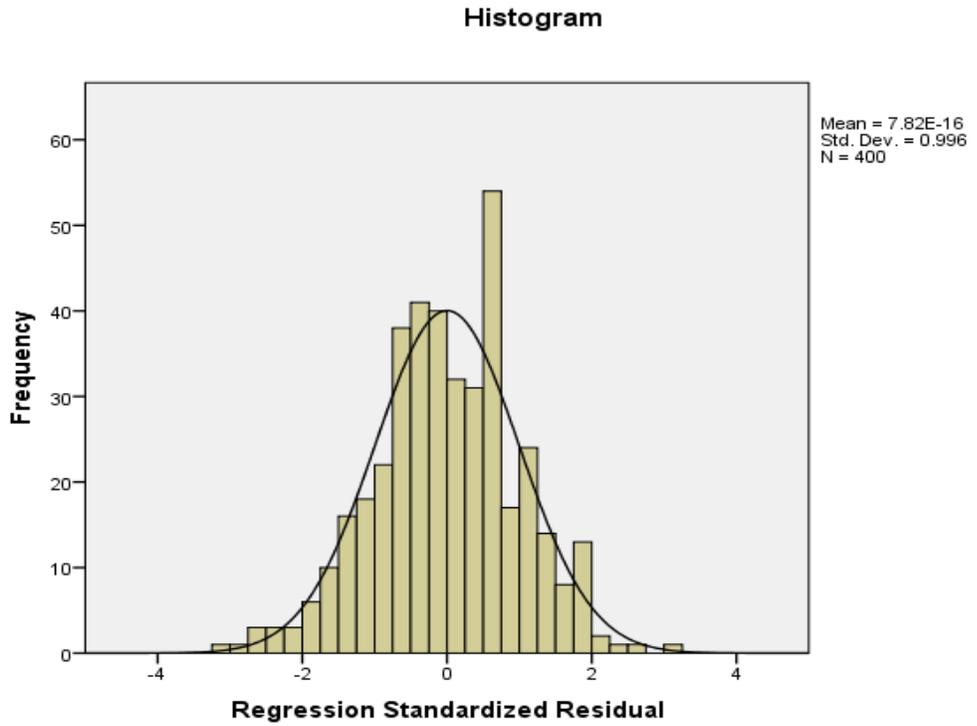
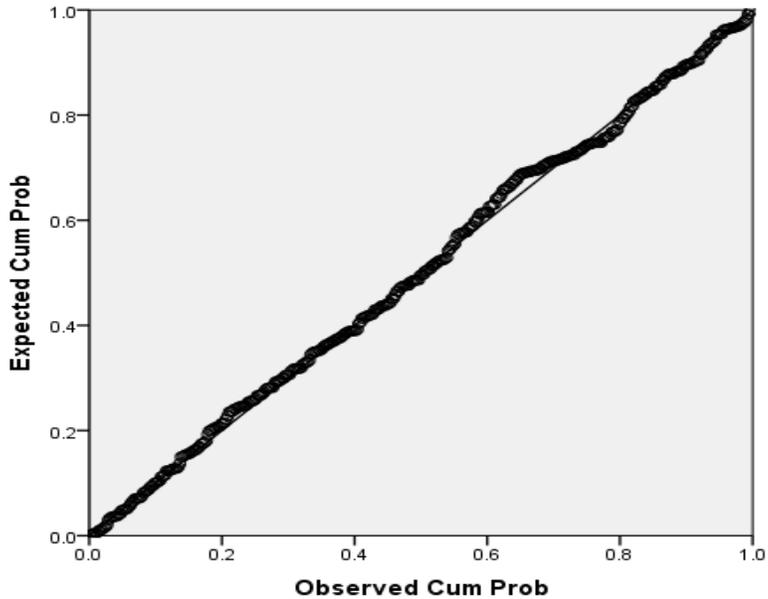


Figure 2: Normal probability plots

Normal P-P Plot of Regression Standardized Residual



Next, a reliability test (i.e. Cronbach’s Alpha) was conducted to determine the stability and consistency in measuring the data. According to Hair, Black, Babin, and Anderson (2010), the lowest limit for Cronbach’s alpha score is 0.60 for exploratory studies. The reliability assessment of the scale was observed to be good, with Cronbach’s alpha of 0.60 (for customer awareness) and above 0.70 for the other three variables, as presented in Table 7. Consequently, the analysis revealed that the Cronbach’s alpha coefficient for each variable is adequate and reliable.

