

## A STUDY ON CONSUMERS' PREFERENCES OF ISLAMIC BANKING PRODUCTS AND SERVICES IN SUNGAI PETANI

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### ABSTRACT

*The aim of this paper is to investigate consumers' preferences on Islamic Banking product and services in Sungai Petani, Kedah. More specifically, to examine the reasons of consumers for selecting Islamic Banking services rather than Conventional Banking services. A self administered questionnaire was carried out on respondents to collect the raw data. This data were processed using SPSS, tool V.13 package. The findings revealed that consumers were aware of Islamic banking products and services to certain degree and the reasons for preferring them are because of the profitability and quality. However, most of them are not utilizing the Islamic facilities fully. This study will be useful to Bankers mainly Islamic Bankers on consumers' preferences towards Islamic products and service, hence, will improve the efficiency in marketing, product innovation and operating Islamic Finance.*

*Keywords: Islamic banking, awareness, profitability, quality*

### INTRODUCTION

The Islamic banking system in Malaysia has evolved as a competitive component of the overall financial system, complementing the conventional banking system as a driver of economic growth and development. It is the aspiration of the Malaysian government to have a strong Islamic banking industry capturing 20 percent of the market share of financing and deposits in the Malaysian financial industry by 2010 (Aziz Z.A, 2007). 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 a business entity that is ineluctably in need for winning over consumers' whilst retaining the old ones.

The first Islamic bank established in the country was Bank Islam Malaysia Berhad (BIMB) which commenced operations on 1 July 1983. In line with its objectives, the banking activities of the bank are based on Syariah principles. Later, in October 1999, a second Islamic bank, namely Bank Mualamat Malaysia Berhad (BMMB) commenced its operations. At present, Malaysia has succeeded in implementing a dual banking system and has emerged as the first nation to have a full-fledged Islamic banking system, which comprises of eleven (11) local Islamic banks and six (6) foreign Islamic banks (BNM, 2010).

The main principles of Islamic banking activities comprise of prohibition of interest (riba) or usury in all forms of banking transaction, undertaking business and trade activities on the basis of fair and legitimate profit, giving zakat (alms tax), prohibition of monopoly, and cooperation for the benefit of society and development of all halal aspects of business that are not prohibited by Islam (Haron, 1997;

Mirakhor, 2000). Unlike conventional banking system, the Islamic banking system prohibits usury, the collection and payment of interest, instead, it promotes profit-sharing in all conduct of banking businesses (BNM, 2007).

It is important to understand that Islamic banks offer products and services that are very much similar to conventional banks and with this perspective intense competition exists. It is now a fact that consumers of all products and services tend to become more demanding due to the current marketplace that are becoming more competitive. As a result, there is a continuous increase in consumer expectations and consumers' successive demands within the improvement of the quality of service (Parasuraman *et. al.*, 1988). This necessitates Islamic banks to really understand the perceptions of their consumers towards them in terms of service quality and the criterion for choosing between other banks. However, in the context of Malaysia, although the number of Malaysian banking consumers using Islamic banking products and services are growing, obviously a majority still have not adopted the system. The system has not fully reached or diffused all levels of community like the matured market of conventional banking.

Looking at this issue from the perspective of Malaysian consumers, a positive perception towards this mode of banking is far more crucial than other Muslim nations. This is due to the existence of dual-banking system. Since 1983, Malaysia has had the dual banking system, whereby the Islamic banking system operates in parallel with other conventional system. So when competition intensifies and the banks start to offer more or less similar products and services, it is usually the level of consumers' satisfaction that can influence the performance of an Islamic bank and determines its competitiveness and success.

Hence it is important to assess the consumers' satisfaction towards Islamic banks in the town Sungai Petani, Kedah. This prominent state has the greatest settlements of Muslims after Terengganu and Kelantan. Sungai Petani is the second largest town in Kedah after Alor Setar, which is located in the northern part of Peninsular Malaysia. The total people population of Sungai Petani is numbered at 332,898. The economy of Sungai Petani has a high and medium sized business community. Small and medium-sized industry plays a part in the local economy, producing numerous products, from semiconductors to television tubes, food industry and from textile to wood products. Sungai Petani is also a booming business center with many large malls, franchise stores and business enclaves.

