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The Customer Acceptance towards Personal Financing at Bank Rakyat Indera Mahkota

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Abstract

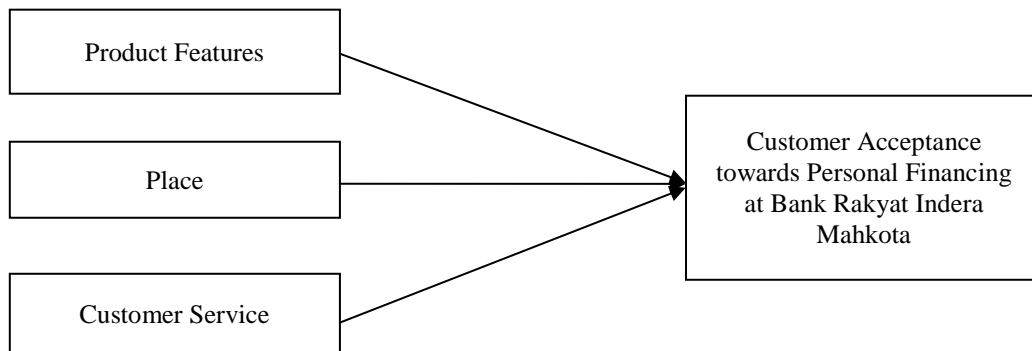
One of the product that offered by Bank Rakyat is Personal Financing-i. Personal Financing-i is one of the facility which is can assist individuals in meeting financial obligations such as for renovation of house, down payment of car and others. The syariah concept that being use for this facility is based on Tawarruq. There were lots of factors that contribute to the acceptance of personal financing-i and three of them are Product Features, Place, and Customer Service. The objective of the study is to determine the customer acceptance towards personal financing-i at Bank Rakyat Indera Mahkota and to identify which one of the three are the most factors of acceptance. The researcher had distributed the questionnaires to the 100 respondents to the customer which is also the applicant of personal financing-i in the Bank Rakyat Indera Mahkota Kuantan. Structured questionnaire were used to collect data from the respondents. Statistical Package for the Social Sciences (SPSS) was used to analyze the data. Frequency analysis was used in order to display the frequency and percentage of respondent in each variable such as gender, age, race, and income level. Regression analysis denoted that there is significant relationship between the acceptance of personal financing-i at Bank Rakyat Indera Mahkota with product features and place thus leaving only the third variable; customer service on the other end of the result. The responds from the respondents were not wasted as it is also used to suggest a recommendation that will be worth looking for in the near future.

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Key-word: - Personal Financing-i, Tawarruq.

1. Introduction

Bank Rakyat Indera Mahkota offers a variety of financial products such as savings Account, Fixed Deposit, Housing Loan, Personal Loan, and Islamic Pawnshop. All products are under the Islamic Banking System. There are two types of counter services in each of the Bank Rakyat branch; one is in the credit Department and the other one is in the Operations Department. The main issues that will be discussed in this research are the factors that influences customer acceptance towards Personal Financing of Bank Rakyat Indera Mahkota. This study is to know why customer choose Indera Mahkota branch for personal financing facility. Therefore the main objective is to determine whether the product features, place and customer services of Bank Rakyat Indera Mahkota are the factors that lead to the customer acceptance of personal financing facility offer by this branch. The reason why this study has been conducted is to know the customer acceptance towards personal financing is because of the higher demand for that facility in Indera Mahkota branch. This research is being conducted to achieve certain objectives. The objectives are to identify whether the product features, place, and customer service influence the customer acceptance of Islamic personal financing which offered by Bank Rakyat Indera Mahkota Kuantan. Dependent variable is a criterion or a variable that is to be predicted or explained. In the above scenario, the dependent variable is acceptance towards customer on Islamic personal financing of Bank Rakyat in Indera Mahkota Kuantan mean while the independent variables are product features, place, and lastly the customer service. The theoretical frameworks are as follow:



