

## **CHAPTER 3 – RESEARCH METHODOLOGY**

### **3.0 Introduction**

Methodology is a body of knowledge that enables researchers to explain and analyze methods thus indicating their limitations and resources, identifying their presuppositions and consequences and relating their potentialities to research advances (Miller 1983). Moreover, it underpins the types of questions that can be addressed and the nature of the evidence that is generated (Clark et al., 1984). Therefore, the issue of research methodology is important to any study. Appropriation between research paradigm, type of data, and collection methods has significant implications upon the research findings.

Research is a multi-step process and can be described as a systematic and organized effort to investigate a specific problem that needs a solution (Sekaran, 1992). A research methodology is the combination of processes, methods and tools in conducting research in a research domain. A research process comprises understanding the research domains, asking meaningful research questions and applying valid research methodologies to these questions. Results from a research project contribute to the body of knowledge by promoting clear understanding and enhancing knowledge in a given research domain (Nunamaker et al., 1991).

This chapter discusses the research design and the methods used in this study for investigating the relationship between religiosity and the perception on the service quality in Islamic banking industry among Muslims in Malaysia. The chapter has seven sections: 3.1 describes the research philosophy, 3.2 outlines the research framework, 3.3 explains the research hypothesis, 3.4 specifies the instrument and measurement used in the research, 3.5 discusses the sampling method used, 3.6 details the data collection procedure and 3.7 overviews the data analysis techniques.

### **3.1 Research Philosophy**

Saunders et al. (2003) state that research philosophy depends on the way that researchers think about the development of knowledge. Easterby-Smith et al. (1991) pointed out three reasons of why an understanding of “philosophical issues” of a research is very useful. Firstly, it can help the researcher to understand the overall components and procedures of research to be undertaken. Secondly, it can help the researcher to recognize which design will work well in solving research problems. Thirdly, knowledge of research philosophy can help the researcher to identify and create designs that may be beyond his or her past experience.

Research design provides an overall guidance for the collection and analysis of data of a study (Churchill, 1979). Importance of research design stems from its role as a critical link between the theory and argument that informed the research and the empirical data collected (Nachmias and Nachmias, 2008). A choice of research design ‘reflects decisions about the priority being given to a range of dimensions of the research process (Bryman and Bell , 2007) and this of course will have considerably influence on lower-level methodological procedures such as sampling and statistical packages. It is therefore a blueprint that enables researchers to find answers to the questions being studied for any research project. Research can be conducted with qualitative or quantitative design. Quantitative research refers to the systematic empirical investigation of social phenomena via statistical, mathematical or computational techniques. Qualitative research on the other hand is used to explore and understand people's beliefs, experiences, attitudes, behaviour and interactions and it does not rely on statistics or numbers, which are the domain of quantitative research. This study embraces the quantitative research approach to obtain the following objectives of the study:

1. To investigate the relationship between religiosity and the perception on service quality in the Islamic banking industry among Malay Muslims in Malaysia
2. To examine which dimension of service quality is highly related to religiosity



### 3.3 Research Hypothesis

The nature of this study is considered exploratory as it is difficult to build on the findings of previous studies of the relationship between Islamic religiosity and service quality because there is almost no research done in this area. Furthermore, works on religiosity have tended to focus almost exclusively on Christianity (Wilde and Joseph, 1997). Thus a questionnaire survey is considered as an appropriate method to be employed to explore and investigate the relationship of religiosity and the customer perception on service quality of Islamic banks. The main variables are Islamic religiosity (independent) and service quality dimensions (dependent).

The influence of cultural on service quality perception has been discussed in various studies. Religion, a subset of culture, has considerable influence on people's values, habits and attitudes and it greatly influences life style which in turns affects consumer decision behavior. It has been argued that religion is highly personal in nature and therefore its effects on consumer behaviour depend on individuals' level of religious commitment or the importance placed on religion in their life. Based on the literature review in Chapter 2, there are ample evidences to support that religiosity plays a significant role in influencing several aspects of consumer behaviour. Since service quality is considered to be part of consumer behavior thus it is expected that the level of religious commitment among Muslims would influence their perception on the service quality. Given above, the first hypothesis is

**H1** - There is positive relationship between Muslims' religiosity and their perception on service quality

Various studies on bank patronage and selection criteria on Islamic banking have pointed out that religious reason as the main motive for choosing Islamic banks, which has been grounded under the principles of the Quran and the Hadith. As suggested by Delener (1994), religiosity would influence behavior and decisions made by individuals. Hence, it is expected that the compliance of financial services with *Shariah* rules and principles

will be a primary concern for devout Muslim in using the services offered by Islamic banks. Furthermore, based on the study done by Muhamad (2011), for the religious conviction group, the *Shariah* compliance is the only criterion considered when opting for the Islamic financial services. In addition, it is argued that for moderate Muslims aside from economic motives such as reputation of the bank, pricing and the quality of the services, compliance to *Shariah* is also relevant in their purchasing decision. Compliance to *Shariah* is one of the service quality dimension, thus it expected that for the highly religious Muslim, this dimension will be the most significant factor in their overall perception on the service quality provided by the Islamic banks. Based on this, the second hypothesis is developed.

