

**THE EFFECTIVENESS OF ISLAMIC MANAGEMENT IN BANKING
SECTORS IN MALAYSIA**

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ABSTRACT

This research focuses on “customers’ perception on the effectiveness of Islamic management in banking sectors in Malaysia”. The main purpose of this study is to know about customers’ perception towards Islamic management in banking sector in Malaysia. This research contains lots of information about Islamic management approaches and customers’ feedback about their satisfactions towards management in banks based on their knowledge and perceptions. Besides, this research encourages Islamic and conventional banks, and also other institutions or organizations to apply Islamic management system into their approaches and activities. The objective of this research is to examine the effectiveness of Islamic management and customers’ perception towards Islamic management in banking sectors in Malaysia through ‘customers’ knowledge about banks’ and their ‘perception about Islamic management in banking sectors in Malaysia’. The effectiveness of Islamic management was measured based on customers’ perception through previous research and questionnaires. There are 200 questionnaires given to randomly selected respondent and the questionnaires were analyzed descriptively using SPSS version 20 (1989, 2011). The researcher concluded and suggested that the Islamic management is effective through customers’ perceptions and should be applied by all banking and other institutions or organizations mainly in Malaysia.

Keywords: Customers’ perception, Effectiveness, Islamic management and knowledge.

EXECUTIVE SUMMARY

This research studies about customers' perception on the effectiveness of Islamic management in banking sectors in Malaysia. This research contains five chapters namely introduction, literature review, research methodology, data analysis and findings, and lastly conclusion and suggestions. There are three objectives of this research which are (1) to study customers' knowledge about Islamic banks, (2) identify customers' perceptions towards using Islamic management compared to conventional management in banking sectors through their level of confidence, agree and their opinion about management practice in banks and (3) determine how far customers' satisfaction towards Islamic banking services and product offered. Those questions are (1) how effective is Islamic management compared to conventional management?, (2) how far customers' perceptions about Islamic management practice compared to conventional management practice in banking sectors?, and (3) do customers give positive perception to Islamic banks compared to conventional banks.

In the introduction, the differences between Islamic management and conventional management were discussed. Researcher briefly defined and discussed about the general and technical meaning of effectiveness, Islamic *fiqh*, the discipline of Islamic *shariah* and the *maqasid shariah* in Islamic management focus more to banking sectors and other relevant topics. Those kinds of topics discussed have close relationship between each other. Besides, researcher also comes out with relevant issues about Islamic banking approach through their strategy and risk management in Islamic banking sectors. Others, this section also contain the problem statement which is how far Islamic banking in Malaysia applied Islamic management in the real practices within the small scope of study and customers' perception on the effectiveness of Islamic management in banking sectors in Malaysia. The sample used

were 16 to 27 Islamic banking licensed in Malaysia by Bank Negara Malaysia (BNM) with last updates at 22 June 2011 through 2012 BNM's website viewed.

The literature review section shows lots of cases, suggestions, recommendations and others from previous researches. This section presents the history and background of Islamic banking system in Malaysia, the detail list of Islamic banks involved, the effectiveness issues and Islamic management strategies, and banking activities in Malaysia. Besides the issues related to Islamic bank's performance, the chapter also briefly discussed the effectiveness of Islamic management in banking sectors. Within the legal issues pertaining to Islamic banks in Malaysia, the researcher also discussed the risks faced by banking sectors. Lastly, the most important issue is about customer perception towards Islamic banks which involve Islamic management practice compared to conventional management practice in banking sectors in Malaysia.

Chapter 3 and 4 discussed the methodology and analysis data. The researcher used secondary data to review the previous research about customers' perceptions and Islamic management and used the primary data through questionnaire. The method used was quantitative design and was analyzed using SPSS version 20 (1989, 2011). As the results, researcher discussed the Islamic management in Islamic banking sectors about customers' perceptions towards their level of confidence, agree and satisfaction of using Islamic management practice in banking sectors specially to Islamic banks. Finally, the last chapter presented the conclusions and suggestions. The researcher concluded and suggested that the Islamic management is effective through customers' perceptions and should be applied by all banking and other institutions or organizations mainly in Malaysia.

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