2. Literature Review

2.1 Product Features

According to Wing S. Chow (1997) A personal loan is by definition an unsecured loan granted to an individual by the bank for various purposes. Such a loan includes the personal instalment loan, tax, and overdraft accounts. Since it is common practice by the bank for such loans, no collateral of any kind is required from customer. According to Chan and Ma's (1990) found that almost all of the treasurers agreed that physically appearance of the banks had no impact on their selection process while it is aimed at understanding corporate customer's behaviour on split-banking, bank-switching, factors that attribute to patronage, level of awareness, and the usage of banking product and services. They found that corporate customers preferred to use big and reputable banks, and split banking. Corporate customers would only switch their banks if the new bank were able to show that the quality of its products and services were more superior to others'. According (Mylonakis, 2007) found that flexibility, lend amount percent, interest rate and low repayment are the criteria that can influence the selection criteria of loan by customer. This factor are been conclude after Mylonakis do a questionnaire for 200 respondents about choice criteria among Greece Bank home loan customers. Hainudin (2008) also do research about home loan and found Shariah principle, lower monthly payment, and transparency practice, interest free practice and 100 percent financing are the criteria been looking by customer for home loans. Edris (1997) agree that Shariah base banking product offered are the main reason Islamic banking been choosing by business firm. Bitner & Zeithaml (2003) stated that satisfaction is the customers' estimate or service in whether the product or services are met their needs and expectation. Jalaluddin and Metwally (1999) recommended religion is not the only selection criteria for small business firm choose profit/loss sharing financing but probability of firm use profit/loss sharing financing will increase when interest rate increase.

2.2 Place

The customer acceptance towards Islamic baking product is mainly related by certain factors. According from a study made by Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah (2006), there are 12 factors that contribute to consumer preferences towards Islamic financing included for this study are: financial product price, customer service quality (fast and efficient service), convenience (e.g. available parking space, interior comfort), location being near home or work, friendly personnel, knowledgeable and competent personnel, Islamic working environment, economic and financial reputation, respect for human rights, Islamic reputation and image, involvement in the community and environmental practice and impact. Data were collected from Bank Islam Malaysia Berhad (BIMB) and Bank Muamalat Malaysia Berhad (BMMB) in four different states of Malaysia, Kelantan, Penang, Kuala Lumpur and Johor, representing four main regions namely Eastern, Northern, Central and Southern respectively. The fact revealed by this study is that the most important factor that contributes to consumer preferences towards Islamic financing is quality of services provided by Islamic banks.

2.3 Customer Service

Findings by Sudin Haron, Norafifah Ahmad and Sandra L. Planisek (1994), shows that the most important factor considered by people when selecting their financial institutions is fast and efficient service and friendliness of bank personnel. They also divided respondent to Muslims and non-Muslims. Muslims and non-Muslims give different finding about the factors that influencing them choosing their bank. Other factors that considered in this study are reputation and image of bank and reception received at the bank. A study was conducted by Haron (1994) in Malaysia found that the customer will consider certain factor before they use facility or perform any transaction in bank. The top five factor that will consider by Malaysian Muslim when selecting their bank are 1) fast and efficient services 2) speed of transactions 3) friendliness of bank personnel 4) confidentiality of bank and lastly 5) knowledgeable about the needs of customers. However the non-Muslim customers will consider otherwise.

They will consider 1) friendliness of bank personnel, 2) fast and efficient services, 3) reputation and image of bank, 4) speed of transactions, and lastly 5) confidentiality of bank. According to Mamun Rashid, M. Kabir Hassan and Abu Umar Faruq Ahmad (2008), higher demand of Islamic banking products and services requires existence of superior quality in service, efficiency in system, strict compliance to Islamic Shari'ah and satisfactory community service through job creation and ensuring consistency in service provisions. In this study, their finding on respondents responses is corporal efficiency as the major factors that consumer consider in selecting Islamic banking and it was followed by religious factor. To make customer satisfaction the agility of staff service and automatic banking are the most appreciated factor and this was being prove through a research made by Moutinho and Smith (2002). According (Anderson and Sullivan, 1993) strong linkage has been clear between service quality dimensions (for example fast responses to enquiries) and overall customer satisfaction. The last but not least Al-Hawari and Ward (2006) also found that automatic banking is the important factor in the service quality bank selection criteria. As a conclusion the agility and efficiency can make customer satisfy with the service provide by bank.