**H2** – There is positive correlation between Muslims’ religiosity and their perception on compliance dimension of service quality

As argued by Delener (1994), individual's behavior can be influence by religiosity or religiousness. Hence, a person's behavior in making decisions, practices or choices is likely to be associated or aligned with his or her religious backgrounds. The non-religious or least religious individuals are less conservative than the other counter part, the highly religious or pro-religious. As such, it is expected that the more religious person would more likely to align their behavior in conforming to their religious belief and practices. Hence, the third hypothesis is as below

**H3** - There is difference on perception of service quality between the devout and casually religious Muslim customers

Based on the study by Muhamad (2011) on the different consumers’ segmentation for the Islamic banking industry reveals that for religious conviction group, the *Shariah* compliance is the only criterion considered in their purchasing decision. It is further argued that for moderate Muslims, aside for *Shariah* compliance, other factors such as reputation of the bank and the quality of the services as well as pricing and returns are relevant in their purchasing decision to opt for the services. As for the economic

rationality group that can be classified as the casually religious Muslims, criteria such as pricing, returns and services quality will be the main motive in purchasing the services at first place as they are indifferent to both religious and moral dictates in their purchasing decision. Religion is highly personal in nature and therefore its effects on consumer behavior depend on individuals' level of religious commitment or the importance placed on religion in their life. Since purchasing decision is considered to be part of consumer behavior thus it is expected that the level of religious commitment among Muslims would influence such decisions as well as their perception on the service quality. As such, the fourth hypothesis is as follows

**H4** - There is difference between the different level of religious commitment among Malay Muslim customers and their perception on service quality

### **3.4 Instrumentation and Measures**

The data collection instrument chosen for this study is questionnaire. According to Saunders et al. (2003), questionnaire is one of the most widely used survey data collection techniques. The survey was carried out by using structured questionnaire to test the hypotheses.

The questionnaire that has been used in this study were adopted and adapted from previous literature on related studies published by a few researchers and is divided into three sections. Section A is related to the personal background of respondents. Section B is related to the service quality attributes and finally Section C measures the religiosity score (MARS) of the respondents.

For Section B of the questionnaire, the questions comprise of the 34 items based on six service quality dimensions adapted from Othman and Owen (2001), namely Compliance, Assurance, Reliability, Tangibles, Empathy and Responsiveness. The reason for adopting this model is because it emphasizes on quality which is important to customers' satisfaction and it is verified in meeting customer's requirements, specifically in terms of

its importance feature and its compliance to Islamic law. Specifically, this study aims to examine the influence of religiosity on service quality perception among Malay Muslims in Malaysia in the context of Islamic banking thus the inclusion of compliance with Islamic Law dimension is necessary as this will be a primary concern for devout Muslim in using the services offered by Islamic banks. Respondents were asked to rate the relative importance of each 34 items of CARTER dimensions. A six point Likert scale is used to measure the degree of importance of each 34 items with 1 being extremely unimportant and 6 being extremely important.

Section C of the questionnaire is to identify the level of religious commitment or religiosity among the respondents. For this purpose the religiosity scale adopted from by Muhamad (2006) is used and it comprises of 25 items, related to the respondent's faith and attitude towards religion and religious behaviour. The questions in this section are based on six point Likert type scale and their range varies from 1 to 6, with 1 being strongly disagree and 6 being strongly agree. Accordingly, the higher score indicates higher level of religious commitments and vice versa.

The questionnaire used in this study was developed by other researches and then, it is assumed to have high reliability and high validity content. A pre-test was carried out on among MBA students that made up of 8 respondents. This is to check on the validity of the questions, the understanding by the respondents on the questionnaire and the time taken to reply. It also looked at any ambiguity in wording and in the format of the questions. It took the respondent about 5 minutes to answer the questionnaire and overall the questionnaire is understood by the respondents.

### **3.5 Sampling**

Sampling is a process of selecting a sufficient number of elements from the population of research. There are two types of sampling methods.

- Probability or random sampling gives all members of the population a known chance of being selected for inclusion in the sample and this probability can be accurately determined.
- Non-probability sampling is any sampling method where some elements of the population have no chance of selection

The sampling method that is used to collect data in this study is convenience sampling and snowball sampling. These two types of non-probability sampling methods are used because it is less complicated and more economical procedure than random sampling. The subjects are selected based on their convenient accessibility and proximity to the researcher.

### **3.6 Data Collection**

Snowball sampling and convenience sampling techniques were used for the data collection purposes. The questionnaires were distributed via electronic mail and online questionnaires. The respondents were asked to distribute the questionnaire among their friends as part of snowball sampling process.

A total of 280 questionnaires were collected and out of this number, only 255 set of questionnaires are usable after the data is screened and filtered. About 20 of the questionnaires were excluded as the respondents only have conventional banking account with a conventional bank and another 5 questionnaires were found to be incomplete. Altogether, there were 25 questionnaires considered as invalid for analysis. 255 completed questionnaires that accounted for approximately 91 percent from the total 280 will be used for data analysis.



### **3.7 Data Analysis**

Once gathered, the data were tested for normality, validity and reliability. The data collected is analyzed using Statistical Package for Social Sciences Program (SPSS) Version 16.0. Descriptive analysis, factor analysis, normality test, reliability analysis, Pearson Correlation, independent t test and ANOVA are conducted for testing hypothesis and other analyses. The outcomes are presented in the next chapter.

### **3.8 Conclusion**

This chapter presents the research methodology used in this study. In the earlier section, the research philosophy, research framework and hypotheses of this research are discussed. Then, the data collection instruments and measures, sampling design and data analysis techniques of this research are addressed altogether. Generally, the data was collected from primary source through questionnaire. In the next chapter, the discussion on the data analysis that was conducted using SPSS versions 16.0 is presented.