In Sungai Petani, currently there are two local full fledge Islamic banks namely Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad Malaysia. Besides that, there is one foreign based Islamic bank that is OCBC Al-Amin. The rest of the other banks conducting the dual-system under the same entity.

In this study we assess the consumers' preferences towards Islamic products and services and to determine the underlying factors that enable consumers to choose between Islamic banks and conventional banks. Some of these factors can be due to the bank's effectiveness and efficiency or even through a recommendation from friends and relatives. Moreover, the study analyzes the degree of awareness of activities and facilities offered by an Islamic bank.

This study is expected to foresee the factors that influence consumers to choose which bank to operate with. Some consumers may regard that a bank's location may be the most prominent factor to influence their choice of banking. Hence, this will enable banks to determine the preferences and choice of their consumers. Once, the level of consumers' satisfaction towards a bank's products or services identified therefore a comparison analysis can be carried out. The findings should be able to guide for a better projection in terms of the bank's performances. Therefore, at the end of this study we should be able to determine the level of consumers' preference towards Islamic banking products and services.

## LITERATURE REVIEW

### Awareness

Hamid and Nordin (2001) in their study of Malaysian banking consumers' found out that a high level of awareness of Islamic banking but poor knowledge of specific Islamic banking products, including poor understanding of the difference between Islamic and conventional banks. They also said that better consumer education will assist in making people more aware of Islamic banking products.

As per Haron et al. (1994) study, indicates that only 40 percent of Muslim consumers are considering religion factor as important in patronizing Islamic banks. Thus in Singapore there is general lack of awareness of Islamic banking system among Singaporean communities either they are Muslims or non-Muslims (Gerrard and Cunningham 1997). These results suggest that Islamic banks do not need to rely on religious factor as a strategy in attracting customers, but they should focus more on provision of quality, efficient services and product and services innovations.

Metawa and Almosawi (1998) conducted a study on customers of two leading Islamic banks in Bahrain, the Bahrain Islamic Bank and Faisal Islamic Bank. From their study they found that customers of these two Islamic banks considered Islamic principles as the most important factor in preferring Islamic banks. The study also indicated that socio-demographic factors such as age, income, and education had a strong influence in customer preferring an Islamic bank.

A study on Islamic banking in Singapore found that only a small proportion of Muslims have an awareness of the Islamic banking culture and that for non Muslims the awareness is nearly non-existent (Gerrard and Cunningham, 1997). According to Haidi and Malik (2006) found that exposure and knowledge of Islamic banking is through one's own effort prior to property purchase, recommendation by friends, through working experience and through advertisement and promotions.

### Profitability

According to Metawa and Almosawi (1998), the second important factor was the rate of return from Profit and Loss Sharing (PLS), which adhered to Islamic principles besides the Islamic principle itself. Under the conventional banking system it depends on interest but the Islamic banking system is based upon a number of principles founded in Islamic law (Seyed, 2003). Islam strongly prohibits conduct business with *riba* or usury. This prohibition means that Islamic banks cannot incur or earn interest in any of their financial transactions, (Karim, 1996). Therefore Islamic financing is based on two principles that are profit and loss sharing (PLS) and the mark up principle allows and attracts Muslim consumers.

A study found that religion did not play significant role to select an Islamic bank in Jordan but profit motivated criteria was an important factor to choose a bank opening new branches is also not a significant factor in Jordan (Erol, C. and El.B. Radi, 1989). Literature on Islamic banking adoption and preferences criteria contains numerous features by different researchers across the world. According to Asyraf and Nurdianawati (2006), among the common factors one factor used to measure consumers' selection criteria was cost and benefits (profitability) of products offered.

Islamic banking is complied with interest free banking that conforms to the Islamic *shariah* principle that prohibits interest on various types of lending. The principle of interest free banking is profit and loss sharing. Both the supplier of the capital and the borrower share the risk and both suffer together when returns are poor. Islamic banks will fit only if one replaces "interest rates paid" with "profit-shares and fees" (Arif, 2007).