3. Methodology

According to Sekaran (2006), population refers to the entire group of people, event, or things of interest that researcher wishes to investigate. In this research, the target population is the customer of Bank Rakyat in Indera Mahkota. All of them are from various people and have used the products and services of Bank Rakyat. The reason why researcher chooses this population is the researcher want to study regarding the customer acceptance towards personal financing-i offered by Bank Rakyat in Indera Mahkota. Therefore, the researcher wants to select the respondents among customer who applied for financing at Bank Rakyat Indera Mahkota. 100 respondents will be distributed with a set of questionnaire. Sampling is the process of selecting a sufficient number of elements from the population, so that a study of the sample an understanding of its properties or characteristics would make it possible for us to generalize such properties or characteristics to the population elements. The elements in the population do not have any probabilities attached to their being chosen as sample subjects. This means that the findings from the study of the sample cannot be confidently generalized to the population. Some of the non-probability sampling plans are more dependable than others and could offer some important leads to potentially useful information with regards to the population. In this study, researchers choose to use non probability sampling that is convenient sampling. Convenient sampling is a no probability sampling design in which the data and information for the research are gathered from members of the population conveniently accessible for the researcher. The study will analyze the data using the Statistical Package for Social Science (SPSS 21.0). This program provides many benefits to researchers because this program helps to facilitate data clearing and checking for logical inconsistencies in the dataset. In this study, not all variables consistent with the hypotheses and research question. Therefore, with this program the researchers can identify which one of the variables that is supported or not related to the dependent variable. The researchers will carry out data mining procedure before the actual data analysis is performed. The other program that we use is descriptive analysis. The opinions from the respondents will be coded accordingly before being transferred into data file. We also use the frequency distribution because this program will be used to tabulate the number of responses received for each question. For this study, the best methods used to collect data basically involved giving out questionnaire, interviews, fieldwork (observation), sourcing out other information (secondary data) from business journals, retailing journals, published articles from the internet or newspapers and magazines, as well as gathering figures from business periodical indexes. The questionnaires are distributed to Bank Rakyat members and ordinary customers. Personal interviews are also conducted on a one-to-one basis, based on the need to derive more in-depth information on the retailer and the shopping centre's management. In preparing a set of question for this research, the researcher has been used several scale in the questionnaire. A questionnaire is a formulated written set of question to which respondents' records their answers, usually within rather closely defined alternatives. Questionnaires are an efficient data collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest. Questionnaire can be administered personally, mailed to the respondents, or electronically distributed. The purpose to use several scales is to make the questionnaire interesting and have variety. There is several scales use in developing the questionnaire. A scale is a tool or mechanism by which individuals are distinguished as to how they differ from one another on the variables of interest to our study.

4. Findings

Reliability analysis for all variables

In order to gets the exact finding of the research on customer acceptance on Bank Rakyat's Personal Financing in Indera Mahkota branch; the researcher has done few tests from the SPSS software. The tests are reliability test, frequency test and hypothesis testing which uses the Pearson' Correlation to test the hypothesis. Overall, the tests can shows the relationship between all variables and identify which variable is significant or not significant.

The result indicates that the Cronbach Alpha for the 18 items is 0.909 or 90.9%. The reliability of the questions is considered being acceptable. The descriptive statistics are summarized in Table 4.1.

Table 4.1: Frequency Distribution on Respondent's Profile.