Table 7: Reliability test (N=400)

Variable	Cronbach’s Alpha
Customer Awareness	0.60
Product Quality	0.71
Service Quality	0.73
Marketing and Advertising strategies	0.83

Finally, the KMO, Anti-image matrices, and communality values were also examined. KMO is an indicator used to evaluate the appropriateness of the analysis and it shows the level of validity (Zikmund, 2003). All items of each variable were within the acceptance level, i.e. above 0.60. Anti-image matrices show the degree to which items explain each other (Cooper & Schindler, 2003). As for this study, the matrices are within the required range (i.e. above 0.50). Similarly, communality (i.e. communality shows the estimate [of each item within every variable] of shared factor loadings) was also achieved (with values of more than 0.50) for all variables which means all items are good enough to be used in the analysis.

RESULTS AND DISCUSSION

Descriptive analysis was employed in the data analysis. The first section of the questionnaire was designed to gather information about the respondent's background. Various demographic factors were included in this section. As shown in Table 8, in terms of gender, the two categories are almost balanced, i.e. female (54%) and male (46%). Most respondents were above 35 years of age (69%). A majority of them were Malay, i.e. 80%, followed by Chinese (11%) and Indian (5%). About 63% of the respondents were working in the private sectors and 26% were government employees. A majority of the respondents earned income above RM6,000 (42%), followed by those who earned between RM5,000-6,000 (16%). A majority of the respondents have a Bachelor's degree (42%) while 34% of them have post graduate degree.

Table 8: Respondents' Demographic Profile

Descriptions	Frequency	Percentage
Gender:	400	100.0
Male	183	46.3
Female	217	53.7
Age:	400	100.0
15 – 25	24	6.1
26 – 35	100	25.3
Above 35	276	68.6

Descriptions	Frequency	Percentage
Race :	400	100.0
Malay	320	80.0
Chinese	44	11.0
Indian	20	5.0
Others	16	4.0
Education :	400	100.0
SPM / STPM	34	8.5
Diploma	60	15.0
Bachelor degree	169	42.3
Post Graduate	137	34.2
Occupation :	400	100.0
Student	21	5.3
Private Sector	254	63.4
Businessmen	21	5.3
Government employees	104	26.0
Salary :	400	100.0
Less than RM 3,000	56	14.0
RM 3,001 to RM 4,000	60	15.0
RM 4,001 to RM 5,000	55	13.8
RM 5,001 to RM 6,000	62	15.5
Above RM 6,000	167	41.7

The second section of the questionnaire was developed to investigate the banking relationship of the respondents with both Islamic and conventional banks. As shown in Table 9, only 4% of the respondents do not have any relationship with Islamic banks while 75% are currently banking with both Islamic and conventional banks. However, 22% of the respondents declared that they have banking relationship with Islamic banks only. It is worth noting that a majority of the respondents or 34% claimed that no party had influenced them in making the decision to open a banking account. However, 24% of them highlighted that bank advertisement plays a major role in influencing them to open an account. Therefore, the Islamic banks have lots of opportunities to create active marketing and promotion activities to draw new customers while serving the existing customer base.

Table 9: Banking Relationship

Descriptions	Frequency	Percentage
Types of banking relationship	400	100.0
Islamic banking only	90	22.1
Conventional banking only	14	3.6
Both Islamic and conventional banking	296	75.1
Influence to open account	400	100.0
Family	47	11.8
Relatives	12	3.0
Friends	35	8.8
Work colleagues	28	7.0
Bank advertising	96	24.0
Employer	45	11.3
None	137	34.3

Table 10 shows the reasons for choosing Islamic banking among the respondents. They may choose more than one reason for this survey. A majority of them i.e. 81% indicated that it was due to *shariah*-compliance followed by higher profit on investment (11%). It is interesting to note that despite a majority of the respondents thought that *shariah*-compliance was their main rationale for subscribing to Islamic banking products, most of them still retained their banking relationship with conventional banking (as shown above in Table 9) due to their inability to terminate their existing contract with the conventional banks, for example for medium or long term financing products, it might be costly and inconvenient for them to switch to Islamic products. Nevertheless, this result is consistent with Bashir's (2013) study on Islamic banking customers in Brunei where it was perceived that compliance to *Shariah* was the most important factor when customers choose to transact with the Islamic banks. The two topmost Islamic banking products that the respondents in this study subscribed to are deposits accounts (79%) followed by financing products (55%).