## Quality

It is known that currently most consumers who requires of all products and services tend to become more demanding and having high expectation due to the current marketplace which are becoming more competitive. This indicates there is a continuous increase in customer expectations and customers' successive demands within the improvement of the quality of service (Parasuraman *et. al.*, 1988). Consumers tends to maintain and enhance their loyalty is through service quality which has been related to the success in service organizations (Wong & Sohal, 2003) including Islamic banks. This has been a significant indicator into service quality perspective (Parasuraman *et al.*, 1988).

According to Haron *et al.* (1994) in his study, bank patronage factors of both Muslim and non-Muslim Malaysians, and sought to establish the criteria used by Muslim customers in selecting their banks. His study revealed that Muslims in Malaysia perceived fast and efficient service, speed of transaction, and friendliness as important criteria in selecting their banks. Another finding of the study indicated that conventional bank customers were willing to patronize Islamic banks if they had sufficient knowledge of Islamic banking practice.

Dusuki and Abdullah (2007), in his study replicated Haron *et al.*'s study in Malaysia, and found out that the selection of Islamic banks are to be a combination of Islamic and financial reputation and quality service offered each banks. Studies by Erol and El-Bdour (1989) discovered that the most important criteria considered by the consumers in bank selection are fast and efficient services, bank's reputation and image, and the confidentiality. These findings are supported by Naser, Jamal and Al-Khatib (1999) whom conducted research on Jordanian consumers' satisfaction which mainly concerns with the bank's name, image, confidentiality policy and reputation. Fast and efficient services are always regarded as high quality services by bank consumers who value time and expect the transaction to be completed quickly. The context of quality services are reflected by the personnel's' friendliness, dress code, communication techniques and consumers' relationship (Haron, Ahmad *et al.* 1994; Naser, Jamal *et al.* 1999).

Consumers preferences often depends on the quality of services offered. In the context of services, consumers' satisfaction as an antecedent of service quality (Bitner, 1990; Cronin and Taylor, 1992). Service quality is thus related, though not equivalent, to satisfaction (Oliver, 1980). For this reason, study on consumers' satisfaction is often closely associated with the measurement of quality (East, 1997). This study also signifies the relationship between service quality and consumers' preference was significant. The above studies have highlighted relevant informative criteria and factors contributing to consumers' preferences towards the products and services of Islamic banks in general. However, the consumers' attitude and perception towards Islamic banking products are still low and lacking.

## METHODOLOGY

This paper is to investigate the factors that influencing consumers' preference in adopting Islamic banking product and services in Sungai Petani. As mentioned earlier the factors that awareness of Islamic banking, profitability by patronizing the Islamic banking products and services and the quality of service being provided by the banks. Therefore a research framework has been constructed and formulated. This framework consists of one dependent variable: preferences of Islamic banking product and services; and three independent variables: awareness, profitability and quality service.

The hypotheses are as follow:

### 1. Awareness

*H1.* There is a significant relationship between awareness and adoption of Islamic banking product and services.