Respondent's Profile	Frequency	Percentage (%)
1. Gender		
▪ Male	48	48
▪ Female	52	52
2. Age		
▪ 18 – 25 years	30	30
▪ 26 – 40 years	49	49
▪ 41 – 55 years	20	20
▪ 56 years and above	1	1
3. Race		
▪ Malay	90	90
▪ Chinese	4	4
▪ Indian	6	6
▪ Others	0	0
4. Religion		
▪ Muslim	90	90
▪ Buddhist	2	2
▪ Hindu	3	3
▪ Christian	5	5
▪ Others	0	0
5. Marital Status		
▪ Single	35	35
▪ Married	65	65
6. Education Level		
▪ Secondary	26	26
▪ Diploma	35	35
▪ Graduate	31	31
▪ Post graduate & above	8	8
7. Profession		
▪ Government Servant	63	63
▪ Private Sector	33	33
▪ Self Employed	4	4
▪ Others	0	0
8. Monthly Income		
▪ < RM 2500	52	52
▪ RM 2501- RM 5000	34	34
▪ RM 5001- RM 10 000	14	14
▪ > RM 10 000	0	0

Descriptive distribution analysis for product features**Table 4.2:** Descriptive Distribution Analysis for Product Features

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Personal financing operates according to Islamic law and principles.	100	3	5	4.10	.595
I choose personal financing because of its fast approval.	100	2	5	4.14	.603
Personal financing offer low monthly instalment.	100	3	5	4.27	.617
Transaction made is clear and free from any hidden charge.	100	2	5	4.23	.633
Personal financing not required any guarantor and collateral.	100	2	5	4.24	.605
Valid N (listwise)	100				

Table above shows the mean and standard deviation for the first independent variable which is product features of personal financing. Based on the table, the third statement has the highest mean of 4.27 and standard deviation of 0.617 which is ranked first. This shows that most of the customers agree that offer the low monthly instalment, whereby the lowest mean is 4.10 which mean respondents think that personal financing operates according to Islamic law and principles. Second rank followed by the statement 5 with the mean of 4.24 and standard deviation of 0.605. Statement 4 ranked third with mean of 4.23 and standard deviation of 0.633. The fourth ranked followed by statement 2 with mean of 4.14 and standard deviation of 0.603.

Descriptive distribution analysis for Place**Table 4.3:** Descriptive Distribution Analysis for Place

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Located in the strategic location and no competition from others bank.	100	1	5	4.43	.769
Located in the area with public amenities and convenience for customer to come.	100	4	5	4.54	.501
Near to workplace.	100	3	5	4.42	.572
Available parking space nearby.	100	3	5	4.38	.528
Comfortable place are provided for customer in the bank for counter transaction.	100	3	5	4.36	.595
Valid N (listwise)	100				

Table above shows the mean for independent variable of Place. The highest mean is at 4.54 where respondents believe that the Bank Rakyat Indera Mahkota is located in the area with public amenities and convenience for customer to come, whereby the lowest mean is 4.36 which mean that not all respondent totally believe that Bank Rakyat provide comfortable place for customer in the bank for counter transaction. However, respondents believe that Bank Rakyat Indera Mahkota is located in the strategic location and no competition from others bank where the mean is second highest at 4.43. This follows by respondents who agreed that Bank Rakyat Indera Mahkota is near to their workplace at a mean of 4.42 and respondents who agreed that the Bank Rakyat provided enough parking spaces at a mean of 4.38.

Descriptive distribution analysis for customer service

Table above shows the mean and standard deviation for the third independent variable which is customer service.

Table 4.4: Descriptive Distribution Analysis for Customer Service

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Staffs provide advice and counseling on Islamic personal financing.	100	2	5	3.92	.734
Bank staffs always give priority to the customer’s confidentiality.	100	2	5	4.09	.712
Fair treatment for both Muslim and non-Muslim customers.	100	2	5	4.24	.740
Fast and efficient counter services.	100	2	5	4.20	.711
Bank staff always shows good attitude and behaviour.	100	1	5	4.26	.812
Valid N (listwise)	100				

On the table, the last statement has the highest mean of 4.26 and standard deviation of 0.812 which is ranked first. This shows that most of the customers totally agree that Bank Rakyat Indera Mahkota staff is always shows good attitude and behaviour when perform their duty to serve customer. This is based on 42% of respondents totally agreed and 47% are agreed with this statement. Second rank followed by the statement 3 with the mean of 4.24 and standard deviation of 0.740. Statement 4 ranked third with mean of 4.20 and standard deviation of 0.711. The fourth ranked followed by statement 2 with mean of 4.09 and standard deviation of 0.712. Lastly, the least mean is the statement 1 with mean of 3.92 and standard deviation of 0.734.