Table 10: Business Engagement

Descriptions	Frequency	Percentage
Reasons for choosing Islamic Banking		
Fast and friendly services	30	7.7
Compliance to <i>Shariah</i>	316	81.4
Higher profit on investment	43	11.1

Descriptions	Frequency	Percentage
Bank reputation	31	8.0
Location (near to house or work)	22	5.7
Other	8	2.1
Islamic banking products		
Deposit accounts	312	78.8
Financing products	219	55.3
Takaful products	130	32.8
Investment products	87	22.0
Credit Card	139	35.1

Figure 3 shows the respondents' preferred local Islamic banks in Malaysia. It is interesting to note that 199 respondents (52%) have picked Maybank Islamic Bank as their most preferred Islamic Bank followed by Bank Islam (147 respondents, 39%). This is supported by the facts that Maybank Islamic Bank has the highest number of shared Islamic and conventional branches that offer Islamic banking products and Bank Islam has the highest number of full-fledged Islamic bank branches. Hence, both banks provide greater access to their Islamic products and services. During the presentation at the roundtable session at the World Islamic Economic Forum held on 26 May 2015, Hisham (2015) has revealed that Maybank Islamic is the largest Islamic bank in Malaysia and the largest Islamic finance provider both in Malaysia and the Asia Pacific. The bank was also announced as the third largest Islamic bank globally by assets (approximately USD 38.0 billion).

Figure 3: Preferred local Islamic banks in Malaysia

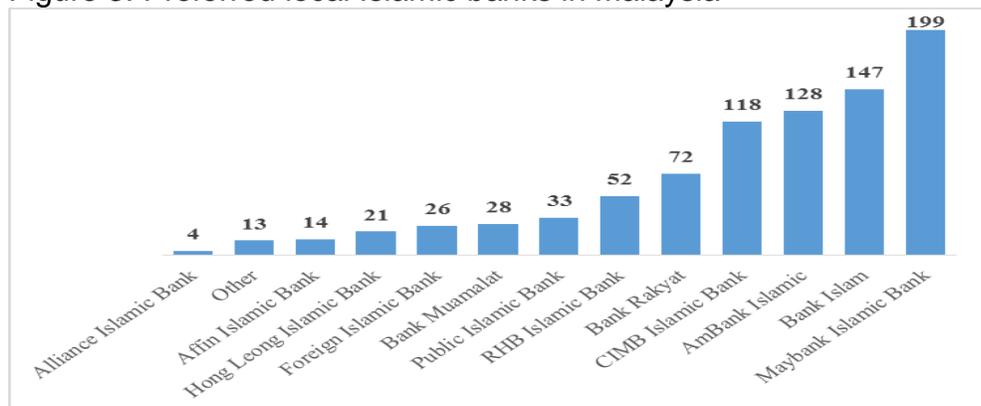


Table 11: Awareness on Islamic banking system

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
Islamic banks should do more promotion.	11 (2.8)	7 (1.8)	36 (9.0)	118 (29.5)	228 (57.0)	4.36
Conventional banks should have separate promotion or advertisement from Islamic Banks.	22 (5.5)	22 (5.5)	80 (20.0)	115 (28.8)	161 (40.3)	3.93
Customers of Islamic banks are well-informed about the dissimilarity between Islamic and conventional banking systems.	18 (4.5)	83 (20.8)	122 (30.5)	117 (29.3)	60 (15.0)	3.30
Product profitability is made known to the Islamic bank customers prior to transacting with the bank.	24 (6.0)	81 (20.3)	135 (33.8)	99 (24.8)	61 (15.3)	3.23

Note: figures in brackets denote per cent.

Table 11 shows that Islamic banks need to have more promotion with 57% of the respondents strongly agree with that statement and 41% of them strongly agree that conventional banks should have separate promotion or advertisement from Islamic banks. It is also interesting to note that nearly 31% of the respondents were neutral in terms of their awareness in comparing the features of conventional banking system and Islamic banking system. This result, however, is expected as 75% of the respondents have accounts in both conventional and Islamic banks as per Table 9 above. Also, only 40% of the respondents were aware about the returns to their banking transaction or investment before subscribing to the products or services. One of the possible reasons that have led to this evidence is that due to inadequate efforts by Islamic banks in providing the mechanisms to educate customers and market their banking products and services. As a result, their customers were unable to obtain full information on the product features and performance. Ahasanul, Jamil, and Ismail (2009) and Rammal and Zurbruegg (2007) in their studies revealed similar results where most of the Malaysian and Australian customers who responded to their survey were not familiar with Islamic banking services.