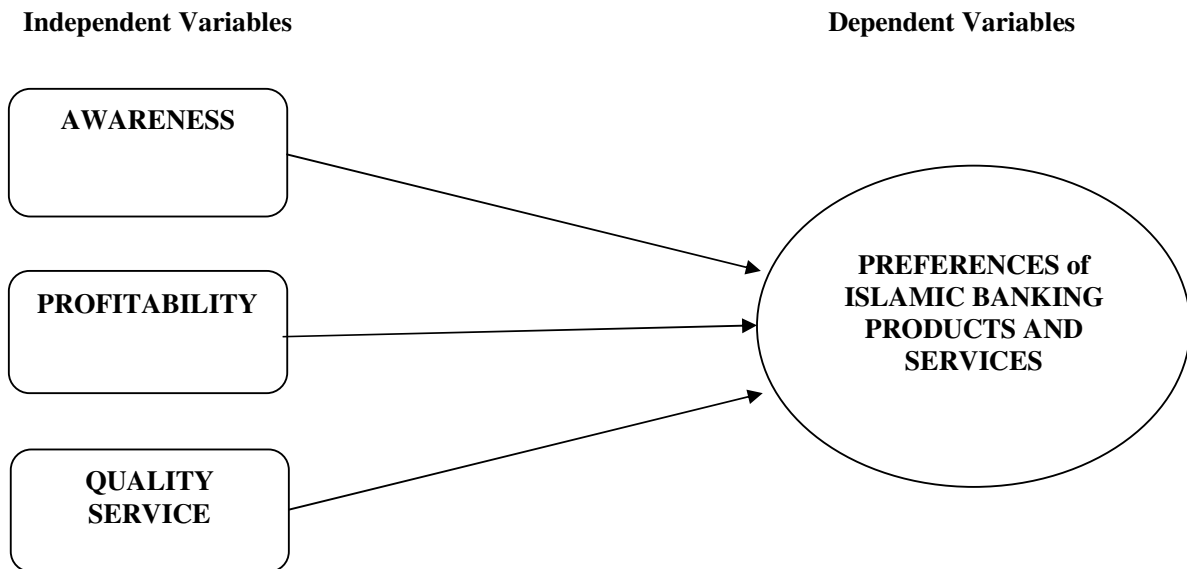
### 2. Profitability

*H2.* There is a significant relationship between profitability and adoption of Islamic banking product and services.

### 3. Quality service

*H3.* There is a significant relationship between quality service and adoption of Islamic banking product and services.

**Figure 1 : Research framework**



For this research a questionnaire was designed and developed with consisting of 4 important sections. Section A consists of questions related respondents' demographic data such as age, gender, marital status, race, religion and their education level. Section B consists of questions related to the variables such as the awareness, type of respondents' account under Islamic or conventional banking and further questioned does the respondent has the Islamic banking product or intend to open or operate within the next two years hence it will indicate are the respondents' prefer to have an account with Islamic banking or to have an account only with conventional banking. Section C related to questions on the reasons for choosing the Islamic bank with regards to profitability, fees and etc. Finally for section D, consists of questions of comparison between both conventional and Islamic in relation to quality of service.

A pilot study has been carried out to determine and ensure the validity of the questionnaire designed. This pilot study has been carried on 5 consumers' whom selected randomly. The purpose of this pilot study is to test the validity and reliability of the research instrument and to identify any ambiguity. Upon completing the pilot study, corrections and amendments are made to improve the instruments. Only primary data are used for this research. Primary data has been collected from a set of questionnaire which were distributed to selected respondents.

In this research, the target respondents will be the consumers from Sungai Petani who has a consumer banking account either in Islamic or conventional banking product and services. The respondents are from different demographic composition. The respondents are expected to answer the questionnaire on the awareness, profitability, quality and their preference on in Islamic banking product and services. A total of 187 samples have been collected and gathered out of 200 questionnaires distributed. A five-point Likert scale has been used in the questionnaires.

## RESULTS AND DISCUSSION

Descriptive analysis has been employed to carry out the data analysis on customers profile. Customers profile was one of the sections in the questionnaire in this study. A profile of respondents is shown in Table 1.

Table 1: Respondents demographic profile

	Frequency	Percentage	Valid	Cumulative
<b>Gender:</b>				
Male	85	45.5	45.5	45.5
Female	102	54.5	54.5	100.0
<b>Age:</b>				
20-30	43	23.0	23.0	23.0
31-40	72	38.5	38.5	61.5
41-50	60	32.1	32.1	93.6
above 50	12	6.4	6.4	100.0
<b>Race:</b>				
Malay	105	56.1	56.1	56.1
Chinese	46	24.6	24.6	80.7
Indian	33	17.6	17.6	98.4
others	3	1.6	1.6	100.0
<b>Education:</b>				
STPM	21	11.2	11.2	11.2
Diploma	18	9.6	9.6	20.9
First Degree	115	61.5	61.5	82.4
Postgraduate	33	17.6	17.6	100.0
<b>Income:</b>				
1500-2500	51	27.3	27.3	27.3
2500-3500	91	48.7	48.7	75.9
3500-4500	45	24.1	24.1	100.0

Table 1 showed that there is not too much difference between males and females in Sungai Petani, Kedah in terms of perception about Islamic Banking. The males and females percentages of our respondent were 45.5% and 54.5% respectively. Since, majority aware or heard about the Islamic banking, then data were collected from different age group. Large group of respondents were from 31-40 age group, followed by 41-50 age group. Moreover, major parts of the respondent were completed

first degree. In the case of the race 56% respondents were Malay, 24.6% Chinese, 17.6% were Indian and rest 1.6% were others. In term of the monthly income, families were more than RM2500-3500 income per month was the largest group among the respondents (91%) and 51% of respondents reported they earn less than RM2500.