Correlation coefficient test on product features

Hypothesis 1

- H₀:** There is no significant relationship between *Product Features* and customers’ acceptance towards Personal Financing of Bank Rakyat Indera Mahkota Kuantan.
- H₁:** There is a significant relationship between *Product Features* and customers’ acceptance towards Personal Financing of Bank Rakyat Indera Mahkota Kuantan

Table 4.5: Correlation Coefficient Tests on Product Features of Personal Financing

		Customer Acceptance Towards Personal Financing	Product Features
Customer Acceptance Towards Personal Financing	Pearson Correlation	1	.541**
	Sig. (2-tailed)		.000
	N	100	100
Product Features	Pearson Correlation	.541**	1
	Sig. (2-tailed)	.000	
	N	100	100

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

Based on the table above, it shows that the product features is positively associated with the customers’ acceptance towards personal financing in Bank Rakyat Indera Mahkota. The correlation between customer service and product features is $r = .541$. According to the theory from Guilford’s, this result has a moderate correlation. So there is substantial relationship between the product features and customer acceptance towards personal financing in Bank Rakyat Indera Mahkota Branch. From the correlation, it shows that the null hypothesis of no association is rejected which indicates that the association is significantly at 0.01 level.

Hypothesis 2

- H₀:** There is no significant relationship between *place* and customers' acceptance towards Personal Financing of Bank Rakyat Indera Mahkota Kuantan.
- H₁:** There is a significant relationship between *place* and customers' acceptance towards Personal Financing of Bank Rakyat Indera Mahkota Kuantan.

Table 4.6: Correlation Coefficient Tests on Place

		Correlations	
		Customer Acceptance Towards Personal Financing	Place
Customer Acceptance Towards Personal Financing	Pearson Correlation	1	.670**
	Sig. (2-tailed)		.000
	N	100	100
Place	Pearson Correlation	.670**	1
	Sig. (2-tailed)	.000	
	N	100	100

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

Based on the correlation coefficient test in the table above, it shows that place is positively associated with the customer's acceptance towards personal financing in Bank Rakyat Indera Mahkota. The correlation between the place and the customer acceptance of personal financing is $r = .670$. According to the theory from Guilford's, this result has a **moderate correlation**. So there is **substantial relationship** between the place and customer acceptance towards personal financing in Bank Rakyat Indera Mahkota Branch. From the correlation, it shows that the null hypothesis of no association is rejected which indicates that the association is significantly at 0.05 level.

HYPOTHESIS 3

- H₀:** There is no significant relationship between *customer service* and customers' acceptance towards Personal Financing of Bank Rakyat Indera Mahkota Kuantan.
- H₁:** There is a significant relationship between *customer service* and customers' acceptance towards Personal Financing of Bank Rakyat Indera Mahkota Kuantan.

Table 4.7: Correlation Coefficient Tests on Customer Service

		Correlations	
		Customer Acceptance Towards Personal Financing	Customer Service
Customer Acceptance Towards Personal Financing	Pearson Correlation	1	.786**
	Sig. (2-tailed)		.000
	N	100	100
Customer Service	Pearson Correlation	.786**	1
	Sig. (2-tailed)	.000	
	N	100	100

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

Based on the correlation coefficient test in the table above, it shows that customer service is positively associated with the customers' acceptance towards personal financing in Bank Rakyat Indera Mahkota. The correlation between the customer service and the customer acceptance of personal financing is $r = .786$. According to the theory from Guilford's, this result has a **high correlation**. So there is **marked relationship** between the customer service and customer acceptance towards personal financing in Bank Rakyat Indera Mahkota Branch. From the correlation, it shows that the null hypothesis of no association is rejected which indicates that the association is significantly at 0.05 level.