Table 12: Product quality of Islamic banking

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
Islamic banks offer more advantages than conventional banks.	13 (3.3)	54 (13.5)	168 (42.0)	100 (25.0)	65 (16.3)	3.38
Marketing collaterals of Islamic banking contain	20 (5.0)	108 (27.0)	154 (38.5)	93 (23.3)	25 (6.3)	2.99

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
sufficient information and can be easily understood.						
Islamic banks have developed creative products that can entice customers as compared to conventional banks.	26 (6.5)	89 (22.3)	157 (39.3)	97 (24.3)	31 (7.8)	3.04
The product features and advantages are made known to customers of Islamic banks.	17 (4.3)	75 (18.8)	144 (36.0)	131 (32.8)	33 (8.3)	3.22
Customers of Islamic banks have doubts about Islamic banking products.	58 (14.5)	83 (20.8)	154 (38.5)	80 (20.0)	25 (6.3)	2.83

Note: figures in brackets denote per cent.

Table 12 highlights that 42% of the respondents were indifferent in

their opinion as to whether conventional banks or Islamic banks offer more benefits to customers. This statement is supported by the fact that only 29% of them agree or strongly agree that information about Islamic banking products on marketing collaterals such as flyers, brochures or websites, are adequate and can be easily understood., Hence, this raised the question of whether customers realised the benefits of Islamic banking products or not. Yusof et al. (2011) raised the issue that there are too many Arabic terms in the marketing collaterals that many customers are not familiar with.

Similarly, about 39% of the respondents were neutral that neither Islamic banks nor conventional banks offer interesting products that attract customers. One of the main possible reasons is the product profitability is not made known publicly to the Islamic bank customers prior to transacting with the bank and 23% of the respondents agree with this statement. As a result, approximately 39% of the respondents were non-aligned or indecisive on whether customers have doubts about the banking products and services offered by Islamic banks. This could be interpreted as there are gaps in knowledge about Islamic banking products and services amongst Islamic banking customers in Malaysia. This result indicates that the Islamic banks are incapable of making sufficient efforts in marketing their products as well as educating their customers on their products and services. Rammal and Zurbruegg (2007) validated this statement in their study in Australia.

Table 13: Islamic Banks' service quality

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
Islamic banks should expand their footprints by setting up more new	9 (2.3)	13 (3.3)	50 (12.5)	158 (39.5)	170 (42.5)	4.17

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
branches and deploy more self-service machines.						
Islamic banks provide a wide range of services including online banking, phone banking, priority banking etc.	8 (2.0)	41 (10.3)	119 (29.8)	142 (35.5)	90 (22.5)	3.66
Islamic banks offer efficient and timely services.	12 (3.0)	52 (13.0)	182 (45.5)	125 (31.3)	29 (7.3)	3.27
Many procedures and guidelines need to be complied with by Islamic banks	9 (2.3)	34 (8.5)	135 (33.8)	132 (33.0)	87 (21.8)	3.64

Note: figures in brackets denote per cent.

Table 13 shows that 43% of the respondents strongly agree that a lot of business potentials can be tapped by the Islamic Banks; hence, they should expand their footprints by opening more branches and

deploy more self-service machines. This result is similar to the study conducted by Gerrard and Cunningham (1997) where 79.3% of Muslims in Singapore “agree” that by having further branches, this will encourage more people to use the services of an Islamic bank.

Meanwhile, 23% and 36% of the respondents respectively, strongly agree and agree that the existing services provided by Islamic banks (e.g. online banking, phone banking and priority banking) are sufficient and accessible to all their customers. Nevertheless, it is interesting to note that 46% of the respondents were hesitant that Islamic banks have competitive edge in terms of providing efficient and timely services. This can be concluded that the service quality of the Islamic banks has no difference compared to their conventional counterparts and this can be seen in several examples such as the turnaround time for processing and approving loans as well as the customer service at branch counter which show no differentiation between Islamic and conventional banks. Also, 22% and 33% of the respondents respectively, strongly agree and agree that lots of procedures or guidelines need to be complied with by Islamic banks, hence, hampering the service quality of the banks in meeting customers; expectation.