### Variance Analysis for consumer demographic characteristics

Consumer demographic characteristics had been divided into five factors including age, gender, education level, monthly income and race. Table 3 shows attitude mean based on the different categories and analyses of variance results for customers demographics. According to the results with 95% confidence, age does not have significant relationship with overall preferences towards Islamic bank (Sig = 0.149). Also with 95% confidence, monthly income (Sig = 0.200) did not show significant relationship with overall preferences towards Islamic bank. Despite these two factors, gender (Sig = 0.043), race (Sig = 0.000) and Education (Sig = 0.046) of respondents showed significant relationships with overall preferences towards Islamic bank ( $p$  less than or equal to 0.05).

Table 2: Analyses variance for consumer demographic characteristics

Consumer Demographic items	F	Sig
(1) Age	1.796	0.149
(2) Gender	4.170	0.043
(3) Race	31.997	0.000
(4) Education	2.719	0.046
(5) Monthly Income	1.621	0.200

### Consumer awareness towards Islamic banking products and services

The analysis revealed that 79.1 %of the respondents are aware about the Islamic banking products and services and nearly 21% of the respondents are not aware about the Islamic product and services. Although the respondents indicated that they are aware of Islamic banking but they have no knowledge about the specific Islamic financial products like Murabaha, Musharaka, Mudaraba, Ijara, Quard Hassan and Aitab. The result also shows that most of the Islamic banking consumers aware and familiar with Al-Wadiah savings and current account. The result of the consumer awareness and patronizing different Islamic products and the services is shown in Table 3.

Table 3: Consumer awareness towards Islamic banking product and services

Product	Not aware		Aware		Account holders	
	Frequency	%	Frequency	%	Frequency	%
Savings Acc	39	20.9	148	79.1	108	57.8
Current Acc	62	33.2	125	66.8	32	17.1
Mudarabah	150	80.2	37	19.8	12	6.4
Musyarakah	153	81.8	34	18.2	7	3.7
Murabaha	150	80.2	37	19.8	13	7.0
Ijara financing	160	85.6	27	14.4	4	2.1
Quard Hassan	150	80.2	37	19.8	19	10.2
Aitab (Hire Purchase)	125	66.8	62	33.2	33	17.6

Table 3 indicates many Islamic bank account holders are prefer to hold savings and current account instead other accounts like Mudarabah, Musyarakah, Murabaha, Ijara financing, Quard Hassan and Aitab. The reason of respondents not holding other accounts is may be lack of knowledge on those products.

### Descriptive analysis for types of bank in which respondents hold their accounts

The results showed that 38.5% respondents are only familiar with Conventional banking services. Indeed only 18.2% reported that they have Islamic bank account and 43.3% have both conventional and Islamic bank account. Holding accounts in both an Islamic as well as a conventional bank enables customers to make useful comparison while evaluating quality of services. Details of respondents holding accounts in Conventional and Islamic banks are reported in Table 4.

Table 4: Types of bank(s) in which respondents hold their accounts

Value Label	Frequency	%	Cumulative
Islamic Banking	34	18.2	18.2
Conventional Banking	72	38.5	56.7
Both Islamic and Conventional Banks	81	43.3	100.0
Total	187	100.0	

### Reliability Analysis

Reliability analysis is aimed to test the reliability of the overall items of variables in this research. According to Sekaran (2003), Cronbach's Alpha ( $\alpha$ ) reliability coefficient is being used for the variables measured. The aim to identify how well the items measuring a construct hang together as a set and specify how well the items in a set positively correlated with one another. The reliability assessment of the entire scale was observed to be good with Cronbach's alpha between 0.745-0.870.

### Reasons for choosing Islamic product and services

In this study, there are several reasons for respondents to hold accounts with Islamic banking. The reasons like better returns, lower fee, meeting consumer financial needs and interest element, transaction speed, availability of Islamic banks (easy access), Islamic bank reputation and Islamic bank efficiency are the reasons for respondents choosing Islamic banking products and services. These reasons are the part of the independent variables in this study despite of the awareness.