Regression analysis

The regression will be used to test the hypothesis because the regression analysis can determine whether the independent variables explain a significant variation in the dependent variables to find out whether the relationship exists or not.

Table 4.8: Regression Analysis Summary of the Research Model
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851 ^a	.724	.716	.25158

a. Predictors: (Constant), Product Features, Place, Customer Service

From the data above, it shows that the linear regression test of the model reveals that the R-Square of the model is 0.724. It means the model can explain 72.4% of the variance in the dependent variable can be explained by the independent variables. 72.4% of the independent variables can explain the dependent variables while another 27.6% can be explain by another variable. 27.6% cannot be explaining by this independent variable. The amount of R-Square shows that it has a strong positive linear correlation.

Table 4.9: Regression Analysis of ANOVA
ANOVA^b

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.973	3	5.324	84.126	.000 ^a
	Residual	6.076	96	.063		
	Total	22.049	99			

a. Predictors: (Constant), Product Features, Place, Customer Service
b. Dependent Variable: Customer Acceptance Towards Personal Financing

From the ANOVA table, The F value needs to be interpreted. F value is equal to 84.126 at the degree of freedom, with p value significant at 0.000 (p<0.05).

Table 4.10: Standardized Coefficient of the Research Model

		Coefficients^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.184	.281		.656	.513
	Product Features	.134	.065	.133	2.059	.042
	Place	.340	.060	.355	5.666	.000
	Customer service	.449	.061	.527	7.352	.000

a. Dependent Variable: Customer Acceptance Towards Personal Financing

The table entitled coefficients helps us to see which among the 3 independent variables influence most the variance in Customer acceptance towards personal financing of Bank Rakyat Indera Mahkota. The table above also summarizes the result of multiple regression analysis. According to the table, independent variables likes Product Features, Place and Customer Service are significant relationship with dependent variable. Based on the table also we can conclude that customer service ($\beta = .527$) is the most successful factor that influence customer acceptance towards Personal Financing in Bank Rakyat Indera Mahkota.

5. Conclusion

This study was aims to study the customer acceptance towards personal financing in Bank Rakyat Indera Mahkota. Those three independent variables are product features, place, and customer service. The result can be seen through the findings and interpretations of the report. According to the Reliability Test, the interim consistency reliability or the Cronbach’s Alpha reliability coefficient of all the independent variable (product features, place, and customer service) and dependent variable (customer acceptance) were obtained. The result indicates that the Cronbach’s Alpha is 0.909. The closer the reliability gets to 1.0 is better. The Cronbach’s Alpha for these questionnaires is classified as acceptable.

From the findings and interviews, it can be concluded that most of the respondents are accepted Personal Financing Scheme provided by Bank Rakyat Indera Mahkota. While conducting the Frequency test, the researcher realizes that most of the respondents choose to answer the question with strongly or totally agreed. For the first independent variable which is product features, majority of the respondents respond as agreed and strongly agreed towards the questions. There is minor of them responding to strongly disagree, disagree and only several of them who really feel average opinion for the question. Therefore, we can conclude that, the customers are agreed and totally agreed with factor of product features in personal financing acceptance. However, during regression analysis this variable is not significant because the result is not in the range of significant. Therefore, this pledge asset is not significant with customer acceptance. The second independent variable is place. Most of the respondents gave the answer as agreed and totally agree too. During regression analysis, this variable is significant because the result is lower than 0.05. The customer service also get majority of respondents choose agreed and totally agreed. Therefore, we can conclude that the customer satisfied with the relationship of both customer service to the customer acceptance. As a result, it can conclude that the two variables which are place and customer service chosen by the researcher for this study have relationship with customer acceptance. Meanwhile, product features is not having relationship with customer acceptance.

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