Table 14: Marketing and Advertising Strategies by Islamic Banks

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
Islamic banks must establish their own marketing strategies to entice their target customer segments in addition to using the normal marketing	9 (2.3)	7 (1.8)	42 (10.5)	158 (39.5)	184 (46.0)	4.25

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
tools used by conventional banks.						
Conventional banks have given competitive pressures to Islamic banks in terms of marketing of Islamic financial products.	8 (2.0)	24 (6.0)	93 (23.3)	162 (40.5)	113 (28.3)	3.87
Marketing strategy can be aligned to that of conventional banks	20 (5.0)	35 (8.8)	124 (31.0)	142 (35.5)	79 (19.8)	3.56
Islamic bank customers can acquire services not offered by Islamic banks so long as there are elements of religious peace and trust by continuing the relationship with the Islamic banks.	28 (7.0)	38 (9.5)	126 (31.5)	143 (35.8)	65 (16.3)	3.45

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
Islamic banks can run promotional and educational activities to close the knowledge gap in customer usage of the deposit and financing products and increase the level of customer awareness	8 (2.0)	6 (1.5)	66 (16.5)	173 (43.3)	147 (36.8)	4.11
Islamic Banks do not proactively promote their products and services, but rather depend largely on word of mouth for promotion and distribution of marketing collaterals	10 (2.5)	38 (9.5)	112 (28.0)	152 (38.0)	88 (22.0)	3.67
The future of Islamic banking not only	7 (1.8)	15 (3.8)	62 (15.5)	146 (36.5)	170 (42.5)	4.14

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
depends on selling Islamic banking products to Muslims, but instead to market them to the general public.						

Note: figures in brackets denote per cent.

As seen in Table 14, a majority of the respondents (46%) strongly agree that Islamic banks must develop their own marketing strategies to attract their target clientele in addition to their regular marketing tools that are also employed by conventional banks. This statement is also agreed on by previous studies done by Yusof et al. (2011) and Rammal and Zurbruegg (2007). The own marketing strategies are important to uphold the confidence of customers on Islamic banks particularly in *Shariah* compliance matters. This initiative, however, is not an easy task as Islamic banks are facing numerous types of competitive pressures from their conventional counterparts particularly in marketing their financial products. This statement receives strongly agree and agree responses by 28% and 41% of the respondents, respectively.

Nevertheless, 36% of the respondents agree that the marketing strategy employed by the Islamic banks can be aligned to those of the conventional banks. For example, Islamic banks operating under conventional banks as their parent bank should tap on the shared infrastructure and facilities as there is no restriction for conventional bank employees to promote and sell Islamic products as well as to serve Islamic bank customers. This statement is agreed upon by 36% of the respondents where services not offered by Islamic banks may be acquired from regular conventional banks while maintaining a sense of religious peace and trust by continuing their relationship with

the Islamic banks.

In order to strengthen the marketing strategy of Islamic banks, 43% of the respondents agree that Islamic banks can run promotional and educational activities to close the knowledge gap in customer usage of these products and increase the level of customer awareness. This is because 38% of the respondents felt that many Islamic banks do not proactively market their products and services, but instead leave the marketing largely on word of mouth for promoting and circulating marketing collaterals.

As Islamic banks are also moving towards globalisation, the future of Islamic banking does not only depend on selling Islamic products to Muslims only, but to market them to the general public. Haron, Ahmad, and Planisek (1994) revealed that there are many similarities between Muslims and non-Muslims in their selection of banks and utilization of services. Therefore, specific marketing strategies must be employed to penetrate the untapped non-Muslims segment market. This statement is strongly agreed upon by 43% of the respondents.

CONCLUSION

The results of this study highlighted that while the number of Islamic bank customers are increasing, the level of their awareness and satisfaction on Islamic banking is relatively low due to limited knowledge and lack of appreciation about the Islamic banking principles. It is noted that there are still large rooms for improvement in Islamic banking marketing strategies as there are clear evidence from the feedback of the survey that Islamic banking customers are still unclear about the Islamic banking concept. The marketing collaterals also need to be improved as the explanations of the product features in the documents are either too brief or not comprehensible to the customers.

As the findings show, there are still gap in terms of knowledge about Islamic banking products and services by a majority of Islamic banking customers in Malaysia which is mainly due to the Islamic

banks not being aggressive enough in their product marketing to penetrate the market. Their current marketing strategies are mostly on farming instead of hunting approach; hence, the focus is more on walk-ins instead of the public at large including non-Muslims. In addition, there is a need to provide continuous education on Islamic banking products and services to customers in order for the Islamic banks to spread their wings to the global level. They need to remain competitive especially with their international counterparts by offering good quality products and services.

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