Table 5 shows that all the reasons mentioned above has been grouped into two variables, one is profitability (Better return, Lower fee, meeting the financial needs and eliminating the interest) and another is quality (Transaction speed, availability of Islamic banks, reputation and efficiency). It is shown in Table 5 that all the variables are significant towards the choice of holding Islamic bank accounts ( $\text{sig} = 0.000$ ). Further this is also supported in table 6 whereby indicates that the mean and standard deviation observed in this study for all the variables are low and almost the same.

Table5: Reasons for choosing Islamic banking products and services

	Better return	Lower fee	Meet my financial needs	interest element	Transaction speed	Available of Banks	Reputation	Efficiency
Chi-square	157.733	93.791	169.658	114.583	184.845	179.925	192.225	193.294
Df	4	4	4	4	4	4	4	4
Asymp.sig	.000	.000	.000	.000	.000	.000	.000	.000

Kruskall Wallis Test



Table 6: Mean for all variables involved in choosing Islamic banking

	Mean	Std. Deviation
<b>Better return</b>	2.2834	0.78965
<b>Lower fee</b>	2.2460	0.77141
<b>Meets my needs better interest element</b>	2.3636	0.76648
<b>Speed transaction</b>	2.2995	0.73041
<b>Available</b>	2.5134	0.75033
<b>Reputation</b>	2.5829	0.78104
<b>Efficiency</b>	2.4920	0.73594
	2.5348	0.73515

### Correlation Analysis

Correlation analysis is carried out to determine the relationship between the dependent and independent variables. Table 7 shows that all the reasons mentioned above are made the respondents to held their accounts in Islamic banking. These variables have been grouped into two variables, one is profitability (Better return, Lower fee, meeting the financial needs and eliminating the interest) and another is quality (Transaction speed, availability of Islamic banks, reputation and efficiency).

Table 7: Correlation analysis

		Consumer Preferences	Aware Islamic Bank	Profitability	Quality
Consumer Preferences	Pearson	1	.425 *	.680 *	.946 *
	Sig. (2-tailed)		.000	.000	.000
	N	187	187	187	187
Aware Islamic Bank	Pearson	.425 *	1	.327 *	.420 *
	Sig.	.000		.000	.000
	N	187	187	187	187
Profitability	Pearson	.680 *	.327 *	1	.658 *
	Sig. (2-	.000	.000		.000
	N	187	187	187	187
Quality	Pearson	.946 *	.420 *	.658 *	1
	Sig. (2-	.000	.000	.000	
	N	187	187	187	187

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

Table 7 shows the results of the correlation analysis used to access the relationship between the attribute of Consumer preferences of Islamic and independent variables which consists of awareness, profitability and quality. Next, the correlation of awareness and preferences of Islamic banks obtained is 0.425 at the one percent significance level (2-tailed) stated as weak positively correlated. The correlation between profitability and consumer preferences obtained is 0.680 at the one percent significance level (2-tailed), proved that there is a moderate positive relationship between variables. Lastly, the correlation between quality and consumer preferences obtained is 0.946 at the one percent significance level (2-tailed), proved that there is positively correlated which indicates the strongest correlation among the three independent variables.

### Linear Regression

In order to test the hypotheses formulated previously, the linear regression analysis is used.

Table 8: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.949 <sup>a</sup>	.901	.899	.15505

a. Predictors: (Constant), Quality, Aware Islamic Bank, Profitability

From the model summary in table 8 the multiple linear regression test,  $r = 0.949$  and standard error of estimate = 0.15505. The  $r^2$  is 0.901 explains that 90% of change in the dependent value (Islamic account holder) can be explained by the independent variables included in the regression equation (awareness, profitability and quality).

Table 9: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	39.878	3	13.293	552.900	.000 <sup>a</sup>
Residual	4.400	183	.024		
Total	44.278	186			

- a. Predictors: (Constant), Quality, Aware Islamic Bank, Profitability  
b. Dependent Variable: Islamic Acc holder

From Table 9, it can be concluded that with p-value 0.000 (significant) means the independent variables (awareness, profitability and quality) can significantly affect the preference of Islamic product and services.

Table 10: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.155	.043		3.641	.000
Aware Islamic Bank	.039	.036	.028	1.086	.279
Profitability	.061	.019	.100	3.229	.001
Quality	.748	.028	.868	26.857	.000

a. Dependent Variable: Islamic Acc holder

From Table 10, the p-value for awareness is 0.279. Since the p-value calculated is greater than alpha 0.01,  $H_0$  is not rejected at 1% significant level. The samples provide sufficient evidence that there is no significant relationship between awareness and preferences of Islamic product and services. Next, the p-value for profitability is 0.001. Since the p-value calculated is smaller than alpha 0.01,  $H_0$  is rejected and accepted  $H_1$  which is indicating that there is a significant relationship between profitability and consumer preferences. Finally, the p-value for quality is also smaller than alpha 0.01, we reject  $H_0$  and accept  $H_1$ . The samples provide sufficient evidence that there is a significant relationship between quality of Islamic banking product and services and consumer preferences.

### Reasons for choosing Conventional compared with Islamic banking

Although more than 70% of the respondents aware about Islamic banking but not all of them prefer to have accounts with Islamic banking. In this study, however, there are consumers also prefer to have accounts in conventional banking rather than Islamic banking. Table 11 shows the frequency of respondents for choosing Conventional banking compared with Islamic banking.

Table 11: Reasons for choosing Conventional compared with Islamic banking

Criteria	Strongly agree		Agree		No view		Disagree		Strongly disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
<b>Higher wealth creation</b>	27	14.4	95	50.8	39	20.9	25	13.4	1	0.5
<b>Low fee/charges</b>	14	7.5	76	40.6	48	25.7	43	23	6	3.2
<b>High interest of savings</b>	18	9.6	95	50.8	47	25.1	19	10.2	8	4.3
<b>Speed of transaction</b>	36	19.3	89	47.6	50	26.7	12	6.4	0	0
<b>Banks location</b>	40	21.4	74	39.6	66	35.3	7	3.7	0	0
<b>Banks reputation</b>	41	21.9	69	36.9	69	36.9	8	4.3	0	0
<b>Banks efficiency</b>	37	19.8	73	39.0	68	36.4	9	4.8	0	0

Table 11 indicates 65% of the respondents agreed that conventional banking contributes to higher wealth compared with Islamic banking. Nearly 50% of the respondents agreed the charges for operating in Conventional banking is low where as 26% of the respondents stated no view on the charges in Conventional banking. However, more than 50 % of the respondents agreed about the high interest in savings, speed of transaction, Banks location, reputation and efficiency in Conventional banking compared with Islamic banking.

## CONCLUSION AND RECOMMENDATION

This research was conducted to gauge the preferences of consumers in Islamic banking products and services. There are three important factors that will influence consumers' preferences towards Islamic banking product and services besides the consumers' demographic. They are the independent variables as awareness, profitability and quality. The analysis indicates that all three independent variables interact with each other and influence the preferring of Islamic banking product and services among Sungai Petani, consumers. Out of the three independent variables, two variables namely the profitability and quality having the higher degree of influence towards the preferences of the Islamic banking product and services.

From the findings of this study it is urged that the Islamic banks need to serve their consumers by adding extra values in quality and profitability. The banks need to attempt to increase the speed of transactions which lead to efficiency of Islamic banking and maintain the substantial and competitive fees for their product and services as it will maintain the bank's reputation. As for the managerial implication, since the awareness factor is less influencing therefore the bank's management need to take extra mile to create the awareness among the consumers and convince them to patronize. The demographic factor such as race, gender and education do have significant influence towards overall consumer preferences of Islamic banking product and services.

Islamic banking needs to facilitate the understanding of Islamic banking products and services being offered. The products and services need to be similar or better than conventional banks. Islamic banking have the potential of being marketed to various segments of consumers, extending beyond those who are concerned with legitimacy of the facility from Islamic point of view, and those who seek service quality, convenience and efficient transactions. Finally this type of research should be expanded further to gauge the preferences of consumers in Islamic banking product and services throughout other towns in the state of Kedah Darul Aman.

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